WIENER STÄDTISCHE Versicherung AG
Vienna Insurance Group

(a joint stock corporation organized under the laws of Austria)

Offering of up to 23,000,000 Shares

Admission of up to 23,000,000 Shares to the Official Market of the Vienna Stock Exchange and to the Main Market of the Prague Stock Exchange

This Prospectus relates to an offering of up to 23,000,000 common bearer shares (the "Shares") of WIENER STÄDTISCHE Versicherung AG Vienna Insurance Group ("Wiener Städtische AG" or the "Issuer", and together with its affiliates hereinafter referred to as the "Vienna Insurance Group" or as the "Group"). Up to 23,000,000 Shares to be issued by the Issuer (the "New Shares") are being offered in a rights offering in which holders of Subscription Rights (as defined below) are invited to subscribe for New Shares in the ratio of 3 New Shares for 14 Subscription Rights at the Subscription and Offer Price (as defined below) (the "Rights Offering"). Existing shareholders of Wiener Städtische AG who hold Shares as of 24:00 CET on April 21, 2008 ("Existing Shares") will receive one subscription right (the "Subscription Rights") for each Existing Share held. New Shares for which Subscription Rights are not exercised in the Rights Offering (including New Shares for which Subscription Rights are not allocated due to the Subscription Ratio (*Spitzenausgleich*) (the "Rump Shares") will be offered in the Global Offering at the Subscription and Offer Price. As part of the Global Offering, eligible employees of the Group will be offered the right to subscribe for an aggregate of up to 1,000,000 of the Rump Shares (the "Employee Shares") at a discount of 20% from the Subscription and Offer Price. The New Shares (including the Employee Shares) and any Greenshoe Shares (as defined below) are collectively referred to herein as the "Offer Shares".

Wiener Städtische Wechselseitige Versicherungsanstalt — Vermögensverwaltung ("WST-Versicherungsverein") has committed to exercise Subscription Rights with respect to at least 16,000,000 New Shares. The Global Offering consists of (i) a public offering to retail and institutional investors in the Republic of Austria and the Czech Republic, (ii) a private placement in the United States of America (the "United States" or the "USA") to qualified institutional buyers ("QIBs") pursuant to Rule 144A under the U.S. Securities Act of 1933, as amended (the "Securities Act") and (iii) a private placement to selected institutional investors outside of the Republic of Austria and the Czech Republic and outside of the United States of America pursuant to Regulation S under the Securities Act.

The subscription price at which Subscription Rights can be exercised and the price at which investors are able to purchase Rump Shares in the Global Offering will be determined by the Issuer in consultation with the joint global coordinators named herein (the "Joint Global Coordinators") after expiration of the Subscription Period, based on the closing price of the Shares on the Vienna Stock Exchange on or about May 7, 2008 (the "Subscription and Offer Price"). The Subscription and Offer Price will not exceed the Maximum Subscription and Offer Price set forth below.

Holders of Subscription Rights may exercise their Subscription Rights between April 22, 2008 and May 7, 2008 (the "Subscription Period"). The Rights Offering may be terminated at any time and the Subscription Period may be extended at any time. Subscription Rights not exercised within the Subscription Period will expire. The Offer Period during which investors may purchase Rump Shares in the Global Offering will run from April 22, 2008 to May 7, 2008 (the "Offer Period"). The Offer Period may be terminated early or extended at any time. The period during which Eligible Employees (as defined herein) may purchase Employee Shares runs from April 22, 2008 to April 30, 2008 and may be terminated or extended at any time.

An investment in the Offer Shares involves certain risks. See "Risk Factors" beginning on page 16.

Maximum Subscription and Offer Price: EUR 54.00 per Share

The accuracy of the information contained in this prospectus does not fall within the scope of examination by the Financial Market Authority under Austrian law and the Directive 2003/71/EC, as amended.

The Subscription Rights and the Offer Shares have not been and will not be registered under the Securities Act and may be exercised, offered or sold in the United States only to QIBs in reliance on Rule 144A under the Securities Act and outside the United States in reliance on Regulation S under the Securities Act.

WST-Versicherungsverein has granted the Joint Global Coordinators the option to acquire up to 1,000,000 additional Shares (the "Greenshoe Shares") at the Subscription and Offer Price (less agreed commissions) to cover possible over-allotments. The Joint Global Coordinators may exercise this over-allotment option during the period beginning with the announcement of the Subscription and Offer Price and ending on the 30th calendar day after the allocation of New Shares.

The Existing Shares of Wiener Städtische AG are listed on the Official Market of the Vienna Stock Exchange and the Main Market of the Prague Stock Exchange under the symbol "VIG". On April 18, 2008, the closing price on the Vienna Stock Exchange of the Existing Shares of Wiener Städtische AG was EUR 48.75, and on the Prague Stock Exchange was CZK 1,210.00. The share prices do not reflect the dividend payment of EUR 1.10 per Share, which is scheduled for April 28, 2008 (ex-dividend date). Application will be made for the New Shares to be listed on the Official Market of the Vienna Stock Exchange and the Main Market of the Prague Stock Exchange. The Subscription Rights will not be traded on any stock exchange. Beginning on April 22, 2008, the Existing Shares will be traded on the Vienna Stock Exchange and the Prague Stock Exchange "without Subscription Rights" (*ex-Bezugsrechte*).

Payment and delivery of the New Shares is expected to take place on or about May 13, 2008. The New Shares will be represented by one or more global certificates and are expected to be delivered through the book-entry facility of Oesterreichische Kontrollbank AG and will be deposited with the depositories Clearstream Luxembourg or Euroclear or UNIVYC a.s. ("UNIVYC") on or about May 13, 2008.

Joint Global Coordinators and Bookrunners

Erste Bank **JPMorgan** **Merrill Lynch International**

Prospectus dated April 21, 2008

Wiener Städtische AG has prepared this Prospectus in accordance with annexes I and III of Regulation (EC) No. 809/2004 dated April 29, 2004 (OJ L 186/3 dated July 18, 2005) as amended exclusively for the purpose of a public offering of the Offer Shares in Austria and the Czech Republic and of the admission of the Offer Shares to the Official Market on the Vienna Stock Exchange and the Main Market of the Prague Stock Exchange. The information contained in this document has been made available by the Issuer and other sources as specified in this Prospectus. Copying and distributing the information for purposes other than acquiring the Offer Shares is not permitted.

No offer, legal restrictions. This Prospectus is not an offer for sale or a solicitation of an offer to purchase securities other than the Offer Shares. In a number of countries other than Austria and the Czech Republic, in particular in the United States of America, in Canada, in Japan and in the United Kingdom, the distribution of this Prospectus, the exercise of Subscription Rights with respect to the New Shares, the offer of the Offer Shares as well as the sale of the Offer Shares is subject to restrictions imposed by law (such as registration, admission or other regulations). Persons into whose possession this Prospectus may come are requested by the Issuer to seek information about and comply with such restrictions, in particular not to publish or distribute the Prospectus in violation of applicable securities regulations. Any failure to comply with such restrictions may result in a violation of applicable securities regulations. The Prospectus does not constitute an offer to sell the Offer Shares to any person in a jurisdiction in which it is unlawful to make such offer to such person, or a solicitation of an offer to buy Offer Shares from a person in a jurisdiction in which it is unlawful to make such solicitation.

Other information or representations. No person is authorized to give information or make representations regarding this Offering which are not contained in this Prospectus and if given or made, such information or representations shall not be relied upon as having been authorized by the Issuer or the Joint Global Coordinators. Information given or representations made in connection with this Offering, the subscription or the sale of the Offer Shares that are inconsistent with those contained in this Prospectus are invalid. No representation or warranty, express or implied, is made by the Joint Global Coordinators as to the accuracy, completeness or verification of the information set forth in this Prospectus, and nothing contained in this Prospectus is, or shall be relied upon as, a promise or representation by the Joint Global Coordinators in this respect, whether as to the past or the future. The Joint Global Coordinators assume no responsibility for its accuracy, completeness or verification and accordingly disclaim any and all liability whether arising in tort, contract or otherwise which they might otherwise be found to have in respect of this document or any such statement.

Investors acknowledge that they have not relied on the Joint Global Coordinators or any person affiliated with the Joint Global Coordinators in connection with any investigation of the accuracy of any information contained in this Prospectus or their investment decision

Key date, future events or developments. The distribution of this Prospectus does not mean that the data contained herein are current as of any time after the date of this Prospectus. In particular, neither the delivery of this Prospectus, nor the offer, sale nor delivery of Offer Shares means that no adverse changes have occurred or events have happened, which may or could result in an adverse effect in the Issuer's business, financial condition or results of operations. Any material new circumstances and any material incorrectness or inaccuracy as to the statements contained in this Prospectus that could influence the assessment of the Shares and that occur between the approval of the Prospectus by the FMA and the completion of the Offering will be included and published in a supplement to the Prospectus in accordance with § 6 of the Austrian Capital Market Act (*Kapitalmarktgesetz*) and in accordance with the Czech Capital Markets Act.

Independent appraisal. In making an investment decision, each investor must rely on their own examination, analysis and enquiry of the Company and the terms of the Offering, including the merits and risks involved. None of the Joint Global Coordinators, or any of their respective representatives, is making any representation to any offeree or purchaser of the Shares regarding the legality of an investment in the Shares by such offeree or purchaser under the laws applicable to such offeree or purchaser. It is expressly recommended that investors consult their own advisors before purchasing Offer Shares. Investors are required to make their independent assessment of the legal, tax, financial and other consequences of a purchase of Offer Shares. They are also required to make their independent assessment of the risks involved in the purchase of Offer Shares.

The Joint Global Coordinators are acting exclusively for the Issuer and no one else in connection with the Offering. They will not regard any other person (whether or not a recipient of this Prospectus) as their respective clients in relation to the Offering and will not be responsible to anyone other than the Issuer for providing the protections afforded to their respective clients nor for giving advice in relation to the Offering or any transaction or arrangement referred to herein.

Stabilization measures. In connection with the Offering, Erste Bank der oesterreichischen Sparkassen AG ("Erste Bank") is acting as stabilization manager (the "Stabilization Manager") on behalf of the Joint Global Coordinators and may, to the extent permitted by applicable law, over-allot or effect transactions with a view to stabilizing or maintaining the market price of the Shares or other securities of the Issuer at levels above those which might otherwise prevail in the open market from the date of publication of the Subscription and Offer Price ("Stabilization Measures"). Such transactions may be effected on the Vienna Stock Exchange, in the over-the-counter ("OTC") market or otherwise. However, there is no obligation on the Stabilization Manager to do so. There is no assurance that such stabilization will be undertaken and, if it is, it may be discontinued at any time and it must be brought to an end 30 days after the date of allotment of the Offer Shares (the "Stabilization Period"). See "*Plan of Distribution — Stabilization, Share Lending and Over-allotment Option*".

Within one week after the end of the Stabilization Period, a notification will be published in the *Amtsblatt zur Wiener Zeitung* announcing whether any Stabilization Measures have been effected, the date on which Stabilization Measures were first effected and the date of the last Stabilization Measure, as well as the range of prices within which Stabilization Measures have been effected.

The distribution of this Prospectus, the exercise of Subscription Rights and the offer and sale of the Offer Shares offered hereby may be restricted by law in certain jurisdictions. Persons in possession of this Prospectus are required to inform themselves about, and to observe, any such restrictions. This Prospectus may not be used for, or in connection with, and does not constitute, any offer to sell, or an invitation to purchase, any of the Offer Shares offered hereby (or the exercise of any Subscription Rights) in any jurisdiction in which such offer or invitation would be unlawful.

CERTAIN U.S. MATTERS

The Subscription Rights and the Offer Shares have not been and will not be registered under the Securities Act and may not be exercised, offered or sold except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws.

Accordingly, the Subscription Rights and the Offer Shares are being offered and sold in the United States only to QIBs in transactions exempt from the registration requirements of the Securities Act and outside the United States in offshore transactions in reliance on Regulation S under the Securities Act. Prospective purchasers are hereby notified that sellers of the Offer Shares may be relying on the exemption from the registration requirements of Section 5 of the Securities Act provided by Rule 144A. For a description of certain restrictions on offers, sales and transfer of the subscription rights and the Offer Shares, see "*Plan of Distribution – Selling Restrictions*" and "*Plan of Distribution – Restrictions on Resale*".

The securities offered hereby have not been recommended by any United States federal or state securities commission or regulatory authority. Furthermore, the foregoing authorities have not passed upon the merits of the Offering or confirmed the accuracy or determined the adequacy of this prospectus. Any representation to the contrary is a criminal offence in the United States.

NOTICE TO NEW HAMPSHIRE RESIDENTS ONLY

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSONS, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE OR CAUSE TO BE MADE TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT, ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

AVAILABLE INFORMATION

If, at any time, Wiener Städtische AG is neither subject to Section 13 or 15(d) of the United States Securities Exchange Act of 1934, as amended (the "Exchange Act"), nor exempt from reporting pursuant to Rule 12g3-2(b) under the Exchange Act, it will furnish, upon request, to any owner of Offer Shares, or any prospective purchaser designated by any such owner, the information required to be delivered pursuant to Rule 144(d)(4) under the Securities Act. In such cases, Wiener Städtische AG will also furnish to each such owner all notices of shareholders' meetings and other reports and communications that are made generally available to shareholders by it.

ENFORCEMENT OF CIVIL LIABILITIES

Wiener Städtische AG is organized under the laws of the Republic of Austria. The members of Wiener Städtische AG's management and supervisory board and certain experts named in this Prospectus are not residents of the United States and all or a substantial portion of the assets of such persons and of Wiener Städtische AG are located outside of the United States. In addition, WST-Versicherungsverein, the principal shareholder of Wiener Städtische AG, is organized under the laws of the Republic of Austria, with substantially all of its assets located outside of the United States. As a result, it may not be possible for investors to effect service of process within the United States upon Wiener Städtische AG, WST-Versicherungsverein or such other persons or to enforce against them in U.S. courts judgments obtained in such courts based on the civil liability provisions of the U.S. securities laws. In general, the enforceability in Austrian courts of final judgments of U.S. courts would require retrial of the case in the Republic of Austria.

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GENERAL INFORMATION

Forward-Looking Statements

This Prospectus contains forward-looking statements. Forward-looking statements are all statements in this Prospectus that do not relate to historical facts and events. This applies, in particular, to the statements set forth in the sections "Summary of the Prospectus", "Risk Factors", "Management's Discussion and Analysis of Financial Condition and Results of Operations", "Embedded Value of Wiener Städtische Versicherung AG Vienna Insurance Group", "Business" and wherever the Prospectus includes information on the future earning power, plans and expectations with regard to the Vienna Insurance Group's business, and on growth, profitability and the general economic conditions to which the Vienna Insurance Group is exposed. Forward-looking statements can be identified by the use of the words "should", "may", "will", "believes", "assumes", "expects", "estimates", "plans", "intends", "is of the opinion", "to the knowledge of", "in the estimation of" or other formulations of a similar meaning. The forward-looking statements are based on current estimates made by Wiener Städtische AG to the best of its knowledge. Such forward-looking statements are based on assumptions and certain factors and are subject to risks and uncertainties. Forward-looking statements in this Prospectus relate to, among others, statements about:

- the expectations of the Vienna Insurance Group in regard to the effects of risks concerning its business, such as the actuarial risk and the risks associated with changes in the value of investments;
- the realization of strategic initiatives of the Vienna Insurance Group;
- the development of aspects, which are important for the Group's profitability;
- certain financial targets of the Vienna Insurance Group; and
- other statements in regard to future business development of the Vienna Insurance Group and general economic developments and trends.

These forward-looking statements are based on present plans, estimates, projections and expectations of the Vienna Insurance Group. They are based on certain expectations, which, even though they seem to be adequate at present, may turn out to be incorrect. The reader should not rely on these forward-looking statements to an unreasonable extent. Numerous factors may cause actual results, realized revenues or performance to differ materially from the results, revenues or performance expressed or implied in the forward-looking statements of the Vienna Insurance Group. These factors include among others:

- changes in actuarial assumptions;
- incorrect assessments of the facts underlying losses;
- a decline in the availability of reinsurance;
- changes in general economic and business conditions;
- changes and fluctuations in interest rates, share prices and exchange rates;
- political and regulatory changes or changes in political or social conditions;
- changes in the competitive environment;
- changes in Wiener Städtische AG's rating;
- success of acquisitions;
- continuing growth of the insurance market in the CEE region;
- other factors, which are discussed in more detail under the heading "*Risk Factors*"; and
- factors, which are presently unknown to the Vienna Insurance Group.

The absence or the occurrence of these factors may cause actual results, including the financial position and profitability, of the Vienna Insurance Group to differ significantly from the results stated or described, expressly or implicitly, in the sections containing forward-looking statements. Therefore, the sections "*Summary of the Prospectus", "Risk Factors",* "*Management's Discussion and Analysis of Financial Condition and Results of Operations*", "*Business*" should be read carefully, as they describe in detail factors which may influence the business development of the Vienna Insurance Group and the insurance market.

In light of the risks, uncertainties, assumptions and other factors referred to in this Prospectus, events described in the forward-looking statements may not occur or may fail to materialize. The same applies to future-related estimates and projections from third-party sources referred to herein, see "*– Reference to Sources of Market Information and Other Statistical Information*".

Consequently, neither the Company nor its management can guarantee or assume responsibility for the accuracy and completeness of any of the forward-looking statements contained in this Prospectus or the actual materialization of predicted developments. Furthermore, Wiener Städtische AG and the Joint Global Coordinators expressly disclaim any obligation to update such forward-looking statements and to adjust them in light of future events or developments save as required by law.

Reference to Sources of Market Information and Other Statistical Information

The figures set forth in this Prospectus with respect to market shares, growth rates and premiums (not only those relating to the Vienna Insurance Group) in the insurance market are primarily based on sources in the public domain, particularly publications of the respective national insurance associations or Wiener Städtische AG estimates which, in turn, were primarily based on published data or figures from sources in the public domain. It should be noted that the data as presented are largely derived from industry statistics which do not purport to describe markets from a customer's perspective and therefore do not necessarily reflect the competitive pressure Vienna Insurance Group is subject to. In particular, as a consequence of the convergence of products from the banking and life insurance industries, customers have a variety of financial products to choose from (such as investment trust pension products, etc.) to meet their demand for wealth-creation.

Where information has been sourced from a third party, this information has been accurately reproduced and, as far as the Issuer is aware and is able to ascertain from information, published or provided by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading. The sources of information which is published or provided by third parties are provided wherever such third party information is used in the Prospectus.

List of Sources With Definitions for Later Use in the Prospectus

Information sourced from third parties has been accurately reproduced and as far as the Issuer is aware and is able to ascertain from information published by that third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading. No facts have been concealed that would make this information from third party sources incorrect or misleading. Therefore, the Vienna Insurance Group does not assume any responsibility as to the accuracy of the information provided in this Prospectus that is based on third party studies with respect to market shares, growth rates and premiums (other than those relating to the Vienna Insurance Group) in the insurance market.

For the calculation of market shares of insurance groups operating in Austria, the computation rules used by the Austrian Insurance Association (*Verband der Versicherungsunternehmen Österreichs*, "VVO") were applied. This means that investments in excess of 50% were accounted for at 100% of the premiums; the premiums for investments between 20% and 50% were accounted for proportionately. Investments below 20% and foreign investments were not accounted for. Data presented in this Prospectus include direct premiums written without the reinsurer's share.

The premium information regarding countries outside Austria, which is published by the respective national insurance associations, is based on different principles than the premiums which are declared by each of the respective companies. The data from national insurance associations also include premiums in the CEE region for which the individual insurance companies awarded discounts. However, the data published by the individual companies contain only the actual premiums written.

For a compilation of sources see "*Sources for Market Data*" included in Part I of this Prospectus.

Financial Data

Unless expressly indicated otherwise, financial data for fiscal years 2007 and 2006 in this Prospectus are derived from the annual statements prepared according to the IFRS, as they are applied in the EU.

Embedded Value

Parts of this Prospectus contain information regarding European Embedded Values ("EEV"), Traditional Embedded Values ("TEV"), Group Embedded Values ("GEV"), Adjusted Net Asset Values ("ANAV") and other insurance-specific measures and other financial information that are sometimes used by investors to evaluate the performance of companies in the insurance sector. This information included in this Prospectus is not intended to comply with U.S. or other specific reporting requirements.

Compliance with such requirements would require the modification or exclusion of some of these financial measures. EEV, TEV, GEV ANAV and such other financial information included herein are industry measures and investors should not consider such items as alternatives to the applicable IFRS measures.

These alternative industry measures are explained in this Prospectus and investors should review such explanations to understand fully how they have been prepared. In particular, an investor should not consider EEV, TEV, GEV ANAV or such other industry information as measures of the Vienna Insurance Group's or the Target Companies' financial performance or liquidity under IFRS or as an alternative to profit for the period, operating profit or any other performance measures derived in accordance with IFRS.

Rounding

Certain numerical information and other amounts and percentages presented in this Prospectus may not sum up due to rounding to one decimal place.

Definitions

The following definitions, among others, are being used in this Prospectus:

- Net earned premiums represent that part of the gross premiums written used to provide insurance coverage in that year. Gross premiums written in the direct insurance business consist of the written premium without including the insurance- and fire protection tax plus fringe payments of the policy holder minus the premium cancellations of the respective fiscal year. In the indirect business the written premiums represent the premiums invoiced by reinsurers. In the coinsurance business the prescribed gross premiums written represent the amount allocated to each of the coinsurers.
- "Agras" refers to Agras Vienna Insurance Group S.A., an affiliated company in Romania.
- "Asirom" refers to S.C. Asigurarea Romaneasca – Asirom S.A., an affiliated company in Romania.
- "BA-CA Versicherung" refers to Bank Austria Creditanstalt Versicherung Aktiengesellschaft, an affiliated company, in which Wiener Städtische AG holds an ownership interest of 60.5%, Bank Austria Creditanstalt AG holds an ownership interest of 10%, and ERGO International AG holds an ownership interest of 29.5%, and which operates in the life insurance business in Austria (these ownership interests have existed in this form since August 2007 and the merger with UNION Versicherungs-AG). In connection with obtaining regulatory approval of the acquisition of the Target Companies, the Vienna Insurance Group agreed to sell a majority of its shares in BA-CA Versicherung to the ERGO International AG. Vienna Insurance Group will continue to hold a 10% plus one share participation in BA-CA Versicherung.
- "BCR Life" refers to BCR Asigurari de Viata in Romania.
- "BCR Non-Life" refers to BCR Asigurari in Romania.
- "Benefia Life" refers to BENEFIA Towarzystwo Ubezpieczeń na Życie S.A. Vienna Insurance Group in Poland.

- “Benefia Non-Life” refers to BENEFIA Towarzystwo Ubezpieczeń Majatkowych S.A. Vienna Insurance Group in Poland.
- “Bulstrad Life” refers to Bulstrad Life Insurance Joint Stock Company in Bulgaria.
- “Bulstrad Non-Life” refers to Bulstrad Insurance and Reinsurance Joint Stock Company in Bulgaria.
- “Bulgarski Imoti Non-Life” refers to Bulgarski Imoti Non-Life Insurance Company in Bulgaria.
- “Bulgarski Imoti Life” refers to Bulgarski Imoti Life Insurance Company in Bulgaria.
- “CEE” or “CEE region”. The Vienna Insurance Group includes in this region the following countries in which it operates: Albania, Belarus, Bulgaria, Croatia, the Czech Republic, Estonia, Georgia, Hungary, Latvia, Lithuania, Macedonia, Poland, Romania, Russia, Serbia, Slovakia, Slovenia, Turkey and Ukraine.
- “Core CEE markets” or “core CEE region”. The Vienna Insurance Group includes in its core CEE region or markets the following countries: Bulgaria, Croatia, the Czech Republic, Hungary, Poland, Romania, Serbia and Slovakia.
- “Compensa Life” refers to Towarzystwo Uberzpieceń na Życie “Compensa” S.A. Vienna Insurance Group, an affiliated company which operates in the life insurance business in Poland.
- “Compensa Non-Life” refers to Towarzystwo Uberzpieceń “Compensa” S.A. Vienna Insurance Group, an affiliated company which operates in the non-life insurance business in Poland.
- “Cosmopolitan” refers to Cosmopolitan Life Vienna Insurance Group d.d. in Croatia.
- “CPP” refers to Česká podnikatelská pojišt’ovna, a.s. Vienna Insurance Group, an affiliated company which operates in the life and non-life insurance business in the Czech Republic.
- “DONAU” refers to DONAU Versicherung AG Vienna Insurance Group, an affiliated company, which operates in the property-/life insurance business in Austria.
- “Erste Bank AG” refers to Erste Bank der oesterreichischen Sparkassen AG, a leading Austrian savings bank, which also acts as the lead company of the Erste Bank Group.
- “Erste Bank Group” refers to Erste Bank AG together with its consolidated companies.
- “EU-15” refers to the members of the European Union prior to May 1, 2004. At this point Belgium, Denmark, Germany, Finland, France, Greece, Ireland, Italy, Luxembourg, The Netherlands, Austria, Portugal, Sweden, Spain and the United Kingdom belonged to the European Union.
- “Euro zone” refers to the member of the European Union, in which the Euro is the national currency.
- “FMA” refers to the Austrian Financial Markets Authority.
- “Globus” refers to IC Globus Insurance Company with added liability “Globus”.
- “GPI” refers to Georgian Pension and Insurance Holding JSC in Georgia.
- “Group” refers to Wiener Städtische AG together with its affiliates.
- “Helios” refers to Helios d.d in Croatia.
- “Interrisk Poland” refers to Towarzystwo Ubezpieczen Interrisk S.A Vienna Insurance Group, formerly: TUiR CIGNA STU S.A. in Poland.
- “Interrisk” refers to InterRisk Versicherungs-AG Vienna Insurance Group in Germany.
- “Interrisk Life” refers to InterRisk Lebensversicherungs-AG Vienna Insurance Group in Germany.
- “IRAO” refers to International Insurance Company IRAO Ltd. in Georgia.
- “Issuer” refers to WIENER STÄDTISCHE Versicherung AG Vienna Insurance Group.
- “Jupiter” refers to Geschlossenen Aktiengesellschaft Jupiter Lebensversicherung Vienna Insurance Group in Ukraine.

- “KFS” refers to “Kardan Financial Services B.V.”, a Dutch holding association which owns the majority of shares of the TBIH Financial Group which operates mainly in the insurance business in Central and Eastern Europe, pension funds, asset management and lending and leasing.
- “Kniazha” refers to Geschlossene Aktiengesellschaft “Ukrainische Versicherungsgesellschaft “KNIAZHA” in Ukraine.
- “Komunálna” refers to KOMUNÁLNA poist’ovňa, a.s. Vienna Insurance Group, an affiliated company, which operates in the life and non-life insurance business in Slovakia.
- “Kontinuita” refers to KONTINUITA poist’ovňa, a.s. Vienna Insurance Group, an affiliated company, which operates in the life insurance business in Slovakia.
- “Kooperativa Bratislava” refers to KOOPERATIVA poist’ovňa, a.s. Vienna Insurance Group, Bratislava, an affiliated company, which operates in the life and non-life insurance business in Slovakia.
- “Kooperativa Prague” refers to Kooperativa pojišt’ovna, a.s. Vienna Insurance Group, Prague, an affiliated company, which operates in the life and non-life insurance business in the Czech Republic.
- “Kupala” refers to Joint Belarus-Austrian Insurance Company Kupala in Belarus.
- “Kvarner” refers to Kvarner Vienna Insurance Group d.d. in Croatia.
- “MSK” refers to Insurance Company MSK-Life Ltd. in Russia.
- “Omniasig Group” refers to Omniasig Asigurari de Viata S.A. and Omniasig Vienna Insurance Group S.A. and its subsidiaries.
- “Omniasig Life” refers to S.C. Omniasig Asigurari de Viata S.A., an affiliated company in Romania.
- “Omniasig Non-Life” refers to S.C. Omniasig Vienna Insurance Group S.A., an affiliated company, which operates in the non-life insurance business in Romania und its subsidiaries.
- “Other Markets” refers to Germany and Liechtenstein.
- “PZM” refers to Towarzystwo Ubezpieczen Polski Motorwy S.A. in Poland.
- “Ray Sigorta” refers to Ray Sigorta A.S. in Turkey.
- “Remaining CEE markets”. The Vienna Insurance Group counts the following countries among the Remaining CEE markets: Albania, Belarus, Estonia, Georgia, Latvia, Lithuania, Macedonia, Slovenia, Russia, Turkey and Ukraine.
- “Royal Polska” refers to Royal Polska Towarzystwo Ubezpieczeń na Życie S.A. in Poland.
- “Sigma” refers to Sigma Sh.a. – Drejtoria Qedrore in Albania.
- “Sigma Macedonia” refers to Sigma Sh.a. Drejtoria Qedrore in Macedonia.
- “S-Versicherung” refers to Sparkassen Versicherung Aktiengesellschaft”, an Austria bank assurance company.
- “S-Versicherung Group” refers to Sparkassen Versicherung Aktiengesellschaft and its subsidiaries.
- “Target Companies” refers to Sparkassen Versicherung Aktiengesellschaft, which operates in the life and non-life insurance business in Austria, its subsidiaries and companies in which Sparkassen Versicherung Aktiengesellschaft holds a minority interest, which operate in the life insurance business in the Czech Republic, Croatia, Hungary and Slovakia, BCR Asigurari de Viata (BCR Life), which operates in the life insurance business in Romania and BCR Asigurari, which operates in the non-life insurance business in Romania.
- “TBIH” refers to “TBIH Financial Services Group N.V., Amsterdam”, through which the Vienna Insurance Group holds interests in companies in the Remaining CEE markets.
- “Towarzystwo Ubezpieczen Interrisk S.A. Vienna Insurance Group”, formerly: TUiR CIGNA STU S.A., an affiliated company in Poland.

- “Unita” refers to Unita S.A. Vienna Insurance Group, an affiliated company in Romania.
- “Union Hungary” refers to Union Vienna Insurance Group biztosito Rt in Hungary.
- “UPIH” refers to “Ukrainian Pension and Insurance Holding B.V.”, a holding company domiciled in The Netherlands, which holds a majority interest in VAB Insurance, VAB Life Insurance and VAB Re Insurance.
- “VAB Insurance” refers to Privat Joint Stock Company “VAB Insurance” in Ukraine.
- “VAB Life Insurance” refers to Privat Joint Stock Company “VAB Life Insurance” in Ukraine.
- “VAB Re Insurance” refers to Privat Joint Stock Company “RE-INSURANCE COMPANY” “VAB RE-INSURANCE” in Ukraine.
- “Victoria” refers to ZASO Victoria Non-Life in Belarus.
- “Vienna Insurance Group” refers to Wiener Städtische AG together with is affiliated companies.
- “Vienna Insurance Group in Austria” refers to Wiener Städtische AG, DONAU and BA-CA Versicherung.
- “Vienna Life” refers to Vienna Life Lebensversicherung AG Vienna Insurance Group in Liechtenstein.
- “Wiener Städtische AG” refers to WIENER STÄDTISCHE Versicherung AG Vienna Insurance Group.
- “Wiener Städtische Serbia” a refers to Wiener Städtische osiguranje a.d.o. Serbia.
- “WST-Versicherungsverein” refers to Wiener Städtische Wechselseitige Versicherungsanstalt-Vermögensverwaltung, Schottenring 30, 1010 Vienna, the principal shareholder of Wiener Städtische AG.

SUMMARY OF THE PROSPECTUS

This Summary constitutes a brief, general overview of the essential content of the Prospectus. It should be taken only as an introduction to the Prospectus and is not a substitute for reading the entire Prospectus.

Any decision by an investor to invest in the Offer Shares should be based on a consideration of the Prospectus as a whole. Investors should thoroughly consider all information and risk factors described in the Prospectus.

Where a claim relating to the information contained in this Prospectus is brought before a court, a plaintiff investor might, under the national legislation of the relevant member state of the EEA, have to bear the costs of translating this Prospectus before the legal proceedings are initiated. In the event that such legal proceedings are initiated before a court in Austria/the Czech Republic, a German/Czech translation of the Prospectus will be required, and the costs thereof will have to be borne initially by the plaintiff investor and ultimately by the party held to be responsible therefore in the legal proceedings.

Civil liability attaches to any persons who have tabled the Summary including any translation thereof, and have applied for its notification, but only if the Summary is misleading, inaccurate or inconsistent when read together with the other parts of this Prospectus.

Unless otherwise indicated, all financial data contained in this section has been audited.

Company Profile

With approximately 17 million customers, the Vienna Insurance Group is among the largest international insurance groups in the CEE region based on gross premiums written, which amounted to EUR 6,911.9 million in 2007 (2006: EUR 5,881.5 million) (Source: Internal analysis based on data for the first three quarters of 2007 of the national insurance associations and supervisory authorities). It has life and non-life insurance business operations in Austria and in 22 other countries, primarily in the CEE region. In the CEE region, the Group is active in Albania, Belarus, Bulgaria, Croatia, Estonia, Georgia, Hungary, Latvia, Lithuania, Macedonia, Poland, Romania, Russia, Serbia, Slovakia, Slovenia (through a branch of Wiener Städtische AG), the Czech Republic, Turkey and Ukraine. The Vienna Insurance Group operates independent companies in Germany and Liechtenstein and also operates in Italy through a branch of Wiener Städtische AG.

In addition to its solid position in its home market Austria, the Vienna Insurance Group is primarily growing into the emerging markets of the CEE region. The insurance business outside Austria is gaining increasing importance for the Group (share of overall gross premiums generated outside Austria: 2007 – 46.5%; 2006 – 41.6%; 2005 – 36.7%). Based on its internal analysis of the local data of national insurance authorities, the Vienna Insurance Group believes that, with a market share of approximately 12.1%, it is the second largest insurance group based on gross premiums written among Western publicly traded insurance companies operating in the Core CEE markets (excluding Serbia). Based on the same analysis, the Vienna Insurance Group believes that no other Western publicly traded insurance group generates a higher percentage of its group premiums from operations in the CEE countries.

In sales and distribution, the Vienna Insurance Group pursues a multi-brand strategy. The most important brands under which the Vienna Insurance Group operates include “Wiener Städtische” and “DONAU” in Austria, “Kooperativa,” and “CPP” in the Czech Republic, “Kooperativa,” “Komunálna “and “Kontinuita” in Slovakia, “Compensa,” “BENEFIA,” “Royal Polska” and “PZM” in Poland, and “Omniasig,” “Unita,” “Asirom,” and “Agras” in Romania. The Vienna Insurance Group also pursues a multi-brand strategy in the remaining CEE countries in which it is active.

The Vienna Insurance Group’s business activities comprise three core lines of business: property and casualty insurance, health insurance and life insurance.

In property and casualty insurance, the Vienna Insurance Group offers products for private individuals, private households, small, mid-sized and large businesses under different brands. For private and commercial customers, the Vienna Insurance Group is increasingly offering products that encompass several insurance classes, which makes it possible for the customer to choose between various product versions in a modular system. For corporate customers, the Vienna Insurance Group offers customized insurance solutions for large customers.

Health insurance products are marketed in a meaningful way only by Wiener Städtische AG in Austria. The private health insurance primarily offers benefits supplementing the mandatory Austrian social security insurance.

In life insurance, the Vienna Insurance Group offers a variety of risk (such as classic life insurance products), savings and pension products (annuity insurance, endowment insurance policies and various forms of unit- and index-linked products). There is a trend to unit-linked and index-linked products and in Austria the government-subsidized private pension plan.

Strategy

For a discussion of the risks in connection with the strategic objectives of the Vienna Insurance Group, see "*Risk Factors*".

The Vienna Insurance Group's primary goal is to achieve long-term, steady growth in premiums and profit. Based on this goal, the Vienna Insurance Group has two core strategies. The first core strategy is to further sustain its solid position in Austria, which has an insurance penetration below the average for the Western European countries, especially in life insurance. In particular, the reorganization of the social insurance system and the associated expansion of private insurance are expected to open up new business opportunities in the coming years. For this, the Vienna Insurance Group primarily relies on its well-established distribution channels and plans to continuously expand them for the benefit of the consumer. The second core strategy is to expand selectively in the dynamic growth markets in the CEE region. In its Core CEE markets, the Vienna Insurance Group strives to be at least one of the three largest insurance companies in each country. For the further expansion of its activities in the CEE region, the Vienna Insurance Group relies on an intensive market observation process in which the existing subsidiaries with their local contacts play an integral role. The Group's growth into the CEE region is based on the current undersupply of high-quality insurance services in the region. The region's dynamic economic development results in a need for insurance services both in the corporate and private customer sectors. The following management principles underlie the two core strategies of Vienna Insurance Group:

- *Think globally – act locally.* The Group's goal is to combine the local experience of its employees with the quality standards of the Group. Newly acquired companies continue to operate under the existing, already locally established brand names, which are known to customers.

- *Local roots.* Local management, familiar with the market environment prevailing in the individual countries from many years of experience is predominantly responsible for the management of the individual Group companies.

- *Support by headquarters.* The Group supports the local companies in key business areas in order to obtain synergy effects and to ensure for a group wide risk management for risk containment reasons regarding reinsurance, investments, etc.

- *Diversification.* The Group's geographic diversification, with activities in 23 countries, should minimize risks resulting from a worsening of the insurance environment in individual countries.

In addition, the Vienna Insurance Group sets medium- and short-range financial targets. The most important of these targets for the 2008 to 2011 planning horizon include:

- More than EUR 12 billion in gross written premiums in 2011;
- Earnings before taxes in 2011 of approximately EUR 1.05 billion;
- Maintenance of a net combined ratio in property and casualty insurance of less than 100%;
- Return on equity before taxes (RoE) of approximately 20% in 2011; and
- Dividend pay out ratio of at least 30%.

All financial targets have been set on the assumption of the acquisition of the Target Companies and the disposition of UNITA and a substantial interest of BA-CA Versicherung. These are financial targets and not forecasts, predictions or guarantees. The Vienna Insurance Group believes that these targets are reasonable under present market conditions. However, the Vienna Insurance Group cannot guarantee that it can attain these targets. Many factors over which the Vienna Insurance Group has no influence can have a negative impact on its ability to attain these targets. For a description of these factors, see "*General Information – Forward-Looking Statements*".

On March 26, 2008, companies of the Vienna Insurance Group and of the Erste Bank Group signed a series of agreements which set out the framework for the acquisition of the insurance operations of the Erste Bank Group in Austria, Croatia, the Czech Republic, Hungary, Romania and Slovakia as well as the future distribution arrangement between the Vienna Insurance Group and the Erste Bank Group with respect to the distribution of each other's products. For a detailed description of the acquisitions and the distribution arrangement, see "*Acquisition of the Target Companies and Long-Term General Distribution Agreement*".

Risks

The Vienna Insurance Group is exposed to a number of risks. See the section entitled "*Risk Factors*" for a description of specific risks that the Vienna Insurance Group considers to be particularly critical. These risks include:

Risks Related to the Business

- The underwriting of insurance risks is, by its nature, a high-risk business. Failure of the Vienna Insurance Group's risk management to properly evaluate such risks could have a material adverse effect on the results of operations of the Vienna Insurance Group
- The Vienna Insurance Group is exposed to market risks. Interest rate fluctuations may have a negative impact on the earnings of the Vienna Insurance Group
- Market risks may reduce the value of the equity portfolio and negatively influence the financial and earnings position of the Vienna Insurance Group
- The Vienna Insurance Group is exposed to counterparty default risk
- Transactions of the Vienna Insurance Group in currencies other than the Euro and its activities outside the Euro zone entail currency risks
- A downgrading of its rating could have a material adverse effect on the business of the Vienna Insurance Group
- Actual results could deviate from the actuarial and other assumptions made in calculating the actuarial reserves in the life and health insurance businesses, Embedded Value and contracts with guaranteed minimum interest rates
- An incorrect estimate of facts underlying losses may lead to setting incorrect premiums and to inadequate loss reserves
- Changes in applicable tax law can reduce the demand for certain insurance products
- Economic and political developments in Central and Eastern Europe, the entrance of new competitors in the region's markets and the failure to identify suitable acquisition targets may negatively affect the growth prospects of the Vienna Insurance Group
- The legal systems and procedural safeguards in certain CEE countries are not fully developed yet and material changes in law may occur at any time
- Uncertainty related to acquisitions may negatively influence the future growth of the Vienna Insurance Group
- Approximately 53.5% of the Group's gross premiums written were generated in the Austrian insurance market in the fiscal year 2007. Insurance penetration in Austria is high compared to the CEE region and the Vienna Insurance Group is subject to strong competition
- Climate changes may cause considerable losses
- Any decline in the availability of reinsurance, any increase in reinsurance costs, in particular as a consequence of environmental catastrophes and terrorism, and/or an inability to pay, or untimely payment by, reinsurers could have a material adverse effect on the earnings of the Vienna Insurance Group
- Sales risks related to criminal manipulation could result in damages to the Vienna Insurance Group
- The Vienna Insurance Group depends to a great extent on the support of complex IT systems, which could be considerably impaired by internal and external factors
- A change of management could result in a loss of know-how

- The Vienna Insurance Group can give no assurance that it will be able to meet its established financial targets
- Regulatory conditions for the Vienna Insurance Group can change; non-compliance with regulatory requirements could result in the imposition of sanctions or can have other adverse effects

Risks Relating to the Acquisition of the Target Companies

- Difficulties in connection with the planned acquisition and integration of the Target Companies could have a material adverse effect on the Vienna Insurance Group's business and results of operations
- Since the purchase price of the Target Companies exceeds the book value of their net assets, the planned acquisition of the Target Companies will create substantial goodwill that will be subject to periodic impairment tests
- The Vienna Insurance Group has not independently verified the accuracy of the information on the Target Companies that is contained in this Prospectus
- The acquisition of the Target Companies and the distribution arrangement entered into in connection with the acquisition are subject to approval by competition authorities. If approval is granted, it could be subject to conditions This could lead to reduced synergy effects and business opportunities of the merger or to a loss of market shares of the Vienna Insurance Group
- Failure of the acquisition of the Target Companies would partially remove the economic reason for the capital increase, which could lead to financial disadvantages for the Vienna Insurance Group

Risks Associated with the Controlling Shareholder

- In the shareholders' meetings of Wiener Städtische AG, the votes of the other shareholders will not be sufficient to prevail against WST-Versicherungsverein
- Under Austrian regulations, the solvency ratios of the Vienna Insurance Group are measured at the WST-Versicherungsverein level
- Sales by WST-Versicherungsverein of a significant number of shares of Wiener Städtische AG in the market after this Offering could have a negative impact on the price of Wiener Städtische AG shares

Risks Arising from the Offering

- The share price of Wiener Städtische AG could prove to be volatile
- Failure on the part of existing shareholders to exercise their Subscription Rights by May 7, 2008, will result in such Subscription Rights becoming null and void without compensation, and shareholders will suffer dilution of their percentage ownership
- Investors resident in countries other than Austria and the Czech Republic may suffer dilution if they are unable to exercise pre-emptive rights in future capital increases
- Fluctuations in the value of the Euro will affect the value of the Shares when converted into other currencies
- A suspension of trading in the Shares could adversely affect the share price
- Investors may not be able to recover damages based on the actuarial opinions with respect to the embedded value of the Vienna Insurance Group and the Target Companies included in the Prospectus

Summary of the Offering

The Offering: .... The Offering comprises the Rights Offering to existing shareholders and the Global Offering.

The Rights Offering: .... Wiener Städtische AG is making a Rights Offering of up to 23,000,000 New Shares at the Subscription and Offer Price in the ratio of 3 New Shares for every 14 Subscription Rights. The Subscription Rights will not be traded on any stock

	exchange. Subscription Rights not exercised within the Subscription Period will expire.
Exercise of Subscription Rights by WST-Versicherungsverein	WST-Versicherungsverein has committed to exercise Subscription Rights with respect to at least 16,000,000 New Shares.
The Global Offering:	New Shares for which Subscription Rights are not exercised in the Rights Offering (including New Shares for which Subscription Rights are not allocated due to the Subscription Ratio (*Spitzenausgleich*)) (the "Rump Shares") will be offered in the Global Offering. The Global Offering consists of (i) a public offering to retail and institutional investors in the Republic of Austria and the Czech Republic, (ii) a private placement in the United States to QIBs in reliance on Rule 144A under the Securities Act (the "U.S. Placement") and (iii) a private placement to qualified institutional investors outside the Republic of Austria and the Czech Republic and outside of the United States in reliance on Regulation S under the Securities Act.
Preferential Allocation to Retail Investors:	In connection with the public offering in Austria and in the Czech Republic, purchase orders by retail investors which are placed with Erste Bank der oesterreichischen Sparkassen AG, an Austrian savings bank (Sparkasse) (with the exception of Bank Austria AG), ecetra Central European e-Finance AG (brokerjet.at), Česká spořitelna, a.s. and brokerjet České spořitelny, a.s. (brokerjet.cz) will be entitled to a preferential allocation of up to 350 Shares. The period during which the preferential allocation to retail investors will take place may be terminated at any time.
Employee Participation Plan:	As part of the Global Offering, Eligible Employees (as defined below) will be offered the right to subscribe for an aggregate of up to 1,000,000 of the Rump Shares (the "Employee Shares") in an amount of up to 250 Employee Shares per Eligible Employee at the Employee Offer Price. "Eligible Employees" are all employees and managing directors employed (without interruption) since December 31, 2006 and members of the managing board of the Issuer or those companies that were fully consolidated insurance subsidiaries of the Issuer in a EU member state as of December 31, 2007 who, as of April 30, 2008, have been in ongoing employment or who are currently in the state of termination of employment because of retirement.
The Offer Shares:	Up to 23,000,000 New Shares (including the Employee Shares) and up to 1,000,000 Greenshoe Shares pursuant to the Joint Global Coordinators' over-allotment option.
The Subscription and Offer Period:	The Subscription Period, during which holders of Subscription Rights may subscribe for New Shares, runs from April 22, 2008 to May 7, 2008. The Offer Period during which investors may buy Rump Shares in the Global Offering runs from April 22, 2008 to May 7, 2008. The period during which Eligible Employees may purchase Employee Shares will run from April 22, 2008 to April 30, 2008 (the "Employee Offer Period").

	The Offer Period and the Employee Offer Period may be shortened, terminated or extended at any time. The Subscription Period may be terminated or extended at any time.
Subscription and Offer Price:	The Subscription and Offer Price for the New Shares and the Greenshoe Shares will be determined by the Issuer in consultation with the Joint Global Coordinators upon the conclusion of a bookbuilding taking into account the price of the Shares on the Vienna Stock Exchange and the Prague Stock Exchange prior to the time of determination of the Subscription and Offer Price and other factors, including the goal of maximizing the proceeds of the Offering. The Subscription and Offer Price will not exceed the Maximum Subscription and Offer Price of EUR 54.00 per Offer Share.
Employee Offer Price:	The Employee Offer Price at which Eligible Employees will be able to purchase Employee Shares will equal the Subscription and Offer Price, less a discount of 20%.
Subscription Rights:	14 Subscription Rights grant the right to subscribe for 3 New Shares.
Exercise of Subscription Rights:	Subscription Rights may be exercised at the Subscription and Offer Price by holders of Subscription Rights during the Subscription Period, which runs from April 22, 2008 to May 7, 2008, upon presentation of coupon No. 16. Holders of Subscription Rights held through a depository bank that is a member of Oesterreichische Kontrollbank AG or through a financial institution that is a participant in Euroclear or Clearstream Luxembourg or UNIVYC, must exercise their Subscription Rights by instructing such bank or financial institution to subscribe for New Shares on their behalf. Holders of Subscription Rights are advised to inform themselves at their custodian bank up to which point in time their custodian bank accepts Subscription Right exercises. Such period may end before May 7, 2008. The Rights Offering may be terminated at any time and the Subscription Period may be extended at any time.
Listing:	The 105,000,000 Existing Shares of Wiener Städtische AG are listed on the Official Market (*Amtlicher Handel*) of the Vienna Stock Exchange in the Prime Market segment under the symbol "VIG". The Shares are included in the ATX, the stock exchange index comprising the shares with the highest trading volume and the highest capitalization on the Vienna Stock Exchange. The Existing Shares have also been listed on the Main Market (*Hlavní trh*) of the Prague Stock Exchange in the SPAD segment since February 5, 2008. Wiener Städtische AG will apply for listing of the New Shares on the Official Market of the Vienna Stock Exchange and the Main Market of the Prague Stock Exchange on April 21, 2008. Trading in the New Shares is expected to commence in the Prime Market segment of the Vienna Stock Exchange and the SPAD segment of the Prague Stock Exchange on May 9, 2008.
Lock Up:	Both Wiener Städtische AG and WST-Versicherungsverein have agreed with the Joint Global Coordinators in the Purchase Agreement that, prior to 180 days after the Closing Date, they will not without the explicit prior written consent of

the Joint Global Coordinators (i) directly or indirectly issue, offer, lend, pledge or otherwise transfer or dispose of or transfer, directly or indirectly, any Shares of Wiener Städtische AG or other securities which are substantially similar to them (including securities convertible into or exercisable or exchangeable for Shares, or which represent the right to be converted into Shares), or (ii) enter into any swap or other agreement that transfers, in whole or in part, any of the economic consequences of ownership of the Shares of Wiener Städtische AG, whether any such transaction described in clause (i) or (ii) above is to be settled by delivery of shares or such other securities. Within the period stated above Wiener Städtische AG and WST-Versicherungsverein also agree not to announce any of the transactions described above. The restrictions described above will not apply (i) as to the Company, with respect to the New Shares and the Employee Shares and (ii) as to WST-Versicherungsverein, with respect to the Seller Shares, to the extent the Joint Global Coordinators exercise their over-allotment option, in each case in connection with the Offering. The restrictions described above will also not apply to Shares to be issued by Wiener Städtische AG to its or any of its Subsidiaries' employees pursuant to any employee stock ownership program and to certain pledges of shares by WST-Versicherungsverein, provided that the pledgee agrees not to realize such pledge during the lock-up period specified above.

Over-allotment Option: . . . . WST-Versicherungsverein has granted to the Joint Global Coordinators an option to purchase up to 1,000,000 additional Shares at the Subscription and Offer Price (less agreed commissions) to cover over-allotments, if any. The Joint Global Coordinators may exercise the over-allotment option during the period beginning with the announcement of the Subscription and Offer Price and ending on the thirtieth day after allocation of the New Shares.

Use of Proceeds:. . . . . Assuming all of the 23,000,000 New Shares are sold, assuming a final Subscription and Offer Price of EUR 47.65 (based on the closing price of the Existing Shares of Wiener Städtische AG on the Vienna Stock Exchange on April 18, 2008, adjusted for the dividend of EUR 1.10 per Share scheduled to be paid in April 28, 2008) and further assuming that the maximum number of 1,000,000 of the New Shares are purchased by Eligible Employees at the Employee Offer Price, Wiener Städtische AG expects to receive net proceeds of EUR 1,050.5 million from the sale of the New Shares, after deduction of underwriting fees, including a potential success fee, and other costs of this Offering, including capital tax, to be paid by Wiener Städtische AG. Wiener Städtische AG will not receive any proceeds from the sale of any Greenshoe Shares.

Wiener Städtische AG intends to use the net proceeds from the Offering to fund a portion of the purchase price of the Target Companies as well as to finance further acquisitions in the CEE region, particularly Poland, Ukraine, Hungary and eventually Turkey.

Voting Rights: . . . . Each Share entitles its holder to one vote.

Entitlement to Dividends: . . . . The Offer Shares are entitled to dividends as of January 1, 2008.

Payment and Delivery of the Offer Shares: . . . . Payment and delivery of the Offer Shares is expected to take place on or about May 13, 2008. The Offer Shares are represented by one or more global certificates and are expected to be available for delivery in book-entry form through the facilities of Oesterreichische Kontrollbank AG and for deposit with the depositaries for Clearstream Luxembourg or the Euroclear System or UNIVYC on or about May 13, 2008. Purchasers of Offer Shares will not be entitled to receive physical share certificates.

Securities Identification Numbers: . . . . ISIN of the Offer Shares: AT0000908504

ISIN of the Subscription Rights: . . . AT0000A092Y9

Selected Financial Data for the Vienna Insurance Group

The following tables set forth key items from the income statement and balance sheet of the Vienna Insurance Group for the fiscal years ended December 31, 2005 to 2007, respectively, as at December 31, 2007. These historical financial data should be read in conjunction with the consolidated financial statements, including the notes thereto, which are included elsewhere in this Prospectus and the "*Management's Discussion and Analysis of Financial Condition and Results of Operations*".

	Fiscal year ended December 31,		
	2007	**2006**	**2005**
		(audited) **(in EUR million)**	
Net earned premiums	5,941.7	5,038.7	4,240.9
Financial result	995.8	711.4	593.9
Expenses for claims	-5,031.5	-4,213.3	-3,618.4
Operating expenses	-1,345.1	-1,136.4	-891.8
Profit before taxes	437.3	321.0	240.3
Investments	20,171.4	17,260.4	15,162.7
Equity	2,615.6	2,283.2	2,059.3
Actuarial reserves	17,092.1	14,628.4	13,086.3
Total assets/equity and liabilities	26,745.1	22,483.5	19,441.4

Selected Indicative Financial Data of the Target Companies

The table below sets forth key income statement figures for the individual Target Companies. For indicative purposes, the following table also shows the Target Companies on a combined basis, although investors should note that the combined presentation does not reflect consolidated figures for the Target Companies. These data have not been audited, but are based on the IFRS reporting packages used for the audited consolidated financial statements of Erste Bank AG. This selective financial information in this Prospectus is not pro forma financial information within the meaning of Commission Regulation (EC)809/2004 of April 29, 2004. The Vienna Insurance Group is providing this information for indicative purposes only. The Indicative Financial Information is presented on a combined basis which may include an element of double counting and which does not reflect the effects of the purchase price to be paid with the Target Companies and in respect of the long-term General Distribution Agreement (see "*Acquisition of the Target Companies and Long-Term General Distribution Agreement – Description of the Target Companies*").

	Twelve months ended December 31, 2007							
	s-Versicherung	Pojjšt'ovna České spořitelny (Czech Republic)	Erste Biztosító (Hungary)	Poist'ovňa Slovenskej sporitel'ne (Slovakia)	Erste Sparkassen osiguranje (Croatia)	BCR Asigurari (Romania)	BCR Asigurari de Viata (Romania)	Total
	(unaudited) (in EUR million)							
Profit and Loss								
Gross premiums written life	791.7	231.0	36.0	24.8	8.9	—	23.0	1,115.4
Total gross premiums written	808.5	232.9	36.0	24.8	8.9	155.2	23.0	1,289.3
Net earned premiums	789.2	233.0	35.5	24.6	8.8	101.2	16.0	1,208.3
Net investment income	278.2	15.9	0.5	5.2	0.7	2.6	1.2	304.3
Profit before taxes	13.1	17.6	0.9	3.6	-0.4	4.8	1.7	41.3
Net income	12.0	13.3	0.5	2.9	-0.4	4.7	1.5	34.5

RISK FACTORS

Potential investors should thoroughly review the following specific risk factors in addition to the other information contained in this Prospectus before deciding to purchase the offered securities. Any of these risks could have a material adverse effect on the assets, financial position and earnings of the Vienna Insurance Group. Any of these risks could cause the share price of the Company to fall and investors could lose part or all of their investment. The risks described below may not be the only risks to which the Vienna Insurance Group is exposed. The Company considers the following risks to be the most significant for potential investors, but the risks described do not necessarily comprise all those associated with an investment in the Offered Shares. Other risks of which the Company is currently not aware or which the Company currently considers immaterial may also adversely affect the Vienna Insurance Group's business operations and have material adverse effects on its assets, financial position and earnings. The order of presentation of the risk factors set forth below does not indicate the likelihood that these risks will occur or the extent of the economic effects of the risks.

Risks Related to the Business

The underwriting of insurance risks is, by its nature, a high-risk business. Failure of the Vienna Insurance Group's risk management to properly evaluate such risks could have a material adverse effect on the results of operations of the Vienna Insurance Group

The assumption of insurance risks is, by nature, a high-risk business. It is not possible to predict with certainty whether a single risk or a portfolio of risks will result in a loss, or the timing and severity of any loss that does occur. The overall risks faced by the Vienna Insurance Group in connection with underwriting insurance include actuarial risk, credit risk, market risk, strategic risk, operational risk and liquidity risk. If any of these risks is not managed properly, this could have a material adverse effect on the assets, financial condition and results of operations of the Vienna Insurance Group. See "*Risk Management*".

The Vienna Insurance Group is exposed to market risks. Interest rate fluctuations may have a negative impact on the earnings of the Vienna Insurance Group

The Vienna Insurance Group is exposed to considerable market risk, which is the danger of losses resulting from changes in market parameters. The market risk parameter of primary relevance to the Vienna Insurance Group is interest rates. Putting aside the capital assets for the account and risk of policyholders, a large portion of the capital assets of the insurance business of the Vienna Insurance Group consists of interest-bearing securities. As of December 31, 2007, a significant portion of capital assets consisted of securities whose interest rate was fixed for the life of the investment. A large portion of the securities is denominated in Euros. Accordingly, interest rate fluctuations in the Euro zone significantly influence the value of the financial assets.

Interest rate fluctuations result in the following risks:

- *Write-downs.* Book value depends on changes in the interest rate level; if interest rates rise, the market value of these securities falls.
- *Profit margin.* Interest-rate fluctuations also influence the Vienna Insurance Group's ability to earn the minimum guaranteed interest rate in the life insurance business. A decline in the Vienna Insurance Group's return on investments to below the guaranteed interest rate used in determining product prices would reduce the profit margin in the life and health insurance business or even result in losses. See "*Business – Insurance Business – Austria – Life Insurance*".
- *Attractiveness of products.* The sales success of fund- and index-linked retirement provisions products also depends on the volatility of capital markets. Fluctuations in the capital markets, in particular in interest rates, influence the attractiveness of these products. Interest rate levels have a direct influence on the fluctuations in current interest income and the value of the interest-bearing investments. Thus, interest rate fluctuations directly influence the value of the Vienna Insurance Group's bond portfolio and the further sale of these products, or can lead to repurchases of already existing contracts.
- *Reinvestment.* Upon the maturity of higher-interest securities, a lower interest level at the time of reinvestment in interest-bearing securities will lead to a decline in net earnings.

Interest rate fluctuations may have a material adverse effect on the financial and earnings position of the Vienna Insurance Group. See "*Risk Management – Market Risk*".

Market risks may reduce the value of the equity portfolio and negatively influence the financial and earnings position of the Vienna Insurance Group

The Vienna Insurance Group has an equity portfolio that, including shares held through funds, amounted to less than 10% of capital assets as of December 31, 2007. The share assets of the Vienna Insurance Group include investments in a number of Austrian companies as well as share positions in other companies whose shares are listed primarily on the Vienna Stock Exchange or on other western markets. Share trading on the Vienna Stock Exchange, as well as in the CEE region, in particular, was subject to strong fluctuations and a significant downward trend during the second half of 2007 and the beginning of this year. Should the equity markets move further downwards, or continue to fluctuate to a similar or greater degree, this could lead to considerable valuation allowances with an effect on the annual results and to a reduction of shareholders' equity. See "*Risk Management – Market Risk*".

The Vienna Insurance Group is exposed to counterparty default risk

Third parties that owe the Vienna Insurance Group money, securities or other assets, may no longer be in a position to fulfill their obligations to the Vienna Insurance Group. This group includes issuers of securities held by the Vienna Insurance Group, customers and trading counterparties. Due to insolvency, a lack of liquidity, an economic downturn or a decline in real estate values, business management errors or other reasons, these groups may no longer be in a position to satisfy their obligations towards the Vienna Insurance Group.

The current uncertain investment climate and the lack of certainty in the capital markets could lead to an increase in valuation allowances for Vienna Insurance Group assets due to payment defaults and downgrading of third party credit ratings. A general downward economic trend could lead to increasing valuation allowances, which could have material adverse effects on the Vienna Insurance Group's results of operations.

Transactions of the Vienna Insurance Group in currencies other than the Euro and its activities outside the Euro zone entail currency risks

Due to the increasing internationalization of the Vienna Insurance Group's business activity, especially through its subsidiaries in the CEE region, and due to the capital investment made in currencies other than the Euro, changes in exchange rates may result in currency losses. Due to the size of the contribution to earnings of the Group's companies in the Czech Republic, Slovakia, Poland and Romania, a devaluation of the currencies of these countries in relation to the Euro represent particular currency risks. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations – Factors having a Significant Effect on the Company's Results of Operations – Effects of currency fluctuations*". Currency fluctuations between the Euro and currencies of countries outside the Euro zone in which the Vienna Insurance Group generates income and has expenses can also materially adversely affect the earnings, the shareholders' equity and the cash flow of the Vienna Insurance Group.

A downgrading of its rating could have a material adverse effect on the business of the Vienna Insurance Group

Based on the stand-alone annual financial statements and consolidated financial statements as of December 31, 2007, the rating agency Standard & Poor's ("S&P's") assigned Wiener Städtische AG the Counterparty Credit and Insurer Financial Strength Rating (IFSR) of "A+ with positive outlook" on March 27, 2008. See "*Business – Credit Rating*". A downgrading, withdrawal or termination of the rating of Wiener Städtische AG could have the following consequences:

- *Borrowing.* An adverse effect on its ability to borrow financial resources in the money and capital markets at conditions similar to those prevailing today;
- *Tenders.* Because participation in tenders for insurance contracts with corporate customers is often dependent on a minimum credit rating, a downgrading in its credit rating could have

negative effects on the Vienna Insurance Group's ability to compete in the market for corporate customers; and

- *Reinsurance.* A downgrading in its credit rating could reduce the selection of reinsurance companies to which a portion of the risk insured by Wiener Städtische AG can be transferred under reinsurance contracts and the conditions for the acquisition of reinsurance protection could worsen.

All of these factors could have material adverse effects on the assets, financial position and earnings of the Vienna Insurance Group.

Actual results could deviate from the actuarial and other assumptions made in calculating the actuarial reserves in the life and health insurance businesses, Embedded Value and contracts with guaranteed minimum interest rates

The assumptions used by the Vienna Insurance Group in assessing the appropriateness of its actuarial reserves and in calculating the Embedded Value in its life and health insurance segments may differ from actual future results. The Vienna Insurance Group calculates its actuarial reserves and the associated Embedded Value based on recognized actuarial methods and assumptions. These assumptions include estimates of long-term developments in interest rates, financial investment yields, the allocation of financial investments between shares, interest-bearing securities and other categories, participations in profits, mortality and morbidity rates, lapse rates as well as future costs. Changes in these assumptions or incorrect assumptions may lead to an increase of the actuarial reserves for the life and health insurance business as well as the reserves for pension obligations and to changes in the Embedded Value.

Furthermore, the Vienna Insurance Group has a considerable number of contracts with a guaranteed minimum interest rate, including pension insurance and endowment insurance contracts. This guaranteed interest rate currently amounts to 2.25% per annum in Austria for contracts concluded on or after January 1, 2006. Under existing contracts, the Vienna Insurance Group guarantees on average a minimum interest rate of just over 3.1% per annum. Should interest rates be lower than the average guaranteed minimum interest rate for an extended period of time, the Vienna Insurance Group could be forced to subsidize the reserves for these products from its equity capital. This could have a material adverse effect on the earnings of the Vienna Insurance Group.

The Vienna Insurance Group has set up reserves for contracts with a guaranteed minimum interest rate. These reserves were included in the calculation of Embedded Value. However, if events occur that were not taken into account in the calculation, the reserves may have to be increased, which would result in a change in the Embedded Value. For a discussion of the Embedded Value, see "*Embedded Value of the Wiener Städtische Versicherung AG Vienna Insurance Group*".

An incorrect estimate of facts underlying losses may lead to setting incorrect premiums and to inadequate loss reserves

In line with customary practice in the industry, as well as requirements with respect to accounting and regulatory law, Wiener Städtische AG and the individual Group companies independently, under the supervision of the Group Actuarial Office, establish loss reserves and provisions for claims adjustment expenses resulting from the property and casualty insurance business. Reserves are based on estimates of the payments to be incurred for these losses and for the corresponding claims adjustment expenses. These estimates are made both on an individual case basis, based on the facts and circumstances available at the time the reserve is created, and with respect to losses that have already been incurred but not yet been reported to the Vienna Insurance Group ("IBNR"). These reserves represent the assumed costs required to conclusively settle all pending known and IBNR losses.

Loss reserves, including IBNR reserves, can change due to a number of variables that influence the total costs associated with a loss, such as changes in the overall legal framework, results of court proceedings, changes of treatment costs, repair costs, loss frequency, amount of loss and other factors, such as inflation or interest rates. The earnings of the Vienna Insurance Group depend substantially on the extent and timing to which settlement amounts actually paid by the Vienna Insurance Group are consistent with the assumptions that the Group uses for pricing its products and estimating its loss reserves. To the extent that settlement amounts actually paid by the Vienna

Insurance Group exceed the assumed amounts used to create corresponding reserves, it may be necessary to increase reserves, which in turn may have a material adverse effect on earnings.

Because the creation of reserves is an uncertain process, there can be no assurance that ultimate losses will not significantly exceed reserves, which would have a material adverse effect on earnings. See "*Risk Management – Property and Casualty Insurance Reserves – General Information*".

Changes in applicable tax law can reduce the demand for certain insurance products

Changes in tax laws can impair the attractiveness of certain products of the Vienna Insurance Group which currently enjoy tax advantages. The introduction of laws that would reduce the tax advantages of the Group's retirement products or life insurance products could substantially reduce the attractiveness of retirement and life insurance products and thus indirectly have a negative impact on the assets, financial position and earnings of the Vienna Insurance Group.

Changes in tax laws that could result in a reduced demand for insurance products of the Vienna Insurance Group include, among others:

- changes in tax advantages for insurance products such as government subsidized private pension plans;
- changes in the deductibility of premium payments as well as the partial inclusion of premiums for voluntary health, casualty, pension and life insurance in deductible "extraordinary expenses";
- changes in the tax treatment of competing products, such as a change in the investment income tax rate; and
- changes in the tax treatment of income from life insurance contracts, such as subjecting a portion of such income to capital gains tax.

Such changes in tax legislation could have a material adverse effect on the sale of the affected insurance products and could reduce the earnings of the Vienna Insurance Group.

Economic and political developments in Central and Eastern Europe, the entrance of new competitors in the region's markets and the failure to identify suitable acquisition targets may negatively affect the growth prospects of the Vienna Insurance Group

The expansion and development of business activity in the CEE region is a central component of the strategy of the Vienna Insurance Group. The Vienna Insurance Group seeks to increase its presence in these target markets due to what it perceives as the region's "catch-up" potential. In 2007, insurance density in the CEE region amounted to USD 212.0 (excluding Russia and Belarus) as compared to USD 3,305.0 in the EU-15 countries (Source: Swiss Re sigma No. 4/2007). The growth in the insurance market is also tied to the development of a strong middle class which again is tied to the economic development in the region.

The economic development in the CEE region is subject to risks common to all regions that have recently undergone, or are undergoing, political, economic and social change, including currency fluctuations, evolving regulatory environments, inflation, economic recession, local market disruption, labor unrest, changes in disposable income or gross national product, variations in interest rates and taxation policies, levels of economic growth, declines in birth rate and other similar factors. Far-reaching political and economic reforms mean that political and economic tensions could accompany the development of the new democratic and market-oriented systems. The countries in the CEE region in which the Vienna Insurance Group operates that are not EU member states are not yet as stable as the countries in the region that are and the possibility of significant changes still exists in sectors of the economy and the law, such as taxation, foreign exchange controls, insurance contract and insurance regulatory law, and property law.

In fiscal year 2007, aggregate premiums written by Wiener Städtische AG's subsidiaries in the Czech Republic, Slovakia, Poland and Romania contributed approximately 37.4% to the Vienna Insurance Group's gross premiums written from the CEE region and these countries represent a significant portion of the value of the Target Companies. Although each of these countries is an EU member state and has undergone economic reform in recent years, public discussion continues as to the need to reform pension and healthcare systems and to balance the fiscal budget. A failure to safeguard the stability of the public finances in these countries, could potentially destabilize such countries, currency, increase inflation and the borrowing costs of such country through lower debt ratings and deteriorate the overall economic situation, which may thereby adversely affect the Vienna Insurance Group.

In addition, the Vienna Insurance Group's growth potential in these markets may be limited due to market saturation if the economy in these countries continues to develop and the Vienna Insurance Group's competitors significantly develop their presence in these markets, in particular in the event that subsidiaries of globally active insurance companies with greater financial resources than those available to the Vienna Insurance Group enter the market.

In line with the strategy it is pursuing in this region, the Vienna Insurance Group has undertaken acquisitions, including the acquisition of the Target Companies, and established new companies in the region. Due to the growing number of interested potential purchasers of insurance companies in the CEE region, there can be no assurance that the Vienna Insurance Group will be able to identify suitable acquisition targets at reasonable prices.

Many of these factors are entirely beyond the control of the Vienna Insurance Group. Adverse social, economic or political developments in the markets in which the Vienna Insurance Group operates may have an adverse effect on the overall stability of the CEE region and subsequently on the assets, financial position and earnings of the Vienna Insurance Group.

The legal systems and procedural safeguards in certain CEE countries are not fully developed yet and material changes in law may occur at any time

The legal systems of many CEE countries have undergone dramatic changes in recent years. In many cases, the interpretation and procedural safeguards of the new legal and regulatory systems are still being developed, which may result in an inconsistent application of existing laws and regulations and uncertainty as to the application and effect of new laws and regulations. This is especially true for Romania, which joined the EU in the year 2007, and where the Vienna Insurance Group started operations in 2001. Moreover, Management cannot exclude that in some jurisdictions in which the Vienna Insurance Group is active the legal framework for the various lines of business may change at any time, including changes that would include nationalization of individual lines of insurance business.

Additionally, in some circumstances, it may not be possible to obtain the legal remedies provided for under relevant laws and regulations in a reasonably timely manner or at all. Although institutions and legal and regulatory systems characteristic of parliamentary democracies have been developed in certain CEE countries, they lack an institutional history, and there may be no generally observed procedural guidelines. As a result, shifts in government policies and regulations tend to be more frequent and less predictable than in EU-15 countries. Moreover, a lack of legal certainty or the inability to obtain effective legal remedies in a reasonably timely manner may have a material adverse effect on the Vienna Insurance Group's business, financial condition and results of operations.

Uncertainty related to acquisitions may negatively influence the future growth of the Vienna Insurance Group

The Vienna Insurance Group has in the past acquired, or invested in, a number of companies in the CEE region.

Acquisitions often bring challenges with regard to management and financing, such as:

- the integration of the infrastructure of the acquired company, including the management information, risk management and controlling systems;
- the settlement of open legal, regulatory, contractual or labor law issues resulting from the acquisition;
- the integration of marketing, customer support and product offers; and
- the integration of different corporate and management cultures.

These tasks can significantly burden management and the financial position of the acquirer. Cross-border acquisitions in the CEE region can represent a great challenge due to the differences in the national cultures, business practices and legal systems.

Management can give no assurance that past or future acquisitions will not lead to serious difficulties or generate considerable additional expenses. If the Vienna Insurance Group is not able to rapidly integrate the acquired companies or is unable to avoid unanticipated additional integration expenses due to existing risks or is unable to expand the insurance business or otherwise improve the profitability of the insurance companies acquired by it, the Vienna Insurance Group may not be able to achieve the expected synergy effects or other advantages hoped for. A failure in integrating the acquired companies could have a material adverse effect on the assets, financial position and earnings of the Vienna Insurance Group.

For information on the risks arising from the acquisition of the Target Companies and the integration into the Vienna Insurance Group, see "*– Risks relating to the Acquisition of the Target Companies*".

Approximately 53.5% of the Group's gross premiums written were generated in the Austrian insurance market in the fiscal year 2007. Insurance penetration in Austria is high compared to the CEE region and the Vienna Insurance Group is subject to strong competition

The Vienna Insurance Group's primary business activity in 2007 was carried out in the Austrian insurance market, which accounted for approximately 53.5% of the Group's gross premiums written and which showed a market growth of 1.9% in 2007 (2006: 1.9%). The Vienna Insurance Group has numerous competitors in Austria that also have extensive, and in some cases greater, financial, technical, marketing and other resources. See "*Business – Insurance Business – Austria*". No assurance can be given that the Vienna Insurance Group will continue to compete as it has done in the past or that the competitive pressure will not have a material adverse effect on its market position and therefore the assets, financial position and earnings of the Vienna Insurance Group.

Climate changes may cause considerable losses

The natural disasters that have increasingly occurred in recent years, such as floods, mudslides, landslides and storms, may have been caused by general climate changes. Although scientists are currently not yet in agreement as to whether these were one-time events or changes in the medium term, it cannot be ruled out that the number of such events resulting in insurance payments will increase in future. Expenditures for such losses can make reinsurance coverage more expensive and have a material adverse effect on the assets, financial position and earnings of the Vienna Insurance Group. See "*Risk Management – Reinsurance*".

Any decline in the availability of reinsurance, any increase in reinsurance costs, in particular as a consequence of environmental catastrophes and terrorism, and/or an inability to pay, or untimely payment by, reinsurers could have a material adverse effect on the earnings of the Vienna Insurance Group

The Vienna Insurance Group has a policy of transferring that portion of assumed risks deemed by management to be adequate, to reinsurance companies. However, this transfer of risk to reinsurers does not relieve Wiener Städtische AG and its Group companies of their obligations to the policyholder. For that reason, the Vienna Insurance Group is exposed to the risk of the reinsurer's being unable to pay. Untimely payment or an inability of a reinsurer to pay would have negative effects on the assets, financial position and earnings of the Vienna Insurance Group. See "*Risk Management – Reinsurance*".

There is the further risk that due to, for example, environmental catastrophes or terrorism, the Vienna Insurance Group will only be able to enter into reinsurance agreements at higher costs or will be unable to transfer certain risks to reinsurance companies in the future, which may have a negative impact on the assets, financial position and earnings of the Vienna Insurance Group.

Sales risks related to criminal manipulation could result in damages to the Vienna Insurance Group

As an internationally active insurance group, the Vienna Insurance Group is exposed to the risk of damages as a result of criminal manipulation. Due to the extensive nature of the distribution network, it is not possible to rule out such manipulation in the future. This could have negative effects on the assets, financial position and earnings of the Vienna Insurance Group.

The Vienna Insurance Group depends to a great extent on the support of complex IT systems, which could be considerably impaired by internal and external factors

The Vienna Insurance Group is dependent on the functioning of an efficient IT system (hardware and software). IT systems are susceptible to a number of problems, such as computer viruses, hackers, damage to critical IT centers or hardware defects. The partial or complete failure of the Vienna Insurance Group's IT systems could lead to a significant disruption of business processes, a temporary shutdown of business operations, to claims for damages and/or a loss of customers. See "*Business – Information Technology*".

The Vienna Insurance Group is currently in the process of developing a Group-wide SAP system. Once it is implemented on a Group-wide basis, there may still be disruptions of business processes, loss of data and problems with data retrieval and other malfunctions and risks. Should such events or similar events occur and lead to damages or lost revenues, there could be a material adverse effect on the Vienna Insurance Group's assets, financial position and earnings.

A change of management could result in a loss of know-how

The financial results of the Vienna Insurance Group are to a significant degree dependent on the existing market and insurance knowledge of its management. The loss of executives or of employees in key positions could materially adversely affect the assets, financial position and earnings of the Vienna Insurance Group if it is not possible to fill the vacant positions with equally qualified executives within an appropriate time period.

The Vienna Insurance Group can give no assurance that it will be able to meet its established financial targets

The Vienna Insurance Group continuously sets financial targets which, based on factors including the present market and insurance regulatory conditions, appear to be achievable. Many factors, over some of which the Vienna Insurance Group has no influence, may have a material adverse effect on the ability of the Vienna Insurance Group to achieve these targets. Currently unknown circumstances or factors may arise which the Vienna Insurance Group has not considered and which could prevent the attainment of the Group's targets. A description of the factors that could put the attainment of these targets at risk can be found in the section entitled "*General Information – Forward-Looking Statements*".

Regulatory conditions for the Vienna Insurance Group can change; non-compliance with regulatory requirements could result in the imposition of sanctions or can have other adverse effects

Wiener Städtische AG and its most important subsidiaries are insurance companies and are subject to insurance regulations within and outside of Austria. Among other things, such regulations include rules concerning:

- equity capital of insurance companies and insurance groups;
- permissibility of using capital assets to secure actuarial reserves;
- licenses of the various Group companies of the Vienna Insurance Group;
- marketing activities and the sale of insurance contracts; and
- withdrawal rights of policyholders.

New regulations on solvency ("Solvency II") are currently being discussed at the EU level by insurance companies operating in the EU. However, the effects of these framework conditions cannot be assessed yet, as work on the drafts is not sufficiently advanced. Changes to the general legal framework can require restructurings and accordingly cause higher costs or reduce the income prospects of the Vienna Insurance Group, which could have a material adverse effect on the assets, financial position and earnings of the Group. See "*Insurance Supervision*". If a Group company were to violate regulatory requirements in a country, there is a risk that the regulatory agency in the affected country could issue injunctions effecting, or impose fines on, the Vienna Insurance Group and its managers. Such injunctions could have detrimental effects on the ongoing business activity of the Vienna Insurance Group and in the most extreme case could lead to the termination of further business activity of the Vienna Insurance Group in the affected country or as a whole. In addition, the imposition of fines could have a material adverse effect on the assets, financial position and earnings of the Vienna Insurance Group. Moreover, were the Group found to be in violation of regulatory requirements this could lead to intensified supervision of the Vienna Insurance Group and, accordingly, to an increase in the Group's administrative expenses. If regulatory orders or fines against the Vienna Insurance Group were to become publicly known, this could lead to a loss of confidence among customers and business partners, which could also materially adversely affect the financial position and earnings of the Vienna Insurance Group.

Risks Relating to the Acquisition of the Target Companies

Difficulties in connection with the planned acquisition and integration of the Target Companies could have a material adverse effect on the Vienna Insurance Group's business and results of operations

Measured in terms of purchase price and strategic importance, the Vienna Insurance Group's planned acquisition of Target Companies is the largest acquisition ever considered by the Vienna Insurance Group. Based on the Indicative Combined Financial Data of the Target Companies, the integration of the Target Companies will add 18.9% premiums, 9.9% net income and 34.3% assets to the Vienna Insurance Group. This complex transaction, which will involve the integration of companies in Austria and throughout the CEE region, presents the Vienna Insurance Group with a number of specific challenges that expose it to a number of risks, including the following:

- *Uncertainty regarding the realization of synergy effects*. The integration of large businesses with differences in their cultural background, business culture, working language and compensation structures is a considerable challenge. Part or all of the synergies that the Vienna Insurance Group anticipated when it planned the transaction may not be realizable at a later date. There can be no assurance that the acquired companies will generate the contribution to profit that was expected by the Vienna Insurance Group and used as a basis for determining the purchase price. A significant portion of these synergies is dependent on the ability of the Vienna Insurance Group to distribute its products through the Erste Bank Group's banking distribution channels pursuant to the General Distribution Agreement. As noted below, this ability may be limited by various factors, including by local competition authorities. A failure to exploit expected synergies could have a material adverse effect on the Vienna Insurance Group's financial condition and results of operations.

- *Diversion of management resources.* The integration of the Target Companies will require significant time and attention from the management of the Vienna Insurance Group as well as that of the Target Companies. The Vienna Insurance Group's business and results of operations could be materially adversely affected if integration issues divert management attention from other tasks.

- *Potential loss of key employees.* Integration of the Target Companies and the realization of a common Group strategy depends, among other things, on the management and other key employees of both the acquired companies and the Vienna Insurance Group. The competition for well-trained and well performing employees is very strong, and, in particular in the context of an acquisition, competitors of the Target Companies and of the Vienna Insurance Group may try to hire such key employees away from the Target Companies and/or Vienna Insurance Group. The loss of key employees could make it more difficult to accomplish the integration rapidly and realize the strengths of the various companies.

In addition to the risks mentioned above, the integration of the Target Companies and the other acquired companies could also be made more difficult, time-consuming and costly than expected by the occurrence of other risks and unexpected problems that the Vienna Insurance Group is currently unable to assess. Any of the circumstances above could have a material adverse effect on the Vienna Insurance Group's business and its assets, financial position and results of operations. There can be no assurance that the integration process will be completed effectively or that efficient management and operation of the integrated companies will continue to be possible in the future.

Since the purchase price of the Target Companies exceeds the book value of their net assets, the planned acquisition of the Target Companies will create substantial goodwill that will be subject to periodic impairment tests

As an integral part of the acquisition of the Target Companies, the Vienna Insurance Group and the Erste Bank AG have entered into a General Distribution Agreement, pursuant to which the Vienna Insurance Group and the Erste Bank AG will distribute their respective products on a preferential basis. Primarily as a result of this General Distribution Agreement, a significant portion of the difference between the aggregate purchase price and the book value of the Target Companies' net assets as of that date will be recorded as goodwill in the consolidated financial statements of Wiener Städtische AG. Pursuant to the International Financial Reporting Standards ("IFRS") and applied by the Company, the Vienna Insurance Group tests the goodwill for impairment on an annual basis. In addition, the Vienna Insurance Group must carry out an impairment test during a financial year any time there are particular circumstances that would indicate that an impairment is required. In particular if the integration of the Target Companies or the implementation of the General Distribution Agreement meets with unexpected difficulties, such as the limitation on the scope of the distribution under the country distribution agreements, if the business of the Target Companies do not develop as expected, or if the business of the Vienna Insurance Group overall develops in a manner that the Vienna Insurance Group does not anticipate, the Vienna Insurance Group may be required to record impairments on the Target Companies goodwill in accordance with IFRS, which could have a material adverse effect on the business, financial condition and results of operations of the Vienna Insurance Group.

The Vienna Insurance Group has not independently verified the accuracy of the information on the Target Companies that is contained in this Prospectus

Although the Vienna Insurance Group has conducted diligence that it considers customary for acquisitions of this type in Austria and in Central and Eastern Europe, based on the information to which the Vienna Insurance Group has been given access during the acquisition process or which was publicly available, the Vienna Insurance Group has not been, and until the closing of the acquisition will not be, involved in the management of the Target Companies and the other companies it is acquiring. Furthermore, a number of the companies to be acquired as part of the transaction have not been held by the Target Companies prior to the transaction, but are owned by the Erste Bank Group. As a result, it is possible that the Vienna Insurance Group's assessment of the risks and opportunities presented by the acquisition may not be accurate and there may be risks of which the Vienna Insurance Group is not aware.

The descriptions of the Erste Bank Group and the Target Companies are based solely upon the information provided to the Vienna Insurance Group during the acquisition process and on publicly available information.

The acquisition of the Target Companies and the distribution arrangement entered into in connection with the acquisition are subject to approval by competition authorities. If approval is granted, it could be subject to conditions This could lead to reduced synergy effects and business opportunities of the merger or to a loss of market shares of the Vienna Insurance Group

The implementation of the acquisition of the Target Companies is subject to merger control approval of the European Commission and in other jurisdictions. It cannot be excluded that the competition authorities will make this approval of the acquisition contingent on compliance with certain requirements, such as the sale of parts of Vienna Insurance Group's business and/or some of the Target Companies and other conditions, although the scope of these requirements cannot be predicted at this point in time. Such requirements could include the sale of substantial parts of its business to a competitor. The compliance with such conditions could have an adverse effect on Vienna insurance Group's ability to achieve certain synergy effects and anticipated business opportunities in certain markets. In case the Vienna Insurance Group does not succeed in disposing of the assets as required by the authorities the assets may be administered and disposed of by a trustee appointed by the authority. There can be no assurance that the sales price obtainable for such assets will not be significantly below the value at which such assets are recorded on the Vienna Insurance Group's financial statements.

As an integral part of the acquisition and in order to benefit from the additional distribution capacity of the Erste Bank Group, Wiener Städtische AG entered into a long-term General Distribution Agreement with the Erste Bank AG to facilitate future cooperation in the distribution and sale of the products of the Vienna Insurance Group and Erste Bank Group and allowing the Target Companies to continue using their current distribution channels. The General Distribution Agreement is to be implemented by separate country-specific distribution agreements with the local subsidiaries of each partner, which will set forth the operating details for their corporations. In certain jurisdictions the country agreements are subject to recurrent antitrust approval by the respective competition authority. There can be no assurance that such approvals will be granted. Any non-approval could have a material adverse effect on the Vienna Insurance Group's business, financial condition and results of operations. In those jurisdictions where no approval is required, the country agreements are subject to a continuous self-assessment with a view to compliance with competition rules. In addition, the competition authorities can conduct a review of the distribution arrangements in the future. Given the long duration of the agreements, it cannot be excluded that in the future amendments to the agreements become necessary that could have an adverse impact on the distribution arrangement, such amendments could have an adverse impact on the Vienna Insurance Group's business, financial condition and results of operations.

Failure of the acquisition of the Target Companies would partially remove the economic reason for the capital increase, which could lead to financial disadvantages for the Vienna Insurance Group

Failure of the acquisition of the Target Companies would partially remove the economic reason for the capital increase that forms the subject matter of this Prospectus. The equity ratio, which would then be too high, could be evaluated negatively by analysts and the Vienna Insurance Group could find it necessary to repurchase Shares. The purchase price per Share could, however, be higher than the subscription price per share previously received by the Vienna Insurance Group, which could have a negative effect on the earnings per Share. The Vienna Insurance Group would also have incurred considerable transaction costs without any corresponding benefit.

Risks Associated with the Controlling Shareholder

In the shareholders' meetings of Wiener Städtische AG, the votes of the other shareholders will not be sufficient to prevail against WST-Versicherungsverein

Currently, WST-Versicherungsverein holds approximately 70% of the Issuer's share capital. See "*Principal Shareholder*". After the capital increase (not taking into account the exercise of the over-allotment option by the Joint Global Coordinators), WST-Versicherungsverein will continue to hold approximately the same percentage of the shares of Wiener Städtische AG as before the Offering. Under Austrian corporation law, WST-Versicherungsverein can block a number of measures of Wiener Städtische AG that must be approved by the Shareholders' Meeting, for example, the creation of authorized or conditional capital, the change of the business purpose of Wiener Städtische AG, mergers, divestments and other business combinations. In the event of a low attendance of participants at a Shareholders' Meeting, WST-Versicherungsverein may actually be able to determine independently the outcome of decisions requiring approval of the Annual General Meeting. Furthermore, even if most shareholders attend, WST-Versicherungsverein has sufficient shares to constitute the majority required at a Shareholders' Meeting of Wiener Städtische AG for a series of measures that can be resolved by a simple majority (such as the declaration of dividends, capital increases without exclusion of preemptive rights, the election and removal of members of the supervisory board and changes to the articles of association). See "*Description of Share Capital and Summary of Articles of Association of Wiener Städtische AG–Voting Rights and Shareholders' Meetings*". WST-Versicherungsverein will be able to exercise a controlling influence over the Issuer, its business activity and its dividend policy. The Articles of Association of WST-Versicherungsverein provide that WST-Versicherungsverein's Management Board and the members of Wiener Städtische AG's Management Board must have two members in common. Three members of Wiener Städtische AG's Management Board are currently members of WST-Versicherungsverein's Management Board. The WST-Versicherungsverein's general assembly of the members' representatives resolves how WST-Versicherungsverein will vote at Wiener Städtische AG's shareholders' meeting. WST-Versicherungsverein's Management Board is entitled to propose such resolutions to be voted upon by its shareholders. In the past, WST-Versicherungsverein's general assembly of the members' representatives has nearly always passed such resolutions as proposed. Due to WST-Versicherungsverein's controlling influence, minority and public shareholders will essentially possess limited voting rights and will not have the power to influence the Issuer in any meaningful way. Although it is the purpose of WST-Versicherungsverein to encourage and support the economic progress of Wiener Städtische AG, WST-Versicherungsverein as a shareholder does not necessarily pursue the same interests as minority or public shareholders. In particular, there is no assurance that WST-Versicherungsverein will align its voting behavior with the interests of minority or public shareholders.

Under Austrian regulations, the solvency ratios of the Vienna Insurance Group are measured at the WST-Versicherungsverein level

The principal shareholder of Wiener Städtische AG, WST-Versicherungsverein, is a mutual insurance company which, in compliance with the provisions of insurance regulation statutes contributed its entire insurance operations to Wiener Städtische AG. Under Austrian law, adherence to regulatory solvency ratios is measured at the WST-Versicherungsverein level. Although the Articles of Association of WST-Versicherungsverein state that WST-Versicherungsverein must act in the interests of Wiener Städtische AG, WST-Versicherungsverein is not subject to any other restrictions on its other business or investment decisions. Such decisions may have an impact on adherence to regulatory solvency ratios. A failure to comply with the regulatory solvency guidelines by WST-Versicherungsverein on a consolidated basis could result in a downgrading of the credit rating and to measures by the insurance regulatory authority and thus have a material adverse effect on the assets, financial position and earnings of the Vienna Insurance Group.

Sales by WST-Versicherungsverein of a significant number of shares of Wiener Städtische AG in the market after this Offering could have a negative impact on the price of Wiener Städtische AG shares

WST-Versicherungsverein has agreed that it will not sell the Shares held by it within 180 days of the Closing Date without the consent of the Joint Global Coordinators. After that time, WST-Versicherungsverein will be able to sell the shares it holds at any time. See "*Plan of Distribution – Lock-up*". The share price of Wiener Städtische AG could fall if WST-Versicherungsverein sells additional shares in the market or the impression arises that such sales are expected. In such a situation, it could also be difficult for Wiener Städtische AG to issue new shares at a time which it regards as favorable and at an appropriate price.

Risks Arising from the Offering

The share price of Wiener Städtische AG could prove to be volatile

Share prices were subject to considerable fluctuations in the second half of 2007 and the beginning of 2008. These fluctuations resulted from a number of factors: a liquidity crisis in the financial sector, uncertainties about economic development, particularly in the U.S., but also in Europe and important emerging countries, and fears of overvaluation of shares on stock exchanges in emerging countries. The market price of Wiener Städtische AG's shares could be subject to significant fluctuations due to a variety of factors, including, among other things, actual or anticipated fluctuations in Wiener Städtische AG's operating results and financial performance, announcements of product developments by Wiener Städtische AG's existing or future competitors, regulatory changes or changes in financial estimates by securities analysts and general economic conditions and other factors, such as additional unforeseen consequences of the worldwide liquidity crisis. General volatility of stock prices, in particular within the European financial sector, may also lead to price pressure on the Shares of Wiener Städtische AG without there necessarily being a reason for this in the business or the earnings outlook of Wiener Städtische AG.

Failure on the part of existing shareholders to exercise their Subscription Rights by May 7, 2008, will result in such Subscription Rights becoming null and void without compensation, and shareholders will suffer dilution of their percentage ownership

If existing shareholders of Wiener Städtische AG do not exercise their Subscription Rights by May 7, 2008, such Subscription Rights will become null and void without compensation. To the extent that existing shareholders do not exercise their Subscription Rights to subscribe for the New Shares, their proportionate ownership and voting interest in Wiener Städtische AG will be reduced.

Investors resident in countries other than Austria and the Czech Republic may suffer dilution if they are unable to exercise pre-emptive rights in future capital increases

Under Austrian corporate law, shareholders generally have preferential subscription rights (*Bezugsrechte*) relating to any shares issued by the issuer in a capital increase, in proportion to their shareholding. Due to restrictions in other jurisdictions (including the United States), shareholders outside Austria may possibly be prohibited under applicable law or excluded under the terms of the capital increase from participating in future capital increases, which could result in dilution of those shareholders' proportionate interests in the Issuer. Moreover, open-market purchases to counteract such dilution could be on terms less favorable than those offered to other shareholders in connection with a capital increase.

Fluctuations in the value of the Euro will affect the value of the Shares when converted into other currencies

The Shares traded on the Vienna Stock Exchange are quoted in Euro and the Shares traded on the Prague Stock Exchange are quoted in Czech Crowns. Potential investors that effect transactions in currencies other than the Euro or Czech Crowns, as the case may be, should be aware that fluctuations in the exchange rates between the Euro or Czech Crown and such other currency will influence and potentially reduce the value of, and return on, the Shares when converted into a foreign currency.

A suspension of trading in the Shares could adversely affect the share price

The FMA is authorized to suspend or request the relevant regulated market on which the Shares are admitted to trading to suspend such securities from trading due to various reasons. The FMA is further authorized to instruct the Vienna Stock Exchange to suspend trading in an issuer's securities in connection with measures taken against market manipulation and insider trading. The operator of a regulated market over which the FMA has supervisory jurisdiction shall suspend trading in securities which no longer comply with the rules of the regulated market unless such a step would be likely to cause significant damage to the investors' interest or the orderly functioning of the market. If the operator of the regulated market does not do so, the FMA shall demand the suspension of trading in securities, if it is in the interest of the orderly functioning of the market and does not damage investors' interests. The same applies to the Czech National Bank in its function as financial market supervisory authority of the Czech Republic. Any suspension in the trading of the Shares either on the Vienna Stock Exchange and/or the Prague Stock Exchange could adversely affect the share price.

Investors may not be able to recover damages based on the actuarial opinions with respect to the embedded values of the Vienna Insurance Group and the Target Companies included in this Prospectus

Actuarial firm B&W Deloitte GmbH ("B&W Deloitte") has reviewed certain statements in this Prospectus regarding the embedded value of the Vienna Insurance Group and certain of the Target Companies and issued letters thereon, which are included in this Prospectus. In its letters, Deloitte seeks to limit its responsibility towards third parties for any loss suffered by them as a result of its opinions. No assurance can, therefore, be given that investors will be able to recover damages from Deloitte based on its letters included in this Prospectus.

THE OFFERING

General

The Offering consists of a Rights Offering of up to 23,000,000 New Shares, in which holders of Subscription Rights are invited to subscribe for New Shares in the ratio of 3 New Shares for 14 Subscription Rights at the Subscription and Offer Price. Existing Shareholders of Wiener Städtische AG who hold Shares as of 24:00 CET on April 21, 2008 ("Existing Shares") will receive one Subscription Right for each Existing Share held. New Shares for which Subscription Rights are not exercised in the Rights Offering (including New Shares for which Subscription Rights are not allocated due to the Subscription Ratio (*Spitzenausgleich*)) (the "Rump Shares") will be offered in the Global Offering at the Subscription and Offer Price. The Global Offering consists of (i) a public offering to retail and institutional investors in the Republic of Austria and the Czech Republic, (ii) a private placement in the United States to QIBs in reliance on Rule 144A under the Securities Act and (iii) private placements to selected institutional investors outside the Republic of Austria and the Czech Republic and outside of the United States in reliance on Regulation S under the Securities Act.

WST-Versicherungsverein has committed to exercise Subscription Rights amounting to at least 16,000,000 New Shares. At the election of the Joint Global Coordinators, WST-Versicherungsverein will sell to the Joint Global Coordinators up to 1,000,000 additional Shares (the "Greenshoe Shares") for the sole purpose of covering over-allotments.

As part of the Global Offering, Eligible Employees (as defined below) will be offered the right to subscribe for an aggregate of up to 1,000,000 of the Rump Shares (the "Employee Shares") in an amount of up to 250 Employee Shares per Eligible Employee at a discount of 20% from the Subscription and Offer Price (the "Employee Offer Price"). "Eligible Employees" are all employees and managing directors employed (without interruption) since December 31, 2006 and members of the managing board of the Issuer or those companies that were fully consolidated subsidiaries of the Issuer in a EU member state as of December 31, 2007 who, as of April 30, 2008, have been in ongoing employment or who are currently in the state of termination of employment because of retirement.

The Subscription Price will equal the Offer Price. The Subscription and Offer Price will be determined by the Issuer in consultation with the Joint Global Coordinators upon the conclusion of the bookbuilding of the Global Offering and will be set forth in a pricing agreement to be entered into among the Issuer, WST-Versicherungsverein and the Joint Global Coordinators (the "Pricing Agreement") expected to be dated May 7, 2008. The Subscription and Offer Price is expected to be announced via the electronic media on or about May 7, 2008, and published by notice in the *Amtsblatt zur Wiener Zeitung* (the Austrian Official Gazette) as soon as possible thereafter.

The Subscription Period for holders of Subscription Rights runs from April 22, 2008, to May 7, 2008. The Rights Offering may be terminated at any time and the Subscription Period may be extended at any time. The Offer Period during which investors may purchase New Shares in the Global Offering will run from April 22, 2008 to May 7, 2008. The Offer Period may be terminated early or extended at any time. The period during which Eligible Employees may purchase Employee Shares will run from April 22, 2008 to April 30, 2008 and may be terminated or extended at any time.

Erste Bank der oesterreichischen Sparkassen AG, in its own name and for the account of the Joint Global Coordinators, will subscribe for the New Shares (of which at least 16,000,000 New Shares will be for the account of WST-Versicherungsverein) at a price of EUR 1.04 per Share (the "Issue Price") with the obligation to offer holders of Subscription Rights the right to subscribe for New Shares. According to Section 153 paragraph 6 of the Austrian Stock Corporation Act, this represents no exclusion of Subscription Rights. The New Shares will be offered to holders of Subscription Rights in the subscription ratio of 14 : 3, so that each 14 Subscription Rights will entitle the holder to subscribe for 3 New Shares. The Joint Global Coordinators will pay to the Issuer the difference between the Issue Price and the Subscription and Offer Price for each of the New Shares subscribed by them, less agreed fees. Subscription Rights that are not exercised during the Subscription Period will expire without value.

Subscription and purchase orders will be accepted by the Joint Global Coordinators and all Austrian financial institutions and Česká spořitelna, a.s. and brokerjet České spořitelny, a.s. and other financial institutions in the Czech Republic. Eligible Employees in Austria, the Czech Republic, Slovakia and Germany can also, and Eligible Employees in Bulgaria, Italy, Poland and Romania can only, purchase Employee Shares on a specific collective account. Multiple purchase orders will be accepted. The right to cut back purchase orders and not execute sales, however, remains reserved.

In connection with the public offering in Austria and the Czech Republic, purchase orders by retail investors placed with Erste Bank der oesterreichischen Sparkassen AG, any Austrian savings bank (except for Bank Austria AG), ecetra Central European e-Finance AG (brokerjet.at), brokerjet České spořitelny a.s. (brokerjet.cz) and Česká spořitelna, a.s. will be entitled to a preferential allocation of up to 350 Shares. The period during which retail investors will be allotted preferentially may be terminated early.

Payment and delivery of the New Shares is expected to take place on or about May 13, 2008. The New Shares will be represented by one or more global certificates. It is expected that the New Shares will be ready for delivery in book-entry form through the facilities of Oesterreichische Kontrollbank AG and for deposit with the depositaries for Clearstream Luxembourg or Euroclear or UNIVYC on or about May 13, 2008. Purchasers of Shares will not be entitled to receive individual share certificates.

There will be no minimum and no maximum number of New Shares for which purchase bids may be submitted by prospective investors in the Global Offering, whether expressed as a number of New Shares or an amount in euros. Multiple purchase bids will be accepted, subject to allocation by the Issuer and the Joint Global Coordinators. Prospective investors in the Global Offering may withdraw any purchase bids placed until the end of the Offer Period.

The amount of New Shares, if any, allocated to an investor will be determined in the absolute discretion of the Issuer and the Joint Global Coordinators. Prospective investors in the Global Offering are therefore advised to contact their bank, broker or other financial adviser for details regarding the actual allocation of New Shares made to them. Although the Issuer does not accept any responsibility therefor, the Issuer expects that information regarding allocations in the Offering may be made available by these institutions on or about the banking day in Austria immediately prior to the commencement of trading in the New Shares. Investors whose purchase orders are not accepted in whole or in part are advised to contact their respective bank, broker or other financial adviser for details regarding the refund of any monies paid by a prospective investor.

Exercise of Subscription Rights

Subscription Rights may be exercised at the Subscription Price by holders of Subscription Rights during the Subscription Period, which runs from April 22, 2008, to May 7, 2008, upon presentation of coupon No. 16. Holders of Subscription Rights held through a depository bank that is a member of Oesterreichische Kontrollbank AG or through a financial institution that is a participant in Euroclear or Clearstream Luxembourg or UNIVYC, must exercise their Subscription Rights by instructing such bank or financial institution to subscribe for New Shares on their behalf. Holders of Subscription Rights are advised to inform themselves at their custodian up to which point in time their custodian accepts Subscription Right exercises. Such period may end before May 7, 2008. The Rights Offering may be terminated at any time and the Subscription Period may be extended at any time.

The exercise of a Subscription Right by Subscription Right holders is irrevocable and cannot be annulled, modified, cancelled or revoked.

The Issuer reserves the right to maintain the subscription ratio even if the definitive size of the Offering is reduced. This might lead to an increase of a shareholder's interest in the share capital of the Issuer, if the definitive number of New Shares is less than 22,500,000. In accordance with the subscription ratio of 14 : 3, 3 New Shares may be subscribed for against payment in cash of the Subscription and Offer Price for every 14 Subscription Rights held. Customary bank fees will be charged for the subscription of the Offer Shares. Price limits will only be accepted in multiples of EUR 0.25.

Prior to the Subscription and Offer Period, the Management Board has set the Maximum Subscription and Offer Price at EUR 54.00. The Management Board is authorized to determine the final Subscription and Offer Price with the consent of the Supervisory Board after the Subscription Period. This final Subscription and Offer Price will be equal to the Maximum Subscription and Offer Price or will be below it. The final Subscription and Offer Price and the final number of New Shares to be issued will be determined by the Issuer and WST-Versicherungsverein in consultation with the Joint

Global Coordinators on the basis of an order book established in the course of a bookbuilding process, taking into account the price of the Shares on the Vienna Stock Exchange and the Prague Stock Exchange prior to the time of determination of the Subscription and Offer Price. The Subscription and Offer Price will depend upon the offers to buy the New Shares submitted by investors during the Subscription and Offer Period and collected in the bookbuilding process. The offers to buy will be evaluated according to the price bid and the expected orientation of the relevant investor. The Subscription and Offer Price and the number of New Shares offered will be determined on this basis, taking into account the goal of maximizing the proceeds of the Offering. The mix of investors in Wiener Städtische AG that would result at a potential price and allotment and the anticipated behavior of investors will also be considered. This final Subscription and Offer Price will apply to all persons entitled to subscriptions (shareholders who have exercised their Subscription Rights and purchasers of Subscription Rights) and all persons purchasing New Shares in the Global Offering.

Subscription Rights holders who do not wish to exercise their Subscription Rights at the Maximum Subscription and Offer Price but who, in the course of the Rights Offering, issue a subscription order at a price lower than the Maximum Subscription and Offer Price will receive from the Joint Global Coordinators an allotment of Offer Shares corresponding to the number of Subscription Rights exercised by these subscribers at the end of the Subscription Period, provided that the price limit set by them is not lower than the final Subscription and Offer Price. Subscription Rights will expire without value if the price limit set by the holder is lower than the final Subscription and Offer Price. Such expiration of the Subscription Rights can be avoided by issuing a subscription order without setting a price limit, or with a price limit that matches the Maximum Subscription and Offer Price.

Any extension of the Subscription Period or termination of the Rights Offering will be published via electronic media and in the Official Gazette of the Wiener Zeitung (*Amtsblatt zur Wiener Zeitung*) as soon as possible thereafter. In the event of termination of the Rights Offering, exercised Subscription Rights will become void and any payment made for the subscription will be returned to the subscriber without interest.

Subscription rights will not be traded on any stock exchange. From April 22, 2008, the Existing Shares of Wiener Städtische AG will be traded "without subscription rights" (*ex-Bezugsrechte*).

Special Considerations for the Rights Offering and Global Offering in the Czech Republic

Czech investors, who take part in the Rights Offering and/or the Global Offering are required to follow the instructions provided by Česká spořitelna, a.s., brokerjet České spořitelny, a.s., or their respective financial intermediary and information published by UNIVYC, a.s. It will be at the discretion of Česká spořitelna, a.s. and brokerjet České spořitelny, a.s. how to administer the Global Offering in the Czech Republic. No assurance can be given that the Subscription Rights or Shares will be properly delivered unless the Czech investor or Czech holder of Subscription Rights and its custodian comply with all relevant instructions of Česká spořitelna, a.s., brokerjet České spořitelny, a.s. or its respective financial intermediary and UNIVYC, a.s. Holders of subscription rights should be aware that the disposition period, during which they may exercise their Subscription Rights, may terminate prior to the end of the Subscription Period.

Should the Issuer decide to modify the terms of the Rights Offering or the Global Offering, such change will be published on the Issuer's website (www.viennainsurancegroup.com) and on the websites of Česká spořitelna, a.s. (www.csas.cz) and brokerjet České spořitelny, a.s. (www.brokerjet.cz). Investors will not be notified individually.

The holders of Subscription Rights in the Czech Republic are advised to liaise with their respective custodians as to the form and time of exercise of their Subscription Rights. The Subscription Rights will not be traded on the Prague Stock Exchange.

The Offer Price will be announced on the respective websites in the Czech Republic on or about May 9, 2008.

Special Considerations for U.S. Shareholders regarding the Rights Offering

The Subscription Rights and the New Shares deliverable upon the exercise of Subscription Rights have not been and will not be registered under the Securities Act or with any securities authority of any state of the United States and may not be offered or sold except pursuant to an exemption from, or in a transaction not subject to the registration requirements of the Securities Act and in compliance with any applicable state securities law. Accordingly, Subscription Rights may not be exercised by or on behalf of any person in the United Sates, except that holders of Subscription Rights who are "qualified institutional buyers" (as such term is defined in Rule 144A under the Securities Act; "QIBs") may exercise Subscription Rights in accordance with the procedures and subject to the terms and conditions described herein.

The terms and conditions and procedures applicable to holders of shares of Wiener Städtische AG and Subscription Rights in the United States are described below only insofar as they differ from those that apply generally in the Rights Offering. To the extent that the generally applicable terms and conditions and procedures described above are not contradicted or varied by the information set forth in this section, such terms and conditions will also apply to holders in the United States.

A QIB may exercise its Subscription Rights through the depository bank or clearing system participant through which such Subscription Rights are held in accordance with procedures established by such depository bank or clearing system participant. Such procedures will require that each QIB who retains investment discretion as to whether to exercise its Subscription Rights return both to its depository bank or clearing system participant and to Erste Bank AG, as subscription agent (*Bezugstelle*; the "Subscription Agent") at Erste Bank der oesterreichischen Sparkassen AG, OE 558, attn. Mrs. Petra Brantner, Börsegasse 14, A-1010 Vienna, Austria, fax at +43-50100-11228, a duly completed QIB Investment Letter certifying among other things that such QIB is a qualified institutional buyer and agrees to comply with the resale restrictions described above under "*Plan of Distribution — Restrictions on Resale*" and in the QIB Investment Letter. The form of QIB Investment Letter may be obtained from the Subscription Agent or requested from the Subscription Agent by fax at +43-50100-11228, attn. Mrs. Petra Brantner. Subscription Rights evidenced by coupons may be exercised only in Austria. Persons exercising Subscription Rights evidenced by coupons will be deemed to certify to Wiener Städtische AG and to the Joint Global Coordinators, by presenting such coupons, that the Subscription Rights are not being exercised on behalf of a person in the United States. However, Subscription Rights evidenced by coupons may be exercised on behalf of a QIB upon presentation of such coupons and delivery to the Subscription Agent (and the bank to which the coupon is submitted) of a duly completed QIB Investment Letter.

Subscription Rights must be exercised by QIBs, and QIB Investment Letters must be received by the Subscription Agent, before the end of the Subscription period on May 7, 2008. Qualifying holders who may wish to exercise Subscription Rights should consider that they may not be able to do so during usual U.S. business hours on May 7, 2008, and should consult their depository banks or clearing system participants to determine the effective deadline for their exercise of Subscription Rights.

PLAN OF DISTRIBUTION

Scope of and Agreements on the Subscription of Shares

Wiener Städtische AG, WST-Versicherungsverein (Wiener Städtische Wechselseitige Versicherungsanstalt-Vermögensverwaltung), Schottenring 30, 1010 Vienna, and the Joint Global Coordinators entered into a Purchase Agreement on April 21, 2008 to subscribe for up to 23,000,000 New Shares (of which at least 16,000,000 New Shares will be subscribed for the account of WST-Versicherungsverein) (the "Purchase Agreement"). Erste Bank der oesterreichischen Sparkassen AG ("Erste Bank"), Börsegasse 14, 1010 Vienna, J.P. Morgan Securities Ltd. ("J.P. Morgan"), 125 London Wall, London EC2Y 5AJ, United Kingdom, and Merrill Lynch International ("Merrill Lynch"), Merrill Lynch Financial Centre, 2 King Edward Street, London EC1A 1HQ, United Kingdom, are the Joint Global Coordinators and Joint Bookrunners for the Offering.

Under the terms of the Purchase Agreement, and subject to the conclusion of a Pricing Agreement following the end of the Subscription and Offer Period, the Joint Global Coordinators have severally agreed to purchase up to the number of New Shares set forth below at the Subscription and Offer Price or, to the extent such New Shares are Employee Shares, at the Employee Offer Price. The Subscription and Offer Price per Share will be determined by the Issuer in consultation with the Joint Global Coordinators on the basis of an order book established in the course of a bookbuilding process and shall be set forth in the Pricing Agreement. Wiener Städtische AG has agreed to issue the number of New Shares as set forth below:

Joint Global Coordinators	Maximum number of New Shares
Erste Bank der oesterreichischen Sparkassen AG	2,333,334
J.P. Morgan Securities Ltd.	2,333,333
Merrill Lynch International	2,333,333
Total	7,000,000

In addition, WST-Versicherungsverein has committed in the Purchase Agreement to exercise its Subscription Rights for at least 16,000,000 New Shares. The Joint Global Coordinators will have no underwriting obligation with respect to the New Shares to be subscribed by WST-Versicherungsverein.

New Shares that are not subscribed for in the Rights Offering will be offered in (i) a public offering to retail and institutional investors in the Republic of Austria and the Czech Republic, (ii) a private placement in the United States to QIBs in reliance on Rule 144A under the Securities Act, (iii) to selected institutional investors outside the Republic of Austria and the Czech Republic and outside of the United States in reliance on Regulation S at the Subscription and Offer Price and (iv) in the Employee Participation Plan at a discount of 20% from the Subscription and Offer Price.

The Offering of the Offer Shares in the United States will be made by J.P. Morgan Securities Inc., Merrill Lynch, Pierce, Fenner & Smith Incorporated and Auerbach Grayson, affiliates of the Joint Global Coordinators who are broker-dealers registered under the Securities Exchange Act of 1934, as amended.

Fees, Expenses

Wiener Städtische AG will pay the Joint Global Coordinators a fee of 2.5%, and an additional performance fee of 0.5%, of the aggregate Subscription and Offer Price for the New Shares. WST-Versicherungsverein will pay the Joint Global Coordinators a fee of 2.5%, and an additional performance fee of 0.5%, of the aggregate Subscription and Offer Price for the Greenshoe Shares (to the extent that the Joint Global Coordinators exercise their over-allotment option described below).

Wiener Städtische AG has agreed in the Purchase Agreement to pay certain costs, including certain costs of the Joint Global Coordinators arising in connection with the offering and sale of the Offer Shares.

Stabilization, Share Lending and Over-Allotment Option

In connection with the Offering, Erste Bank will act as stabilization manager and may effect transactions with a view to supporting the stock exchange or market price of the Shares of Wiener Städtische AG in order to counteract any existing selling pressure (stabilization measures). The stabilization manager is under no obligation to engage in any such stabilization. Accordingly, there is no assurance that stabilization will be undertaken. If stabilization is undertaken, it may be discontinued at any time without prior notice. Stabilization may be carried out as from the date of the announcement of the Subscription and Offer Price and must be discontinued no later than on the thirtieth day after allocation of the New Shares (the "Stabilization Period").

As a result of such stabilization, the stock exchange or market price of the Shares or other securities of Wiener Städtische AG may be higher than would otherwise prevail in the market. Stabilization may also result in a stock exchange or market price at a level that is not sustainable in the long term.

In connection with potential stabilization measures, up to 1,000,000 additional Shares, may be allocated in the course of the allocation to investors to cover over-allotments, in addition to the 23,000,000 New Shares being offered in the Offering. The shares required for such over-allotments will be provided to the stabilization manager on a temporary basis by way of a share lending free of charge by the WST-Versicherungsverein.

In connection with such over-allotment, the WST-Versicherungsverein has granted to the Joint Global Coordinators an option to purchase up to 1,000,000 additional Shares (the "Greenshoe Shares") at the Subscription and Offer Price (less agreed fees) in order to cover any over-allotments and the share lending relating to it, as described above. The Joint Global Coordinators may exercise the over-allotment option from the date of the announcement of the Subscription and Offer Price until the thirtieth day after expiry of the Subscription Period. The over-allotment option may only be exercised to the extent Shares have been placed in connection with the over-allotment.

Within one week after the end of the stabilization period, an announcement in accordance with Article 9 of Regulation (EC) No. 2273/2003 will be published in the Official Gazette (*Amtsblatt zur Wiener Zeitung*), on the Website of Vienna Insurance Group and Česká spořitelna a.s. and brokerjet Česká spořitelny a.s. as to whether stabilization measures have been taken, the date on which stabilization commenced, the date on which the last stabilization measures were taken and for each of the dates on which stabilization occurred, the price range within which stabilization was taken. The execution of the over-allotment, the exercise and the date of the exercise of the over-allotment option and the number and kind of Shares concerned will be announced immediately in the same manner, as for the announcement of information of the execution stabilization measures after the end of the stabilization measures as described above.

Lock-up

Both Wiener Städtische AG and WST-Versicherungsverein will agree with the Joint Global Coordinators in the Purchase Agreement that, prior to 180 days after the Closing Date, they will not without the explicit prior written consent of the Joint Global Coordinators (i) directly or indirectly issue, offer, lend, pledge or otherwise transfer or dispose of or transfer, directly or indirectly, any Shares of Wiener Städtische AG or other securities which are substantially similar to them (including securities convertible into or exercisable or exchangeable for Shares, or which represent the right to be converted into Shares), or (ii) enter into any swap or other agreement that transfers, in whole or in part, any of the economic consequences of ownership of the Shares of Wiener Städtische AG, whether any such transaction described in clause (i) or (ii) above is to be settled by delivery of shares or such other securities. Within the period stated above Wiener Städtische AG and WST-Versicherungsverein also agree not to announce any of the transactions described above. The restrictions described above will not apply (i) as to the Company, with respect to the New Shares and the Employee Shares and (ii) as to WST-Versicherungsverein, with respect to the Seller Shares, to the extent the Joint Global Coordinators exercise their over-allotment option, in each case in connection with the Offering. The restrictions described above will also not apply to Shares to be issued by Wiener Städtische AG to its or any of its Subsidiaries' employees pursuant to any employee stock ownership program and to certain pledges of shares by WST-Versicherungsverein, provided that the pledgee agrees not to realize such pledge during the lock-up period specified above.

Termination, Indemnification

The Purchase Agreement provides that the Joint Global Coordinators will have the right to terminate the Purchase Agreement and the obligation to subscribe for Offer Shares set forth therein under certain circumstances. If a termination of the Purchase Agreement occurs after registration of the capital increase or a time when the registration of the capital increase cannot be prevented (such termination may occur up to the Closing Date), the delivery of the Shares is reserved. In case of invalid subscription, claims with respect to subscription fees already paid and other investor costs in connection with the subscription shall arise from the contractual relationship between the investor and the financial institution to which the investor submitted his purchase order. If investors sell shares of Wiener Städtische AG prior to the delivery of such shares in book-entry form and are not able to deliver the shares following termination by the Joint Global Coordinators of the Purchase Agreement, any legal recourse shall exclusively arise from and be limited to the contractual relationship between the investor and the purchaser. In case of short sales of the New Shares by investors, the selling investor bears the risk of being unable to fulfill his/her delivery obligation.

In the Purchase Agreement, Wiener Städtische AG will agree to indemnify the Joint Global Coordinators against certain liabilities in connection with the Offering.

Other Relationships

The Joint Global Coordinators or their affiliates have provided, or may provide in the future, investment banking and other services for Wiener Städtische AG and its Group companies in the ordinary course of their business activities, for which they have received, or will receive, customary fees and expenses.

Erste Bank and some of its subsidiaries are the sellers of the Target Companies and will, if the acquisition of the Target Companies is completed, receive net proceeds from this Offering. Erste Bank regularly provides banking services to the Vienna Insurance Group and the Vienna Insurance Group and Erste Bank have traditionally cooperated in the marketing and sale of insurance and banking products and will intensify this cooperation through the signing of a distribution agreement in connection with the acquisition of the Target Companies (see "*Acquisition of the Target Companies and Long-Term General Distribution Agreement — General Distribution Agreement between Wiener Städtische AG and Erste Bank AG*"). In connection with this Offering, Erste Bank will arrange financing for WST-Versicherungsverein to fund the subscription of New Shares by WST-Versicherungsverein.

J.P. Morgan is acting as an advisor for the Vienna Insurance Group in connection with the acquisition of the Target Companies Group, for which J.P. Morgan receives customary fees and expenses.

Erste Bank and J.P. Morgan are expected to act as underwriters in a contemplated offering of bonds to be issued pursuant to a hybrid debt program by a subsidiary of Wiener Städtische AG and guaranteed by Wiener Städtische AG (see "*Acquisition of the Target Companies and Long-Term General Distribution Agreement — Financing the Acquisition*"), for which they will receive customary underwriting fees.

Merrill Lynch International is acting as an advisor to Erste Bank in connection with the sale of the Target Companies.

Own Account Trading

In connection with the Offering, each of the Joint Global Coordinators and any of their respective affiliates, acting as an investor for its own account and not as an underwriter of this Offering, may purchase Shares in the Offering. In such capacity as investor, such Joint Global Coordinator or affiliate may retain, purchase or sell for its own account such Shares and may offer or sell such Shares outside the scope of this Offering. Accordingly, references in the Prospectus to Shares being offered or placed should be read as including any offering or placement of Shares to any of the Joint Global Coordinators or any of their respective affiliates acting in their capacity as investors and not as underwriters. None of the Joint Global Coordinators intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so.

Selling Restrictions

In the Purchase Agreement, the Joint Global Coordinators will severally agree to publicly offer the offered Shares only in Austria and the Czech Republic.

United States

In the United States, the Offer Shares will be offered only to QIBs in private placements made in accordance with Rule 144A of the Securities Act. The Shares and the respective Subscription Rights are not and will not be registered in accordance with Section 5 of the Securities Act. Outside of the United States the Offer Shares will be offered and sold in offshore transactions on the basis of an exemption from Section 5 of the Securities Act provided by Regulation S under the Securities Act.

European Economic Area

In relation to each member state of the European Economic Area (the "EEA") which has implemented the Prospectus Directive 2003/71/EC (the "Prospectus Directive") (each, a "Relevant Member State"), each Joint Global Coordinator will represent and agree with Wiener Städtische AG that with effect from and including the date on which the Prospectus Directive is implemented in a Member State (a "Relevant Implementation Date"), it has not made and will not make an offer of the Shares to the public in that Member State prior to the publication of a prospectus in relation to the Shares which has been approved by the competent authority in that Relevant Member State in accordance with Article 18 of the Prospectus Directive or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, except that it may, to the extent permissible, with effect from and including the Relevant Implementation Date, make an offer of Shares to the public in that Relevant Member State:

- to legal entities which are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities;
- to any legal entity which has two or more of (i) an average of at least 250 employees during the last financial year; (ii) a total balance sheet of more than EUR 43,000,000; and (iii) an annual net turnover of more than EUR 50,000,000, as shown in its last annual or consolidated accounts; or
- in any other circumstances which do not require the publication by the issuer of a Prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer of Shares to the public" in relation to any Shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and Shares to be offered so as to enable an investor to decide to purchase or subscribe for Shares, as the same may be varied in that member state by any measure implementing the Prospectus Directive in that member state, and the expression "Prospectus Directive" includes any relevant implementing measure in each Relevant Member State.

United Kingdom

Each Joint Global Coordinator will represent, warrant and agree that (A) it will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Offer Shares in circumstances in which section 21(1) of the FSMA does not apply Wiener Städtische AG, and (B) it will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to offered Shares in, from or otherwise involving the United Kingdom.

Switzerland

No Shares will be publicly offered or distributed in Switzerland. Shares shall be offered in Switzerland privately only to a select circle of investors without the use of any public means of information or advertisement. This document does not constitute an offer prospectus within the meaning of Art. 652a Swiss Code of Obligations. It has not been filed with or approved by any Swiss regulatory authority or stock exchange. The Shares will not be registered in Switzerland or listed at any Swiss stock exchange. This document may not be distributed or used in Switzerland without the Issuer's prior written approval.

Japan

The Offer Shares have not been and will not be registered under the Financial Instruments and Exchange Law of Japan (as amended, the "FIEL"). The Offer Shares may not be offered or sold, directly or indirectly, in Japan or to or for the benefit of any resident of Japan or Japanese corporation, except in accordance with the provisions of, or pursuant to an exemption available under, the applicable laws and regulations of Japan including the FIEL. For the purpose hereof, "resident of Japan" means an individual whose address is in Japan, and "Japanese corporation" means a legal entity organized under the laws of Japan.

Restrictions on Resale

Each person exercising Subscription Rights in the Rights Offering in reliance on Rule 144A will be required to sign and deliver an investment letter (a "QIB Investment Letter") as described under "*The Offering — Special Considerations for U.S. Shareholders Regarding the Rights Offering*" containing (among other things) representations and undertakings substantially similar to the following, and each purchaser of Offer Shares in the Global Offering within the United States in reliance on Rule 144A will deemed to have represented and agreed as follows (terms used herein that are defined in Rule 144A ("Rule 144A") or Regulations S ("Regulations S") under the Securities Act are used herein as defined therein):

(1) You (A) are qualified institutional buyer, (B) are aware that the sale of the Offer Shares to you is being made in reliance on Rule 144A and (C) are acquiring such Offer Shares for your own account or for the account of a qualified institutional buyer, as the case may be.

(2) You understand that the Offer Shares have not been and will not be registered under the Securities Act and may not be reoffered, resold, pledged or otherwise transferred except (A) (i) to a person who the purchaser reasonably believes is a qualified institutional buyer in a transaction meeting the requirements of Rule 144A, (ii) in an offshore transaction complying with Rule 903 or Rule 904 of Regulation S or (iii) pursuant to an exemption from registration under the Securities Act provided by Rule 144 thereafter (if available) and (B) in accordance with all applicable securities laws of the states of the United States. No representation can be made as to the availability of the exemption provided by Rule 144 for resales of the Offer Shares.

Offer Shares purchased by investors outside of Austria and the Czech Republic may be subject to restrictions on transferability and resale and may not be transferred or resold except as permitted under applicable securities laws and regulations. Investors should be aware that they may be required to bear the financial risks of this investment for an indefinite period of time.

MARKET PRICE OF WIENER STÄDTISCHE AG SHARES

The following table provides an overview of changes in the share price of Wiener Städtische AG (based on the closing price on the Vienna Stock Exchange) since January 1, 2005:

Period	High Price (in EUR)	Low Price (in EUR)
Fiscal year ended December 31, 2005	52.20	24.65
Fiscal year ended December 31, 2006	54.27	41.26
Fiscal year ended December 31, 2007	57.90	45.01
1st quarter 2006	53.90	48.30
2nd quarter 2006	53.35	41.26
3rd quarter 2006	50.41	43.70
4th quarter 2006	54.27	49.35
1st quarter 2007	57.00	50.03
2nd quarter 2007	56.10	52.30
3rd quarter 2007	53.80	47.90
4th quarter 2007	57.90	45.01
1st quarter 2008	58.20	46.77
January 2008	57.50	48.13
February 2008	58.20	52.80
March 2008	54.60	46.77
April 2008 (through April 16, 2008)	49.70	47.00

The closing share price on the ATX of Wiener Städtische AG was EUR 48.75 on April 18, 2008, not adjusted for the dividend of EUR 1.10 per Share scheduled to be paid on April 28, 2008.

CAPITALIZATION

The following table sets forth the capitalization of the Vienna Insurance Group as of December 31, 2007 on an actual basis, as well as adjusted for the issuance of 23,000,000 New Shares at an assumed Subscription and Offer Price of EUR 47.65 per New Share (based in the closing price of the Shares on the Vienna Stock Exchange on April 18, 2008, as adjusted for the dividend of EUR 1.10 per Share scheduled to be paid on April 28, 2008), after deduction of EUR 9.5 million in aggregate discounts in connection with the Employee Participation Plan (based on the assumption that all 1,000,000 Employee Shares are purchased by Eligible Employees), and of the expected underwriting fees, assuming payment in full of the performance fee, and other costs of the Offering, including capital tax, payable by Wiener Städtische AG. The working capital and the capital resources are, in the opinion of the Issuer, sufficient for the Issuer's requirements for a period of 12 months from the date of this Prospectus.

	Fiscal year ended December 31, 2007	
	Actual	**Adjusted**
	(audited)	**(unaudited)**
	(in EUR million)	
Financial liabilities		
Reserves for pensions and similar obligations	404.6	404.6
Subordinated liabilities	442.9	442.9
Other long-term liabilities(1)	1,544.0	1,544.0
Total long-term liabilities	2,391.5	2,391.5
Technical provisions	20,040.7	20,040.7
Short term liabilities	1,697.3	1,697.3
Total financial liabilities	24,129.5	24,129.5
Shareholders' equity		
Subscribed capital	109.0	132.9(2)
Capital reserves	1,035.0	2,061.6(3)
Revenue reserves	1,057.7	1,057.7
Other reserves	136.4	136.4
Minority interests	277.5	277.5
Total equity	2,615.6	3,666.1(4)
Total capitalization	26,745.1	27,795.6(4)

(1) EUR 1,427.3 million relates to the non-profit housing development companies (*gemeinnützige Wohnungsgesellschaften*) which are mostly secured. The Vienna Insurance Group has not granted any material guarantees.

(2) Adjusted subscribed capital depends on the number of New Shares issued. The final adjusted subscribed capital after determination of the number of New Shares is calculated as follows: (actual subscribed capital) + (final number of New Shares issued) X 1.04 (rounded).

(3) Adjusted capital reserves depend on the number of New Shares issued in connection with the Offering, on the final Subscription and Offer Price and on the aggregate discount granted to Eligible Employees in connection with the Employee Participation Plan. The final adjusted capital reserves after determination of the number of New Shares and of the final Subscription and Offer Price is calculated according to the following formula: (actual capital reserves) + ((final number of New Shares issued) x (final Subscription and Offer Price)) - ((final number of New Shares) x 1.04 (rounded)) - (aggregate discount in connection with Employee Participation Plan) - (underwriting commissions and other expenses of the Offering).

(4) Adjusted total equity and adjusted total capitalization will depend on the final adjusted subscribed capital and capital reserves; see footnotes (2) and (3).

DILUTION

The equity of Wiener Städtische AG as of December 31, 2007, was EUR 2,615.6 million, or EUR 24.91 per Share, based on 105,000,000 Shares outstanding with a rounded nominal value of EUR 1.04 each. The adjusted equity per Share is determined by dividing the adjusted equity by the number of outstanding Shares.

After giving effect to the sale of all 23,000,000 New Shares offered hereby at an assumed Subscription and Offer Price of EUR 47.65 (based on the closing price of the Shares on the Vienna Stock Exchange on April 18, 2008, as adjusted for the dividend of EUR 1.10 per Share scheduled to be paid on April 28, 2008), the equity of Wiener Städtische AG as of December 31, 2007 would have been EUR 3,666.1 million after deducting EUR 9.5 million in discounts in connection with the Employee Participation Plan (based on the assumption that all 1,000,000 Employee Shares are purchased by Eligible Employees), and expected underwriting fees, including the performance fee, and estimated offer expenses, including capital tax, payable by Wiener Städtische AG. This represents an immediate increase in adjusted equity of EUR 3.73 per Share to Existing Shareholders who do not exercise their Subscription Rights and an immediate dilution of equity of EUR 19.01 per Share for new investors purchasing Offer Shares in this Offering.

Investors should be aware that the dilution as calculated above is based on an assumed Subscription and Offer Price of EUR 47.65 and on the assumption that all 1,000,000 Employee Shares are purchased by Eligible Employees. Dilution per Share is determined by subtracting the final net assets per Share from the final Offer and Subscription Price.

USE OF PROCEEDS

Assuming all of the 23,000,000 New Shares are sold, assuming a final Subscription and Offer Price of EUR 47.65 (based on the closing price of the Existing Shares of Wiener Städtische AG on the Vienna Stock Exchange on April 18, 2008, as adjusted for the dividend of EUR 1.10 per Share scheduled to be paid on April 28, 2008) and further assuming that the maximum number of 1,000,000 of the New Shares are purchased by Eligible Employees at the Employee Offer Price, Wiener Städtische AG expects to receive net proceeds of EUR 1,050.5 million from the sale of the New Shares, after deduction of underwriting fees, including a potential success fee, and other costs of this Offering, including capital tax, to be paid by Wiener Städtische AG. Wiener Städtische AG will not receive any proceeds from the sale of any Greenshoe Shares.

Wiener Städtische AG intends to use the net proceeds from the Offering to fund a portion of the purchase price of the Target Companies as well as to finance further acquisitions in the CEE region, particularly Poland, Ukraine, Hungary and eventually Turkey. Erste Bank der oesterreichischen Sparkassen AG and some of its subsidiaries (Erste Bank is one of the Joint Global Coordinators of the Offering) are the sellers of the Target Companies and will, if the acquisition of the Target Companies is completed, receive net proceeds from this Offering.

RECENT DEVELOPMENTS

Based on preliminary data, gross premiums written of the Vienna Insurance Group in the first quarter 2008 increased in line with the growth rate in the first quarter of 2007, driven both by acquisitions and organic growth. Both the life and non-life segments and all geographical markets contributed to the growth. Wiener Städtische AG's management expects the growth in gross premiums written to continue in the second quarter of 2008. The recent volatility in the capital markets resulted both in a decline in all major stock indices and in higher risk spreads on fixed-income securities generally, and a decrease in Vienna Insurance Group's income from extraordinary financial results consisting of realized gains, income/loss from writeups and extraordinary gains/losses from write-downs in the first quarter of 2008 compared to the same period the previous year. Investment income is expected to decrease compared with the same period of the previous year. Profit before tax is expected to increase compared with the same period of the previous year, due in particular to an improved actuarial result in the property and casualty insurance.

The development of shareholders equity since January 1, 2008 has been negatively impacted by the development in the capital markets, which had an adverse effect on the market value of Vienna Insurance Group's investment portfolio, which was partially offset by the actuarial result. While the Vienna Insurance Group cannot at this point calculate the exact amount of its shareholders equity at March 31, 2008, management believes that the development of its shareholder equity since December 31, 2007 will be in the range of a single digit increase or decrease.

In February 2008, the Vienna Insurance Group established a reinsurance company in the Czech Republic. The decision was based on the current situation of the reinsurance market, which is characterized by a consolidation of large reinsurance companies. The Vienna Insurance Group targets a premium volume of EUR 300 million and a return on equity of 20% in the coming two to three years from its reinsurance operations. See also *"Risk Management – Reinsurance"*.

On March 26, 2008, companies of the Vienna Insurance Group and the Erste Bank Group signed a series of agreements which set out the framework for the acquisition of the insurance operations of the Erste Bank Group in Austria, Croatia, the Czech Republic, Hungary, Romania and Slovakia as well as the future distribution arrangement between the Vienna Insurance Group and the Erste Bank Group with respect to the distribution of each other's products. For a detailed description of the acquisitions and the distribution arrangement, see *"Acquisition of the Target Companies and Long-Term General Distribution Agreement"*.

In connection with these acquisitions, the Vienna Insurance Group offered to the competition authorities to divest itself of a substantial interest in BA-CA Versicherung and its participations in UNITA, a Romanian non-life insurance company. At the end of March 2008, the Vienna Insurance Group entered into an agreement to sell a majority of its shares in BA-CA Versicherung, which will result in a reduction of its stake to 10% plus one share, to ERGO Versicherungsgruppe, whose stake in BA-CA Versicherung will increase to approximately 80%. The sale will be consummated at the end of September 2008 and is subject to regulatory approval.

DIVIDEND POLICY

All Existing Shares of Wiener Städtische AG, including the shares issued in the Offering, carry the same dividend rights.

Whether dividends will be distributed for any given fiscal year and the particular amount and timing of the distribution of dividends is subject to a proposal for the distribution of profits by the Management Board. This proposal is presented to the annual general meeting together with the report of the Supervisory Board. The annual general meeting may then approve, but cannot increase, the proposed dividend. Shareholders' dividends not collected within three years after having become payable shall be forfeited in favor of the free reserve of Wiener Städtische AG.

In accordance with the Articles of Association of Wiener Städtische AG, the Annual General Meeting takes place within six months after conclusion of the foregoing fiscal year.

The balance sheet profit to be distributed among the shareholders will be distributed pro rata based on the number of shares held. Equity contributions paid up during a fiscal year shall be taken into account for profit distribution in relation to the period of time elapsed since the payment was effected. When new shares are issued, a different dividend right may be fixed. The New Shares will have dividend rights with respect to fiscal years begining on or after January 1, 2008.

Future distributions of dividends by Wiener Städtische AG will depend on its profitability, its financial condition and on other factors, including its cash requirements, future prospects as well as tax, regulatory and other legal conditions.

As one of its medium- and short-term financial objectives, the Vienna Insurance Group management aims for a dividend distribution quota of at least 30% of the Group profits (*Konzernüberschuss*).

Whether Wiener Städtische AG will be in a position to distribute dividends depends on the non-consolidated (i.e. stand-alone) financial statements of Wiener Städtische AG prepared in accordance with Austrian GAAP, in particular as laid out in the UGB (the Austrian Business Code, *Unternehmensgesetzbuch*) and the AktG (the Austrian Stock Corporation Act, *Aktiengesetz*). Generally, dividends may only be determined by reference to and paid out of the annual net profits for the year as shown in the approved stand-alone annual financial statements. In determining the amount available for distribution, the annual net profits have to be adjusted for reductions of or allocations to capital reserves during the year. Certain statutory allocations to the capital reserves have to be made decreasing the balance sheet profits available for distribution. The annual profit determined accordingly has to be increased or decreased, as the case may be, by profit or loss carry forwards of the preceding year. In addition, the applicable rules of the UGB provide for restrictions on distributions for business years in which expenses for launching or expanding a business operation or tax assets are shown on the assets side of the balance sheet: a profit distribution is only allowed to the extent by which the amount of the free capital reserve relating to the balance sheet position plus a profit carry forward (or minus a loss carry forward) is at least equal to the amount shown on the asset side of the balance sheet. The restrictions on distribution and other legislation with an impact on the amount of distributable profits may be amended by the legislator in the future.

There is no guarantee that Wiener Städtische AG will in the future have distributable balance sheet net profits or reserves from which each year annual dividends can be paid in accordance with the dividend policy as described above. Even if Wiener Städtische AG has a distributable balance sheet profit, it cannot be guaranteed that dividends will be actually paid.

The following table sets forth the dividends per share paid by Wiener Städtische AG over the last several years. No inferences as to the amount of future dividends from dividends can be drawn paid in the past.

For fiscal year ended December 31,	Dividend distributed EUR per common share
2007	1.10
2006	0.82
2005	0.66

ACQUISITION OF THE TARGET COMPANIES AND LONG-TERM GENERAL DISTRIBUTION AGREEMENT

The description of the Target Companies and the Erste Bank Group contained in this Prospectus, including the financial information and operating data, with the exception of description of the Acquisition and the General Distribution Agreement, is based solely upon the information that was provided to the Vienna Insurance Group during the acquisition process or which is publicly available and the Vienna Insurance Group has not independently verified this information. Please see "Risk Factors – Risks Relating to the Acquisition of the Target Companies".

Description of the Acquisition and the Long-Term General Distribution Agreement

On March 26, 2008, Wiener Städtische AG and various of its subsidiaries and Erste Bank AG and various of its subsidiaries signed a series of agreements which set out the framework for the acquisition of shares of Sparkassen Versicherung Aktiengesellschaft (the "S-Versicherung"), its subsidiaries in Hungary and Croatia and its minority shareholdings in insurance companies in the Czech Republic and Slovakia and two of Erste Bank Group's Romanian subsidiaries operating in the insurance industry as well as the future distribution arrangement between the Vienna Insurance Group and the Erste Bank Group. The aggregate cash purchase price for the Target Companies and for the distribution arrangement amounts to EUR 1,445.9 million, which the Vienna Insurance Group intends to finance with some of the proceeds of this Offering as well as from the sale of hybrid notes (for details regarding the financing for the acquisition see "*– Financing the Acquisition*" below). The transaction remains subject to competition and insurance regulatory approvals and is expected to close in the third quarter of 2008.

S-Versicherung Group is an Austrian insurance group with operations in Austria, the Czech Republic, Slovakia, Hungary and Croatia. Vienna Insurance Group through its subsidiary DONAU already held a 5% interest in S-Versicherung since 1994 and a 10% interest in S-Versicherung since 2002 and has cooperated with the Erste Bank Group in the non-life insurance business since 1988. Upon completion of the acquisition Wiener Städtische AG will own directly or indirectly approximately 95% of the shares in S-Versicherung and approximately 95% of the shares in each of S-Versicherung's subsidiaries in the CEE region. Wiener Städtische AG will also purchase approximately 88.5% of two Romanian insurance subsidiaries (BCR Asigurari de Viata and BCR Asigurari) of the Erste Bank Group. The Erste Bank Group will retain an approximate 5% interest in S-Versicherung and its subsidiaries to demonstrate its long-term commitment to the future cooperation with the Vienna Insurance Group. Erste Bank Group will also retain an approximate 5% interest in BCR Asigurari de Viata, but no interest in BCR Asigurari.

In addition to the acquisitions, Wiener Städtische AG and Erste Bank AG have agreed to cooperate in the distribution and sale of the other's products. While becoming an important part of the Vienna Insurance Group's multi-channel distribution system, the Target Companies will continue to conduct their own operations and the Vienna Insurance Group will make use of the respective name brands and the local distribution channels of the Target Companies.

The parties have entered into a series of agreements to accomplish these goals. These agreements include:

- a framework purchase agreement relating to the acquisition, which will be implemented through share purchase agreements relating to the purchase of shares in each of the Target Companies (the "Framework Purchase Agreement"); and
- as an integral part of the acquisition, a general distribution agreement pursuant to which the Vienna Insurance Group and the Erste Bank Group will cooperate in the distribution and sale of their respective products, while allowing each of the Target Companies to continue using its respective current distribution channels (the "General Distribution Agreement"). The General Distribution Agreement will need to be implemented by individual country agreements. See "*– General Distribution Agreement between Wiener Städtische AG and Erste Bank AG*".

Application for merger control approval will be made to the European Commission and to the competition authorities in other jurisdictions. Clearances are expected to be granted in the third quarter of 2008. In this connection, the Vienna Insurance Group might be required to divest itself of certain of its existing insurance operations. See "*– Disposition of Assets in Connection with the Acquisition*". In addition the acquisition is subject to approval by the (recurrent) insurance regulators.

The respective country agreements implementing the General Distribution Agreement are subject to antitrust approval in Croatia, Romania and Ukraine.

Framework Purchase Agreement

The contracting parties view the continuity of their respective counterparty's identity to be essential in the framework of the envisaged distribution arrangements. As a result, in case of a change of control of Erste Bank AG the Vienna Insurance Group has a right to terminate the General Distribution Agreement. If the Vienna Insurance Group terminates the General Distribution Agreement within the first five years after the signing of the Framework Purchase Agreement, it has the right to repayment of the purchase price less an amount based on the Target Companies', embedded value at the time of signing of the Framework Purchase Agreement. If the termination occurs within five years to 10 years after the signing of the Framework Purchase Agreement, the Vienna Insurance Group will be entitled to repayment of a declining percentage of the purchase price less the Target Companies', embedded value at the time of signing of the Framework Purchase Agreement. A change of control is defined as the acquisition of Erste Bank by any person other than the Erste Bank Privatstiftung (which as of February 18, 2008 held 30.5% of the share capital of Erste Bank AG) of 50% plus one share of Erste Bank AG's voting shares.

Pursuant to the Framework Purchase Agreement, the acquisition of the shares will be effected pursuant to separate share purchase agreements for each of the Target Companies. The share purchase agreement for the Austrian Target company will become effective upon signature of the country distribution agreement with Erste Bank AG, Tiroler Sparkasse Bankaktiengesellschaft Innsbruck, Salzburger Sparkasse Bank Aktiengesellschaft and the Sparkasse Hainburg-Bruck-Neusiedl Aktiengesellschaft. In each other country, the acquisitions will become effective – subject to receipt of the required regulatory approvals – once all of the share purchase agreements relating to the subsidiaries and the country agreements relating to the General Distribution Agreement in the respective country have been duly signed and have become enforceable. The Framework Purchase Agreement provides for a purchase price adjustment in the event of a failure to close the acquisition in individual countries. The share purchase agreements allow the Vienna Insurance Group four months after the signing of the acquisition to obtain financing for the acquisition. Wiener Städtische AG has received representations and warranties concerning the Target Companies that it considers standard for transactions of this nature.

General Distribution Agreement between Wiener Städtische AG and Erste Bank AG

As integral part of the acquisition of the Target Companies, Erste Bank AG and Wiener Städtische AG entered into a General Distribution Agreement on March 26, 2008 to facilitate the future cooperation in the distribution and sale of the products of the Erste Bank Group and the Vienna Insurance Group. The main purpose of the General Distribution Agreement is to refer each partner's clients to the other partner through their respective distribution and sales networks. The General Distribution Agreement has a 15-year duration and will automatically renew for an additional 10-year period unless one partner terminates the agreement by giving notice 12 months before the contract expires. Products subject to the General Distribution Agreement are all current and future insurance products of the Vienna Insurance Group and all current and future banking services products of the Erste Bank Group. The scope of products for the individual countries will be determined by the local partners in each country. The primary obligation of each party is to offer to its clients, on a preferred basis, products of the partner as well as ensuring that these products are marketed according to the General Distribution Agreement. In addition, certain services will be provided by each partner on a preferential basis. The General Distribution Agreement is subject to early termination if there has been a change of control in either of the contracting parties. A change of control is defined as the acquisition by any person other than the Erste Bank AG Privatstiftung of a majority of the voting Shares in Erste Bank AG or the acquisition by any person other than the WST-Versicherungsverein of a majority of Wiener Städtische AG's voting shares.

Erste Bank AG is an Austrian savings bank, which also operates as a retail bank in Austria as well as in the CEE region (with a total of 2,908 branches in Austria, the Czech Republic, Romania, Slovakia, Hungary, Croatia, Serbia and Ukraine). In all of its markets, including Serbia and Ukraine, it has a combined 16.4 million clients (including approximately 2.1 million Austrian savings banks' clients) as of December 31, 2007. With market shares (in terms of assets) in excess of 20% (with the exception of Austria with 19%) as measured by retail loans and deposits, in the Czech Republic, Romania and Slovakia, Erste Bank Group holds a strong position in those markets as well as across the CEE region. Similar to the Vienna Insurance Group, the Erste Bank Group operates through a multi-channel distribution model in both Austria and the CEE region, offering, among others, Internet banking, Internet brokerage, telephone banking and point of sale terminals.

The table below sets forth certain operational data in respect of the Erste Bank Group relevant to the General Distribution Agreement as of December 31, 2007:

	Austria	Czech Republic	Hungary	Slovakia	Croatia	Romania	Serbia
			(unaudited)				
Number of branches of Erste Bank Group*	993	636	196	273	115	562	61
Retail deposits of Erste Bank Group (in EUR million)	11,084[(1)]	13,163	1,715	4,792	2,304	6,732	142
Market share of retail deposits of Erste Bank Group[(*)]	19%	32%	6%	31%	12%	28%	3%
Number of clients of Erste Bank Group (retail & SME vs corporate)* in million	2.8	5.3	0.8	2.5	0.7	4.0	0.2

(1) Austrian savings bank not included

(*) (Source: Annual Report Erste Bank AG for the fiscal year ended December 31, 2007)

The General Distribution Agreement applies to all countries in which both partners are active: Austria, the Czech Republic, Slovakia, Hungary, Croatia, Romania, Ukraine and Serbia. The General Distribution Agreement provides that, if both parties become active in additional markets in the future, they will enter into discussions to agree on a country agreement for that market based on the spirit and conditions of the General Distribution Agreement.

In each of the countries the General Distribution Agreement is to be implemented by country agreements. The local partners will determine which products will be subject to the agreement. In certain jurisdictions the country agreements require an (recurrent) approval by the respective national antitrust authority. Each partner in a specific country has the right to ask the respective other partner to introduce new or different products or to modify existing products as long as these can be offered under competitive conditions. If a partner fails to do so, the other partner may source such products from third party providers instead.

Erste Bank AG has committed itself to use its best efforts to have the Austrian savings banks (Sparkassen) sign a separate country distribution agreement with the Vienna Insurance Group in countries in which such savings banks operate. In addition to the Erste Bank Group, three Austrian savings banks, Tiroler Sparkasse Bankaktiengesellschaft Innsbruck, Salzburger Sparkasse Bank Aktiengesellschaft and Sparkasse Hainburg-Bruck-Neusiedl Aktiengesellschaft, are also bound by the General Distribution Agreement.

Disposition of Assets in Connection with the Acquisition

In connection with obtaining regulatory approval of the acquisition, the Vienna Insurance Group has offered to sell a substantial interest in BA-CA Versicherung and has offered to divest its participations in UNITA, a Romanian non-life insurance company with total gross premiums written of EUR 133.1 million in fiscal year 2007. At the end of March 2008, Wiener Städtische Versicherung AG Vienna Insurance Group agreed to sell 50.5% of ist 60.5% interest in BA-CA Versicherung to the ERGO International AG. The sale will be consummated at the end of September 2008 and is subject to regulatory approval.

The table below sets forth key financial data of BA-CA Versicherung for the period indicated.

	December 31, 2007 (in EUR million)
Gross premiums written life	538.6
Total gross premiums written	544.8
Net earned premiums	480.2
Net investment income	152.7
Profit before taxes	47.3
Net income	34.9
Total assets	4,173.4
Shareholders' equity	110.1

Description of the Target Companies

S-Versicherung Group is an Austrian insurance group, which in 2007 recorded combined gross premiums written of EUR 1,111.1 million including an assumed full consolidation of the Czech and Slovakian Target Companies and a combined profits before taxes of more than EUR 34 million. S-Versicherung was founded in 1985 and has since been the life insurance company of the Erste Bank Group and the Austrian savings banks. S-Versicherung's headquarters are located in Austria and it conducts its main operations in Austria. In the CEE region, the S-Versicherung Group operates in four other countries through local subsidiaries or minority interests in insurance companies: in the Czech Republic, Slovakia, Hungary and Croatia. Prior to the acquisition, the Vienna Insurance Group already held a 10% participation in S-Versicherung through its subsidiary DONAU AG. The premiums generated by the S-Versicherung Group's insurance companies in the CEE region during 2007 accounted for 27% of the gross premiums written recorded by the S-Versicherung Group as of December 31, 2007. The combined profits before taxes of S-Versicherung Group (including Czech Republic) amount to EUR 34.7 million which includes the dividend for the Czech Target Company amounting to EUR 5.6 million, which should be deducted from the combined figure to avoid double counting. This results in profits before taxes of EUR 29.1 million (98% life insurance, 2% non-life insurance based on gross premiums written). S-Versicherung Group had 478.5 own employees (FTE) including an assumed full consolidation of the Czech and Slovakian Target Company.

The S-Versicherung Group offers all forms of private and corporate insurance products in the life and some non-life segments in Austria as well as life insurance products in the CEE region. The S-Versicherung Group depends to a large extent on the distribution of its respective products through the Erste Bank Group and the Austrian savings banks. The focus of S-Versicherung Group life insurance business is – apart from the personal risk insurance / protection products (see below) – on wealth creation products, which include savings and pension related life insurance products. The object of these wealth creation products is to provide financial security to the insured. These products include various forms of life insurance, i.e., endowment insurance, annuity insurance, term life insurance, state-subsidized and occupational pension plans as well as unit-linked life insurance. In the field of personal risk insurance, S-Versicherung Group offers classical life insurance and personal accident insurance. While S-Versicherung Group has its own personal accident insurance products, it has not developed its own health insurance products but has sold the products of the Vienna Insurance Group. Credit risk is typically insured by a classical term life insurance.

The S-Versicherung Group operates based on a centralized software system with a high level of automization in Austria and to a lesser extent in its foreign subsidiaries.

In fiscal years 2007, 2006 and 2005, S-Versicherung's profit from capital investments and participations was EUR 278.2 million, EUR 311.5 million and EUR 342.4 million, respectively including investments from unit-linked products. S-Versicherung's capital investments totaled EUR 6,750.0 million as of December 31, 2007, EUR 6,666.6 million as of December 31, 2006 and EUR 6,277.1 million as of December 31, 2005. These figures exclude the capital investments of unit-linked and index-linked life insurance, as these are neither a source of revenue nor risk for S-Versicherung. These figures solely include the data of the Austrian Company and do not include the Target Companies in the Czech Republic, Hungary, Slovakia and Croatia as well as the figures of the two Romanian Target Companies (which are not part of the S-Versicherung Group).

The table below sets forth the distribution of investments in S-Versicherung's portfolio as of December 31, 2007 and 2006:

	Fiscal year ended December 31, 2007	2006
	(in EUR million)	
Land and buildings	26.1	26.7
Shares in affiliated companies and participations	96.1	95.8
Loans	113.0	237.2
Other Securities	5,855.6	5,486.9
Held to maturity	1,108.4	1,130.9
Available for sale	3,585.9	2,719.2
Trading	1,161.3	1,636.8
Other financial assets	659.2	820.0
Total financial assets	**6,750.0**	**6,666.6**

As of December 31, 2007, the other securities category consisted of investments in bonds of approximately 78.3%, approximately 0.3% in investments in equities, and approximately 3.1% in various other securities and 18.3% in investment funds. The exposure of the S-Versicherung to the structured credit market was less than 1% of total financial assets as of December 31, 2007.

The financial result of S-Versicherung's investments is largely influenced by the development of interest rates, including the interest rate curve and credit spreads because approximately 47.9% of the "Other Securities" are comprised of structured products relating largely to interest rate products. Lower interest rates can result in a higher value of the bonds with high interest rates and a steeper yield curve can result in higher investment returns, while steeper yield curves can also result in a reduction in market value of bonds already in the portfolio and lower shareholder equity depending in the amount of such securities accounted for as available for sale. Low interest rates and a flat yield curve typically result in lower returns. As of December 31, 2007, S-Versicherungs's portfolio had a remaining average duration of approximately 7.5 years.

On December 31, 2007, the rating structure of the bonds, loans and structured portfolio in S-Versicherung's portfolio was as follows:

Standard & Poor's Rating Class(1)	AAA	AA	A	BBB	BB	Not rated
As a percentage of investments(2)	7.9%	18.5%	29.5%	7.5%	0.3%	1.0%

(1) Or equivalent rating classes of other rating agencies (Moody's, Fitch)

(2) The sum of all rating categories does not add up to 100%, since the percentages are calculated on the basis of S-Versicherung's total portfolio including investments relating to unit- and index-linked life insurance

Austria

S-Versicherung's products range include the full line of life and personal accident insurance products in Austria. In the life insurance area, the group offers protection, savings and pension products. S-Versicherung also offers standard casualty insurance in Austria. Erste Bank AG's Bausparkasse and the Austrian savings banks act as S-Versicherung's Austrian distribution partner.

With its product portfolio and a network of sales partners with the Austrian savings banks, Erste Bank AG and s Bausparkasse, S-Versicherung has been able to position itself as one of the main life insurers in Austria with gross premiums written of EUR 791.7 million in 2007. With these premiums, S-Versicherung ranked second in the Austrian life insurance business in 2007 (Source: Internal analysis based on preliminary data 2007 of the VVO). In the market for wealth creation products S-Versicherung competes directly with players from the financial service industry, such as retail banks and investment trusts. In this market in 2007 S-Versicherung held a market share of approximately 2% (Source: Estimate based on VVO and data of the Austrian National Bank), whereas in the market of life insurance products for personal risk insurance S-Versicherung's market share was 8% (Source: VVO). S-Versicherung has shifted its focus from single one-time businesses to ongoing business which has resulted in the short-term effect of lower gross premiums written life in 2007.

The table below sets forth key financial data of S-Versicherung for the periods presented. These data are based on the unaudited IFRS reporting package of S-Versicherung used for the audited consolidated financial statements of Erste Bank AG:

	Fiscal year ended December 31, 2007	2006
	(unaudited) (in EUR million)	
Gross premiums written life	791.7	844.8
Gross premiums written accident	16.9	15.4
Total gross premiums written	808.5	860.2
Net earned premiums	789.2	840.0
Net investment income	278.2	311.5
Profit before taxes	13.1	21.4
Net income	12.0	17.5
Total assets	8,116.1	7,682.7
Underwriting provisions	7,771.8	7,221.9

Czech Republic

In the Czech Republic, the S-Versicherung Group operates through Pojišťovna České spořitelny, a.s., which was founded in 1992 to operate in the life and non-life insurance businesses. S-Versicherung holds directly a 44.8% minority interest in Pojišťovna České spořitelny, a.s. and Erste Bank AG holds indirectly an additional 55.2% interest in the company. In 2004 the non-life insurance business was sold. Pojišťovna České spořitelny had 142.7 own employees (FTE) as of December 31, 2007. Česká spořitelna, a.s., the Czech subsidiary of Erste Bank AG, acts as its distribution partner.

Pojišťovna České spořitelny, a.s. achieved gross premiums written of EUR 231.0 million in the life insurance business in 2007, based on which it ranked fourth in the Czech life insurance business in 2007 (Source: Internal analysis based on preliminary data 2007 of the Česká asociace pojišťoven (CAP)).

The table below sets forth key financial data of Pojišťovna České spořitelny, a.s. operations for the periods presented. These data are based on the unaudited IFRS reporting package of Pojišťovna České spořitelny, a.s. used for the audited consolidated financial statements of Erste Bank AG:

	December 31, 2007	2006
	(unaudited) (in EUR million)	
Gross premiums written life	231.0	155.5
Gross premiums written accident	1.9	0.8
Total gross premiums written	232.9	156.3
Net earned premiums	233.0	157.2
Net investment income	15.9	19.7
Profit before taxes	17.6	14.5
Net income	13.3	11.0
Total assets	661.2	560.1
Underwriting provisions	577.8	488.8

Hungary

In Hungary, S-Versicherung Group operates as a life insurance company through its wholly owned subsidiary, Erste Sparkasse Biztosító Zrt. which had 45.1 own employees (FTE) as of December 31, 2007.

In Hungary, Erste Sparkasse Biztosító Zrt. achieved gross premiums written of EUR 36.0 million in 2007. Based on these premiums, Erste Sparkasse Biztosító Zrt. ranked 13th in the Hungarian life insurance market in 2007 (Source: Internal analysis based on preliminary data 2007 of the Association of Hungarian Insurance Companies – Magyar Biztosítók Szövetsége (MABISZ)).

The table below sets forth key financial data of Erste Sparkasse Biztosító Zrt. for the periods presented. These data are based on the unaudited IFRS reporting package of Erste Sparkasse Biztosító Zrt. used for the audited consolidated financial statements of Erste Bank AG:

	Fiscal year ended December 31,	
	2007	2006
	(unaudited) (in EUR million)	
Gross premiums written life	36.0	24.9
Total gross premiums written	36.0	24.9
Net earned premiums	35.5	24.6
Net investment income	0.5	0.4
Profit before taxes	0.9	0.1
Net income	0.5	-0.1
Total assets	61.0	41.3
Underwriting provisions	52.9	34.8

Slovakia

In Slovakia, S-Versicherung Group operates its life insurance business through Poist'ovňa Slovenskej sporitel'ne, a.s., which was founded in 2003. S-Versicherung holds a 33.3% interest in the company and Erste Bank AG directly and indirectly holds an additional 66.7% interest. As of December 31, 2007, Poist'ovňa Slovenskej sporitel'ne had 45.5 employees (FTE).

Poist'ovňa Slovenskej sporitel'ne, a.s. achieved gross premiums written of EUR 24.8 million in 2007. Based on these premiums it ranked eighth in the Slovakian life insurance market in 2007 (Source: Internal analysis based on preliminary data 2007 of the Slovenská associácia poist'ovní (SLASPO)).

The table below sets forth key financial data of Poist'ovňa Slovenskej sporitel'ne, a.s. for the periods presented. These data are based on the unaudited IFRS reporting package of Poist'ovňa Slovenskej sporitel'ne used for the audited consolidated financial statements of Erste Bank AG:

	Fiscal year ended December 31,	
	2007	2006
	(unaudited) (in EUR million)	
Gross premiums written life	24.8	32.4
Total gross premiums written	24.8	32.4
Net earned premiums	24.6	32.3
Net investment income	5.2	4.1
Profit before taxes	3.6	2.3
Net income	2.9	2.2
Total assets	136.0	110.0
Underwriting provisions	121.3	99.6

Croatia

In Croatia, S-Versicherung's subsidiary, Erste Sparkassen osiguranje d.d. za životno osiguranje, started operations in July 2005. As of December 31, 2007, Erste Sparkassen osiguranje had 23 own employees (FTE).

Erste Sparkassen osiguranje is a pure life insurance company and achieved gross premiums written of EUR 8.9 million in 2007. Based on these premiums it ranked 11th in the Croatian life insurance business in 2007 (Source: Internal analysis based on preliminary data 2007 of the Hrvatska Agencija za Nadzor Financijkih Usluga (HANFA)).

The table below sets forth key financial data of Erste Sparkassen osiguranje for the periods presented. These data are based on the unaudited IFRS reporting package of Erste Sparkassen osiguranje used for the audited consolidated financial statements of Erste Bank AG:

	Fiscal year ended December 31,	
	2007	2006
	(unaudited) (in EUR million)	
Gross premiums written life	8.9	7.0
Total gross premiums written	8.9	7.0
Net earned premiums	8.8	6.9
Net investment income	0.7	0.3
Profit before taxes	-0.4	-0.9
Net income	-0.4	-0.9
Total assets	15.7	10.1
Underwriting provisions	12.2	5.8

Romania

In connection with the acquisition of the S-Versicherung and its subsidiaries and minority-owned companies, the Vienna Insurance Group is also acquiring a participation in two Romanian insurance companies, BCR Asigurari (up to 87%) and BCR Asigurari de Viata (up to 88%), from Erste Bank Group. BCR Asigurari de Viata (BCR Life) is a life insurance company that offers a full range of insurance products and services as well as customized solutions. Its product portfolio includes protection, savings as well as pension products. BCR Asigurari was established in 2001 as one of the members of Banca Comerciala Romana Group, which is one of the main providers of integrated financial services in Romania. BCR Asigurari offers various non-life insurance products.

With gross premiums written of EUR 23.0 million 2007, BCR Life ranked seventh in 2007 in the Romanian life insurance business (Source: Insurance profile, edition March 2008 – 1/2008 (18)), while BCR Non-Life ranked third in 2007 in the Romanian non-life insurance business with gross premiums written of EUR 155.2 million in 2007.

The table below sets forth key financial data of BCR Life for the periods presented. These data are based on the unaudited IFRS reporting package of BCR Life used for the audited consolidated financial statements of Erste Bank AG:

	Fiscal year ended December 31,	
	2007	2006
	(unaudited) (in EUR million)	
Gross premiums written life	23.0	14.9
Total gross premiums written	23.0	14.9
Net earned premiums	16.0	13.2
Net investment income	1.2	1.2
Profit before taxes	1.7	1.9
Net income	1.5	1.7
Total assets	38.9	30.6
Underwriting provisions	26.1	20.5

The table below sets forth key financial data of BCR Non-Life for the periods presented. These data are based on the unaudited IFRS reporting package of BCR Non-Life used for the audited consolidated financial statements of Erste Bank AG:

	Fiscal year ended December 31,	
	2007	2006
	(unaudited) (in EUR million)	
Gross premiums written accident	0.8	—
Total gross premiums written	155.2	124.5
Net earned premiums	101.2	62.1
Net investment income	2.6	2.3
Profit before taxes	4.8	8.9
Net income	4.7	7.6
Total assets	136.9	90.5
Underwriting provisions	79.0	51.5

Strategy and Reasons for the Acquisition

Creating the leading insurance group in Vienna Insurance Group's CEE core markets and a true pan-CEE insurance platform

The acquisition advances the Vienna Insurance Group's strategy of sustaining and growing its position in the CEE region. Prior to the acquisition of the Target Companies, the Vienna Insurance Group ranked among the top five insurance companies by premium volume in most countries in the CEE region in which the Target Companies operate. Vienna Insurance Group expects the economic development in these countries to continue to be strong and the CEE household savings behavior to continue to progress towards EU-15 standards. The following table sets forth the combined life market rankings of the Vienna Insurance Group and the Target Companies in the CEE region for 2007:

	Combined total rank in the life market
Czech Republic	2
Hungary	8
Slovakia	1
Croatia	2
Romania	2

(Source: Internal analysis based on data published by national insurance associations (December 31, 2007))

Partnership with access to Erste Bank Group's bank distribution network

Over the last four years the Vienna Insurance Group and the Erste Bank Group have started to cooperate and determined to use their respective distribution and sales networks to promote each other's products. In order to continue and intensify this cooperation, Wiener Städtische AG and Erste Bank AG entered into the General Distribution Agreement. The implementation of the General Distribution Agreement will give the Vienna Insurance Group access to Erste Bank AG's bank distribution network. See "– *General Distribution Agreement between Wiener Städtische AG and Erste Bank AG*". Nevertheless, the Vienna Insurance Group will continue its multi-brand policy and allow the newly acquired local companies to retain individual brands at first. Neither the Vienna Insurance Group nor Erste Bank AG hold strategic shareholdings in the other and neither has any plans to do so.

Rebalancing Vienna Insurance Group's insurance business

The acquisition will rebalance Vienna Insurance Group's business mix towards the life insurance business. In fiscal year 2007, the Vienna Insurance Group derived 42.5% of its total gross written premiums of EUR 6,911.9 million from life insurance and 57.5% from non-life insurance. In the same year, the Target Companies derived 87% of their combined total gross written premiums of EUR 1,291.0 million from life insurance and 13% from non-life insurance.

Significant revenue and cost synergy potential

Management expects significant revenue and cost synergy potential through the combination of the Vienna Insurance Group's and the Target Companies' operations. For instance, revenue synergies are expected from an extended product and service offering, new product development using joint know how, while retaining local, fully established brands through the continuation of a multi-brand strategy and an increased number of products per customer. Cost synergies are expected from savings in information technology, distribution management and reinsurance, actuarial and central functions. While the Vienna Insurance Group has approximately 17 million customers (including approximately seven million car insurance customers), the Erste Bank Group has approximately 16 million customers in Austria and the CEE region.

Low execution risk

Given the long-standing cooperation between the Erste Bank Group and the Vienna Insurance Group in the distribution of insurance and banking products and the similar approach to business and corporate culture, Management believes that the execution risk of the acquisition is lower than in other transactions of this magnitude. In addition, the Vienna Insurance Group's strong integration track record has resulted in significant experience with the integration of back office and IT systems of acquired companies, the implementation of a multi-brand policy and multi-channel distribution know-how. Over the years, the Vienna Insurance Group has developed significant experience in a policy of free flow of information among Group companies to ensure a best practice execution among the entire Group.

Financing the Acquisition

The acquisition of the Target Companies will be financed with a portion of the proceeds of this Offering and by the issuance of notes under a EUR 500.0 million hybrid debt program. Notes issued under the hybrid debt program will rate junior to all indebtedness or obligations, unless for subordinated and other subordinated debt obligations which rank or are expressed to rank pari passu with the Bonds, and senior to any shares of Wiener Städtische AG. The Bonds are expected to be treated as equity capital in the consolidated IFRS financial statements of the Vienna Insurance Group. Notes issued under the program will be admitted to listing on the second regulated market of the Vienna Stock Exchange.

Selected indicative financial information on the Target Companies

The table below sets forth key income statement and balance sheet figures and key ratios for the individual Target Companies. For indicative purposes, the following table also shows the Target Companies on a combined basis, although investors should note that the combined presentation does not reflect consolidated figures for the Target Companies. These data are based on the unaudited IFRS reporting packages of the individual Target Companies used for the audited consolidated financial statements of Erste Bank AG. This selective financial information in this Prospectus is not pro forma financial information within the meaning of Commission Regulation (EC)809/2004 of April 29, 2004.

The Indicative Financial Information was prepared purely for indicative purposes. The Indicative Financial Information is presented on a combined basis which may include an element of double counting and which does not reflect the effects of the purchase price to be paid for the Target Companies and in respect of the long-term General Distribution Agreement. For this reason, the information presented is not an indicator of what the actual financial condition and results of operation of the Vienna Insurance Group would have been if the structure assumed in the Indicative Financial Information had already existed on December 31, 2007. In addition, this information is not intended to be used to forecast the future financial condition or results of operations.

	Twelve months ended December 31, 2007							
	s-Versicherung (Austria)	Pojišt'ovna České spořitelny (Czech Republic)	Erste Biztosító (Hungary)	Poist'ovňa Slovenskej sporitel'ne (Slovakia)	Erste Sparkassen osiguranje (Croatia)	BCR Asigurari (Romania)	BCR Asigurari de Viata (Romania)	Total
	(unaudited) (in EUR million)							
Profit and Loss								
Gross premiums written life	791.7	231.0	36.0	24.8	8.9	—	23.0	1,115.4
Gross premiums written accident	16.9	1.9	—	—	—	0.8		19.6
Total gross premiums written	808.5	232.9	36.0	24.8	8.9	155.2	23.0	1,289.3
Premiums ceded to reinsurers	-19.4	-1.3	-0.4	-0.1	-0.1	-54.0	-3.3	-78.6
Net earned premiums	789.2	233.0	35.5	24.6	8.8	101.2	16.0	1,208.3
Net investment income	278.2	15.9	0.5	5.2	0.7	2.6	1.2	304.3
Claims and insurance benefits/distribution to policyholders	-930.0	-205.0	-33.4	-22.0	-6.7	-119.0	-7.2	-1,323.3
Operating expenses	-67.6	-27.9	-5.7	-4.2	-3.2	-37.1	-7.8	-153.5
Of which acquisition expenses	-60.1	-20.8	-4.0	-2.6	-1.3	-10.6	-5.8	-105.2
Of which administrative expenses	-11.4	-7.5	-1.8	-1.7	-1.9	-26.6	-2.0	-52.9
Of which commissions received from reinsurers	3.9	0.4	0.2	0.0	0.0	2.9	2.0	9.4
Profit before taxes	13.1	17.6	0.9	3.6	-0.4	4.8	1.7	41.3
Taxes paid	-1.1	-4.3	-0.4	-0.7	0.0	-0.1	-0.2	-6.8
Net income	12.0	13.3	0.5	2.9	-0.4	4.7	1.5	34.5

	As of December 31, 2007							
	s-Versicherung (Austria)	Pojišt'ovna České spořitelny (Czech Republic)	Erste Biztosító (Hungary)	Poist'ovňa Slovenskej sporitel'ne (Slovakia)	Erste Sparkassen osiguranje (Croatia)	BCR Asigurari (Romania)	BCR Asigurari de Viata (Romania)	Total
	(unaudited) (in EUR million)							
Balance sheet data								
Intangible assets	3.9	1.7	0.2	0.2	0.1	—	0.1	6.2
Investments	7,923.8	641.0	59.5	133.7	15.3	30.3	21.2	8,824.8
Total assets	8,116.1	661.2	61.0	136.0	15.7	136.9	38.9	9,165.8
Shareholders' equity	1.7	61.6	5.1	12.5	3.0	24.3	9.0	117.2
Underwriting provisions (without unit-linked)	6,609.0	527.2	1.6	116.4	12.2	79.0	26.1	7,371.5
Underwriting provisions (unit-linked)	1,162.8	50.6	51.3	4.9	0.0	—	—	1,269.6
Non-Underwriting provisions (incl. pension provisions)	28.7	4.4	0.0	0.0	0.0	2.9	—	36.0
Total liabilities and shareholders' equity	8,116.1	661.2	61.0	136.0	15.7	136.9	38.9	9,165.8

Embedded Value

In connection with the acquisition, the statement of traditional embedded value of Sparkassen Versicherung AG and its life insurance subsidiaries in the Czech Republic, Slovakia and Hungary was reviewed by B&W Deloitte GmbH. B&W Deloitte's review letter and the statement are reproduced on pages H-14 through H-21 of this Prospectus.

SELECTED FINANCIAL DATA

The following table sets forth the contributions to gross premiums written and profit before taxes from the property and casualty, life insurance, and health insurance businesses of the Vienna Insurance Group, with an additional breakdown according to geographic region for fiscal years 2007, 2006 and 2005. Unless otherwise indicated, all financial data contained in this section has been audited.

	Fiscal year ended December 31,					
	2007		2006		2005	
	Gross written premiums	Profit before taxes	Gross written premiums	Profit before taxes	Gross written premiums	Profit before taxes
	(in EUR million)					
Property and casualty						
Austria	1,487.1	154.9	1,411.8	108.5	1,345.0	65.9
Czech Republic	838.1	49.5	788.5	24.4	672.5	54.7
Slovakia	296.9	23.5	246.5	20.8	225.7	17.5
Poland	324.3	15.1	215.7	6.3	50.4	0.6
Romania	399.9	9.7	224.8	6.3	126.7	-0.1
Remaining CEE markets	258.9	3.4	117.7	1.9	84.4	-0.5
Other markets (Germany and Liechtenstein)	66.0	9.0	62.2	7.4	58.6	7.2
Subtotal	3,671.2	265.1	3,067.2	175.7	2,563.3	145.5
Life insurance Austria	1,901.6	116.9	1,725.0	87.7	1,537.9	57.2
Czech Republic	292.3	24.3	259.5	34.7	219.0	5.4
Slovakia	197.7	6.8	141.2	6.9	105.3	7.5
Poland	218.8	3.7	119.3	1.4	23.7	0.9
Romania	13.6	-5.1	12.1	-3.5	9.5	0.6
Remaining CEE markets	124.9	6.9	80.7	0.9	42.7	1.6
Other markets (Germany and Liechtenstein)	185.2	3.8	178.6	4.5	218.6	0.3
Subtotal	2,934.2	157.2	2,516.4	132.5	2,156.4	73.4
Health insurance						
Austria	306.6	15.0	297.9	12.8	288.1	21.5
Subtotal	306.6	15.0	297.9	12.8	288.1	21.5
Total	6,911.9	437.3	5,881.5	321.0	5,007.8	240.3

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The discussion and analysis below is based on the Wiener Städtische AG's audited consolidated financial statements for the fiscal years ended December 31, 2007, 2006 and 2005, all of which are included elsewhere in this Prospectus and it should be read in conjunction with them. The consolidated financial statements were prepared in accordance with International Financial Reporting Standards (IFRS), as applied in the EU. The Company's consolidated financial statements for the fiscal years ended December 31, 2007, 2006 and 2005 were audited by KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, which issued an unqualified auditor's report. See "General Information on Wiener Städtische AG – Auditors". Definitions of specific terms from the insurance industry and from the annual and interim financial statements can be found in the section entitled "Glossary". Unless otherwise indicated, all financial data contained in this section has been audited.

Introduction

Overview of the Vienna Insurance Group

With approximately 17 million customers, the Vienna Insurance Group is among the largest international insurance groups in the CEE region based on gross premiums written, which amounted to EUR 6,911.9 million in 2007 (2006: EUR 5,881.5 million) (Source: Internal analysis based on data for the first three quarters of 2007 of the national insurance associations and supervisory authorities). It has life and non-life insurance business operations in Austria and in 22 other countries, primarily in the CEE region. In the CEE region, the Group is active in Albania, Bulgaria, Georgia, Croatia, Macedonia, Poland, Romania, Russia, Serbia, Slovakia, Slovenia (through a branch of Wiener Städtische AG), the Czech Republic, Turkey, Ukraine, Hungary, Lithuania, Latvia, Estonia and Belarus. The Vienna Insurance Group operates independent companies in Germany and Liechtenstein and also operates in Italy through a branch of Wiener Städtische AG.

In addition to its solid position in its home market Austria, the Vienna Insurance Group is primarily growing into the emerging countries of the CEE region. The insurance business outside Austria is gaining increasing importance for the Group (share of overall gross premiums generated outside Austria: 2007 – 46.5%; 2006 – 41.6%; 2005 – 36.7%). Based on its internal analysis of the local data of national insurance authorities, the Vienna Insurance Group believes that, with a market share of approximately 12.1%, it is the second largest insurance group based on gross premiums written among Western publicly traded insurance companies operating in the Core CEE markets (excluding Serbia). Based on the same analysis, the Vienna Insurance Group believes that no other Western publicly traded insurance group generates a higher percentage of its group premiums from operations in the CEE countries.

In fiscal year 2007, the Vienna Insurance Group employed on average 20,307 employees (including 100% of the employees of proportionally consolidated companies) compared to an average 18,587 employees in fiscal year 2006 (including 100% of the employees of proportionally consolidated companies).

Vienna Insurance Group segments

The range of activities conducted by the Vienna Insurance Group includes both the life and non-life insurance business. In Liechtenstein it is only active in the life insurance business. Health insurance products are marketed to a significant extent only by Wiener Städtische AG and only in Austria. In Austria, the Vienna Insurance Group is a main player in all three business areas. Measured by gross premiums written, as of December 31, 2007, the Vienna Insurance Group ranked first in the property and casualty insurance business, second in the health insurance business and first in the life insurance business (Source: Internal analysis based on preliminary data 2007 of the VVO).

In Austria, the Vienna Insurance Group held a market share of 6.0% in 2006 in wealth-creation products (of which savings and pension-oriented life insurance products form a part) (Source: Estimate based on VVO and data of the Austrian National Bank), whereas in the market of life insurance products for personal risk insurance the market share of the Vienna Insurance Group was 15.0% in 2006 (Source: Internal analysis based on preliminary data 2006 of the VVO).

In the Czech Republic and Slovakia, the Vienna Insurance Group holds second place in the market in both countries for life and non-life insurance. Measured by gross premiums written, the

Vienna Insurance Group ranked second in non-life and second in life insurance in the Czech Republic in 2007 (Source: Internal analysis based on preliminary data 2007 of the Czech Insurance Association) and ranked second in non-life and second in life insurance in Slovakia in 2007 (Source: Internal analysis based on preliminary data 2007 of the Slovakian Insurance Association). In Romania the Vienna Insurance Group ranked first in non-life and third in life insurance (Source: Internal analysis based on preliminary data of the Insurance Profile, March 2008 issue – 1/2008(18)), while in Poland it ranked eighth in non-life and eighth in life insurance (Source: Internal analysis based on preliminary data 2007 of the Insurance Supervisory Authority KNF).

In property and casualty insurance, which contributed 53.1% of the gross premiums written of the Vienna Insurance Group in fiscal year 2007 (2006: 52.1% and 2005: 51.2%), the Vienna Insurance Group offers a wide range of products. The most important subclasses are motor vehicle, fire and other property and business interruption insurance, liability, householder's, legal expenses and personal accident.

The health insurance products offered by the Vienna Insurance Group in Austria include benefits supplementing the state social security insurance (primarily priority category, daily benefits and outpatient treatment costs). In Austria, an obligation exists to carry primary insurance with the governmental social security insurance carriers with the exception of self-employed professionals, who may obtain full private coverage in group health insurance under specific conditions. Health insurance accounted for 4.4% of the gross premiums written by the Vienna Insurance Group in fiscal year 2007 (2006: 5.1% and 2005: 5.7%).

The Vienna Insurance Group offers the full range of life insurance products, including classical risk/protection products (e.g., insurance on death, credit life risk insurance), but also savings and pension products. The most important life insurance products with respect to premiums are savings and pension products (which are offered on unit-linked and non-unit-linked basis). In Austria, the government subsidized private pension plan is also one of the significant life insurance products. In fiscal year 2007, life insurance accounted for 42.5% of gross premiums written (2006: 42.8% and 2005: 43.1%).

Significant Factors Affecting Business Operations

The earnings of the Vienna Insurance Group depend on a number of factors over which the Group has no direct influence. See also "*Risk Factors – Risks Related to the Business*". The most important factors include:

- the economic situation;
- the situation of the insurance market in Austria and the CEE region;
- changes in the premium level in the non-life business;
- number, severity and development of insured losses;
- changes in demographic trends, in particular in the life expectancy of the population;
- capital assets – trends in the interest rate level and other economic developments that impact the current value of investments, the yields of these investments and the attractiveness of some of the products of the Vienna Insurance Group; and
- the regulatory and legal environment.

Economic situation

Economic development in Austria since 2005

The table below sets forth the real economic growth and the consumer price index for the periods presented:

Year	Real economic growth (in %)	Consumer price index (in %)
2005	2.0	2.3
2006	3.3	1.5
2007	3.4	2.2

(Source: Statistics Austria, Austrian National Bank)

In economic terms, the years 2005 to 2007 were characterized throughout Europe by a noticeable global economic upswing and increasing growth rates. Real economic growth in Austria was 2.0% in 2005 and 3.3% in 2006. Economic growth lost momentum in the first half of 2005, and it was not until the third quarter that exports and higher investment levels acted as growth drivers. Suppliers of industrial companies in particular benefited from a devaluation of the Euro versus the dollar. This upswing strengthened during the course of 2006. Exports and capital investments were once again the main growth drivers.

In spite of a steep increase in crude oil prices and a strong Euro, Austria recorded economic growth of 3.4% in 2007. This was primarily due to the robust upswing throughout Europe, development in the emerging markets, including in particular Eastern Europe, and the economic recovery in Germany.

The 2.3% increase in the CPI in 2005 was below the level of the previous year. This trend continued in 2006, with inflation dropping to 1.5%. This was primarily due to moderate wage agreements, a slackening of the upward trend in crude oil prices and appreciation of the Euro. Inflation rose to 2.2% in 2007. In December 2007, the inflation rate reached an annualized value of 3.6% in Austria. The increase in 2007 was primarily due to the high price of petroleum products, and significant increases in housing costs, food prices and energy costs.

EU expansion had a positive impact on the Austrian economy. On May 1, 2004, the EU was expanded by ten new members, bringing the total to 25 states. Bulgaria and Romania also joined the EU on January 1, 2007. Of the 15 Western European countries that had already been members of the EU before the Eastern Expansion (the "EU-15"), Austria in particular is benefiting due to its geographic proximity to the new member states of the Eastern Expansion. Above average growth in all new acceding countries has not only boosted demand for capital goods but also for consumer goods, which has especially benefited the closely neighboring states. Among the new member states, the Vienna Insurance Group is especially active in the Czech Republic, Slovakia, Poland, Romania and Bulgaria.

Economic development in the Czech Republic, Slovakia, Poland and Romania since 2005

Slovakia, the Czech Republic and Poland have been members of the EU since May 1, 2004, and Romania since January 1, 2007. As EU members, these countries are subject to stringent political, legal and economic frameworks. In recent years, these countries have had higher growth rates than most Western European countries, and have profited strongly from foreign investments before and after EU accession.

The table below sets forth the real economic growth and the CPI for the periods presented:

Year	Real economic growth (in %)	Consumer price index (in %)
Czech Republic		
2005	6.5	1.9
2006	6.4	2.5
2007 Forecast	5.9	2.6

(Source: Bank Austria Creditanstalt CEE Quarterly 04/2007, Czech Central Bank, Czech Statistics Office)

Year	Real economic growth (in %)	Consumer price index (in %)
Slovakia		
2005	6.0	2.7
2006	8.3	4.5
2007 Forecast	8.8	2.5

(Source: Bank Austria Creditanstalt CEE Quarterly 04/2007, Slovak Central Bank, Statistics Office Slovakia)

Year	Real economic growth (in %)	Consumer price index
Poland		
2005	3.6	2.1
2006	6.1	1.0
2007 Forecast	6.6	2.4

(Source: Bank Austria Creditanstalt CEE Quarterly 04/2007, Polish Central Bank, Central Statistics Office Poland)

Year	Real economic growth (in %)	Consumer price index
Romania		
2005	4.1	9.0
2006	7.7	6.6
2007 Forecast	5.8	4.3

(Source: Bank Austria Creditanstalt CEE Quarterly 04/2007, Romanian Central Bank, Central Statistics Office Romania)

The economic situation in the CEE region – Overview

With a total population of approximately 175 million, the entire CEE region (excluding Russia) represents a very large and dynamic economic area with a considerable potential for growth and future prosperity (Source: VVO-Europa-News 3-4/2007). In 2007, the average gross national product in the CEE region grew far more quickly than in the EU-15. Factors including an already well developed infrastructure in most CEE countries compared with other emerging countries, a high educational level and increasing political stability due to the geographic proximity to Western Europe and the sustained eastern expansion of the EU are making it possible for these countries to overcome decades of isolation and stagnation under communism.

The insurance market in Austria and the CEE region

The earnings of the Vienna Insurance Group also depend on the individual insurance markets in which each Group company operates.

The insurance market in Austria

Compared to the CEE region, the Austrian insurance market is a more mature and developed market, which is best illustrated by a comparison of insurance density (per capita premiums). Insurance density reached a value of USD 2,397 in Austria in 2006, while the average in the CEE region was USD 212 (Source: Swiss Re sigma No. 4/2007). Austria still has the potential to catch up with the other EU-15 countries in the life insurance area, where the insurance density is at USD 1,105 in Austria compared to an average of USD 2,198 for the EU-15 countries. Since 2003, the life insurance sector has grown in particular due to the increasing significance of personal pension plans and the governmental support thereof. In the non-life sector particular focus is on underwriting results.

The Austrian insurance market breaks down as follows for the periods presented:

	Gross premiums written			Claims/Benefits paid		
	Fiscal year ended December 31,			Fiscal year ended December 31,		
	2007e(*)	2006	2005	2007e(*)	2006	2005
	(in EUR million)			(in EUR million)		
Property and casualty	7,187.0	6,969.0	6,773.0	4,764.0	4,434.0	3,861.0
Health	1,483.0	1,437.0	1,398.0	1,026.0	997.0	989.0
Life	7,208.0	7,183.0	7,124.0	4,919.0	4,245.0	3,934.0
Total	15,878.0	15,589.0	15,295.0	10,709.0	9,676.0	8,784.0

(Source: VVO Direct Business)

(*) February estimate by VVO

In 2005, the Austrian insurance industry recorded total premiums of EUR 15.3 billion, an increase of premium by 9.5%. At the same time, insurance payments increased by 2.8% from EUR 8.5 billion to EUR 8.8 billion. Private health insurance premiums rose by 4.0% from EUR 1.3 billion to EUR 1.4 billion. Life insurance premiums recorded an increase of 15.6% (EUR 7.1 billion). Property and casualty insurance premiums rose by 4.8% to EUR 6.8 billion. This strong growth in the life insurance area resulted from an increase in the trend toward private and government sponsored retirement provisions, as well as strong growth in the single-premium policy area. Growth in the health insurance area was equal to the long-term average. In the property and casualty area, above-average growth was recorded primarily in property insurance.

Total gross premiums written increased by 1.9% in 2006. This weak growth was due to volatilities in the single-premium life insurance area. Overall growth in the life insurance area was 0.8%. The health and property and casualty insurance areas experienced moderate growth, with premium increases of 2.8% and 2.9%, respectively. Weak growth in the property and casualty area was due to flattening out of rates increases in motor vehicle insurance. Insurance industry payments for loss events resulting from natural catastrophes amounted to EUR 9.7 billion, an increase by 10.1% compared to 2005.

The VVO forecasts that premium revenues will increase by 1.9% to approximately 15.9 billion in 2007. This is more or less the same level as 200 (1.9%). In spite of storm losses, insurance payments are likely to reach EUR 10.7 billion in 2007. Premium growth of 0.4% to EUR 7.2 billion is expected for life insurance, with a further decrease expected for single-premium policies. In contrast, revenues from regular premium policies are likely to grow, due in particular to the strong demand in the area of government sponsored retirement provisions. Property and casualty insurance continues to be affected by the tense situation in the motor vehicle insurance area. The premium volume from health insurance is likely to increase by 3.2% in the long-term average.

The insurance market in the Czech Republic

Since the turnaround of the political system in 1989, the Czech insurance market has been a very dynamic market, which gathered momentum after the end of the monopoly of the formerly state-owned company Česká pojišťovna. After the accession of the Czech Republic to the EU on May 1, 2004, the regulatory environment was harmonized with that of the rest of the EU.

A total of 29 insurance companies were operating in the Czech Republic in 2006, 18 in the life insurance area and 25 in the non-life area (Source: Czech Insurance Association). Insurance density, measured as premiums per resident, rose from USD 431.0 in 2004 to USD 478 in 2005 and USD 520 in 2006, showing the dynamic growth in this market. In addition, the insurance density of USD 520 in 2006 was significantly below the level of USD 3,305 for the EU-15 countries, indicating the high growth potential that exists in the Czech Republic. The Czech insurance market follows Slovenia as the second highest in terms of per capita expenditures for insurance services in the CEE region (Source: Swiss Re sigma No. 4/2007).

The table below sets forth gross premiums written and benefit payments for the Czech Republic for the periods presented:

	Gross premiums written			Claims/Benefits paid		
	Fiscal year ended December 31,			Fiscal year ended December 31,		
	2007e(*)	2006	2005	2007e(*)	2006	2005
	(in CZK million)			(in CZK million)		
Non-Life	76,404.5	74,888.1	72,219.9	37,159.9	39,828.9	39,613.1
Life	53,864.7	47,233.3	44,954.3	24,237.2	19,316.9	20,102.9
Total	130,269.2	122,121.4	117,174.2	61,397.0	59,145.8	59,716.0

(Source: Premiums: Czech Insurance Association; Benefits: Czech National Bank)

(*) Forecast based on a projection for 2007

The Czech insurance market continues to show strong growth potential. Following a slight weakening of growth in 2005 and 2006, premiums once again recorded a strong increase in 2007. Very strong growth of 14.0% was recorded in the life insurance area in particular in 2007, primarily due to growth in unit-linked products. In addition, pent-up demand for non-life insurance and, therefore, good growth potential still exists in the areas of household and homeowner insurance, as well as motor vehicle own-damage insurance.

The insurance market in Slovakia

In the past, the Slovak insurance market showed high growth rates that were primarily driven by the liberalization of the motor vehicle liability insurance market in 2002. After Slovakia joined the EU on May 1, 2004, the application of EU-wide insurance law changed the regulatory environment.

A total of 26 insurance companies were operating in Slovakia in 2006, 21 in the life insurance area and 21 in the non-life area (Source: Slovak Insurance Association). Insurance density, measured as premiums per resident, grew strongly from USD 276 in 2004 to USD 315 in 2005 and USD 337 in 2006. As in the Czech Republic, the Slovak insurance density of USD 337 in 2006 also lies significantly below the level of USD 3,305 for the EU-15 countries, showing considerable growth potential. Slovakia, together with Slovenia, the Czech Republic, Hungary, Poland and Croatia, has one of the most developed insurance markets in the CEE region, and exhibits the fourth highest insurance density in this high growth region (Source: Swiss Re sigma No. 4/2007).

The table below sets forth gross premiums written and benefit payments for Slovakia for the periods presented:

	Gross premiums written			Claims/Benefits paid		
	Fiscal year ended December 31,			Fiscal year ended December 31,		
	2007e(*)	2006	2005	2007e(*)	2006	2005
	(in SKK million)			(in SKK million)		
Non-Life	28,862.4	28,253.2	29,761.7	10,022.6	11,203.4	11,125.2
Life	28,817.7	25,504.0	22,032.1	12,736.1	8,988.1	7,410.0
Total	57,680.1	53,757.1	51,793.8	22,758.7	20,191.5	18,535.2

(Source: Premiums: Slovak Insurance Association; Payments: Financial Market Office)

(*) Forecast based on a projection for 2007

The Slovak insurance market has become particularly competitive in motor vehicle insurance in recent years. In addition, there was a change in the quality of premium reporting to the insurance association and government authorities, making it difficult to compare 2005 and 2006. The positive trend in 2007 is primarily supported by motor vehicle own-damage insurance, due to an increasing demand for motor vehicle leasing solutions, as well as the property insurance classes, due to the construction boom in Slovakia.

The growth in life insurance is primarily due to newly introduced index-linked products, as well as investment solutions with a guaranteed interest rate.

The Polish insurance market

As a result of the good overall economic development of the country and the related increase in demand for insurance solutions, the Polish insurance market has recorded high growth rates in recent years. Poland's accession to the EU also brought legal conformance with the European legal system.

A total of 64 insurance companies were operating in Poland in 2006, 31 in the life insurance area and 33 in the non-life area (Source: Supervisory Authority KNF). Insurance density, measured as premiums per resident, rose considerably from USD 193 in 2004 to USD 245 in 2005 and USD 310 in 2006. As for the Czech Republic and Slovakia, the insurance density of USD 310 in 2006 was significantly below the level of USD 3,305 for the EU-15 countries, showing that growth potential also continues to be very high in Poland. The Polish market has the fifth highest insurance density in the CEE region (Source: Swiss Re sigma No. 4/2007). Due to its strong growth potential and large population of approximately 39.0 million, Poland will be one of the most important and largest insurance markets in Europe in the foreseeable future.

The table below sets forth gross premiums written and benefit payments for Poland for the periods presented:

	Gross premiums written			Claims/Benefits paid		
	Fiscal year ended December 31,			Fiscal year ended December 31,		
	2007e(*)	2006	2005	2007e(*)	2006	2005
	(in PLN million)			(in PLN million)		
Non-Life	18,234.2	16,424.7	15,658.4	9,207.6	8,369.4	8,302.1
Life	25,512.7	21,108.6	15,323.5	10,431.8	8,462.5	7,549.3
Total	43,746.9	37,533.3	30,982.0	19,639.4	16,831.9	15,851.4

(Source: Supervisory Authority KNF)

(*) Forecast based on a projection for 2007

The Polish insurance market has grown rapidly over the last three years. This was primarily due to the life insurance area, which has shown outstanding growth primarily due to the trend toward investment in short-term, tax-privileged single-premium policies having the character of investments. In addition, a boom is also taking place in new unit-linked life insurance products. The non-life insurance area has recorded solid growth rates, with motor vehicle own-damage insurance in connection with lease financing being the primary growth driver in the recent past.

The Romanian insurance market

The Romanian insurance market also has considerable growth potential compared to the other countries in the CEE region, as is clearly illustrated by a comparison of insurance densities. While the insurance density was USD 520 in the Czech Republic in 2006, USD 337 in Slovakia and USD 310 in Poland, in Romania it was USD 94. This is approximately one-sixth of the level in the Czech Republic. This also clearly shows the extremely high catch-up potential of the Romanian insurance market. The country is at a level similar to the neighboring countries of Bulgaria (USD 101), Serbia (USD 77) and the Ukraine (USD 60) (Source: Swiss Re sigma No. 4/2007). Accession to the EU also brings increasing conformance to the EU legal standard and integration into the European Economic Area. The size of the market, which includes approximately 22 million residents, and the great economic catch-up potential make Romania one of the highest growth and development insurance markets in Europe.

A total of 37 insurance companies were operating in Romania in 2007, 19 in the life insurance area and 31 in the non-life area (Source: Insurance Profile, March 2008 issue – 1/2008 (18))

The table below sets forth gross premiums written and benefit payments for Romania for the periods presented:

	Gross premiums written			Claims paid		
	Fiscal year ended December 31,			Fiscal year ended December 31,		
	2007e(*)	2006	2005	2007e(*)	2006	2005
	(in RON million)			(in RON million)		
Non-Life	5,802.3	4,610.1	3,379.2	3,183.3	2,486.8	1,661.4
Life	1,493.1	1,136.8	1,038.0	62.0	254.1	89.4
Total	7,295.4	5,746.9	4,417.2	3,245.3	2,740.9	1,750.8

(Source: Insurance Profile)

(*) Forecast based on a projection for 2007

On average, in recent years the Romanian insurance market has grown by one-quarter annually. This is due to the positive overall development of the Romanian economy and the high level of pent-up demand for services in the insurance area. Little development has taken place to date in the life insurance market because awareness of the need for personal insurance coverage in this area is still low. This makes the growth potential in this area all the greater. Due to the boom in lease financing for auto purchases, the motor vehicle classes proved to be the drivers of growth in the non-life insurance area.

Non-life rate-setting

Rate-setting in the non-life sector is cyclical. In the private and corporate customer business, the Vienna Insurance Group pursues a policy of a price and payment ratio in line with the contribution margin. Even in times of very heavy price competition, the Vienna Insurance Group strives to implement a restrictive price and risk policy.

Financial assets

The table below sets forth in EUR million the breakdown of the investment portfolio of the Vienna Insurance Group as of December 31, 2007, broken down according to the segments property and casualty insurance, health insurance and life insurance:

	Fiscal year ended December 31, 2007		
	Property and casualty	Health	Life
	(in EUR million)		
Land and buildings	370.6	147.5	2,350.7
Shares in affiliated companies and other shareholdings	640.8	121.4	208.7
Loans	106.0	120.3	961.1
Other securities	1,780.2	442.5	12,250.9
Held until maturity	71.4	0.0	301.9
Available for sale	1,300.3	361.1	11,297.2
Commercial stocks	330.7	81.4	565.2
Financial instruments (derivatives) recognized at fair value	77.9	0.0	86.5
Other financial assets	355.9	39.1	275.9
Total financial assets	3,253.4	870.7	16,047.2

The development of the securities markets has an important influence on the financial results of the Vienna Insurance Group. As of December 31, 2007, a considerable portion of the financial assets bears fixed interest rates to maturity. The Austrian Insurance Supervision Act ("VAG") provides for a currency-congruent assessment. The average yield of new issues of Austrian government bonds of all maturities was 3.58%, 3.74% and 4.21% in the years 2005 to 2007. The secondary market yield was 2.97% in 2005 and 3.64% and 4.24% in 2006 and 2007. The persistent weakness of the U.S. dollar, which was even more pronounced in 2007, prompted many investors to move to the Euro-denominated bond market, resulting in a considerable inflow of funds. The prices for Euro bonds increased accordingly, while U.S. dollar-denominated securities trended slightly sideways.

The equity market was characterized by sideways movement in the second half of 2007, and by sharp declines in prices toward the end of 2007 and the beginning of 2008. International equity markets recovered quickly in the second quarter of 2007 following a strong correction at the end of February due to overheating of the Chinese equity market. Equity markets recorded significant price increases in May and many stock exchange indices, including the ATX, reached highs not seen for many years. Although index levels were only slightly below these highs at mid-year, this was followed by a strong correction in the middle of July. The increased risk aversion of international investors resulting from the subprime crisis in the U.S. mortgage market led in some cases to an undifferentiated sell-off of financial securities, even those not affected by the crisis. Additional liquidity provided by central banks and interest rate reductions in the United States were able to stop the downward trend, and in the middle of September indices once again started to rise. However, the continued uncertainty of investors and the turmoil this caused in the fourth quarter resulted, for example, in the European blue-chip index, the Dow Jones Stoxx 50, ending 2007 at the level at which it had started.

The interest rate fluctuations and yields of the capital markets also have a direct impact on consumer behavior, especially in the area of life insurance. The demand for fixed-interest products, such as guaranteed supplementary pension products, normally declines when equity prices increase and generally increases when prices decline and profits cannot be expected in the stock market. Correspondingly, demand for products based on equities such as, for example, unit trusts and investment funds, increases when equity markets are strong; however, it also reverses when prices fall.

Demographic changes

Longer life expectancy combined with guaranteed annuity payments from life insurance has a highly significant effect on future operating results. However, management views this demographic shift to a larger proportion of elderly individuals in the Austrian population as well as in CEE as creating increased opportunities for its life insurance business, due to the fact that private provisions for retirement are becoming more important as a supplement to continually diminishing government retirement pensions.

Loss frequency & severity

Operating results from the property and casualty area can differ considerably from year to year. The result depends directly on the random occurrence of natural catastrophes (such as hail, earthquakes, storms and floods) or other major losses, such as fire, explosions, terrorism. The number and severity of these catastrophes is not predictable. The effects of these events are limited as far as possible by means of reinsurance contracts and participation in the Austrian Terror Pool, see "*Risk Management – Reinsurance*".

Hurricane Kyrill resulted in numerous loss events in January 2007, particularly in Austria, the Czech Republic and Poland. Approximately 55,600 of these were covered by Vienna Insurance Group policies. Of the total loss of approximately EUR 68 million, approximately EUR 9.4 million was retained after accounting for reinsurance coverage.

While no loss greater than EUR 10.0 million before reinsurance occurred in 2005, there were two fire incidents causing damages in the amount of approximately EUR 25.0 million and EUR 20.0 million before reinsurance in 2006 and 2007.

Operating results from the property and casualty area can also be affected by a large number of smaller losses brought about by a single event. For example, snowfall leads to an increased number of motor insurance losses.

Regulatory and statutory environment

The Vienna Insurance Group's business is subject to detailed regulations in all countries in which its services are offered. These regulations deal with premium setting, product design, distribution, operating and reporting requirements, compliance with solvency guidelines, formation of reserves and the valuation of assets, see "*Insurance Supervision*".

Directives and measures instituted by the insurance regulatory authority can have a direct effect on the prices that are set, the structure and distribution of individual insurance products, and interactions with customers.

A change in tax law, or in other laws, can also have an effect on operating results, in particular a change in the taxation of financial products.

As is the case in other countries, government retirement pensions, government health insurance benefits and other social security system benefits have been decreasing in Austria. According to the Vienna Insurance Group's internal assessments, this change will continue to open up new business opportunities for the Group.

In some cases, however, political, legislative and judicial changes may lead to changes in the original areas of application of existing policies or in premiums, which could lead to additional claims payments.

Factors Having a Significant Effect on the Company's Results of Operations

Changes in reported losses and provisions

From 2005 to 2007, the number of losses reported in all property and casualty insurance classes in Austria remained relatively constant at approximately 400,000 per year. The number of foreign losses reported grew strongly due to the rapid expansion of business and will be approximately 800,000 for 2007. The loss frequency also indicates long-term stability. In Austrian motor insurance, it has remained for years at a level between 17 and 18 per 100 insurance policies assumed, and slightly below this value when foreign business is included. In the Austrian non-motor classes, loss frequency has also remained between 9.5 and 11.1 per 100 insurance risks assumed and slightly below this range when foreign business is included.

The number of motor third-party liability and collision losses has remained constant in Austria since 2005. The rising number of foreign insured risks increases these numbers accordingly. Total loss frequency has not increased.

The storm and other natural catastrophe class was affected by the exceptional hurricane Kyrill in 2007. More than 55,000 loss events resulted from this event alone, with loss frequency increasing by approximately 5%-points above the long-term average. In the previous year, snow-load and flood losses, particularly in Austria and the Czech Republic, caused the number of loss events to double, which also affected this class.

The number of loss events in the household class increased from just under 100,000 to approximately 102,000 between 2005 and 2007. However, loss frequency only rose slightly from 14.7% to 14.8%.

Property and casualty insurance provisions

According to national legal regulations in their respective countries (in Austria, the Corporate Code ("UGB") and Insurance Supervision Act ("VAG"), Wiener Städtische AG and its operating subsidiaries are required to establish provisions for outstanding insurance claims in the property and casualty area. These provisions are calculated for payment obligations due to insurance losses which have been incurred up to the balance sheet reporting date but whose cause or size has not yet been established, as well as all associated claims handling costs expected to be incurred after the balance sheet reporting date. This provision is to include 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 ("IBNR"). Collectible recourse claims are deducted from the provision. When required, actuarial estimation methods are used to calculate these provisions. These methods are applied continuously, with both the methods and calculation parameters examined continuously for appropriateness and adjusted if necessary. The provisions are affected by economic factors, such as the inflation rate, and by legal and regulatory developments which may change over time. The current version of IFRS 4 provides for provisions made in accordance with applicable national regulations to be included in the consolidated financial statements. Additions and/or reversals of property and casualty provisions are entered in the "Changes in provisions for outstanding insurance claims" account.

Life insurance claims and provisions

Classic life insurance

As a rule, provisions for future claims by life insurance policyholders are calculated using the parameters used to calculate premiums. These parameters are to be examined by the appointed actuary to determine that they have been chosen with due care. In accordance with the provisions of the VAG, the size of the provision must be sufficient to ensure that policyholders' claims can be satisfied at any time.

Changes in mortality, in particular an increase in life expectancy, can lead to an increase in the actuarial value calculated for these obligations due to a change in the corresponding parameter and therefore to additional expenses in the year of adjustment.

Changes in cost structure can also result in an adjustment of the expense ratio used in this calculation.

In 2005, new mortality tables for calculating pension insurance provisions were published in Austria. Use of these tables has resulted in an increase in provisions in the individual financial statements prepared in accordance with the UGB.

A change in the Austrian Insurance Contract Act (*Versicherungsvertragsgesetz*) that provides for increased surrender values to be paid to policyholders in the event of a premature end to a life insurance contract within the first five years has come into effect for new insurance policies written starting January 1, 2007. The increase in surrender value also creates an obligation on the part of the broker to pay back a prorated portion of the insurance commission in such cases. Overall, it is expected that these new provisions will lead to a reduction in cancellation profit and an increase in receivables from brokers.

For types of life insurance policies where the policyholder participates in profits, in addition to the sum insured, the policyholder is also entitled to receive a portion of the profits to be paid out at the time the insurance policy becomes due (survival, surrender, and death). In accordance with the provisions of the VAG, company business plans and policy conditions, the insurance company is required to use an adequate portion of net income for profit participation. In 2007, the Vienna Insurance Group guaranteed an average interest rate of just under 3% per annum in Austria. Profit shares are reserved by means of matching profit reserves. In October 2006, a regulation relating to the VAG was adopted requiring that a method based on the income statement be used to calculate a base value applicable exclusively to profit-participation life insurance policies starting in fiscal year 2006. This regulation requires that expenditures for the refund of premiums related to results or the profit participation of the policyholders plus any direct credits must equal at least 85% of the base value in each fiscal year. Allocations in previous years, discounted according to time, can be counted toward this minimum amount to the extent that they exceeded the minimum allocation calculated using this new method. On the whole, this new regulation introduces a quantitative definition of the "adequacy" of a policyholder's profit participation.

In the business plans of Wiener Städtische AG, policy writing costs are specified as a percentage of the sum insured or total premiums. At the time a policy is written, zillmerization is used to include calculated policy writing costs into the mathematical calculation of the provisions described above. If any calculations result in negative reserves, these amounts are set to zero. Setting a negative actuarial reserve to zero represents a write-off of assets in the amount by which the capitalization exceeds the actuarial reserve before zillmerization. This is a non-recurring expense which, as a rule, is reversed over a period of up to three years.

Unit-linked and index-linked life insurance

In the case of unit-linked and index-linked life insurance, the risk of the capital investment is borne by the policyholder or provider of the core investment, such as a capital guarantee for index-linked products.

Acquisitions

A series of acquisitions has resulted in a change to the Group's consolidated operating result, see "*Business – The Companies of the Vienna Insurance Group – The Rest of Europe*". Management expects that these and future acquisitions will continue to have a significant effect on the future assets, financial position and earnings of the Group.

Management believes that the acquisition of the Target Companies in 2008 in particular will have a significant effect on the assets, financial position and earnings of the Vienna Insurance Group, see "*Acquisition of the Target Companies and Long-Term General Distribution Agreement*".

In fiscal year 2007, BA-CA Versicherung was included in the scope of consolidation for the first time which accounted for approximately one quarter of the premium increase in life in 2007. At the end of March 2008, the Vienna Insurance Group agreed to sell a majority of its shares in BA-CA Versicherung to the ERGO International AG. Vienna Insurance Group will continue to hold a 10% plus one share participation in BA-CA Versicherung. The sale will be consummated at the end of September 2008 and is subject to regulatory approval.

Effects of currency fluctuations

A significant portion of the Vienna Insurance Group's new business is generated outside of the Euro zone, in particular in the CEE region. The largest contribution from this region comes from the subsidiaries in the Czech Republic, Slovakia, Poland and Romania. In 2007, the Czech subsidiaries of the Company contributed 16.4% of gross earned premiums under IFRS, the Slovakian subsidiaries 7.2%, the Polish subsidiaries 7.9% and the Romanian subsidiaries 6.0%. As of December 31, 2007, the total contribution to the Group's premiums generated by Group companies in the CEE region was EUR 2,965.4 million.

The combination of increased foreign investments, an improved macroeconomic environment, and the declaration of intent by many countries in the CEE region to join the EU have led to a strengthening of these countries' currencies relative to the Euro. The Group is unable to predict changes in foreign exchange rates.

Insurance policies generally include an automatic currency hedge since premiums, costs, insurance benefit payments and capital investment are denominated in the same currency. While exchange rate fluctuations do not affect the individual Group companies operating results which are denominated in the local currencies, such fluctuations have a definite effect on the operating results shown in the consolidated financial statements of the Group.

The Vienna Insurance Group invests a small portion of the premiums it receives in foreign currencies. It uses derivative financial instruments to hedge the foreign exchange risk due to investments in U.S. dollars and British pounds. According to legal regulations, the Vienna Insurance Group is not permitted to use currency instruments as a source of income.

In accordance with IFRS, balance sheet and income statement items for subsidiaries whose accounts are not prepared in Euro are converted to Euro based on exchange rates at the end of the applicable period (balance sheet items) or average exchange rates over the applicable period (income statement items).

The following table sets forth certain Euro exchange rates on the balance sheet date and their average over the year for the country currencies which were used in preparing the consolidated financial statements:

	Fiscal year ended December 31,					
	2007		2006		2005	
	Balance sheet date	Average	Balance sheet date	Average	Balance sheet date	Average
Units of foreign currency per Euro						
Bulgarian Lev (BGN)	1.9558	1.9558	1.9558	1.9558	1.9563	1.9559
Georgian Lari (GEL)	2.3315	2.2928	2.2562	2.2332	2.1245	2.2459
Croatian Kuna (HRK)	7.3308	7.3376	7.3504	7.3247	7.3715	7.3668
Polish Zloty (PLN)	3.5935	3.7837	3.8310	3.8959	3.8600	4.0219
Romanian Lei (RON)	3.6077	3.3353	3.3835	3.5258	3.6802	3.6241
Russian Ruble (RUB)	35.9860	35.0183	34.6800	34.1120	33.9202	34.6069
Swiss Frank (CHF)	1.6547	1.6427	1.6069	1.5729	1.5551	1.5478
Serbian Dinar (CSD)	79.2362	80.0858	79.0000	83.9585	85.5000	84.5594
Slovak Koruna (SKK)	33.5830	33.7745	34.4350	37.2340	37.8802	38.5773
Czech Koruna (CZK)	26.6280	27.7656	27.4850	28.3420	28.9998	29.7947
Ukrainian Hryvnia (UAH)	7.4195	6.9590	6.6524	6.3569	5.9716	6.0887
Hungarian Forint (HUF)	253.7300	251.3520	251.7700	264.2600	252.8445	248.5707
Belarusian Ruble (BYR)	3,166.7300	2,956.7583	2,812.2800	2,698.5700	2,544.5293	2,590.6736

Significant accounting and valuation principles

In preparing the IFRS consolidated financial statements for the Vienna Insurance Group, certain accounting and valuation methods which the Management Board believes are important for the presentation of the Group assets financial position and results of operations are used, as well as accounting and valuation methods which require the Management Board to make difficult subjective or complex assessments in making estimates and assumptions about circumstances which are by their very nature uncertain. Due to the uncertainty inherent in these estimates and assumptions, differences in circumstances or the assumptions used can lead to significant differences in values.

The section below describes significant accounting and valuation methods that the Management Board believes are important for the presentation of the Vienna Insurance Group's assets, financial position and results of operations, including accounting principles requiring subjective or complex assessments.

Deferred acquisition costs

According to the current version of IFRS 4, values in balance sheets prepared according to national accounting principles may be used for consolidated financial statements. In Austria, the Vienna Insurance Group calculates unearned premiums for property and casualty insurance using a cost discount of 15% (10% for motor third-party liability insurance). No other policy writing expenses may be capitalized. In the life insurance area, policy writing expenses are calculated using the rates specified in the business plans, and are included by zillmerization when calculating the actuarial reserve. Negative actuarial reserves are set to zero (this applies primarily to the Austrian companies). No additional policy writing costs are capitalized. For foreign companies, as a rule, the portion of the deferred item which exceeds the mathematical reserves is reported on the asset side of the balance sheet and included in the consolidated financial statements. In general, no capitalization of policy writing expenses is performed for health insurance.

Underwriting provisions

The Vienna Insurance Group establishes underwriting provisions for expected future benefit payments and associated costs related to property and casualty, and life and health insurance. Expected claims payments are determined on a case by case basis and are based on circumstances known to the Group at the time the provisions are established. If necessary, they are adjusted to take into account the total expected costs of an insurance payment. In addition, the Group also establishes so-called IBNR provisions for property and casualty insurance to take into account expected expenses for losses which have been incurred but not yet reported to the Group. If actual insurance payments differ from expected payments, the difference is normally reflected in the results of the period in which the difference occurred. In any case, the establishment of underwriting provisions for the property and casualty area is necessarily an uncertain process, based on a variety of assumptions, with factors such as court decisions, changes in law, social and economic trends, inflation and other factors related to the costs of proceedings also playing a role. Assumptions about demographic and social developments are used for the life and health insurance business.

Fair value and impairment

Some of the Group's assets and liabilities are shown at fair value in the Group's books. This applies in particular to a significant portion of the financial assets. The determination of the fair value of financial assets and liabilities is generally based on an established market value or the price offered by brokers and dealers. If a price cannot be readily established, fair value is determined either by use of an internal valuation model or by an assessment by management as to what amounts could be obtained by orderly realization at current market conditions. The fair value of certain financial instruments, in particular unlisted derivative financial instruments, is determined using pricing models taking into account factors including contract and market prices and the relationship between them, current value, counterparty creditworthiness, yield curve volatility, and early repayment of the underlying. 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 require the book value of the assets to be written up or down, with a corresponding income or expense entry in the income statement.

Financial assets are tested regularly for impairment. If valuation adjustments to fair value are necessary, in the case of permanent value impairment, these are recognized in the income statement. The assessment as to whether a reduction in value is permanent is based on an evaluation of market conditions, the Issuer's financial position, and other factors. In the case of equity instruments, the Group (normally) assumes permanent impairment if a reduction of 20% or more relative to acquisition value is observed over a period of more than six consecutive months.

IAS 40 Revaluation of investment property using the fair value model

The carrying cost of investment property is its cost of acquisition or construction. Revaluation must be performed using either the fair value model or acquisition cost model. The Group performs revaluation using the acquisition cost model. As of December 31, 2007, the book value of investment property was EUR 2,868.7 million.

Unscheduled depreciation and amortization of assets, including goodwill amortization, not falling under IAS 39

Under IFRS, scheduled depreciation or amortization is applied to the value of certain assets over their useful life, such as goodwill or certain tangible assets. The Vienna Insurance Group examines the prior depreciation or amortization method and remaining useful life at each balance sheet reporting date. Where there are indications of a decrease in value, an impairment test is performed.

Severance obligations

Based on statutory obligations, supplemented by collective agreement provisions, the Company is obligated to make severance payments to all employees in Austria whose employment began before January 1, 2003 and is terminated by the employer or upon commencement of retirement. The size of this payment depends on the number of years of service and the employee's earnings at the time of severance and is equal to between two and 18 months' earnings. A provision has been set up for this obligation.

The provision is calculated using the projected unit credit method. Under this method, the sum of the present value of future payments is calculated up to the point in time when the claims reach their highest value (up to a maximum of 25 years).

For all employment in Austria beginning after December 31, 2002, the Company pays the statutory contribution of 1.5% of earnings into an operating employee retirement 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. The Company's obligation is strictly limited to payment of these amounts. Therefore, no provision needs to be set up for this contribution-based model.

Segment reporting

When its accounting was converted to IFRS in 2005, the Vienna Insurance Group divided its activities into three primary segments (for the purposes of segment reporting) corresponding to its three core business areas, namely, the "property and casualty," "health insurance," and "life insurance" segments. Austria, the Czech Republic, Slovakia, the Remaining CEE markets, and other markets were specified as secondary geographic segments. The number of secondary geographic segments was increased in the interim financial statements for the third quarter of 2007. These new secondary segments will be retained in the 2007 annual financial statements and in the future. The secondary segments are now Austria, the Czech Republic, Slovakia, Poland, Romania, Remaining CEE markets, and other markets.

Comparison of Fiscal Years 2007, 2006 and 2005 at the Group Level

The following table sets forth a summary of the income statement for fiscal years 2007, 2006 and 2005:

	Fiscal year ended December 31,		
	2007	2006	2005
		(audited) (in EUR million)	
Premiums			
Gross premiums written	6,911.9	5,881.5	5,007.8
Net earned premiums	5,941.7	5,038.7	4,240.9
Financial result, not incl. associated and affiliated companies	995.8	711.4	593.9
Other income	52.0	61.4	46.3
Expenses for insurance claims	-5,031.5	-4,213.3	-3,618.4
Operating expenses	-1,345.1	-1,136.4	-891.8
Other expenses	-182.4	-145.9	-142.0
Result from interests in associated and affiliated companies	6.9	5.0	11.6
Profit before taxes	437.3	321.0	240.3
Tax expense	-88.4	-56.6	-41.6
Profit for the period	348.9	264.3	198.7
Wiener Städtische shareholder interest	312.6	260.9	197.0
minority interest	36.3	3.4	1.7

Premiums

The following table sets forth gross premiums written for the periods presented:

	Fiscal year ended December 31,		
	2007	2006	2005
	(in EUR million)		
Property and casualty insurance	3,671.2	3,067.2	2,563.3
Life insurance	2,934.2	2,516.5	2,156.4
Health insurance	306.6	297.9	288.1
Total	6,911.9	5,881.5	5,007.8

The following table sets forth net earned premiums for the periods presented:

	Fiscal year ended December 31,		
	2007	2006	2005
	(in EUR million)		
Property and casualty insurance	2,746.8	2,264.7	1,834.8
Life insurance	2,889.4	2,477.5	2,119.0
Health insurance	305.5	296.5	287.0
Total	5,941.7	5,038.7	4,240.9

Gross premiums written rose by 17.5%, from EUR 5,007.8 million in fiscal year 2005 to EUR 5,881.5 million in fiscal year 2006, while net earned premiums rose by 18.8%, from EUR 4,240.9 million in fiscal year 2005 to EUR 5,038.7 million in fiscal year 2006. Premium growth essentially relates to the organic growth in the life insurance area as a result of increased sales of policies for unit-linked products and government-supported retirement products, and to the property and casualty area as a result of an increase in the number of corporate customers, and tariff adjustments in all classes. The first time consolidation of newly acquired companies in the CEE region also had an effect, producing approximately 25% of the net growth in premiums as compared to fiscal year 2005.

Gross premiums written rose by 17.5% from EUR 5,881.5 million in fiscal year 2006 to EUR 6,911.9 million in fiscal year 2007, while net earned premiums rose by 17.9% from EUR 5,038.7 million in fiscal year 2006 to EUR 5,941.7 million in fiscal year 2007. Premium growth essentially relates to the organic growth in the life insurance area as a result of increased sales of policies for unit-linked products and government supported retirement products, and to the property and casualty area as a result of an increase in the motor vehicle insurance area, an increase in the corporate customers and ongoing tariff adjustments in all business areas. The increase is also partially due to the first time full consolidation of the BA-CA Versicherung, which accounts for approximately one quarter of the premium increase.

The following table sets forth by region net earned premiums from direct business for the periods presented:

	Fiscal year ended December 31,		
	2007	2006	2005
	(in EUR million)		
Austria	3,304.5	3,100.4	2,838.7
Czech Republic	919.0	827.6	695.3
Slovakia	398.8	281.4	229.0
Poland	483.9	262.8	46.5
Romania	314.9	193.5	96.9
Remaining CEE markets	300.3	161.4	84.2
Other markets (Germany and Liechtenstein)	220.3	211.6	250.1
Total	5,941.7	5,038.7	4,240.9

The 18.8% increase in net earned premiums from EUR 4,240.9 million in fiscal year of 2005 to EUR 5,038.7 million in fiscal year of 2006 was primarily due to strong growth in the CEE region, in particular in the Czech Republic, Romania and Poland. In addition to organic growth, part of this

increase also came from insurance companies included in the scope of consolidation for the first time (e.g., CIGNA STU S.A. now TU Interrisk S.A. Vienna Insurance Group in Warsaw) and companies acquired in 2005 but not included for the full year in the scope of consolidation until 2006 (e.g., Omniasig Non-Life and Life were fully consolidated starting August 1, 2005). The Austrian Group companies also recorded solid growth of 9.2%. Aside from further expansion of the primary distribution channel, this was primarily due to strong demand for unit-linked and index-linked life insurance, as well as single-premium products. The decrease in gross premiums written in other markets was due to a reduction in the single-premium life insurance sector.

The 17.9% increase in net earned premiums from EUR 5,038.7 million in fiscal year of 2006 to EUR 5,941.7 million in fiscal year of 2007 was primarily due to strong growth in the CEE region, in particular in Poland and Romania. In addition to organic growth, part of this increase also came from insurance companies included in the scope of consolidation for the first time, such as Ray Sigorta A.S., Istanbul beginning July 1, 2007, and companies acquired in 2006 but not included in the scope of consolidation for the full year 2006 (e.g., Interrisk S.A., Warsaw, was fully consolidated starting April 1, 2006) and the first time full consolidation of BA-CA Versicherung. The Austrian companies of the Vienna Insurance Group also recorded solid growth of 6.6%. Aside from the strong increase in the corporate customers segment, the increase was also due to strong demand for unit-linked and index-linked life insurance and government supported retirement products, which partially offset the decrease in gross premiums written in Austria in the single-premium life insurance sector.

Financial result

The following table sets forth the financial result (income from investments less expenses from investments and interest expenses) for the periods presented:

	Fiscal year ended December 31,		
	2007	2006	2005
	(in EUR million)		
Current income	998.2	800.2	631.0
Income from write-ups	38.6	32.4	32.5
Income from the disposal of investments	403.1	214.0	164.7
Income from investments	1,439.9	1,046.6	828.1
Expenses from investments and interest expenses	-444.1	-335.1	-234.3
Financial result	995.8	711.4	593.9

The increase in the financial results from EUR 593.9 million in fiscal year 2005 to EUR 711.4 million in fiscal year 2006 is primarily due to an increase in current income from third-party leased land and buildings resulting from the first time inclusion of non-profit housing development companies and higher trading profits. The capital increase carried out at the end of 2005 increased investments in 2006 and consequently also current income. Gains from the disposal of investments in fiscal year 2005 were due to the partial sale of participations in Investkredit, PORR and various real estate holdings, and gains from securities trading, as compared to the gains in fiscal year 2006, which were due to the partial sale of Futurelab and increased gains from securities trading. The first time consolidation of non-profit housing development companies was the primary reason for the increase in expenses.

The increase in the financial results from EUR 711.4 million in fiscal year 2006 to EUR 995.8 million in fiscal year 2007 is primarily due to higher gains from the disposal of investments, an increase in current income from third-party leased land and buildings and the first time inclusion of additional non-profit housing development companies, increased capital assets and increased interest rates. Gains from the disposal of investments in fiscal year 2007 were due mainly to the sale of real property and shares in Austrian steel-producer Böhler-Uddeholm AG in connection with its takeover by voestalpine and higher trading profits especially from equity securities. The first time consolidation of non-profit housing development companies was the primary reason for the increase in expenses.

Expenses for insurance claims

The following table provides an overview of the expenses for insurance claims for the periods presented:

	Fiscal year ended December 31,		
	2007	2006	2005
	(in EUR million)		
Payments for insurance claims	3,162.6	2,561.6	2,149.0
Change in the provision for outstanding insurance claims	225.9	146.9	130.2
Other[(1)]	1,643.0	1,504.8	1,339.2
Total	5,031.5	4,213.3	3,618.4

(1) Includes changes in actuarial reserves, changes in other technical reserves and expenses for the refund of premiums dependent and not dependent on profit.

The increase in expenditures for insurance claims from EUR 3,618.4 million in fiscal year 2005 to EUR 4,213.3 million in fiscal year 2006 was primarily due to an increase in payments in the property and casualty area, which rose from EUR 1,053.9 million to EUR 1,362.0 million. This change resulted from the expansion of the scope of consolidation, as well as snow-load and flood losses, primarily in Austria and the Czech Republic. In addition, payments in the life insurance area increased. This was also primarily due to the expansion of the scope of consolidation. The change in the provision for outstanding insurance claims in the property and casualty area results from an increased volume of business and the natural catastrophes mentioned above, while the decrease in the provision for outstanding claims in the life insurance area was due to a reduction in the number of unsettled loss events.

The increase in expenses for insurance claims from EUR 4,213.3 million in fiscal year 2006 to EUR 5,031.5 million in fiscal year 2007 was primarily due to an increase in payments in the life insurance area, which rose from EUR 996.7 million to EUR 1,424.5 million. This change resulted from first time full consolidation of BA-CA Versicherung and an increase in expirations of life insurance contracts in Austria. In addition payments in the property and casualty insurance area increased, mainly due to the increase in the scope of consolidation and the strong organic growth in the last year. The change in the provision for outstanding insurance claims in the property and casualty area results from an increased volume of business and the increase in natural catastrophes. The increase in the provision for outstanding claims in the life insurance area was due to an increase in the number of unsettled loss events.

Operating expenses

The following table provides an overview of operating expenses for the periods presented:

	Fiscal year ended December 31,		
	2007	2006	2005
	(in EUR million)		
Commissions and other acquisition costs	1,194.1	1,026.1	798.6
Administrative costs	334.2	293.8	266.7
Reinsurance commissions	-183.2	-183.5	-173.5
Operating expenses	1,345.1	1,136.4	891.8

The increase in operating expenses from EUR 891.8 million in fiscal year 2005 to EUR 1,136.4 million in fiscal year 2006 was primarily due to higher commission expenses for property and casualty insurance and life insurance resulting from an increase in new business. In addition, an increase in personnel expenses was recorded in the property and casualty area due to an expansion of the scope of consolidation and the field sales force.

The increase in operating expenses from EUR 1,136.4 million in fiscal year 2006 to EUR 1,345.1 million in fiscal year 2007 was primarily due to higher commission expenses for property and casualty insurance and life insurance resulting from an increase in new business. In addition, an increase in administrative costs was recorded in the property and casualty area due to an expansion of the scope of consolidation through the first time full consolidation of Ray Sigorta and Kniazha and due to increasing business in CEE with, especially in the beginning, higher administrative costs.

Other income/expenses

Other income rose from EUR 46.3 million in fiscal year 2005 to EUR 61.4 million in fiscal year 2006. This is primarily attributable to technical income in the property and casualty area which resulted from the reversal of premium valuation allowances due to customer payment behavior that exceeded expectations, and generally higher other income in the life insurance area. In contrast, other expenses remained almost unchanged at EUR 142.0 million in fiscal year 2005 versus EUR 145.9 million in fiscal year 2006. While other expenses rose in the life insurance area due to expansion of the scope of consolidation, other expenses in the property and casualty area decreased due to a reduction in provisions for premium valuation allowances.

Other income decreased from EUR 61.4 million in fiscal year 2006 to EUR 52.0 million in fiscal year 2007. This is primarily attributable to the decrease in technical income in the property and casualty area, which in prior years had resulted from the reversal of premium valuation allowances due to customer payment behavior that exceeded expectations, and generally lower other income in the life insurance area (lower payments from depreciation on premium receivables than in the preceding year). In contrast, other expenses increased from EUR 145.9 million in fiscal year 2006 versus EUR 182.4 million in fiscal year 2007. The increase is mainly due to increased fire protection and insurance taxes and higher other expenses from non insurance companies.

Profit before taxes

Profit before taxes increased by 33.5% from EUR 240.3 million in fiscal year 2005 to EUR 321.0 million in fiscal year 2006. This was due to better results in the CEE region as well as an increase in the Group's investment results.

Profit before taxes increased by 36.2% from EUR 321.0 million in fiscal year 2006 to EUR 437.3 million in fiscal year 2007. This was due to better results in the CEE region, a decreased combined ratio as well as an increase in the Group's investment results.

Income taxes

Income taxes increased by 36.2% from EUR 41.6 million in fiscal year 2005 to EUR 56.6 million in fiscal year 2006. The effective tax rate (tax expense divided by profit before taxes) remained relatively constant, increasing only slightly from 17.3% to 17.6%.

Income taxes increased by 56.2% from EUR 56.6 million in fiscal year 2006 to EUR 88.4 million in fiscal year 2007. The effective tax rate (tax expense divided by profit before taxes) increased from 17.6% to 20.2% mainly due to less tax free income from investment in shares of subsidiaries and associated companies.

Comparison of Fiscal Years 2007, 2006 and 2005 at the Segment Level

Property and casualty segment

The following table sets forth a summary of the income statement for the property and casualty segment for fiscal years 2007, 2006 and 2005:

	Fiscal year ended December 31,		
	2007	2006	2005
	(in EUR million)		
Premiums			
Gross premiums written	3,671.2	3,067.2	2,563.3
Net earned premiums	2,746.8	2,264.7	1,834.8
Financial result, not incl. associated and affiliated companies	147.8	113.9	36.5
Other income	35.3	39.8	32.1
Expenses for insurance claims	-1,764.4	-1,517.8	-1,179.1
Operating expenses	-775.0	-625.8	-481.0
Other expenses	-126.0	-99.5	-104.8
Result from interests in associated and affiliated companies	0.7	0.3	6.9
Profit before taxes	265.1	175.7	145.5

Premiums

Net earned premiums increased by 23.4% from EUR 1,834.8 million in fiscal year 2005 to EUR 2,264.7 million in fiscal year 2006. The increase in premiums was essentially due to increased business from private and corporate customers of domestic and foreign subsidiaries and the expansion of the scope of consolidation.

Net earned premiums increased by 21.3% from EUR 2,264.7 million in fiscal year 2006 to EUR 2,746.8 million in fiscal year 2007. The increase in premiums was essentially due to increased business from private and corporate customers of domestic and foreign subsidiaries, and the expansion of the scope of consolidation in the CEE region.

The following table sets forth by region net earned premiums from direct business for the periods presented:

	Fiscal year ended December 31,		
	2007	2006	2005
	(in EUR million)		
Austria	1,142.4	1,110.9	1,043.5
Czech Republic	625.9	566.0	476.7
Slovakia	202.1	141.5	124.9
Poland	265.6	146.3	23.0
Romania	293.1	180.0	88.0
Remaining CEE markets	176.8	81.3	41.8
Other markets (Germany and Liechtenstein)	41.0	38.8	36.8
Total	2,746.8	2,264.7	1,834.8

The increase in net earned premiums written in Austria between fiscal years 2005 and 2006 is due to new business in all classes, including corporate customer business. The strong increase in gross premiums written in the Czech Republic was due to the first time full consolidation of CPP. The strong increase in the Remaining CEE markets resulted from organic growth and through new acquisitions in Poland and Bulgaria.

The increase in net earned premiums written in the Czech Republic between fiscal years 2006 and 2007 is due primarily to new business in the personal lines business (non-motor) and the corporate customer business. The strong increase in Poland and Romania is due to an increase in business in all classes especially the motor vehicle insurance. The strong increase in the Remaining CEE markets resulted from organic growth and through the first time consolidation of companies in Turkey and Ukraine.

Financial result

The following table sets forth the financial result for the periods presented:

	Fiscal year ended December 31,		
	2007	2006	2005
	(in EUR million)		
Current income	145.8	222.5	96.1
Income from write-ups	10.5	9.5	4.9
Income from the disposal of investments	84.7	36.8	50.0
Income from investments	241.1	268.8	151.1
Expenses from investments and interest expenses	-93.3	-154.8	-114.6
Financial result	147.8	113.9	36.5

The financial result increased significantly from EUR 36.5 million in fiscal year 2005 to EUR 113.9 million in fiscal year 2006, due mainly to higher current income, first-time inclusion of non-profit housing development companies, and an increase in the volume of investment. In contrast, expenses from investments and interest expenses also rose strongly. This increase was also due to the first-time inclusion of non-profit housing development companies.

The financial result increased significantly from EUR 113.9 million in fiscal year 2006 to EUR 147.8 million in fiscal year 2007, due mainly to increased profits from the sale of capital assets. The lower capital assets resulted in lower expenses from investments and lower income from capital assets.

Other income

Other income increased from EUR 32.1 million in fiscal year 2005 to EUR 39.8 million in fiscal year 2006, primarily due to reversals of valuation allowances.

Other income decreased from EUR 39.8 million in fiscal year 2006 to EUR 35.3 million in fiscal year 2007, primarily due to lower reversals of valuation allowances.

Expenses for insurance claims

The following table provides an overview of the expenses for insurance claims for the periods presented:

	Fiscal year ended December 31,		
	2007	2006	2005
	(in EUR million)		
Payments for insurance claims	1,531.7	1,362.0	1,053.9
Change in the provision for outstanding insurance claims	211.3	143.5	116.7
Other(1)	21.4	12.3	8.4
Total	1,764.4	1,517.8	1,179.1

(1) Includes changes in premium reserves, changes in other actuarial reserves and expenses for the refund of premiums unrelated to results dependent and not dependent on profits.

The strong increase from fiscal year 2005 to fiscal year 2006 in payments for insurance claims and provisions for insurance claims was due to an expansion of the scope of consolidation and snow-load and flood losses.

The increase in payment of insurance claims from EUR 1,362.0 in fiscal year 2006 to EUR 1,531.7 in fiscal year 2007 is mainly due to the increase in the scope of consolidation in the CEE region and the strong organic growth in the previous year. The increase in provisions for outstanding insurance claims was due to the increased business volume and increased storm damages in 2007 – including the hurricane Kyrill.

Operating expenses

The following table provides an overview of operating expenses for the periods presented:

	Fiscal year ended December 31,		
	2007	2006	2005
	(in EUR million)		
Commissions and other acquisition costs	733.4	613.8	467.6
Administrative costs	211.8	183.2	170.5
Reinsurance commissions	-170.2	-171.2	-157.0
Operating expenses	775.0	625.8	481.0

Operating expenses rose from EUR 481.0 million in fiscal year 2005 to EUR 625.8 in fiscal year 2006, primarily resulting from an increase in acquisition expenses due to an increase in the volume of business, which was generated by organic growth and purchases. The increase in reinsurance commissions was primarily due to changes in the scope of consolidation.

Operating expenses rose from EUR 625.8 million in fiscal year 2006 to EUR 775.0 in fiscal year 2007, primarily resulting from an increase in acquisition expenses due to an increase in the volume of business, which was generated by organic growth and the inclusion of additional companies in the scope of consolidation in the CEE region.

Profit before taxes

Profit before taxes increased by 20.8% from EUR 145.5 million in fiscal year 2005 to EUR 175.7 million in fiscal year 2006, primarily due to an improved financial result.

Profit before taxes increased by 50.9% from EUR 175.7 million in fiscal year 2006 to EUR 265.1 million in fiscal year 2007, primarily due to an improved financial result and a improved combined ratio of 95.5%.

Life insurance segment

The following table sets forth a summary of the income statement for the life insurance segment for fiscal years 2007, 2006 and 2005:

	Fiscal year ended December 31,		
	2007	2006	2005
	(in EUR million)		
Premiums			
Gross premiums written	2,934.2	2,516.5	2,156.4
Net earned premiums	2,889.4	2,477.5	2,119.0
Financial result, not including associated and affiliated companies	831.7	583.5	533.8
Other income	16.7	21.3	14.1
Expenses for insurance (claims) benefits	-3,000.2	-2,434.6	-2,186.5
Operating expenses	-531.4	-474.6	-375.7
Other expenses	-55.3	-45.4	-36.2
Result from interests in associated and affiliated companies	6.4	4.7	4.9
Profit before taxes	157.2	132.5	73.4

Premiums

Net earned premiums increased by 16.9% from EUR 2,119.0 million in fiscal year 2005 to EUR 2,477.5 million in fiscal year 2006. Aside from the expansion of the scope of consolidation, a strong increase was recorded in unit-linked business and the single-premium policy area.

Net earned premiums increased by 16.6% from EUR 2,477.5 million in fiscal year 2006 to EUR 2,889.4 million in fiscal year 2007. Aside from the first full consolidation of BA-CA Versicherung there was a strong increase recorded in unit-linked products.

The following table sets forth by region net earned premiums for the periods presented:

	Fiscal year ended December 31,		
	2007	2006	2005
	(in EUR million)		
Austria	1,856.6	1,693.0	1,508.2
Czech Republic	293.1	261.6	218.6
Slovakia	196.7	139.9	104.1
Poland	218.3	116.5	23.5
Romania	21.8	13.6	8.9
Remaining CEE markets	123.5	80.1	42.5
Other markets (Germany and Liechtenstein)	179.4	172.8	213.3
Total	2,889.4	2,477.5	2,119.0

The increase in Austria between fiscal year 2005 and fiscal year 2006 is due to the increase in unit-linked life insurance products and in the single-premium area. The strong growth in the Czech Republic and Slovakia was due to an increased awareness for old age provisions. The close to three-fold increase in net earned premiums in the Remaining CEE markets is due to changes in the scope of consolidation. The decrease in other markets was due to a reduction in single-premium products.

The increase in Austria between fiscal year 2007 and fiscal year 2006 is due to the first time consolidation of the BA-CA Versicherung and an increase in unit-linked life insurance with regular payments of premiums, which offset the volatile development of the single premium business. The strong growth in the Czech Republic and Slovakia was due to an increased awareness for old age provisions. The strong increase in Poland is due to the use of new distribution channels and the strong development in the unit-linked life insurance area with regular payments of premiums. The increase in the Remaining CEE markets is due to the growth in the Hungarian insurance market.

Financial result

The following table sets forth the financial results for the periods presented:

	Fiscal year ended December 31,		
	2007	2006	2005
	(in EUR million)		
Current income	822.0	540.3	502.4
Income from write-ups	25.8	21.9	27.4
Income from the disposal of investments	308.4	166.7	108.8
Income from investments	1,156.2	728.9	638.6
Expenses from investments and interest expenses	-324.5	-145.4	-104.8
Financial result	831.7	583.5	533.8

The financial result rose from EUR 533.8 million in fiscal year 2005 to EUR 583.5 million in fiscal year 2006. This was primarily due to higher current income resulting from a higher volume of investment. Increased trading profits, equal to the net profit or loss on the disposal of investments, also contributed to this increase.

The financial result rose from EUR 583.5 million in fiscal year 2006 to EUR 831.7 million in fiscal year 2007. This was primarily due to higher current income resulting from a higher volume of investment. Increased trading profits, especially from equity securities, equal to the net profit or loss on the disposal of investments, also contributed to this increase.

Other income

Other income increased from EUR 14.1 million in fiscal year 2005 to EUR 21.3 million in fiscal year 2006, primarily due to changes in the scope of consolidation.

Other income decreased from EUR 21.3 million in fiscal year 2006 to EUR 16.7 million in fiscal year 2007, mainly due to less reversals of valuation allowances.

Expenses for insurance claims

The following table provides an overview of the expenses for insurance claims for the periods presented:

	Fiscal year ended December 31,		
	2007	2006	2005
	(in EUR million)		
Payments for insurance claims	1,424.5	996.7	896.7
Change in the provision for outstanding insurance claims	13.8	2.5	13.3
Changes in actuarial reserves	1,275.5	1,276.1	1,161.1
Changes in other technical reserves	0.3	0.3	8.2
Expenses for the refund of premiums related and unrelated to results	286.1	159.0	107.2
Total	3,000.2	2,434.6	2,186.5

The increase in expenses for insurance claims from EUR 2,186.5 million in fiscal year 2005 to EUR 2,434.6 million in fiscal year 2006 is in part the result of higher payments on maturing policies, as well as larger transfers to actuarial reserves due to increased premiums. Expenditures for the refund of premiums dependent and not dependent on profits also rose as a result of the better investments result.

The increase in expenses for insurance claims from EUR 2,434.6 million in fiscal year 2006 to EUR 3,000.2 million in fiscal year 2007 is in part the result of higher payments on maturing policies, as well as the first time consolidation of BA-CA Versicherung. Expenses for the refund of premiums dependent and not dependent on results rose as a result of the better investment result.

Operating expenses

The following table provides an overview of operating expenses for the periods presented:

	Fiscal year ended December 31,		
	2007	2006	2005
	(in EUR million)		
Commissions and other acquisition costs	436.1	389.4	308.4
Administrative costs	108.2	97.4	83.7
Reinsurance commissions	-12.8	-12.2	-16.3
Operating expenses	531.4	474.6	375.7

Operating expenses rose from EUR 375.7 million in fiscal year 2005 to EUR 474.6 in fiscal year 2006, primarily due to an increase in acquisition expenses resulting from an increase in the volume of business.

Operating expenses rose from EUR 474.6 million in fiscal year 2006 to EUR 531.4 million in fiscal year 2007, primarily due to an increase in the volume of business.

Profit before taxes

Profit before taxes increased by 80.5% from EUR 73.4 million in fiscal year 2005 to EUR 132.5 million in fiscal year 2006, primarily due to the increases in sales and the financial result.

Profit before taxes increased by 18.6% from EUR 132.5 million in fiscal year 2006 to EUR 157.2 million in fiscal year 2007, primarily due to the increases in sales and the financial result.

Health insurance segment

The following table sets forth a summary of the income statement for the health insurance segment for fiscal years 2007, 2006 and 2005:

	Fiscal Year Ended December 31,		
	2007	2006	2005
	(in EUR million)		
Premiums			
Gross premiums written	306.6	297.9	288.1
Net earned premiums	305.5	296.5	287.0
Financial result, not incl. associated and affiliated companies	16.3	14.0	23.5
Other income	0.0	0.3	0.0
Expenses for insurance claims	-266.9	-261.0	-252.9
Operating expenses	-38.7	-36.1	-35.1
Other expenses	-1.0	-1.0	-1.0
Result from interests in associated and affiliated companies	-0.2	0.0	-0.2
Profit before taxes	15.0	12.8	21.5

Premiums

Net earned premiums increased by 3.3% from EUR 287.0 million in fiscal year 2005 to EUR 296.5 million in fiscal year 2006 due to premium adjustments and new policies.

Net earned premiums increased by 3.0% from EUR 296.5 million in fiscal year 2006 to EUR 305.5 million in fiscal year 2007 due to premium adjustments and new policies (e.g. long-term care insurance).

Financial result

The following table sets forth the financial result for the periods presented:

	Fiscal Year Ended December 31,		
	2007	2006	2005
	(in EUR million)		
Current income	30.4	37.5	32.4
Income from write-ups	2.2	1.0	0.2
Income from the disposal of investments	10.0	10.5	5.8
Income from investments	42.6	49.0	38.5
Expenses from investments and interest expenses	-26.3	-34.9	-14.9
Financial result	16.3	14.0	23.5

The financial result decreased from EUR 23.5 million in fiscal year 2005 to EUR 14.0 million in fiscal year 2006. This was primarily due to higher expenses resulting from extraordinary depreciation on a large commercial-use property that was in a restructuring phase at the time.

The financial result increased from EUR 14.0 million in fiscal year 2006 to EUR 16.3 million in fiscal year 2007. This was primarily due to normal development after the reorganization of the large commercial-use property in the previous year, however, depreciation of impairments let to a decrease in the financial results.

Other income

Other income was of minor significance in the fiscal years 2005, 2006 and 2007.

Expenses for insurance claims

The following table provides an overview of expenses for insurance claims for the periods presented:

	Fiscal year ended December 31,		
	2007	2006	2005
	(in EUR million)		
Payments for insurance claims	206.4	202.9	198.4
Change in the provision for outstanding insurance claims	0.8	0.9	0.2
Changes in actuarial reserves	48.9	45.1	43.3
Expenses for the refund of premiums unrelated to results	10.7	12.1	11.0
Total	266.9	261.0	252.9

The slight increase in expenses for insurance claims from EUR 252.9 million in fiscal year 2005 to EUR 261.0 million in fiscal year 2006 is approximately equal to the growth in premiums.

The slight increase in expenses for insurance claims from EUR 261.0 million in fiscal year 2006 to EUR 266.9 million in fiscal year 2007 is slightly less, on a proportional basis, than the growth in premiums.

Operating expenses

The following table provides an overview of operating expenses for the periods presented:

	Fiscal year ended December 31,		
	2007	2006	2005
	(in EUR million)		
Commissions and other acquisition costs	24.6	23.0	22.7
Administrative costs	14.2	13.2	12.5
Reinsurance commissions	-0.1	-0.1	-0.1
Operating expenses	38.7	36.1	35.1

Operating expenses rose slightly from EUR 35.1 million in fiscal year 2005 to EUR 36.1 million in fiscal year 2006 and increased to EUR 38.7 million in fiscal year 2007.

Profit before taxes

Profit before taxes fell by 40.5% from EUR 21.5 million in fiscal year 2005 to EUR 12.8 million in fiscal year 2006. This was primarily due to changes in the financial result resulting from depreciation on real estate.

Profit before taxes increased by 17.2% from EUR 12.8 million in fiscal year 2006 to EUR 15.0 million in fiscal year 2007. This was primarily due to the better financial result.

Liquidity

Equity capital stock

The regulations concerning equity capital stock are uniform due to EC directives in member states and in the European Economic Area. Most countries in the CEE region, which are not member states of the EU, have adopted these regulations. Under the regulations, individual companies are subject to the EU regulations concerning equity capital stock. Further, insurance groups must fulfill the conditions of the adjusted equity capital stock (a computation of the equity capital stock at group level). As a result, insurance companies of the Vienna Insurance Group are subject to the individual provisions concerning equity capital stock. As parent company, Wiener Städtische AG must present the adjusted equity capital stock. WST-Versicherungsverein as insurance holding is subject to the directive concerning additional monitoring of insurance groups. However, the company under obligation to meet the requirements is Wiener Städtische AG.

The strategy with respect to equity capital stock of Wiener Städtische AG and its national and foreign operative subsidiaries varies depending on the function of the respective business. The individual subsidiaries are responsible for fulfilling local equity capital regulations. In growth phases the equity capital stock of subsidiaries is ensured by Wiener Städtische AG and by profit retention. Compliance with the provisions concerning equity capital stock is monitored by the national supervisory agencies and the adjusted equity capital stock by the Austrian supervisory agency for the financial market. Wiener Städtische AG and all of its Group companies received sufficient funds at a consolidated basis at all legally prescribed balance sheet dates.

On March 27, 2008, based on the financial statements and the consolidated financial statements at December 31, 2007, S&P's awarded Wiener Städtische AG an IFSR of "A+ with positive outlook" and the Counterparty Credit Rating (CCR) of "A+", see "*Business – Credit Rating*".

Dividends

In 2007, 2006 and 2005, Wiener Städtische AG distributed dividends for fiscal years 2006, 2005 and 2004 totaling EUR 86.1 million, EUR 69.3 million, and EUR 39.8 million respectively, which corresponds to a distribution rate of 32.6% (2006), 34.9% (2005), and 32.7% (2004), respectively, of the consolidated profit for the period.

The Vienna Insurance Group pursued a dividend policy in the CEE region, according to which the earnings will be retained and used for further growth of the respective country.

Debt financings

In January 2005, Wiener Städtische AG issued supplementary capital bonds maturing in 2022 in the total nominal amount of EUR 180 million ("supplementary capital bonds"), and variable capital bonds in the total nominal amount of EUR 120 million ("variable supplementary capital bonds"). The supplementary capital bonds have a fixed interest rate of 4.625% for the first 12 years and thereafter the interest rate is equal to the six-month Euribor plus a 1.90% margin. During the first year, the variable supplementary capital bonds have a fixed interest rate of 4.25%, and thereafter accrue interest at variable rates. During the following eleven years, the rate is linked to the 10-year Constant Maturity Swap ("CMS"), plus a 0.085% margin (at a minimum, however, 2% per annum), and as of the 13th year, it is linked to the six-month Euribor plus a 2.02% margin. Wiener Städtische AG may redeem both issues at the earliest after 12 years.

In 2004, DONAU issued supplementary additional capital bonds without a fixed term in an aggregate nominal amount of EUR 61.5 million. In 1999, DONAU issued supplementary capital bonds without a fixed term in an aggregate amount of EUR 14 million.

In 1998, UNION (into which BA-CA Versicherung was merged in 2007) issued additional capital bonds without fixed term in an aggregate nominal amount of EUR 8.7 million. In 2001, additional capital bonds without fixed term in an aggregate nominal amount of EUR 9.0 million. In 2004, UNION floated a supplementary equity loan in a volume of EUR 25 million, whose term is 10 years.

In 1998, BA-CA Versicherung issued a capital bond without a fixed term in an aggregate nominal amount of EUR 7.3 million. In 2001, additional capital bonds in an amount of EUR 6.0 million were issued. In 2004, BACA Versicherung issued supplementary capital bonds with a 10-year term in an amount of EUR 25 million.

In addition, the Vienna Insurance Group took out loans from Bank Austria Creditanstalt AG and Erste Bank AG that mature in 2011. As of December 31, 2007, the amount outstanding on these loans is EUR 53.5 million.

The increase in the Group's liabilities is predominantly due to the first-time consolidation of non-profit housing development companies, which primarily finance their residential buildings using bank loans and government grants.

Investments

The most significant investments of the Vienna Insurance Group in fiscal years 2007, 2006 and 2005 were investments in insurance companies. The following table provides an overview of the most important acquisitions including related capital increases in the CEE region between January 1, 2005, and December 31, 2007, according to total amount and fiscal year.

Significant investments in insurance companies

Fiscal year ended December 31, 2007 **Company**	**approx. EUR 491 million** **headquarters**
Ray Sigorta A.S.	Istanbul (Turkey)
Sigma Sh.A	Tirana (Albania)
Ukrainska Stakhova Grupa	Kiev (Ukraine)
Asigurarea Romaneasca – Asirom S.A.	Bucharest (Romania)

Fiscal year ended December 31, 2006 **Company**	**approx. EUR 244 million** **headquarters**
Insurance Company MSK-Life Ltd.	Moscow (Russia)
Cigna S.A. (now: Towarzystwo Ubezpieczen Interrisk S.A. Vienna Insurance Group)	Warsaw (Poland)
Towarzystwo Ubezpieczen Interrisk S.A.	Warsaw (Poland)
Insurance Company Globus	Uzgorod (Ukraine)

Fiscal year ended December 31, 2005 **Company**	**approx. EUR 250 million** **headquarters**
AURUM osiguravajuce drustvo d.d.	Zagreb (Croatia)
BENEFIA Towarzystwo Ubezpieczen Na Zycie Spolka Akcyjna	Warsaw (Poland)
BENEFIA Towarzystwo Ubezpieczen Majatkowych Spolka Akcyjna	Warsaw (Poland)
Česká podnikatelská pojišt'ovna, a.s.	Prague (Czech Republic)
Cosmopolitan Life dionicky drustva za osiguranje	Zagreb (Croatia)
OMNIASIG S.A.	Bucharest (Romania)
Royal Polska Towarzystwo Ubezpieczén na Zycie S.A.	Warsaw (Poland)
Versicherungs Aktiengesellschaft KNIAZHA	Kiev (Ukraine)
ZASO Victoria Non-Life	Minsk (Belarus)
Georgian Insurance Holding JSC	Tiflis (Georgia)
International Insurance Company IRAO	Tiflis (Georgia)
Bulstrad Insurance & Reinsurance Plc.	Sofia (Bulgaria)
Bulstrad Life Insurance JSC	Sofia (Bulgaria)

The Vienna Insurance Group's most important current investments

In February 2008, 62% of the Ukrainian Insurance Group (UIG) was acquired by TBIH.

In February 2008, the Vienna Insurance Group acquired Seesam Life Insurance SE. The life insurance carrier operates in Estonia, Latvia, and Lithuania. At the same time, the Vienna Insurance Group announced the acquisition of the life insurance carrier FinLife TUnZ S.A. in Poland pending government approval.

In March 2008, the Vienna Insurance Group announced the acquisition of the Target Companies. Government approval is still pending. See "*Acquisition of the Target Companies and Long-Term General Distribution Agreement*".

A Group-wide insurance policy administration system, aimed at providing a comprehensive EDP model to support insurance solutions, is currently being developed in collaboration with the software company SAP. The long-term goal is for all systems currently in use in the Vienna Insurance Group to be gradually replaced throughout the entire Group by this new complete solution. For more information, see "*Business – Information Technology*".

With the exception of the acquisition of Target Companies the most important current investments are funded through the Group's own funds.

Currently, neither the Management Board nor the Supervisory Board have approved any future investments, except as mentioned above.

Consolidated cash flow

The demand for liquidity on the part of the Vienna Insurance Group is covered both in the long and the short term by funds from the collection of insurance premiums and investment income, as well as from the sale and maturity date of investments. In addition to the payment of dividends, interest payments on outside commitments and corporate acquisitions, funds are used primarily for the payment of property and casualty claims and related claim expenses, the payment of life insurance benefits, payment of cancellations, policy surrenders, and profit participations of life insurance policyholders and the payment of other operating costs and reinvestment. The Vienna Insurance Group generates considerable cash flow since it receives most premiums before payments of claims or insurance benefits are necessary. This positive operating cash flow, together with that part of the investment portfolio that is held in the form of cash and liquid securities, has always covered the liquidity demands of the Group's insurance business in the past.

In the insurance business, liquidity generally refers to a company's ability to generate adequate volumes of cash from its normal operations, including investment portfolio, in order to satisfy its financial obligations, which primarily involve obligations based on insurance contracts. The liquidity of the property and casualty insurance business of the Vienna Insurance Group is influenced by the frequency and severity of losses within the scope of the policies, as well as the stability of the insurance portfolio. Future catastrophes, whose time of occurrence and effects naturally are unforeseeable, may also result in a higher demand for liquidity with respect to the property and casualty business of the Vienna Insurance Group, provided the loss is not covered by reinsurance contracts. The demand for liquidity of the Group's life insurance business generally is influenced by the actually recorded mortality rate compared with assumptions concerning the mortality rate, pricing information of life insurance products, as well as minimum yields or other credit quotas that are offered in connection with life insurance products, as well as the level of cancellations and surrenders. Consequently, the necessity for payments relating to life insurance policies that were concluded in the early 1990s with a 90% profit share represent a higher demand for liquidity.

The table below sets forth an excerpt from the consolidated cash flow statement for fiscal years 2007, 2006 and 2005:

	Fiscal year ended December 31,		
	2007	2006	2005
		(in EUR million)	
Cash flow from operating activities	2,021.0	1,645.4	1,537.7
Cash flow from investing activities	-1,959.0	-1,474.8	-2,609.9
Cash flow from financing activities	-62.8	-247.3	1,147.2
Change in cash and cash equivalents	-0.9	-76.7	75.1

Comparison of fiscal years 2007, 2006 and 2005

The cash inflow from operating activities rose from EUR 1,537.7 million in fiscal year 2005 to EUR 1,645.4 million in fiscal year 2006. This was primarily due to higher premium revenues and an increase in profit for the period.

The cash outflow from investment activities dropped from EUR 2,609.9 million in fiscal year 2005 to EUR 1,474.8 million in fiscal year 2006. This was due to lower acquisition payments and a decrease in bank deposits and lending.

The cash inflow of EUR 1,147.2 million from financing activities in fiscal year 2005 was followed by a cash outflow of EUR 247.3 million in fiscal year 2006. The cash inflow in 2005 resulted from the capital increase of EUR 900 million concluded in December 2005, as well the issue of a supplementary capital bond in the amount of EUR 300 million. Dividend payments also increased in fiscal year 2005. The increase in payments from other financing activities resulted from changes in the scope of consolidation.

The cash inflow from operating activities rose from EUR 1,645.4 million in fiscal year 2006 to EUR 2,021.0 million in fiscal year 2007. This was primarily due to higher premium revenues and an increase in profit for the period.

The cash outflow from investment activities rose from EUR 1,474.8 million in fiscal year 2006 to EUR 1,959.0 million in fiscal year 2007. This was due to higher acquisition payments and an increase in committed bank deposits and lending.

The cash outflow of EUR 247.3 million from financing activities in fiscal year 2006 was followed by a cash outflow of EUR 62.8 million in fiscal year 2007. The cash outflow in 2006 resulted from payments from other financing activities due to changes in the scope of consolidation. Whereas the outflow in 2007 mainly resulted from dividend payments.

Off-Balance Sheet Commitments

The following table sets forth the Vienna Insurance Group's off-balance sheet commitments as of December 31, 2007, 2006 and 2005:

	Fiscal year ended December 31,		
	2007	2006	2005
	(in EUR million)		
Liabilities and assumed liabilities	18.2	11.0	11.0
Comfort letters	8.2	11.2	8.2
Guarantee bonds	2.2	0.2	0.2

The liabilities and assumed liabilities, as well as comfort letters shown for the individual financial years were primarily related to loans from participations. The guarantee bond was in relation to an operating company.

No off-balance sheet financing structures via special purpose vehicles or other similar corporate structures exist.

EMBEDDED VALUE OF WIENER STÄDTISCHE VERSICHERUNG AG
VIENNA INSURANCE GROUP

In addition to its consolidated IFRS financial statements, which are its primary financial statements, the Vienna Insurance Group is providing in this Prospectus information about its insurance business on an "embedded value" approach based on local GAAP. This method is used by a number of European insurance groups to provide supplementary information to that shown in their primary financial statements to give a better reflection of the economic value of the business by incorporating the value of the future profits likely to be generated by the existing business over its entire life span. Embedded Value methodology is generally applied to long-term business.

The embedded value of an insurance company is an estimate of the value of both its net assets and the income stream expected from insurance policies already in force. It does not include the value of policies that the company will sell in the future. In the case of the Vienna Insurance Group, it comprises the sum of the total of the Group's Net Asset Values of all insurance segments plus the present value of all expected future surpluses for the life and health insurance segment at the valuation date. The present value of all future surpluses is calculated taking into account reserve releases. The Adjusted Net Asset Value is calculated as an indicator of the funds of an insurance company belonging to the shareholder. The Value in Force is calculated to indicate the potential profits that shareholders will receive in the future.

The calculation of embedded values requires the use of numerous assumptions with respect to future business, operating, and economic conditions, and other factors, some of which are beyond the control of the Vienna Insurance Group. Although the assumptions used represent estimates which the Vienna Insurance Group considers reasonable, actual future operating conditions and actual future experience may vary from that assumed in the calculation, and such variations may be material. Consequently, the inclusion of embedded value information herein should not be regarded as a representation by the Vienna Insurance Group, or any other person, that the stream of future after-tax profits used to determine the embedded values will be achieved.

The following is an excerpt of the report *"Embedded Value of Wiener Städtische Versicherung AG Vienna Insurance Group"* reproduced on pages H-3 through H-13 of this Prospectus. The following data is unaudited.

Introduction

The Wiener Städtische Versicherung AG Vienna Insurance Group (VIG) last disclosed its Group Embedded Value (GEV) results in April 2007 for the year 2006. The disclosure included the European Embedded Value (EEV) or the Traditional Embedded Value for the long standing Life and Health (L&H) businesses and the Adjusted Net Asset Value (ANAV) for the Property & Casualty (P&C) businesses in Austria, Germany, the Czech Republic, Slovakia, Hungary and Poland. In accordance with VIG's goal of continually extending the scope of the GEV reporting the TEV for Life business and the ANAV for the P&C business of Compensa in Poland has been included in the GEV for the first time. The ANAV for the P&C business of Compensa includes the IFRS equity of Compensa Holding. Previously the GEV only included the IFRS equity of these Polish operations.

VIG has a strong track record of, and continues, expanding dynamically in Central and Eastern Europe (CEE). The integration of the acquired businesses in VIG, and the resultant restructuring, is in many cases still ongoing. Therefore, the companies listed in the table below have been included in the GEV on the basis of their IFRS equity and it has not yet been possible to determine the EEV or the ANAV.

Country	Company	EV calculated	VIG member since
Czech Republic	Kooperativa	yes	1993
	CPP	no	2005
Slovakia	Kooperativa	yes	1990
	Komunalna	no	2001
	Kontinuita	no	2003
Hungary	Union	yes	1996
Poland	Compensa	yes	1998(*)
	Compensa Life	yes	1999(*)
	Benefia	no	2005
	Royal Polska	no	2005
	InterRisk (former Cigna)	no	2006
	TU PZM	no	2007

(*) Year of entry into the Polish Insurance Market with HEROS and Vienna Life which have been merged into Compensa and Compensa Life in 2001

The restatement of the 2006 GEV results excludes the IFRS equity and includes the TEV and the ANAV of the Compensa companies in Poland.

VIG has chosen a bottom-up, market consistent methodology in setting the economic assumptions for the EEV calculations. The EEV results include an explicit allowance for the Cost of Non-Market Risks (CoNMR).

The GEV disclosure should not be viewed as a substitute for VIG's primary financial statements.

Summary of Results

The GEV includes the following components:

- ANAV – for the P&C business only this component is included
- Value of In-Force (VIF) after Time Value of Financial Options and Guarantees (FOG)
- Cost of Capital and Non-Market Risks (CoCNMR)

The FOG and the Cost of Non-Market Risk have only been explicitly determined for the EEV businesses. Unless otherwise stated the ANAV is shown after Cost of Capital and the VIF is shown after FOG and Cost of Non-Market Risk.

All the values shown in this disclosure are after tax and exclude minority interests unless otherwise stated. The results are generally shown separately for the Austrian and German (A/G) and the CEE countries.

Group Embedded Value

The following table shows the GEV results for the year ending December 31, 2007 and the restated GEV results for the year ending December 31, 2006.

	Life & Health		Property & Casualty		Total		
	2007	2006	2007	2006	2007	2006	
			(in EUR million)				+/-%
Austria/Germany							
ANAV	735.4	1,053.1	617.5	832.4	1,352.9	1,885.5	-28.2%
VIF	1,384.5	1,214.1	n/a	n/a	1,384.5	1,214.1	14.0%
-FOG	-31.6	-32.6	n/a	n/a	-31.6	-32.6	-3.1%
-CoCNMR	-75.7	-62.7	n/a	n/a	-75.7	-62.7	20.7%
Subtotal A/G	2,012.6	2,171.9	617.5	832.4	2,630.1	3,004.3	-12.5%
CEE							
ANAV	148.2	109.0	1,374.2	833.6	1,522.4	942.6	61.5%
VIF	429.1	358.8	n/a	n/a	429.1	358.8	19.6%
-FOG	-17.5	-34.3	n/a	n/a	-17.5	-34.3	-49.0%
-CoCNMR	-13.1	-12.6	n/a	n/a	-13.1	-12.6	4.0%
Subtotal CEE	546.7	420.9	1,374.2	833.6	1,920.9	1,254.5	53.1%
Total	2,559.3	2,592.8	1,991.7	1,666.0	4,551.0	4,258.8	6.9%

In addition to the ANAV shown above for the P&C companies, the VIF has been calculated for personal lines segments of Wiener Städtische AG and Donau Versicherung AG sold through VIG's employed sales force. Internal analyses show that the development of the in force portfolio for the personal lines segments is reasonably predictable and can be compared to the run-off of an existing life insurance portfolio. This VIF, excluding any value arising from new business sold in the future to new policyholders, amounts to EUR 602.3 million as at December 31, 2007 (EUR 576.9 million as at December 31, 2006). The development of the VIF is one of the key performance indicators used internally to manage this business. Owing to the lack of comparable figures from peer companies, the VIF for the P&C business has been excluded from the GEV shown above.

Return on GEV by segment

The return on GEV allows for transfers between segments and regions.

	Life & Health		Property & Casualty		Total	
	(in EUR million)	(in %)	(in EUR million)	(in %)	(in EUR million)	(in %)
Austria / Germany						
EV Dec. 31, 2007	2,012.7		617.5		2,630.2	
EV Dec. 31, 2006 Reported	2,159.1		832.4		2,991.5	
EV Dec. 31, 2006 Restated	2,171.9		832.4		3,004.3	
+ Dividends	33.3		52.8		86.1	
+/-Transfers	298.5		225.9		524.4	
Return on EV	172.6	9.4%	63.8	11.5%	236.4	9.9%
CEE						
EV Dec. 31, 2007	546.7		1,374.2		1,920.9	
EV Dec. 31, 2006 Reported	369.9		833.6		1,203.5	
EV Dec. 31, 2006 Restated	420.9		833.6		1,254.5	
+ Dividends	-1.1		0.7		-0.4	
+/-Transfers			-382.9		-382.9	
Return on EV	124.7	29.5%	158.4	13.0%	283.1	17.3%
Return on Total GEV	297.3	13.1%	222.2	12.6%	519.5	12.9%

The return on GEV in 2007 has been driven by the following economic and operating factors:

Higher interest rates compared to 2006 have a negative impact on the bond portfolio and lead to a reduction in the ANAV, but the VIF of the business with profit participation increases due to the shareholder participation in the higher returns.

The Surplus in Claims Reserves (SCR) for the P&C businesses has increased as additional data, particularly in CEE, have allowed a more robust quantification of the best estimate reserves and also due to the prudent reserves set up under IFRS in respect of the profitable 2007 business. The reported combined ratio has decreased from 96.9% in 2006 to 95.5% in 2007.

Further positive effects include the profitable L&H new business in both A/G and CEE, and the expense reductions in CEE due to the ongoing efficiency program. Modeling changes, in particular further improvements to the grouping of liability data in A/G and the inclusion of a higher degree of specification in the projection models for CEE, especially in Slovakia, also had a positive impact. The Health business continues to produce excellent technical results due to the claims management system that was introduced in 2004/2005.

The NBV is calculated as the VIF for the new business sold in 2007 less the new business strain, the cost of capital and, in case of the Austrian, German, Czech and Slovakian companies, the cost of non-market risks. The L&H companies in Austria do not defer acquisition costs in the local statutory accounts or in VIG's consolidated IFRS accounts and therefore the new business strain for the Austrian business also includes the acquisition expenses.

The NBV has only been calculated for the L&H business and the following table shows the results for 2007 and 2006:

	2007	2006	+/-%
Austria/Germany			
NBV (in EUR million)	63.1	50.9	+24.0%
APE (in EUR million)	205.1	225.1	
APE-Ratio (in %)	30.7%	22.6%	
PVNBP (in EUR million)	1,906.3	1,982.6	
PVNBP-Ratio (in %)	3.3%	2.6%	
CEE			
NBV (in EUR million)	45.0	30.7	+46.6%
APE (in EUR million)	71.0	45.4	
APE-Ratio (in %)	63.3%	67.5%	
PVNBP (in EUR million)	409.7	262.4	
PVNBP-Ratio (in %)	11.0%	11.7%	
NBV-Total (in EUR million)	108.1	81.6	+32.5%
APE-Total (in EUR million)	276.1	270.5	
APE-Ratio Total (in %)	39.1%	30.9%	
PVNBP-Total (in EUR million)	2,316.0	2,245.0	
PVNBP-Ratio Total (in %)	4.7%	3.6%	

External Review

Wiener Städtische Versicherung AG Vienna Insurance Group has retained B&W Deloitte GmbH, Cologne, to review certain elements of the Group Embedded Value. B&W Deloitte's letter is attached in Annex H-1 to this Prospectus.

Overview

With approximately 17 million customers, the Vienna Insurance Group is among the largest international insurance groups in the CEE region based on gross premiums written, which amounted to EUR 6,912 million in 2007 (2006: EUR 5,882 million) (Source: Internal analysis based on data for the first three quarters of 2007 of the national insurance associations and supervisory authorities). It has life and non-life insurance business operations in Austria and in 22 other countries, primarily in the CEE region. In the CEE region, the Group is active in Albania, Bulgaria, Georgia, Croatia, Estonia, Latvia, Lithuania, Macedonia, Poland, Romania, Russia, Serbia, Slovakia, Slovenia (through a branch of Wiener Städtische AG), the Czech Republic, Turkey, Ukraine, Hungary and Belarus. The Vienna Insurance Group operates independent companies in Germany and Liechtenstein and also operates in Italy through a branch of Wiener Städtische AG. Unless otherwise indicated, all financial data contained in this section has been audited or are derived from audited numbers.

The diagram below sets forth the countries in which the Vienna Insurance Group operates (except for Estonia, Latvia and Lithuania) and the brand name logos used by the Group companies in each country:

In addition to its solid position in its home market Austria, the Vienna Insurance Group is primarily growing into the emerging countries of the CEE region. The insurance business outside Austria is gaining increasing importance for the Group (share of overall gross premiums generated outside Austria: 2007 – 46.5%; 2006 – 41.6%; 2005 – 36.7%). Based on its internal analysis of the local data of national insurance authorities, management believes that, with a market share of approximately 12.1%, it is the second largest insurance group based on gross premiums written among Western publicly traded insurance companies operating in the Core CEE markets (excluding Serbia). Based on the same analysis, management believes that no other Western publicly traded insurance group generates a higher percentage of its group premiums from operations in the CEE countries.

In sales and distribution, the Vienna Insurance Group pursues a multi-brand strategy. The most important brands under which the Vienna Insurance Group operates include “Wiener Städtische” and “DONAU” in Austria, “Kooperativa,” and “CPP” in the Czech Republic, “Kooperativa,” “Komunálna “and “Kontinuita” in Slovakia, “Compensa,” “BENEFIA,” “Royal Polska” and “PZM” in Poland, and “Omniasig,” “Unita,” “Asirom,” and “Agras” in Romania. The Vienna Insurance Group also pursues a multi-brand strategy in the remaining CEE countries in which it is active.

It is part of the Vienna Insurance Group’s philosophy to operate newly acquired companies under their respective brand names, which are already established in the local market and familiar to their customers. In 2006, the name Vienna Insurance Group was introduced as the “surname” after the local “first names” of the individual corporations. This highlighted the Group’s growing international importance and, while furthering its multi-brand strategy, unified these diverse brands under the Vienna Insurance Group umbrella.

Through the retention of local brand names as “first names”, existing sales and distribution relationships are maintained, and the acquired company can continue to focus on its marketing activities and expansion of its business. However, in order to benefit from synergies, the companies generally cooperate in the administrative area, i.e., internal service functions are centrally administered, whereas the individual companies each maintain their own identity and presence in the local market. By taking advantage of Group synergies, individual companies are able to develop products that are specifically adapted to the local market, conduct local marketing campaigns, and enter into sales cooperation arrangements that are suited to the market.

In fiscal year 2007, the property and casualty insurance business of Wiener Städtische AG had a net-combined ratio of under 100% and achieved the lowest net-combined ratio compared to the Austrian insurance market in recent years. (Source: Internal analysis based on FMA data). Due to improvements in business processes in the Austrian group insurance companies, the acquisition expense ratio improved from 19.9% in fiscal year 2005 to 19.5% in fiscal year 2006 and deteriorated slightly to 19.9% in fiscal year 2007. The administrative expense ratio improved from 6.3% in fiscal year 2005 and 6.4% in fiscal year 2006 to 6.2% in fiscal year 2007. For a more detailed discussion, see “*Management’s Discussion and Analysis of Financial Condition and Results of Operations*”. On average, the Vienna Insurance Group had 20,307 employees in fiscal year 2007.

Business Lines

The Vienna Insurance Group’s business activities comprise three core lines of business: property and casualty insurance, health insurance, and life insurance.

Property and Casualty Insurance

The Vienna Insurance Group offers a large variety of property and casualty insurance products for private persons, households, and small, mid-sized, and large businesses under various brand names in Austria, Germany and the CEE region, including motor vehicle and non-motor vehicle insurance (the so-called “non-motor vehicle insurance classes”), which also encompasses accident insurance. The specific type of insurance offered differs in the various countries in which the Vienna Insurance Group operates, and the individual composition of the products can vary from country to country.

The motor vehicle insurance segment includes motor vehicle liability insurance and collision and passenger accident insurance. In addition, individualized customer needs can be met through supplementary products.

The non-motor vehicle insurance classes include the entire spectrum of property insurance (fire, wind, storm, water pipe damage, burglary and theft, business interruption, and glass breakage insurance as well as transportation, aviation and technology insurance) as well as accident, general liability, and legal costs insurance. The Vienna Insurance Group offers its retail customers primarily homeowners and household insurance and legal costs insurance. Comprehensive insurance protection is provided to commercial customers for residential buildings and to small and mid-sized companies with residential property insurance and business insurance. In addition, the Vienna Insurance Group offers individualized insurance solutions to large Austrian corporate customers in the fire, business interruption, technology, aviation, transit, and general liability insurance segments. Large international customers are serviced in Austria by Austrian domestic companies and, in the CEE region, through a network of local subsidiaries.

In connection with personal accident insurance, products are offered for individuals (adults and children), families, and groups of persons (associations, companies, fire departments). Personal accident insurance provides coverage for permanent disability, accident benefits, costs associated with the accident, and accidental death.

In fiscal year 2007, the property and casualty insurance segment of the Vienna Insurance Group had gross premiums written of EUR 3,671.2 million and had a net-combined ratio of 95.5%. Its earnings before tax amounted to EUR 265.1 million in the 2007 fiscal year.

Life Insurance

The life insurance business of Vienna Insurance Group includes conventional risk and protection products as well as saving and pensions products. The latter include annuity insurance, fund- and index-linked products as well as, in Austria, government-subsidized retirement pension plans (at preferential premiums). The range of products is different in the various countries in which the Vienna Insurance Group operates. There is a trend toward fund- and index-linked products in new business. For fiscal year 2007, the life insurance division had gross premiums written of EUR 2,934.2 million and its earnings before taxes amounted to EUR 157.2 million.

Health Insurance

Health insurance products are primarily sold by the Vienna Insurance Group in Austria through individual and group insurance policies.

Private health insurance primarily provides a supplement to state social insurance. The most important areas are special care (health) insurance (*Sonderklasseversicherung*), daily allowance insurance (*Taggeldversicherung*), and insurance for ambulatory patients' medical expenses. Recently, long-term healthcare insurance has gained in importance.

In fiscal year 2007, the health insurance division had gross premiums written of EUR 306.6 million and earnings before taxes of EUR 15.0 million.

The following table sets forth gross premiums written for the core lines of business for the periods presented:

	Fiscal year ended December 31,					
	2007	2006	2005	2007	2006	2005
	(in EUR million)			(in %)		
Property and casualty	3,671.2	3,067.2	3,563.3	53.1	52.1	51.2
Life	2,934.2	2,516.5	2,156.4	42.5	42.8	43.1
Health	306.6	297.9	288.1	4.4	5.1	5.7
Total	6,911.9	5,881.5	5,007.8	100.0	100.0	100.0

The Vienna Insurance Group's own sales force is its most important distribution channel in Austria. Wiener Städtische AG also relies on brokers and distribution agents who are contributing an increasingly larger share to total sales. The third most important distribution channel in Austria is through bank intermediaries. The importance of individual distribution channels varies depending on the area of business and the Group company. For Wiener Städtische AG and DONAU, the Group's own sales force is the most important distribution channel, followed by sales and distribution through brokers and agents. Sales through banks and savings institutions currently make up a small percentage of total sales for Wiener Städtische AG and DONAU. However, BA-CA Versicherung sells its products primarily through Bank Austria Creditanstalt AG. In the CEE region, the Vienna Insurance Group's sales also rely on various distribution channels. The importance of the particular distribution channel differs significantly in the various local markets. For example, in the Czech Republic and Slovakia, the Group's own sales force, sales through brokers and multi-level marketing are heavily relied upon.

Strategy

The following discussion of the Vienna Insurance Group's strategy contains forward-looking statements and should, therefore, be read in conjunction with the "*Management's Discussion and Analysis of Financial Condition and Results of Operations – Significant Factors Affecting Business Operations*" section. For a discussion of the risks associated with the Vienna Insurance Group's strategic goals, see "*Risk Factors*".

The Vienna Insurance Group's primary goal is to achieve long-term, steady growth in sales and earnings. In order to achieve this goal, the Vienna Insurance Group has implemented two core strategies: (i) to sustain and grow the insurance business in Austria where the Group is among the main insurers and (ii) to selectively expand in the dynamic growth markets in the CEE region. In acquiring the Target Companies, the Group's short-term and medium-term goals are to successfully integrate the Target Companies into the Vienna Insurance Group and, over the long-term, to create a unified corporate culture. S*ee "Acquisition of the Target Companies and Long-Term General Distribution Agreement"*.

The Group's core strategies are as follows:

Sustaining and growing its leading position in Austria.

- *Organic growth.* The Vienna Insurance Group seeks to sustain and grow its position in the Austrian insurance market. In fiscal year 2007, EUR 3,695.4 million, or approximately 53.5%, of the Group's gross premiums written, and EUR 286.8 million, or approximately 65.6%, of the Group's pre-tax earnings were generated in Austria. Although the Austrian insurance market is in principle a developed market, insurance penetration, particularly in the area of life insurance, is significantly below the EU-15 countries. In particular, new business opportunities will arise in the coming years as a result of changes in the social system and the related increase in demand for private insurances which has already been occurring for some years. The Vienna Insurance Group seeks to use this opportunity to grow its share in the domestic market.
- *Strong sales.* The Vienna Insurance Group has a well established sales network in Austria, which it plans to continue to expand. The effectiveness of the Group's own sales force, which is the primary sales and distribution channel in this network, will be further strengthened through customer-oriented changes in the sales and handling processes. In some areas the Vienna Insurance Group works with independent distribution partners, which is planned to be intensified in the future. Through its cooperation agreements with two of the largest credit institutions (Bank Austria Creditanstalt AG and the Erste Bank Group), the Vienna Insurance Group sells through bank intermediaries, and is endeavoring to foster its position by collaborating with additional partners as part of its multi-brand sales model. In connection with the acquisition of the Target Companies, a general sales and distribution agreement was entered into with Erste Bank AG, see "*Acquisition of the Target Companies and Long-Term General Distribution Agreement – General Distribution Agreement between Wiener Städtische AG and Erste Bank AG*".

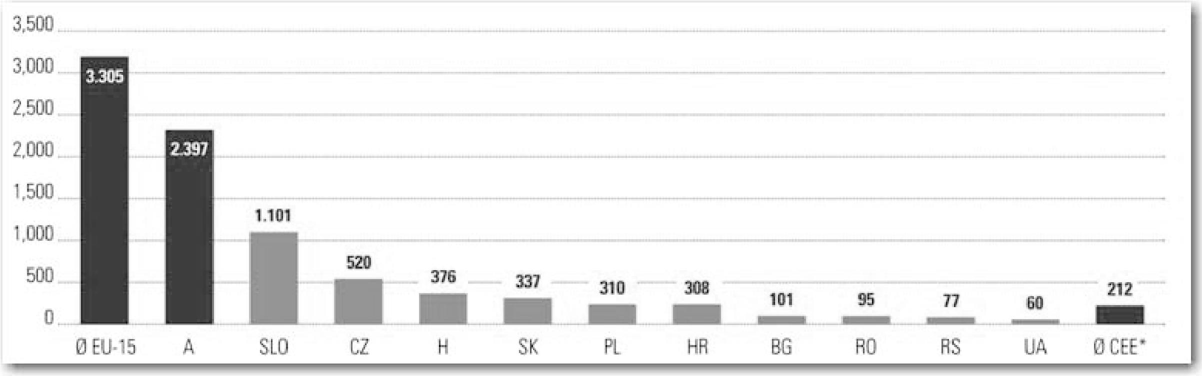
Targeted geographical growth into the CEE region.

- *Regional presence in the CEE.* With the establishment of a joint venture in the former Czechoslovakia in 1990, the Vienna Insurance Group was the first Western insurance group to establish a private insurance company in the CEE region. Since then, its market presence in the area has continually grown. In order to expand its activities in the CEE region, the Vienna Insurance Group relied on an intensive market observation process in which its existing subsidiaries and their local contacts were heavily involved. The Vienna Insurance Group now has insurance companies and branches in 23 countries, of which 19 are countries in the CEE region. The Vienna Insurance Group operates in all medium- and large-sized countries in the CEE region. Through its growth and further regional expansion in recent years, the Vienna Insurance Group has attained the second best market position in the CEE region overall and is currently ranked first in the non-life segment (Source: Analysis of data of national insurance associations). Compared with its primary competitors in the CEE region, UNIQA, Allianz, ING and Generali, the Vienna Insurance Group's share of gross premiums written in the CEE region as a percentage of total gross premiums written of the Group is the highest at 42.9% in 2007 (37.5% in 2006) (Source: Annual reports of competitors).
- *Attaining a solid market position.* The Vienna Insurance Group seeks to become one of the three largest insurance companies in each of the CEE markets in which it operates. It has already achieved a market position in the top three in the following markets: Albania, Bulgaria, Czech Republic, Georgia, Romania and Slovakia. (Source: Analysis of data of national insurance associations). The Group's steady expansion of its presence in the CEE region will continue through organic growth on the one hand and acquisitions on the other.
  - The CEE region is currently under-supplied in terms of high-quality insurance products. The dynamic economic development of the region has been accompanied by a significant increase in the need of corporate and retail customers for insurance services. The demand for insurance services in these markets generally follows the following pattern: initially, the focus is on insuring material goods (motor vehicles, homes). The demand for savings and retirement products follows later, as a result of changes in the social system. The prerequisite

for a strong demand for these products is the development of a broad middle class. The Vienna Insurance Group seeks to tap the potential of this target group.

- The region's long-term "catch-up" potential is evident from its insurance density (per capita premiums). In 2006, this amounted to USD 212.0 in the CEE region (excluding Russia and Belarus) as compared to USD 3,305.0 in the EU-15 countries (Source: Sigma No. 4/2007).

The following table shows the insurance density in the indicated countries for the year 2006 (per capita insurance premiums in USD):



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* Slovenia (SLO), Czech Republic (CZ), Hungary (H), Slovakia (SK), Poland (PL), Croatia (HR), Bulgaria (BG), Romania (RO), Serbia (RS) and Ukraine (UA)

(Source: Swiss Re sigma No. 4/2007)

The Vienna Insurance Group's core strategies are implemented according to the following management principles, which are intended to guarantee optimal access to customers, mutual use of synergies, and a broad diversification of risks throughout the entire Group:

- *Think globally – act locally.* Due to numerous acquisitions in recent years, the Vienna Insurance Group's management has gained considerable experience in effectively integrating new acquisitions into the Group. The aim of the Group is to combine the experience of local employees with the Group's quality standards in order to offer high-quality insurance services in all the markets in which the Group operates. Part of the philosophy of the Vienna Insurance Group is to seek to continue operating newly acquired companies under their current brand names, which have been established at the local level and are familiar to customers. As a result, existing sales relationships are maintained, and the focus of marketing activities can be placed on the continued development of the relevant company. By taking advantage of Group synergies, individual companies are able to develop products that are specifically adapted to the market, conduct local marketing campaigns, and enter into cooperative sales arrangements that are suited to the market. Administrative and cost structures are kept lean through shared use of back-office services and Group-wide purchasing of services. In sales, the Group relies on a combination of its own salesmen, brokers and bank intermediaries. This combination ensures the optimal use of the Group's cross-selling potential and avoids dependence on any one sales partner. These considerations also apply to the integration of the Target Companies. On the strategy behind the acquisition of the Target Companies, see "*Acquisition of the Target Companies and Long-Term General Distribution Agreement*".

- *Strong anchor in the local market.* Most of the individual Group companies are managed by local teams, who are familiar with the prevailing market environments in their respective countries through many years of experience. The Group provides strategic guidance to local companies by appointing at least one manager from Austria to their supervisory boards and often also an additional manager to their management boards. If there are several subsidiaries in a country, the smaller subsidiaries are generally assigned organizationally to the largest subsidiary, which provides direction. In general, the profits that are generated remain in the companies to support further corporate growth.

- *Support from headquarters.* At the same time, local companies receive support from the Group in key areas of activity. In particular, the Group provides (i) a Group-wide reinsurance concept, (ii) the mathematical insurance capabilities of the Group's actuarial office, (iii) electronic data processing support, (iv) cross-border services to corporate customers, (v) management of financial assets with the support of the Group's own capital investment company (*Ringturm KAG*) and (vi) the transfer of specialized know-how to individual Group companies. The Vienna Insurance Group believes that this approach provides its Group companies with the necessary flexibility to optimally adapt themselves to local market conditions, enabling the Group to better attain its strategic goals.

- *Diversification.* The Group aims to keep risks low over the long-term through broad diversification in all areas. This is accomplished through geographic diversification and the various distribution channels of the Group, which currently operates in 23 countries. As a consequence, a deterioration in the insurance industry environment in one market will have only a limited effect on the Group as a whole. The Group's multi-brand strategy enables it to address various target groups and use various distribution channels in individual countries. The Group seeks a balanced ratio of life to non-life businesses and of retail to corporate businesses in each of the individual markets in which it operates.

In addition, the Vienna Insurance Group sets mid- and short-term financial targets for the Group. The most important of these targets for the years from 2008 through 2011 assuming completion of the acquisition of all Target Companies include:

- achieving gross written premiums of more than EUR 12.0 billion in 2011;
- achieving earnings before taxes in 2011 of approximately EUR 1.05 billion;
- maintaining a net-combined ratio in the property and casualty insurance segment of under 100%;
- dividend payments of at least 30% of the net profit; and
- achieving return on equity (RoE) before taxes of approximately 20% in 2011.

All financial targets have been set on the assumption of the acquisition of the Target Companies and the disposition of UNITA and a substantial interest of BA-CA Versicherung without taking into account the proceeds from the capital increase in connection with this Offering and excluding any other acquisitions. These are financial targets and not forecasts, predictions or guarantees. Management believes that these targets are reasonable under present market conditions and assuming the acquisition of all Target Companies can be completed as, and in the timeframe, currently contemplated. However, the Vienna Insurance Group cannot guarantee that it can attain these targets. Many factors over which it has no influence could have a negative impact on its ability to attain these targets. For a description of these factors, see "*General Information – Forward-Looking Statements*".

The Companies of the Vienna Insurance Group

Austria

In Austria, the Vienna Insurance Group currently includes Wiener Städtische AG, DONAU Versicherung AG Vienna Insurance Group ("DONAU") (approximately 89% interest), and BA-CA Versicherung AG (60.5% interest). At the end of March 2008, Wiener Städtische AG announced that it had agreed to sell 50.5% of its 60.5% interest in BA-CA Versicherung to ERGO International AG. For more information, see "*Acquisition of the Target Companies and Long-Term General Distribution Agreement – Disposition of Assets in Connection with the Acquisition*".

Wiener Städtische AG is an operating insurance company as well as the parent company of the Group. DONAU operates in the property and life insurance business throughout Austria. BA-CA Versicherung operates almost exclusively in the life insurance business but also offers a range of accident insurance products. It primarily uses the branches of Bank Austria Creditanstalt AG as its distribution channel.

In addition, the Group has a minority interest of approximately 32.0% in Wüstenrot Versicherung.

The Vienna Insurance Group has a number of domestic and foreign affiliates that supplement the business of the Group but are not themselves insurance companies. These companies represent diverse industries, all of which are closely related to the insurance industry. The notes to the fiscal year 2007 annual financial statements of Wiener Städtische AG, which are included elsewhere in this Prospectus, contain detailed information on the Group's structure.

For more information regarding companies affiliated with S-Versicherung, which operate in Austria, see "*Acquisition of the Target Companies and Long-Term General Distribution Agreement*".

Czech Republic

WST-Versicherungsverein entered the Czech insurance market in 1990 as co-founder of the predecessor to Kooperativa pojišťovna, a.s. in the former Czechoslovakia. After the country was divided in 1993, and with the direct participation of the Vienna Insurance Group, the national offices in Prague and Brno were converted into two separate stock corporations in the Czech Republic. In 1999, the two Czech Kooperativa companies merged. Today, the Czech company Kooperativa pojišťovna, a.s., Vienna Insurance Group ("Kooperativa Prague") is the largest Vienna Insurance Group company outside Austria. According to the statistics published by the Czech Insurance Association, Kooperativa Prague ranked second in the Czech insurance market (based on gross premiums written). CPP was in eighth place (Source: Statistics of the Czech Insurance Association).

Slovakia

The Vienna Insurance Group holds directly or indirectly interests in three insurance companies in Slovakia KOOPERATIVA poisťovňa, a.s., Vienna Insurance Group ("Kooperativa Bratislava"), KOMUNÁLNA poisťovňa, a.s., Vienna Insurance Group ("Komunálna") and KONTINUITA poisťovňa, a.s., Vienna Insurance Group ("Kontinuita"). Kooperativa Bratislava was co-founded by WST-Versicherungsverein in 1990 in the former Czechoslovakia. Kooperativa Bratislava emerged (as had Kooperativa Prague) from Kooperativa poisťovňa, a.s., which was co-founded by WST-Versicherungsverein in 1990. Komunálna has belonged to the Vienna Insurance Group since 2001, Kontinuita since 2002. In 2007, the three Slovak affiliates together ranked second in the market according to statistics published by the Slovakian Insurance Association.

Poland

The Vienna Insurance Group holds an interest in seven insurance companies in Poland: BENEFIA Towarzystwo Ubezpieczeń Majątkowych S.A. (Benefia Non-Life), BENEFIA Towarzystwo Ubezpieczeń na Życie S.A. (Benefia Life), Towarzystwo Ubezpieczeń Compensa S.A. (Compensa Non-Life), Towarzystwo Ubezpieczeń na Życie Compensa S.A. (Compensa Life), Royal Polska Towarzystwo Ubezpieczeń na Życie S.A. (Royal Polska), Towarzystwo Ubezpieczen Interrisk S.A. Vienna Insurance Group (previously Cigna) and FinLife Towarzystwo Ubezpieczeń na Życie S.A. (FinLife) (pending government approvals). Compensa Non-Life and Compensa Life were founded in 1990; the Vienna Insurance Group acquired an interest in these companies in 2001. The other companies were also founded in the 1990s and, were integrated into the Group between 2005 and 2007 through acquisitions. In 2007, all Polish companies held by the Group collectively ranked sixth in terms of gross premiums written (Source: Internal analysis based on preliminary data of 2007 of the Insurance Supervisory Authority, KNF).

Romania

The Vienna Insurance Group has a participating interest in five insurance companies in Romania: Unita Vienna Insurance Group S.A. (Unita), Agras Vienna Insurance Group S.A. (Agras), Omniasig Vienna Insurance Group S.A. (Omniasig Non-life), Omniasig Asigurari de Viata S.A. (Omniasig Life) and Asigurarea Romaneasca – Asirom. S.A. (Asirom). In 1990, Unita was founded as Romania's first private insurance company and has belonged to the Vienna Insurance Group since 2001. The Group acquired majority holdings in Omniasig Life and Non-Life in 2005 and acquired Asirom at the end of 2007. In 2007, the Vienna Insurance Group together with its Group companies, including Asirom, ranked first in the market (Source: Internal analysis based on preliminary data of 2007 of the Insurance Profile Issue March 2008 – 1/2008(18)).

The Rest of Europe

After its entry in the Czech and Slovakian insurance markets, the Vienna Insurance Group continued its European expansion, especially in the CEE region. In addition to the CEE countries, the Vienna Insurance Group is also represented in Germany, Italy and Liechtenstein. Apart from Austria, the Vienna Insurance Group sees Bulgaria, Croatia, the Czech Republic, Hungary, Poland, Romania, Serbia and Slovakia as its core markets. The Vienna Insurance Group aims to be among the main players in the insurance industry in these markets and to gain a position among the five largest market participants.

In recent years, the Vienna Insurance Group has completed a number of acquisitions and entered a number of new CEE markets. The table below provides an overview of the Vienna Insurance Group's total market position including life and non-life as at December 31, 2007 (except for Albania, Bulgaria, Estonia, Georgia, Serbia, Latvia, Lithuania and Ukraine and excluding the Target Companies) and the year of market entry in the countries in which it operates:

Country/Company	Market position	Year
Austria	1	1824
Germany	negligible	1990
Slovakia	2	1990
Czech Republic	2	1990
Hungary	9	1996
Poland	6	1998
Croatia	4	1999
Italy	negligible	1999
Liechtenstein	n.a.	2000
Romania	1	2001
Bulgaria	1	2002
Belarus	13	2002
Serbia	4	2003
Ukraine	6	2004
Slovenia	n.a.	2004
Georgia	2	2005
Russia	n.a.	2006
Turkey	13	2007
Albania	3	2007
Macedonia	n.a.	2007
Estonia	9	2007
Latvia	13	2007
Lithuania	18	2007

History of the Vienna Insurance Group

Company History

The enterprise was formed from several insurance companies which merged with each other over time. Its origins date back to 1824, the year in which "*Wechselseitige k.u.k. priv. Brandschadenversicherungsanstalt*" (mutual imperial and royal private fire insurance institute) was incorporated, to 1839 when "*Allgemeine wechselseitige Capitalien- und Rentenanstalt*" (mutual capital and pension institution), the first specialty life insurance company of the (Austrian) monarchy, later named "*Janus wechselseitige Lebensversicherungs-Anstalt in Wien*" (Janus mutual life insurance institution in Vienna), began its operations, and to 1898 when the Vienna City Counsel decided to set up its own municipal insurance company, the "*Städtische Kaiser Franz Joseph-Jubiläums-Lebens- und Rentenversicherungs-Anstalt*" (municipal emperor Franz Joseph anniversary life and pension insurance institution), which began operations on the occasion of the fiftieth anniversary of the beginning of the reign of Emperor Franz Joseph. As a result of changes in the political climate, after World War I the company name was changed into "*Gemeinde Wien Städtische Versicherungsanstalt*" (municipality of Vienna municipal insurance institution) and its business operations were subsequently expanded to include non-life insurance. In 1923, the "*Wechselseitige Brandschadenversicherungs-Anstalt*" merged with "*Janus wechselseitige Lebensversicherungs-Anstalt in Wien*" to become "*Wechselseitige Brandschaden und Janus*". In 1929, the "Gemeinde Wien Städtische Versicherungsanstalt" acquired a 50% holding in "*Union Versicherungs-Aktiengesellschaft*", thus incorporating new lines of property-casualty insurance (transport, hail and animal insurance) into its business. In 1934, it acquired the share certificates issued by "*Wechselseitige Krankenversicherungsanstalt*" and assumed the management of that entity. In 1938, "Gemeinde Wien Städtische Versicherungsanstalt in Wien" and "*Wechselseitige Brandschaden und Janus*" merged. World War II and the resulting collapse of the Austrian economy nearly ruined "*Wiener Städtische*".

In 1947, the name of the company was changed to "Wiener Städtische Wechselseitige Versicherungsanstalt". Since then, the Company has been continually seeking to position itself as one of the primary Austrian insurance companies in the CEE region.

- In 1955, "*Wiener Wechselseitige Krankenversicherung*" was incorporated into the company as a separate department.
- In 1964, a cooperation agreement was entered into with the life insurance company "*Jupiter Versicherungsverein auf Gegenseitigkeit*".
- In 1966, a 40% participation in "*Österreichische Volksfürsorge Allgemeine Versicherungs-Aktiengesellschaft*" was acquired.
- In 1971, the majority of the share capital in "*Donau Allgemeine Versicherungs-Aktiengesellschaft*" was acquired, a company into which "*Anglo-Danubian Lloyd*" was completely integrated in 1977.
- In 1979, "*Interrisk-International Versicherungs-Aktiengesellschaft*" was incorporated with the direct participation of Wiener Städtische Wechselseitige Versicherungsanstalt.
- In 1983, the life insurance company "*Jupiter Versicherungsverein auf Gegenseitigkeit*" merged with "*Österreichische Volksfürsorge Allgemeine Versicherungs-Aktiengesellschaft*" and the name of the company was changed to "*Volksfürsorge-Jupiter Allgemeine Versicherungs-Aktiengesellschaft*".
- In 1990, Interrisk — Internationale Versicherungs AG, Vienna, founded the non-life insurance company InterRisk Versicherungs-Aktiengesellschaft, which has its registered office in Wiesbaden.
- In 1990, the eastward expansion began with the establishment of the insurance company Kooperativa česko-slovenská družstevná poisťovňa, a.s. in former Czechoslovakia in which the Issuer had an interest.
- In 1991, the life and burial expenses insurance company "*Wiener Verein Lebens- und Bestattungsversicherung auf Gegenseitigkeit*" merged with "*Wiener Städtische Wechelseitige Versicherungsanstalt*".
- In 1992, a participation of about 70% in the "*Montan Versicherung Aktiengesellschaft*", specializes in the manufacturing industry, was acquired.
- Until mid-1992, "*Wiener Städtische*" operated the insurance business in the legal structure of a mutual insurance society. Under a contribution in kind and transfer agreement dated May 29, 1992 the complete insurance operations of Wiener Städtische Wechselseitige Versicherungsanstalt were spun off and transferred, effective retroactively as of December 31, 1991, by contribution in kind to the Issuer which had been founded and registered in December 1991 (then named "Wiener Städtische Allgemeine Versicherung Aktiengesellschaft"). Since then "*Wechselseitige*" operates under the name Wiener Städtische Wechselseitige Versicherungsanstalt-Vermögensverwaltung.
- In 1993, the two national offices of Kooperativa pojišťovna a.s. in Prague and Brno were converted into two separate stock corporations in the Czech Republic. In 1999, Kooperativa Brno merged with Kooperativa Prague.
- Since 1996, Wiener Städtische AG holds a participation in the Hungarian Union Biztosito Rt. Since the beginning of 2000, all shares are owned by Wiener Städtische AG.
- In 1998, the Vienna Insurance Group acquired a participation in the Polish non-life insurance company, Heros. In 2000, the life insurance company Vienna-Life was founded in Poland.
- In 1999, Wiener Städtische AG opened a branch office in Italy.
- In 2000, InterRisk Wiesbaden acquired 100% of the life insurance company, Futura, which was subsequently renamed InterRisk Lebensversicherungs-Aktiengesellschaft. After acquiring all

shares in the former InterRisk-Internationale Versicherungsaktiengesellschaft Vienna in 2000 and 2001 and merging with Wiener Städtische AG in 2002, Wiener Städtische AG increased its share in InterRisk Wiesbaden to 100%.

- In December 1999, Vienna Life Lebensversicherungs AG, with its registered office in Liechtenstein, was founded by Wiener Städtische AG, starting operations in 2000.
- Since 2001, the Vienna Insurance Group has held a participation in the two Polish insurance companies Compensa Non-Life and Compensa Life. In 2001, Vienna-Life was merged into Compensa Life and in 2003, Heros merged into Compensa Non-Life. After acquiring the shares of HUK Coburg in both Compensa companies in 2005, Wiener Städtische now wholly owns Compensa Life and close to 100% of Compensa Non-Life (0.14% are still free float).
- Since 2001, Komunálna poist'ovňa a.s., with its registered office in Bratislava, has been part of the Vienna Insurance Group.
- In 2001, the Group entered the Romanian market by acquiring Unita S.A.
- In 2001, Wiener Städtische osiguranje, a company active in the life insurance business in which Wiener Städtische AG held a participation since 1999, merged with the non-life insurance company Kvarner osiguranje d.d to form Wiener Städtische osiguranje d.d. (Kvarner), which has its registered office in Rijeka.
- In 2002, Unita acquired a majority in Agras S.A., the biggest agricultural insurance company in Romania.
- In mid-2002, Compensa Sach's participation in the Belarus Kupala (Joint-Belarus-Austrian Insurance Company Kupala), which has its registered office in Minsk, was acquired.
- In 2002, Wiener Städtische AG entered the Bulgarian market by acquiring the Bulgarski Imoti Companies (Bulgarski Imoti Life insurance company and Bulgarski Imoti Non-Life insurance company) founded in 1994.
- Since 2002, the Slovakian life insurance company, Kontinuita poist'ovňa a.s., has belonged to the Vienna Insurance Group.
- At the end of 2002, the Wiener Städtische osiguranje a.d. was founded in Serbia and has its registered office in Belgrade. It began operations in the field of property insurance against loss and damage and life insurance.
- In 2004, a branch office of Wiener Städtische AG was set up in Slovenia.
- At the end of 2004, the Vienna Insurance Group began operations in Ukraine by acquiring a participation in Jupiter Versicherung through a capital increase.
- In early 2005, the Issuer further expanded its market share in Croatia by acquiring a majority holding in Universalversicherung AURUM osiguravajuce drustvo d.d. In November 2005 the shareholders' meetings of AURUM and Kvarner Wiener Städtische osiguranje adopted resolutions approving the merger of AURUM into Kvarner.
- In 2005, the Issuer acquired a substantial share in the Romanian SC OMNIASIG S.A., a company which holds participations in other Romanian insurance companies. In April 2006, the stake in SC Omniasig S.A. was increased to 93.61% through the acquisition of 21.16% of the shares of the Romanian Banca Comerciala Romana (BCR).
- In 2005, the Vienna Insurance Group entered into an agreement for the acquisition of Kniazha in order to expand its activities in Ukraine. In February 2007, the Vienna Insurance Group increased its stake in Kniazha to 80% through a capital increase. In December 2005, the Vienna Insurance Group entered into agreements concerning the acquisition of JC Globus Uzhgorod.
- In 2005, the Issuer acquired Victoria, the property-casualty insurance company in Belarus.
- In May 2005, Kooperativa Prague, which belongs to the Vienna Insurance Group, entered into an agreement providing for the acquisition of 100% of the shares of Česká podnikatelská pojišt'ovna, a.s.

- In 2005, the Issuer acquired a participation in the Polish insurance companies Benefia Non-Life and Benefia Life, as well as a participation in the life insurance company, Royal Polska, including its distribution company.
- In the summer of 2005, Wiener Städtische AG acquired a majority interest in the Croatian insurance company Cosmopolitan Life d.d.
- In March 2006, the Vienna Insurance Group completed the acquisition of 63% of the Polish non-life carrier, Towarzystwo Ubezpieczén i Reasekuracji CIGNA STU S.A (now: TU Interrisk S.A. Vienna Insurance Group). This share was increased to 93% in November 2006.
- In April 2006, the Vienna Insurance Group completed the acquisition of 40% of the Dutch company, Kardan Financial Services B.V. (KFS), the majority owner of TBIH Financial Services Group NV (TBIH).
- The participation in KFS was converted into a 60% direct participation in TBIH through a reorganization in August 2006. TBIH is a financial services group specializing in the CEE region. Through TBIH, the Vienna Insurance Group participates in the following insurance companies: the Bulgarian Bulstrad Group, the Croatian Helios, the Georgian GPIH (Georgian Insurance Holding JSC), the Georgian International Insurance Company IRAO and the Ukrainian insurance companies, VAB Insurance, VAB Life Insurance and VAB Re Insurance.
- In August 2006, MSK Life, a joint venture between MSK/Moskauer Versicherung and the Vienna Insurance Group, received a license to commence insurance operations in the life and health segments in Russia. The life insurance company was founded in the autumn of 2005. A 25% stake is held by the Vienna Insurance Group and a 75% stake is held by Moskovskaja strachovaja kompanija (*Moskauer Versicherung*).
- In June 2006, entry into the Turkish insurance market was made possible through the acquisition of Ray Sigorta A.S. by TBIH, in which the Vienna Insurance Group holds a 60% stake. TBIH holds 74.26% of the non-life insurance business with a focus on vehicle insurance.
- In March 2007, the acquisition of a majority stake in the non-life insurer TU Polski Zwiazek Motorowy S.A. (TU PZM) was completed. The Vienna Insurance Group holds a 75% stake, and the Polish auto association (PZM) holds the remaining 25%.
- In July 2007, the Vienna Insurance Group acquired a 30% stake in the Romanian insurer, Asirom S.A. In November 2007, after acquiring a majority stake of approximately 50.2% in Asirom, a mandatory offer was made. As a result of direct and indirect share acquisitions, the stake in Asirom was increased to approximately 98.5% by the beginning of 2008.
- In September 2007, entry into the Albanian insurance market was made possible through the acquisition by TBIH of Sigma Sh.a. TBIH holds 75% plus one share of the non-life carrier.
- In February 2008, the Vienna Insurance Group acquired 62% of the Ukrainian Insurance Group (UIG) by TBIH.
- In February 2008, the Vienna Insurance Group acquired Seesam Life Insurance SE. The life insurance carrier operates in Estonia, Latvia, and Lithuania. At the same time, the Vienna Insurance Group announced the acquisition of the life insurance carrier FinLife TUnZ S.A. in Poland pending government approval.

Insurance Business

Austria

Property and Casualty Insurance

Property and casualty insurance includes motor vehicle insurance and non-motor vehicle insurance (known as "non-motor vehicle insurance classes"). Casualty insurance (also called accident insurance) is a part of non-motor vehicle insurance. Premium contributions from the Austrian property and casualty insurance business constituted 40.5% of total premium income from property and casualty insurance in the Vienna Insurance Group in 2007, 46.0% in 2006, and 52.5% in 2005. The decline in the percentage contribution by the Austrian property and casualty insurance business to total premiums is primarily attributed to the growth in premiums generated by Vienna Insurance Group's expansion into the CEE region.

The Vienna Insurance Group operates its Austrian property and casualty insurance business primarily through Wiener Städtische AG and DONAU. To a more limited extent, BA-CA Versicherung offers accident insurance. The Vienna Insurance Group pursues a two-brand strategy, i.e., Wiener Städtische AG and DONAU are independent companies, each with its own line of products. They collaborate only in the administrative area, separately using the same electronic data processing for portfolio maintenance. In addition, internal support services, such as those performed by the personnel department, the legal department, the investment and accounting departments, and the corporate customer and reinsurance areas, are combined into Group-wide service groups. Both companies offer coverage in all significant business segments and classes of property and casualty insurance, and both are represented throughout Austria (Wiener Städtische AG focuses on the east, while DONAU focuses more on the west).

The following table sets forth information on premium income, loss and expense ratios, and the combined ratio in the Austrian property and casualty business:

	Fiscal year ended December 31,		
	2007	2006	2005
Wiener Städtische AG			
Gross written premiums (EUR million)	1,126.5	1,007.9	943.7
Ceded reinsurance premiums as a percentage of earned premiums (%)	28.8	24.9	25.6
Net earned premiums (EUR million)	794.6	757.8	688.7
Net loss ratio (%)	65.4	67.1	67.5
Net expense ratio (%)	27.5	27.3	26.7
Net combined ratio (%)	92.9	94.4	94.2
DONAU			
Gross written premiums (EUR million)	461.7	447.4	433.6
Ceded reinsurance premiums as a percentage of earned premiums (%)	15.1	13.6	12.3
Net earned premiums (EUR million)	393.0	385.4	378.6
Net loss ratio (%)	65.8	68.0	65.6
Net expense ratio (%)	31.5	30.7	30.2
Net combined ratio (%)	97.3	98.7	95.8

Areas of Activity and Classes of Business

The Vienna Insurance Group offers a comprehensive range of insurance coverage and related customer services in property and casualty insurance. In the motor vehicle insurance segment, product lines include motor vehicle liability insurance, collision insurance and passenger accident insurance. In the non-motor vehicle insurance, product lines include accident and various liability and property products as well as legal costs insurance; typical products are for instance household, homeowners, liability, residential property, commercial and agricultural package insurance for commercial customers. For non-motor vehicle insurance class corporate customers, the Group offers individual solutions in the fire, technology, aviation, liability, and transit insurance classes. Accident insurance offers coverage for permanent disability, accident benefits, accident costs, and accidental death.

The following table sets forth the Vienna Insurance Group's gross premiums written from its direct property and casualty insurance business in Austria, broken down by area of activity and class of business for the periods presented:

	Fiscal year ended December 31,		
	2007	2006	2005
	(in EUR million)		
Motor vehicle	555.1	543.7	527.9
Accident	118.2	108.8	105.2
General liability	136.3	128.2	120.3
Legal costs	42.7	41.5	39.9
Property insurance	620.9	573.6	541.3
Retail and commercial customers	365.6	350.3	335.6
Corporate customers	255.3	223.3	205.7
Total property and casualty	1,473.2	1,395.8	1,334.6

Motor Vehicle Insurance

Motor vehicle insurance provides motor vehicle liability, collision and passenger accident insurance coverage. Motor vehicle liability insurance is obligatory for every vehicle registered for operation on the public roads in Austria and covers damage caused to third parties in an accident, as well as defense against unjustified damages claims. Collision insurance can be purchased to protect one's own vehicle but is not mandatory in Austria. The Vienna Insurance Group offers these products both to retail customers for their private vehicles and to corporate customers to insure individual vehicles or a fleet of vehicles. The full-coverage collision insurance insures the customer's vehicle against damage, destruction and loss through fire, explosion, theft, natural forces, glass breakage, parking and vandalism damage, and accidental damage. With partial collision insurance, accidents are not covered, and in some products parking damage is also excluded. This insurance is sold primarily for personal motor vehicles, but also for motorcycles, mopeds, trucks, motor homes and trailers. Passenger accident insurance also covers drivers and passengers in the event of injury in a traffic accident, regardless of fault, even if the policyholder is injured in a traffic accident while traveling in someone else's motor vehicle.

In Austria, the insurer is responsible for establishing the price of motor vehicle liability insurance and must notify the Financial Market Authority. The insured amount must be at least EUR 6 million for passenger cars. Of that amount, at least EUR 1 million must be available for property damage and EUR 5 million for personal injury (in addition to EUR 60,000 for pure economic losses). Higher minimum insured amounts are prescribed by law for buses and trucks which transport hazardous goods. The Vienna Insurance Group uses the customary pricing criteria: vehicle strength, merit/demerit level and the extent of coverage and looks to the customer's risk profile in setting the price. The Vienna Insurance Group has detailed databases to monitor customer risk profiles. Its strategy is based on the empirical model of a "good driver," which is oriented more toward individual, specific claims experience than toward abstract risk indicators such as age or gender. Under this merit/demerit system, this orientation toward the "good driver" tends to limit long-term growth of premium income, but results in above-average earnings due to lower claims expenses.

Primarily due to increasing motor vehicle repair costs, the contribution of the motor vehicle insurance business line to the Group's results has not always been satisfactory. In recent years, this situation has significantly improved due to, amongst others, selective choice of policyholders with low claims rates and steady improvement of problematic customer relationships resulting in an improvement of the net loss ratio in the motor vehicles business line. In fiscal years 2005 to 2007, the loss ratio in the motor vehicle insurance business line experienced a constant decline. Motor vehicle passenger accident insurance comprises a limited range of risks compared to general accident insurance, resulting in a net loss ratio in this line of business that is very low. The changes to Vienna

Insurance Group's net loss ratio in Austria in fiscal years 2005 to 2007 in direct business are set forth in the table below:

Net loss ratio	Fiscal year ended December 31, 2007	2006	2005
		(in %)	
Vienna Insurance Group Austria			
Liability	65.6	67.8	67.9
Collision	67.5	71.1	73.1
Passenger accident	14.0	17.0	10.5

Approximately two-thirds of Wiener Städtische AG's gross premiums written from the motor vehicle segment result from the liability insurance business and approximately one-third results from collision and passenger accident insurance. DONAU's ratio of liability insurance premiums to collision and passenger insurance premiums is approximately 4:3. The growth rate for the motor vehicle class of business is generally above the market growth rate. While premiums for the motor vehicle class in Austria declined slightly in 2007 (Source: Internal analysis based on preliminary data 2007 of the VVO), gross premiums written for the Vienna Insurance Group in Austria grew by over 1.5%. This growth resulted primarily from the growth in insured vehicles and only to a small extent from a rise in the average premium per risk. Regardless of changes in premiums, the Vienna Insurance Group seeks to define its motor vehicle insurance products not just by a price that adequately reflects the risk but also by the quality and efficiency of its claims handling.

Accident Insurance

Private accident insurance is supplemental to statutory accident insurance, which provides protection only in the occupational area and, therefore, only applies to persons who are employed. Accidents occurring during uninsured leisure time represent the majority of accidents in accident statistics. In 2006, about 655,000 accidents occurred outside the occupational area, representing approximately 78% of total recorded accidents (Source: Curatorship for Transportation Safety, Statistics on Leisure Time Accidents in 2006). The financial consequences of such accidents can be covered with private accident insurance.

Accident insurance products are defined specifically for certain target groups, which include: (i) individuals (adults or children), (ii) families and (iii) groups (associations, businesses, fire departments).

Accident insurance offers the following coverage:

- *Permanent disability:* The most important element is the endowment payment in the event of permanent disability. The insurance payment is determined based on the insured amount, the degree of permanent impairment, and the additional benefits (using sliding scale) agreed upon by contract. Sliding scale payments enable a higher level of coverage for serious accidents.

- *Accident benefits:* Accident benefits are paid for life (in addition to an endowment payment) and cover the additional monthly financial burden and/or compensate for the loss of income suffered due to the accident.

- *Accident expenses:* Accident expense insurance covers the costs of therapeutic treatment for accidents (rehabilitation, physiotherapy treatments to reduce the consequences of the accident) as well as salvage and retrieval.

- *Accidental death:* This insurance offers endowment payments in the event of accidental death in order to provide financial coverage for the family or to cover obligations that have been incurred (credit insurance).

The Vienna Insurance Group's net loss ratio with respect to accident insurance in Austria averaged approximately 60.5% between 2005 and 2007. While the net loss ratio was stable in fiscal years 2005 and 2006, the increase in fiscal year 2007 was due to an anti-cyclical increase of larger damages. The changes in the Vienna Insurance Group's net loss ratio in Austria in fiscal years 2005 to 2007 are set forth in the table below:

	Fiscal year ended December 31,		
Net loss ratio	**2007**	**2006**	**2005**
		(in %)	
Vienna Insurance Group Austria	63.6	58.8	58.8

General Liability Insurance

In connection with general liability insurance, an insurer is obligated to pay damages incurred by the policyholder as a result of personal injury, property damage or monetary loss as well as the costs of defending against unjustified damage claims brought against the policyholder. The Vienna Insurance Group's products are directed towards private individuals and commercial and corporate customers.

In the retail customer area, aside from personal liability insurance the Vienna Insurance Group also offers special products like homeowners and landowners insurance and pet owners insurance. Personal liability insurance is seldom purchased as a separate policy, but is generally combined with household or other insurance. For the most part, liability insurance for homeowners and landowners is combined in a package that includes homeowners and other insurance. Liability insurance for commercial customers is generally sold as a component of so-called "business class insurance" at Wiener Städtische AG, or at DONAU as a component of the *"SicherImBetrieb," "SicherAmHof," "Betrieb-Vollschut"* and *"Top-Vollschutz"* packages, see also *" — Property Insurance — Retail and Commercial Customers"*. The Group offers its corporate customers special solutions that take individual customer needs into account. The Vienna Insurance Group follows a conservative policy for monetary liability insurance for attorneys, fiduciaries, real estate trustees, and, since early 2005, insurance brokers taking a cautious but opportunistic approach to writing new policies on a case by case basis.

The Vienna Insurance Group's net loss ratio in Austria for general liability insurance averaged approximately 62.7% between 2005 and 2007. This development is primarily due to constant changes in the reinsurance business of Wiener Städtische AG and DONAU, the reinsurance payments increased by EUR 5.5 million for the fiscal year 2006. This increase reduced the retention premium considerably and increased the net loss ratio for the fiscal year 2006. The changes in net loss ratio in fiscal years 2005 to 2007 are set forth in the table below:

	Fiscal year ended December 31,		
Net loss ratio	**2007**	**2006**	**2005**
		(in %)	
Vienna Insurance Group Austria	60.3	67.1	60.6

Legal Costs Insurance

Legal costs insurance safeguards the policyholder's legal interests and related expenses. It is sold primarily to retail customers by Vienna Insurance Group. Since 2006, Wiener Städtische AG has offered commercial customers legal costs insurance (against damages and penalties) with special coverage for corporate criminal liability (Federal Statute on the Responsibility of Corporate Entities for Criminal Offences). Since 2007, Wiener Städtische AG has also offered general contractual liability insurance to select commercial customers. The volume on the commercial side remains low as compared to retail customers.

The Vienna Insurance Group offers both individual products, such as motor vehicle legal costs insurance, driver legal costs insurance, damage claim and criminal legal costs insurance for private individuals, professionals and companies, and packaged products, such as motorcycle total legal costs protection and legal costs combinations for farmers. For the most part, however, the Vienna Insurance Group sells products in which the various risks are combined based on the particular needs of the customer. As a result, protection against individual risks, such as motor vehicle legal costs, vehicular traffic legal costs, driver's legal costs, general contractual legal costs, damage claim and criminal law legal expenses, house and apartment legal costs, consultancy legal costs, labor law legal costs and social security legal costs, can be combined into various products to meet the customer's needs.

The Vienna Insurance Group's net loss ratio for legal costs insurance in Austria amounted to approximately 47.9% on average between 2005 and 2007. The net loss ratio for legal cost insurance improved significantly in 2007 due to a positive claims settlement and related release of reserves made in previous years. The changes in the net loss ratio in fiscal years 2005 through 2007 are set forth in the table below:

Net loss ratio	Fiscal year ended December 31, 2007	2006	2005
		(in %)	
Vienna Insurance Group Austria	43.6	49.3	50.7

Property Insurance

Retail and Commercial Customers

In the retail and commercial business segment, the Vienna Insurance Group offers primarily standardized package products. To a more limited extent, the Group offers policies with only one class of insurance. Property insurance package products can include coverage for fire, fire business interruption, water pipe damage and wind storm classes (flood coverage is also allocated to this class, if available, depending on product) and glass breakage, burglary/theft and household coverage. In addition, depending on the product, liability and legal costs insurance and various types of technology coverage can also be included. The product portfolio for retail and commercial customers also includes travel insurance and rain cancellation insurance. The package product range for retail customers is divided primarily into household and homeowners insurance, while insurance for commercial customers is divided into residential property, business and agricultural package insurance.

In its non-motor class and commercial businesses, the Vienna Insurance Group offers a modular system for each of its products, under which an insurance solution optimally adapted to the customer's needs can be individually assembled through flexible choices. The most important components are also offered in the sizes "Small", "Medium" and "Large" for even greater individual possibilities.

The development of the net loss ratio of the Vienna Insurance Group in the retail and commercial segments in Austria in fiscal years 2005 to 2007 is set forth in the table below:

Net loss ratio	Fiscal year ended December 31, 2007	2006	2005
		(in %)	
Vienna Insurance Group Austria			
Fire and fire business interruption	58.0	59.4	58.7
Water pipe damage	73.5	79.9	76.5
Wind storm	172.2	248.9	143.7
Glass breakage	75.0	73.7	64.0
Burglary/theft	137.4	138.9	152.7
Household	50.9	53.6	55.6
Other	92.5	80.0	67.0

The relatively high loss ratio in the water pipe damage class compared with 2005 and the sharp rise in the loss ratio in the wind storm class in 2006 are attributable to a sharp increase in losses caused by frost and snow loads due to the exceptionally cold and snowy winter of 2005/2006. The critical factor in the continued high loss ratio in the wind storm class in 2007 was the significant losses caused by low-pressure system "Kyrill" at the end of January 2007. The continued negative loss progression in the burglary/theft class in 2007 despite the sharp positive trend is essentially due to the abrupt rise in losses by corporate clients; reorganization processes have already been initiated. Altogether, the loss trend in 2007 was clearly positive, especially since the loss ratios declined considerably, above all in the household, water pipe damage, and fire and consequential fire loss classes, where the premiums are highest. As a result, the 2006 results, which were impacted by the effects of the aforementioned weather events, were clearly surpassed.

Corporate Customers

In the property insurance area, corporate customers are primarily serviced by Wiener Städtische AG. Although DONAU is more strongly oriented toward retail and commercial customers, it has a select number of corporate customers that it has serviced for many years.

In the Corporate Customer business segments the Vienna Insurance Group offers fire and fire business interruption insurance, technical insurance, transit insurance, aviation insurance and banker's blanked bond.

The evolution of the net loss ratio of the Vienna Insurance Group for the Corporate Customer Service Group in Austria in fiscal years 2005 to 2007 is set forth in the table below:

Net loss ratio	Fiscal year ended December 31, 2007	2006	2005
		(in %)	
Vienna Insurance Group Austria			
Fire and fire business interruption — Industry	87.1	71.2	150.3
Technical insurance	66.4	70.9	79.3
Transportation	66.1	52.3	72.1
Aviation	33.3	50.9	44.6

Due to the Vienna Insurance Group's conservative reinsurance policy natural catastrophes had no negative effect on the overall net loss ratio in the periods presented in 2006 and 2007.

Policy Structuring

The contract term of motor vehicle insurance is shorter than in the non-motor vehicle insurance classes. The formal term for motor vehicle liability insurance is generally one year. It is also common for Wiener Städtische AG to write policies with three-year terms for other motor vehicle classes of insurance. Policies for retail and commercial customers in the non-motor classes and with respect to accident insurance generally run between three and ten years. In the corporate customer business, one-year and multi-year policies are common. When insurance relates to a project, as in assembly and construction industry insurance, the term of the policy corresponds to the duration of the project.

Since the 2004 amendment to the Motor Vehicle Liability Insurance Act (*Kraftfahrzeug-Haftpflichtversicherungsgesetz,* "KHVG"), insurance premiums for motor vehicle insurance are adjusted annually based on changes in the Consumer Price Index ("CPI"). The overwhelming number of policies for retail and commercial customers and medium-sized corporate customers in the non-motor classes include a value adjustment clause under which the insured amounts and premiums are adjusted based on official indices, generally on an annual basis.

With respect to special insurance terms and conditions, the Vienna Insurance Group continually seeks to develop new property and casualty insurance products. However, the advantages gained from introducing new ideas for special insurance conditions are often short-lived as new products are generally copied quite rapidly. Nevertheless, management believes that the Vienna Insurance Group is an innovator in the Austrian insurance market and it constantly seeks to develop new products.

Competition

With a 21.4% market share in 2007, the Vienna Insurance Group ranked first in the Austrian property and casualty insurance business, as measured by gross premiums written (Source: Internal analysis based on preliminary data 2007 of the VVO).

The Group's competitors in the property and casualty insurance business include, amongst others, the Generali Group (market share: 18.3%), the UNIQA Group (market share: 17.3%) and the Allianz Group (market share: 12.2%) (Market shares according to the VVO, measured by gross premiums written for 2007 (Source: Internal analysis based on preliminary data 2007 of the VVO).

Health Insurance

Within the Vienna Insurance Group, only Wiener Städtische AG sells a significant amount of health insurance policies. In its health insurance business, Wiener Städtische AG seeks profit-oriented growth. Since, under Austrian law, Wiener Städtische AG cannot cancel a health insurance policy once it has been issued, it does not seek growth at any price in the Austrian health insurance market but concentrates on offering profitable, high-margin products in order to grow in a profit-oriented manner. Under Wiener Städtische AG's acceptance policy, customers with less serious pre-existing illnesses can buy health insurance without a risk surcharge. Risk surcharges are not mandatory unless there is a 50% increase in risk. There is a selective acceptance policy with adequate risk surcharges. Before issuing a policy, Wiener Städtische AG asks very specific questions about pre-existing illnesses. This applies to special care insurance in particular. Wiener Städtische AG negotiates directly with physicians associations and contract hospitals within the framework of the Insurance Association's fee rates for physicians.

To further cut costs, Wiener Städtische AG works to optimize processes on an ongoing basis and improve efficiency. For example, its document management system was converted to paperless processing. With hospitals, cost assumption statements and invoices are increasingly exchanged only by electronic means so that there is no double recording of customer data. This electronic network has been expanded in recent years.

Operating results for the health insurance segment were significantly improved through Wiener Städtische AG's focus on profit-oriented growth, the above-mentioned process improvements, and consideration of the longer life expectancy in the last three years. Margins have improved and the claims burden in health insurance has been reduced in the last three years both in comparison to prior years and in comparison to competing companies.

Products

Private health insurance primarily offers additional services to supplement government social insurance. The most important lines of business are special care insurance, daily allowance insurance and insurance for ambulatory patients' medical expenses. In addition, nursing care insurance is growing in importance. In contrast to Germany, all employees and freelance workers are in principle required to be insured under the statutory medical insurance program. It is not possible for higher-income persons to purchase full private insurance as an alternative. The only exception is for self employed professionals, who have been required to purchase health insurance in Austria since January 1, 2000. Members of certain professions (for example, lawyers, accountants, veterinarians and pharmacists) may obtain full private insurance coverage based on a group insurance policy, as long as the group representative applies for such a group policy.

The following table sets forth gross premiums written from Austrian health insurance during the periods presented, broken down by product:

	Fiscal year ended December 31,		
	2007	2006	2005
	(in EUR million)		
Special care insurance	144.1	139.6	135.7
Daily allowance insurance	43.5	43.6	42.4
Insurance for ambulatory patients' medical expenses	13.8	12.6	11.9
Other	13.3	12.2	11.3
Group Policies (*Gruppenversicherung*)	91.9	90.0	87.1
Total	306.6	297.9	288.4

- *Special care insurance.* As a supplement to social insurance, private health insurance offers coverage for the additional costs of special care and a free choice of hospital and physician. Under special care insurance, Wiener Städtische AG settles the costs directly with the contract hospitals, so there is no need for interim financing by the customer.

- *Daily allowance insurance.* Through daily allowance insurance, the customer receives a fixed amount for each day spent in the hospital to cover the financial consequences of a hospital stay.

- *Insurance for ambulatory patients' medical expenses.* Insurance for ambulatory patients' medical expenses offers a free choice of private physicians and ambulatory treatment without a lengthy waiting time and covers the costs of complementary methods of treatment, conventional medical treatment, medicines (including homoeopathic medicines) and healing aids. Insurance for ambulatory patients' medical expenses may be purchased together with special care insurance and daily allowance insurance or it may be purchased separately.

- *Other.* Since January 1, 2005, Wiener Städtische AG has offered nursing care insurance. If the policyholder is in need of nursing care, a monthly fixed pension will be paid out. With the new "Extra Care" nursing care insurance, customers may elect to receive an additional 25%, 50%, 100% or 200% of the government nursing care rate. The customer may also choose between basic coverage (benefits claim starting at care level 4), medium coverage (benefits claim starting at care level 3) and top coverage (benefits claim starting at care level 1). These nursing care insurance products are increasingly in demand due to the changes in the structure of the population and the changes to the health care system. Wiener Städtische AG spotted this trend early and is one of the main players in the area of nursing care insurance (Source: Internal analysis based on the published total number of nursing care insurance products by VVO).

Other products sold by Wiener Städtische AG in the nursing care insurance area include travel medical insurance and insurance for businesses covering employee claims for continued wages.

Under the modular system, the customer is able to choose among various benefit levels allowing the customer to combine individual rates to a certain extent. Supplementary preventive health care packages ("Better Life" or "*Besser Leben*") are offered in connection with special care insurance, and some products can be extended to include coverage throughout the world. In addition, some products offer special care and other supplementary insurance benefits only after an accident.

Competition

In 2007, the Vienna Insurance Group had a market share of approximately 20.9% and was the second largest provider of health insurance products in Austria, as measured by gross premiums written (Source: Internal analysis based on preliminary data 2007 of the VVO). The largest competitor in the health insurance segment is the UNIQA Group (market share: 48.4%), followed by Merkur Versicherung AG (market share: 13.7%) and the Generali Group (market share: 13.2%) (market shares as per the VVO, as measured by gross premiums written in 2007 (Source: Internal analysis based on preliminary data 2007 of the VVO).

Life Insurance

Of the total premium income of the Vienna Insurance Group in the life insurance segment, 64.8% was generated in the Austrian insurance market in 2007, 68.5% in 2006, and 71.3% in 2005. In Austria, the Vienna Insurance Group conducts its life insurance business through the following three insurance companies:

Wiener Städtische AG. Wiener Städtische AG offers all types of life insurance.

- *DONAU.* DONAU sells life insurance products under its own brand name and through its own distribution network. Actuarial processing is done partly on its own and partly through general policy services jointly with Wiener Städtische AG.

- *BA-CA Versicherung.* BA-CA Versicherung was created through the merger of Bank Austria Creditanstalt Versicherung Aktiengesellschaft and UNION Versicherungs-Aktiengesellschaft ("UNION") in 2007. BA-CA Versicherung primarily offers life insurance products and, to a lesser extent, accident insurance. On March 28, 2008, Wiener Städtische AG has agreed to sell 50.5% of its 60.5% stake in BA-CA Versicherung, it will continue to hold a 10% interest in the company.

The pension reforms carried out in Austria in recent years along with the ongoing public debate about further measures are the growth drivers for the life insurance business. The goal of the changes that have already been implemented is to safeguard retirement pensions for the long-term. In essence, the 2003 pension reform introduced the following two important measures: it lowered the net compensation rate (i.e., a lower pension in proportion to working income) and raised the pension onset age (i.e., a later start of the pension). To accompany the pension reforms, private retirement was promoted through the introduction of the state-subsidized retirement plan.

In the life insurance segment, the parameters on which calculations are based (guaranteed interest rate, expenses and the biometric basis for calculation) are established on a long-term basis. With traditional pension insurance, when the policy reaches maturity the policyholder is offered a choice between redemption of capital and annuity payments. The amount of the annuity payments is calculated based on the mortality tables in effect when the policy is issued. However, this insurance is less common due to the variety of retirement products offered by insurance companies. Endowment insurance is generally paid out in the form of a lump sum payment at the end of the policy. However, the customer can elect an option that enables him to choose between a one-time payment and annuity payments upon termination of the policy's validity period. In this case, the mortality table, and consequently the amount of the annuity payment, will be determined at the time the option is exercised.

In the past, many annuity insurance customers exercised their right of election in favor of a lump sum payment rather than annuity payments. In fiscal years 2005 to 2007, approximately over 70% of customers chose a lump sum payment.

The Vienna Insurance Group constantly seeks to improve its profitability in the life insurance business segment. To reduce longevity risk, the Vienna Insurance Group prefers to write annuity insurance policies with annuity payments that are limited as to time period rather than life-long payments. Of the annuities being regularly paid by the Austrian companies in the Vienna Insurance Group as of December 31, 2007, approximately 75% were limited to a fixed time period.

At the beginning of 2007, a statute took effect that requires acquisition expenses to be spread over the first five years in case of repurchase. This regulatory measure increases the need for an intensive and permanent customer service, which the Vienna Insurance Group, being a large composite insurer, is able to provide.

Products

The various life insurance products fall into the following categories: classical risk and protection products, on the one hand, and saving and pensions products (including the state-subsidized pension plan), on the other hand.

The following table sets forth the gross premiums written received by the Vienna Insurance Group from direct business in Austria during the periods presented, broken down into the following categories:

	Fiscal year ended December 31,		
Group	**2007**	**2006(1)**	**2005(1)**
	(in EUR million)		
Risk insurance and protection products	45.2	35.0	32.8
Saving and Pension Products	1,853.3	1,676.4	1,493.1
Total	1,898.5	1,711.4	1,525.9

(1) Contains 45% of the contribution from UNION which was merged with BA-CA Versicherung in 2007

- *Risk and Protection Products.* Risk insurance requires that the insurer promises to pay a certain benefit upon the death of the insured to the survivors or cover loan debts. In addition products include the insurance against dread-disease and occupational disability.
- *Saving and pension products:* This category includes various products, which customers purchase in order to accrue funds for saving or pension purposes. Typical products include endowment insurance, annuity insurance, unit-linked products and the recently introduced state-subsidized pension products:
  - *Endowment insurance.* Traditional endowment insurance is a form of life insurance in which a lump sum is paid out either at death or at the expiration of the insurance policy in the event of survival. The average term for these insurance policies is between 20 and 25 years. However, when taking out the policy, the policyholder can elect an option whereby, if he survives, he can choose between a one-time payment and a private pension (not necessarily for life). In the latter case, the regular pension payments are determined when the option is exercised, i.e., payment of a retirement pension is guaranteed when the policy is taken out, but the extent of the payments is not.

In connection with endowment insurance, there is a minimum guaranteed amount that is documented in the policy. The minimum interest guaranteed by law is currently 2.25% per year. In addition, there is a right to profit participation and a final bonus, so that actual total interest currently amounts to 4.0% per year. The amount paid out upon maturity is composed of the guaranteed and the non-guaranteed parts combined. The profit shares distributed are composed of an interest profit share (from capital investments) and cumulative profit participation (composed of expenses/risk profits). The profit participation estimates are reviewed annually. They form part of the basis for competition among the individual life insurance companies. Endowment insurance made up 44% of the gross premiums written in fiscal year 2007, 49% in fiscal year 2006 and 47% in fiscal year 2005.

- *Annuity insurance.* Traditional annuity insurance offers the policyholder the choice of capital redemption or annuity payments when the policy matures. Policyholders also have a choice between a life-long guaranteed annuity and a temporary annuity. In the case of a life-long guaranteed annuity, it can be agreed in advance that unused redemption capital will be returned. Payment of the annuity will commence either immediately or after the expiration of a particular period. Similar to endowment insurance, annuity insurance includes elements of guaranteed minimum interest and profit participation. Annuity insurance made up 19% of gross premiums written in fiscal years 2007 and 2006 and 23% in fiscal year 2005.
- *Unit- and index-linked life insurance.* The policyholder's premiums are invested in securities funds or in structured bonds. This provides the customers with higher potential returns, but at the same time represents a higher risk. The Vienna Insurance Group does not provide any guarantees in connection with unit- and linked life insurance, which has been rather popular recently. Depending on the product, the risk is borne by the fund provider or the bond issuer.
- *State-subsidized pension plan.* The state-subsidized pension plan is a special form of annuity insurance. Premiums are paid regularly and are subsidized by the government (currently, the government makes a matching payment of 9.5% of the premiums paid in any year). The subsidy is restricted to an annual insurance premium, currently EUR 2,164.64. In accordance with the law, 40% is invested in shares (principally Austrian shares and shares of companies in the Eastern European Union countries) and 60% in traditional premium reserve funds in accordance with the VAG. Pension payments may be claimed as early as the age of 40, after a 10-year term. The state-subsidized pension plan is not subject to taxation, i.e., there is no insurance tax, no taxation of investment income, and no income tax during the pension payout phase. State subsidized pension plans made up 10% in fiscal year 2007, 9% in fiscal year 2006 and 8% in 2005.

The customer has advantages (opportunities for returns) comparable to unit-linked life insurance, as 40% is invested in shares. At the same time, he receives a capital guarantee on paid-in premiums and the state subsidy. This applies in the event of annuitization, death and withdrawal of capital and in case a statutory retirement pension is received. The pension is paid for life at a guaranteed amount. Early capital redemption has disadvantages for the customer, e.g. lapse of the capital guarantee, repayment of half the government subsidy and the incurrence of capital gains tax on the profits earned.

Competition

With a 27.9% market share as measured by gross premiums written in 2007, the Vienna Insurance Group was ranked first in the overall Austrian life insurance market (single-premium policies and regular payment of premiums) (Source: Internal analysis based on preliminary data 2007 of the VVO). Other players in life insurance are the UNIQA Group (market share: 20.8%), the Generali Group (market share: 11.8%) and Allianz 6.1% (Source: as measured by gross premiums written for 2007 and internal analysis based on preliminary data 2007 of the VVO). The Target Companies with their particular focus on products distributed through the retail organization of the Target Companies' parent group achieved a market share of 11.0%. They primarily compete with UNIQA Group (which distributes its products through the associated retail banking organization of Raiffeisen), Generali Group (which distributes through the associated BAWAG-P.S.K retail outlets and the post-offices) and BA-CA Versicherung (with distribution through the Bank Austria retail organization).

In the area of life-insurance products with saving and pension character, the Vienna Insurance Group is in direct competition with players from the financial services industry for customers that seek wealth creation. The convergence of products from the banking and life insurance industries has been progressing over the last years so that customers have a variety of financial and insurance products to choose from (financial products include for instance investment trust pension products, *Bausparverträge* and other saving products). In this market for wealth-creation products, the Vienna Insurance Group achieved a market share of approximately 6% (Source: Internal analysis based on data of VVO as well as OeNB).

Distribution Channels

The Vienna Insurance Group pursues a multi-channel strategy in sales and uses several different distribution channels and brand names. The company's employee sales force is the backbone of its sales in Austria. In recent years, the Vienna Insurance Group has made extensive efforts to expand its sales force, increase productivity, and bring the qualifications of sales force employees to above-average levels. Among Austrian insurers, Wiener Städtische AG has the greatest number of employees who have passed the test to become a certified insurance consultant (BÖV test) (Source: *Bildungsakademie der Österreichischen Versicherungswirtschaft* ("BÖV"). In addition to its own sales force, brokers, insurance agents, and collaboration with credit institutions are significant in the Austrian insurance distribution network. Key Account Advisers, the central Call Centre, and Internet-based claims reporting are available to customers.

The primary pillar of Wiener Städtische AG and DONAU is the employee sales force. The employee sales force sells the entire spectrum of Wiener Städtische AG's and DONAU's products, servicing retail, commercial and corporate customers. Sales force employees are also available as customer contacts during claims adjustments. These employees are compensated with a combination of performance-based commissions and a relatively low fixed salary. At the start of their service, these employees receive a so-called introductory allowance, which declines with increasing seniority. Brokers and agents are also an important sales channel for Wiener Städtische AG and DONAU. Wiener Städtische AG and DONAU sell limited amounts through banks and savings institutions using them primarily for property and casualty insurance products, since banks and savings institutions largely have their own insurance subsidiaries to sell life insurance. Including the sale of insurance products in the company's internal performance evaluation and offering commissions create incentives for savings institution employees to sell the Vienna Insurance Group's insurance products to their customers. In recent years, direct mail campaigns have become increasingly important for Wiener Städtische AG and DONAU.

BA-CA Versicherung (BA-CA), the company formed through the merger of BA-CA Versicherung AG and UNION Versicherungs-AG, markets its insurance products mostly through the branches of Bank Austria Creditanstalt AG.

Sales and marketing activities are also effected through cooperative arrangements with brokers and agents.

Description of Individual Austrian Group Companies

Wiener Städtische AG

Wiener Städtische AG is active in all classes of insurance in the Austrian market. In 2007, Wiener Städtische AG was first in the life insurance segment, second in the property and casualty insurance segment, and second in the health insurance segment, as measured by gross premiums written (Source: Internal analysis based on preliminary data 2007 of the VVO).

The following table sets forth Wiener Städtische AG's gross premiums written, the results of ordinary business activities and capital assets for fiscal years 2007 and 2006:

	Fiscal year ended December 31,	
	2007	2006
	(in EUR million)	
Gross premiums written	2,578.8	2,474.0
Property/casualty	1,126.5	1,007.9
Life	1,145.7	1,168.2
Health	306.6	297.9
Results of ordinary business activities	179.0	151.5
Capital assets	10,505.3	9,784.3

Wiener Städtische AG offers products in all lines of business and classes to retail, commercial, and corporate customers, see above "– *Insurance Business – Austria*". In the property and casualty insurance business, Wiener Städtische AG offers a large variety of small, medium and large custom tailored products. In the life insurance business, Wiener Städtische AG sells a large share of group insurance as compared to the other Group affiliates. Moreover, Wiener Städtische AG has positioned itself well with its state-subsidized pension plan product, *Premien Pension*. Health insurance is offered exclusively by Wiener Städtische AG. For more details, see above "– *Insurance Business – Austria*".

Wiener Städtische AG has a broad customer base among both retail and corporate customers. Its customer structure broadly reflects the structure of the Austrian population: men and women are represented in approximately equal proportions. The distribution of Wiener Städtische AG's customers among the various occupational groups and phases of life (single persons, families, working people and retirees) is also relatively uniform.

DONAU Versicherung AG Vienna Insurance Group

DONAU is the largest fully consolidated Austrian insurance affiliate of the Vienna Insurance Group. Wiener Städtische AG directly and indirectly holds approximately 89% of DONAU. Erste Bank and Sparkassen Versicherung each hold approximately 5%. In 2007, DONAU ranked fifth in the property and casualty insurance market, as measured by gross premiums written, and tenth in the life insurance market (Source: Internal analysis based on preliminary data 2007 of the VVO). DONAU has eight regional offices and 60 offices covering all of Austria.

The following table sets forth DONAU's gross premiums written, results of ordinary business activities, and capital assets for fiscal years 2007 and 2006:

	Fiscal year ended December 31,	
	2007	2006
	(in EUR million)	
Gross premiums written	717.7	685.0
Property/casualty	461.6	447.4
Life	256.1	237.6
Results of ordinary business activities	44.0	27.9
Capital Assets	2,126.3	2,024.9

Similar to Wiener Städtische AG, DONAU offers retail and corporate customers an extensive range of products in the property and casualty insurance and life insurance segments. In the property and casualty insurance segment, DONAU primarily offers products tailored to retail customers. In its life insurance business, DONAU developed a flexible approach under which one can include any size fund of traditional premium reserve funds in order to supplement the unit-linked life insurance, depending on the guarantee required. As a result, expenses are kept low as compared to other usual market products, since an external guarantor is not necessary. With its StarBond line, DONAU offers single-premium insurance products with a capital guarantee. Products in the retirement pension area include the BonusPension, DONAU's state-subsidized pension plan and pension plans and bridge pension models (StarPension). In the company retirement pension area, DONAU offers tailored solutions for companies.

As a large Austrian insurance company, DONAU directs itself toward retail and corporate customers throughout the country. However, DONAU focuses on retail and commercial business. In the corporate customer business, DONAU has a select group of corporate customers, which it has served for many years. Customer support is provided by the appropriate on-site DONAU consultant. In addition, DONAU offers its customers on-line policy information. At the My Don@u domain on its company website, customers can inspect information on their insurance policies on-line. Those customers holding unit-linked life insurance policies can see the daily status of their funds.

Bank Austria Creditanstalt Versicherung AG

In August 2007, the ownership ratios for BA-CA Versicherung changed as a result of the merger of BA-CA Versicherung with the acquiring UNION Versicherungs-AG. Since then, Wiener Städtische AG has held a 60.5% stake, ERGO International AG a 29.5% stake, and Bank Austria Creditanstalt AG a 10% stake. On March 28, 2008 Wiener Städtische AG has agreed to sell 50.5% of its 60.5%

interest in BA-CA Versicherung to the ERGO International AG. The sale is expected to become effective in the second half of 2008. Vienna Insurance Group will continue to hold a 10% plus one share participation in BA-CA Versicherung.

In the life insurance area, BA-CA Versicherung primarily uses the branches of Bank Austria Creditanstalt AG as its distribution channel. The merger created the fifth largest Austrian life insurance company as measured by gross premiums written (Source: Internal analysis based on preliminary data 2007 of the VVO). Other important distribution channels include, for instance, cooperative arrangements with brokers and agents.

The following table sets forth BA-CA Versicherung's gross premiums written, results of ordinary business activities and capital assets for 2007 compared with the consolidated figures for 2006:

	Fiscal year ended December 31,	
	2007	2006
	(in EUR million)	
Gross premiums written	544.9	543.6
Property/casualty	6.3	6.3
Life	538.6	537.3
Results of ordinary business activities	47.3	38.6
Capital assets	3,068.9	2,993.9

Retail life insurance is BA-CA Versicherung's primary business focus. BA-CA Versicherung offers a wide spectrum of retirement and investment products, including pension plans, capital accumulation and investment as well as traditional risk protection.

In the occupational area, products include the insurance of pension commitments, severance pay provisions and provisions for the future.

In the property and casualty segment, BA-CA Versicherung only provides accident insurance, offering various accident insurance policies tailored to the special needs of different target groups with different types of benefits.

Description of the individual group companies in the CEE region

Czech Republic

The Czech insurance market is the Vienna Insurance Group's largest market outside of Austria. With income from gross premiums written amounting to EUR 1,130.5 million, the Czech subsidiaries earned 16.4% of its total gross premiums written of the Vienna Insurance Group in fiscal year 2007. For details on the Czech insurance market, see "*Management's Discussion and Analysis of Financial Condition and Results of Operations – Significant Factors Affecting Business Operations*".

The Vienna Insurance Group handles its insurance business in the Czech Republic through the following operating companies:

- *Kooperativa pojišťovna, a.s., Vienna Insurance Group* ("*Kooperativa Prague")*. The company emerged in 1993 from its predecessor company, founded in the former Czechoslovakia in 1990, and offers primarily products in the property and casualty insurance and life insurance areas. Health insurance products are offered on a very limited basis.
- *Česká podnikatelská pojišťovna, a.s. Vienna Insurance Group* ("*CPP")*. CPP was founded in 1995 as a multi-line insurance company and offers primarily motor vehicle liability insurance and corporate insurance, but also increasingly products in the life and accident insurance segments.

The Vienna Insurance Group pursues a two-brand policy in the Czech Republic. After the acquisition of CPP by Kooperativa Prague in 2005, CPP remained an independent company on the Czech market. As a result, the Vienna Insurance Group can approach different customer groups and can take advantage of existing cooperative distribution agreements. Common use of back office services results in additional synergies.

In fiscal year 2007, gross premiums written of the Vienna Insurance Group in the Czech Republic amounted to EUR 1,130.5 million and in fiscal year 2006 EUR 1,048.0 million. 74.1% of the gross premiums written in fiscal year 2007 were derived from the non-life line and 25.9% from the life insurance line. Profit before tax amounted to EUR 73.8 million for fiscal year 2007 and 59.1 million for fiscal year 2006. In fiscal year 2007, the Vienna Insurance Group's loss ratio in the Czech Republic improved to reach a level of 66.2%, representing an improvement of 5.2 percentage points over 2006, during which year the country had been severely affected by snow pressure and floods. Influenced by business expansion, net investment income in the Czech Republic increased by 8.6% in the period.

Property and Casualty Insurance

The property and casualty insurance products sold in the Czech Republic are similar to those sold in Austria, see above " – Austria – Property and Casualty Insurance". Significant differences are primarily the result of legal provisions and differing market conditions with respect to the calculation of premiums and the amount and scope of coverage.

In the motor vehicle segment, Czech insurance companies are subject to a growing pressure on margins, primarily in rural areas.

In the non-motor classes, homeowners and household insurance are becoming increasingly important due to increased levels of prosperity.

The development of premium income for the property and casualty as well as life insurance business and loss and expense ratios, the combined ratio for property and casualty business in the Czech Republic are set forth in the table below:

	Fiscal year ended December 31,		
	2007	2006	2005
Gross premiums written (EUR million)	1,130.5	1,048.0	891.5
Ceded reinsurance premiums as a percentage of premiums (%)	18.0	20.8	21.6
Net earned premiums (EUR million)	919.0	827.6	695.3
Net loss ratio (%)	66.2	71.4	62.9
Net expense ratio (%)	27.5	25.9	29.5
Net combined ratio (%)	93.7	97.3	92.4

Life insurance

In the life insurance segment, the products sold in the Czech Republic are similar to those sold in Austria, see above *"– Austria – Life Insurance*". As is the trend in Austria, unit-linked products are increasingly being developed and sold in the Czech market. The interest rate guaranteed by statute is 2.4% for traditional life insurance policies. Management anticipates increased demand for life insurance products in the future, particularly in connection with the possibly imminent reform of the pension system in the Czech Republic.

The following table sets forth gross premiums written income of the Vienna Insurance Group in the Czech Republic in the life insurance segment:

	Fiscal year ended December 31,		
	2007	2006	2005
	(in EUR million)		
Regular premium payments	211.6	210.9	169.6
Single-premium policies	80.7	48.6	49.4
Total	292.3	259.5	219.0

Competition

In fiscal year 2007, Kooperativa Prague was ranked second in the Czech insurance market with a 22.3% market share, measured by gross premiums written; CPP was ranked eighth with a 3.6% market share (Source: Statistics of Czech Insurance Association). Measured by gross premiums written, Kooperativa Prague's market share in the non-life lines of business was 28.9% in fiscal year 2007, according to the statistics of the Czech Insurance Association, and in the life insurance area, its market share was 12.8%, resulting in a second place ranking in the non-life business and a third place ranking in the life business. CPP held sixth place in the non-life lines of business in fiscal year 2007, according to the statistics of the Czech Insurance Association (based on market share).

Competitors in the Czech non-life business include, amongst others, the former state-owned insurance company, Česká pojišťovna, a.s. (no. 1), Allianz (no. 3), Generali (no. 4) and ČSOB (no. 5). Competitors with respect to life insurance are, amongst others, Česká pojišťovna, a.s. (no. 1), Pojišťovna České spořitelny (no. 4), ING Životní pojišťovna (no. 3), and ČSOB pojišťovna, a.s. (no. 5) (Source: Internal analysis based on preliminary data 2007 of the Czech Insurance Association, as measured by gross premiums written, in the fiscal year 2007).

Premium growth in the Czech insurance market was 6.7% in fiscal year 2007 (2006: 4.2%). Premium income rose by 2.0% (2006: 3.7%) in the non-life area and by 14.0% (2006: 5.1%) in life insurance. By comparison, the Czech companies of the Vienna Insurance Group recorded gross written premium growth of 6.3% (2006: 4.0%). Total premium growth amounted to 5.0% (2006: 3.4%) in the non-life area and 10.4% (2006: 6.2%) in the life area (Source: Internal analysis based on preliminary data 2007 of the Czech Insurance Association).

Description of Individual Group affiliates

Kooperativa pojišťovna, a.s. Vienna Insurance Group Prague

Kooperativa Prague is the second largest insurance company in the Vienna Insurance Group. Kooperativa Česko-slovenská družstevná poisťovňa, a.s., the predecessor of Kooperativa Prague, which Wiener Städtische Wechselseitige Versicherungsanstalt co-founded in 1990, was the first private insurance company in the CEE region. After the division of the former Czechoslovakia in early 1993, two independent corporations, in which the Vienna Insurance Group held direct equity interests, emerged from the Prague and Brno national offices. In 1999, the two Czech Kooperativa companies merged to form the current Kooperativa Prague. Kooperativa Prague presently operates throughout the Czech Republic. Wiener Städtische AG holds 92.6% of the voting shares in Kooperativa Prague. Kooperativa Prague is a multi-line insurance company offering a broad spectrum of property, casualty and retirement products. With its registered office in Prague, the company has nine regional offices and almost 300 business locations. In 2004, Kooperativa Prague took over Pojišťovna České spořitelny's (the Czech savings bank insurance company's) entire portfolio of property insurance policies. This takeover was conducted in conjunction with a strategic collaboration with the financial group of Česká spořitelna (belonging to the Erste Bank Group) in the areas of sales, investment and payment transactions.

As of December 31, 2007, Kooperativa Prague had approximately 2 million customers with approximately 3.7 million insurance policies. Kooperativa Prague's customers include large Czech industrial companies, small, medium-sized and large companies, as well as cities and municipalities. The collaboration with Česká spořitelna should result in comprehensive customer support and greater customer loyalty in the future.

Česká podnikatelská pojišťovna, a.s Vienna Insurance Group

CPP was founded in 1995 as a multi-line insurance company and, apart from motor vehicle liability insurance, offers life, property, and accident insurance to its corporate and retail customers. Since mid-2005, Kooperativa Prague has held a 100% interest in CPP. As of December 31, 2007, CPP has approximately 290 business locations throughout the Czech Republic and has represented approximately 600,000 customers with approximately one million policies.

Slovakia

Slovakia is the fourth largest insurance market for the Vienna Insurance Group, with gross premiums written of EUR 494.5 million, or 7.2%, of the Vienna Insurance Group's total gross premiums written for fiscal year 2007. For details on the Slovakian insurance market, see "*Management's Discussion and Analysis of Financial Condition and Results of Operations – Significant Factors Affecting Business Operations*".

The Vienna Insurance Group conducts its insurance business in Slovakia through the following operating companies, whose administrative departments were combined to make use of synergies and improve customer support:

- *Kooperativa poisťovňa, a.s. Vienna Insurance Group* ("*Kooperativa Bratislava*"). The company was founded in 1990 and offers property, casualty, and life insurance products.
- *Komunálna poisťovňa, a.s. Vienna Insurance Group* ("*Komunálna*"). The company is a composite insurer specializing in meeting the insurance needs of retail customers and central, regional, and local authorities and companies, with a focus on the property and casualty insurance businesses.
- *Kontinuita poisťovňa, a.s. Vienna Insurance Group* ("*Kontinuita*"). After a complete restructuring of its product portfolio in 2003, the company now concentrates on life insurance.

In fiscal year 2007, gross premiums written of the Vienna Insurance Group in Slovakia amounted to EUR 494.5 million and EUR 387.7 million for fiscal year 2006. 60.0% of gross premiums written in fiscal year 2007 were derived from the non-life area and 40.0% from the life area. Profit before taxes in fiscal year 2007 amounted to EUR 30.3 million and EUR 27.7 million for fiscal year 2006. The Vienna Insurance Group's expense ratio in Slovakia increased by 1.6 percentage points in fiscal year 2007 as a result of higher acquisition costs. Influenced by business expansion, net investment income in Slovakia increased by 43.4% in the period.

Property and Casualty Insurance

The Vienna Insurance Group sells property and casualty insurance products in Slovakia that are similar to those sold in Austria, see "*– Austria – Property and Casualty Insurance*," above. Significant differences are primarily the result of the terms and conditions of individual products, which either must take legal provisions into account or must respond to specific needs of Slovakian customers.

In 2006, the Vienna Insurance Group achieved the first position in the Slovak motor vehicle liability insurance market. During 2007, the Vienna Insurance Group also achieved first place in the motor vehicle liability insurance business overall. The Vienna Insurance Group places a high priority on expeditious and efficient claims processing, which has been optimized through the centralization of loss adjustment for the whole Vienna Insurance Group in Slovakia, which began in 2005.

In the large/industrial customer segment, in which products are tailored to individual customers, many products are developed in close collaboration with Wiener Städtische AG based on Wiener Städtische AG products that are already established in Austria.

The following table sets forth an overview of changes in premium income in the Slovakian property and casualty and life insurance business, loss and expense ratios and net combined ratios in the Slovakian property and casualty insurance business:

	Fiscal year ended December 31,		
	2007	2006	2005
Gross premiums written (EUR million)	494.5	387.7	330.9
Ceded reinsurance premiums as a percentage of premiums (%)	18.8	23.5	28.4
Net earned premiums (EUR million)	398.8	281.4	229.0
Net loss ratio (%)	53.3	51.4	45.8
Net expense ratio (%)	39.6	38.0	43.3
Net combined ratio (%)	92.9	89.4	89.1

Life insurance

In the life insurance segment, the Vienna Insurance Group sells products similar to those sold in Austria, see above " *– Austria – Life Insurance*". Significant differences are primarily the result of the differing economic and social environment and the competitive environment.

In 2005, Kooperativa Bratislava expanded its product range offering a life insurance covering serious illnesses, such as those requiring organ transplantation. Unit-linked life insurance was designed as a modular system, so that each customer can insure individual risks flexibly at his own option.

The following table sets forth the Vienna Insurance Group's life insurance income from gross premiums written in Slovakia, broken down into the following categories:

	Fiscal year ended December 31,		
	2007	2006	2005
	(in EUR million)		
Regular premium payments	133.3	77.1	90.0
Single-premium policies	64.4	64.2	15.3
Total	197.7	141.3	105.3

Competition

In fiscal year 2007, the three Slovakian Group affiliates had a combined market share of approximately 29.2%, as measured by gross premiums written, ranking second in the overall insurance market (Source: Internal analysis based on preliminary data 2007 of the Slovakian Insurance Association). Their market share in the non-life area was 33.2% in fiscal year 2007, as measured by gross premiums written, and 25.3% in the life insurance area, resulting in a second place ranking in both segments (Source: Internal analysis based on preliminary data 2007 of the Slovakian Insurance Association).

Competitors in the non-life segment are, amongst others, Allianz Slovenská poist'ovňa (no. 1), Česká pojišť'ovňa Slovenska (no. 3) and UNIQA (no. 4), and in life insurance they are Allianz Slovenská poist'ovÄa (no. 1), Amslico AIG (no. 3) and ING Life Insurance (no. 4) (Source: Market shares according to the Slovakian Insurance Association Statistics, as measured by gross premiums written).

Premium growth in the Slovakian insurance market was 7.3% in fiscal year 2007 (2006: 3.8%). Premium income in the non-life area grew by 2.2% (2006: -5.1%), in life insurance, growth was 3.0% (2006: 15.8%). By contrast, the Slovakian companies in the Vienna Insurance Group recorded premium growth of 15.6% (2006: 10.8%). Gross written premium growth in the non-life area was 9.4% (2006: 2.4%) and in the life area 24.8% (2006: 6.4%). (Source: Internal analysis based on preliminary data 2007 of the Slovakian Insurance Association).

Description of Individual Operating Companies

The administration of the Slovakian Group affiliates was combined to take advantage of synergies and to offer target-oriented products in all classes of insurance. The evolution and business activities of the individual companies are summarized below:

KOOPERATIVA poist'ovňa, a.s. Vienna Insurance Group Bratislava

Kooperativa Bratislava's operations, in which Wiener Städtische AG today holds a 100% interest, cover both the life and non-life insurance segments throughout Slovakia. In fiscal year 2007, Kooperativa Bratislava ranked second in the Slovakian insurance market with a market share of 21.9%, as measured by gross premiums written (Source: Slovakian Insurance Association). Kooperativa Bratislava also distributes via Slovenská sporitel'ňa, a member of the Erste Bank Group.

KONTINUITA poist'ovňa, a.s. Vienna Insurance Group

Established in 1997, Kontinuita has belonged to the Vienna Insurance Group since 2002. Although Kontinuita has a universal license, after a complete reorganization of its product portfolio in 2003, it now concentrates on the life insurance segment. Aside from private accident insurance, no new policies are being written in the non-life insurance area. According to Slovakian insurance association statistics, in fiscal year 2007, Kontinuita's market share in the Slovakian life insurance market was 8.4%, as measured by gross premiums written, which gives it a fifth place ranking in the life insurance market.

In 2006, the sales force was expanded. Kontinuita poist'ovna benefits from Slovaks being increasingly more conscious of private pension insurance. As Slovaks become increasingly interested in life insurance, the "endowment" product is gaining in popularity. In the life insurance business, the premium growth experienced by Kontinuita poist'ovňa was appreciably above market levels. The premiums volume reached EUR 43.6 million.

KOMUNÁLNA Poisťovňa, a.s. Vienna Insurance Group

Komunálna is a multi-line insurer specializing in meeting the insurance needs of local authorities and companies, with a focus on the non-life area. The company has belonged to the Vienna Insurance Group since 2001. Through Kooperativa Bratislava, Wiener Städtische AG holds an indirect majority participation (95.1%) in Komunálna. According to insurance association statistics, in fiscal year 2007, Komunálna was ranked tenth in the Slovakian insurance market with a market share of 3.1%, as measured by gross premiums written (Source: Internal analysis based on preliminary data 2007 of the Slovakian Insurance Association). Komunálna is strong in the motor vehicle insurance area. Due to its cooperation with auto dealers and garages, customers benefit from favorable terms and fast claims processing.

Poland

In terms of gross premiums written, Poland is the third most important insurance market for the Vienna Insurance Group, with gross premiums written amounting to EUR 543.1 million or 7.9% of the overall gross premiums written of the Vienna Insurance Group in fiscal year 2007. For detailed information about the Polish insurance market, see "*Management's Discussion and Analysis of Financial Condition and Results of Operations – Significant Factors Affecting Business Operations*".

The Vienna Insurance Group has been active in the Polish insurance market since 1998. Its activities in Poland during the past three fiscal years were marked by growth, which included a series of acquisitions. In 2005, the Vienna Insurance Group expanded its market presence by taking over the shares held by the former HUK Coburg in the two companies Towarzystwo Ubezpieczeń Compensa S.A. Vienna Insurance Group (Compensa Non-Life) and Towarzystwo Ubezpieczeń na Życie Compensa S.A. Vienna Insurance Group (Compensa Life) and by acquiring BENEFIA Towarzystwo Ubezpieczeń Majatkowych S.A. Vienna Insurance Group (Benefia Non-Life) and BENEFIA Towarzystwo Ubezpieczeń Życie S.A. Vienna Insurance Group (Benefia Life). In 2005, the Vienna Insurance Group also acquired Polska Towarzystwo Ubezpieceń na Życie S.A. Vienna Insurance Group (Royal Polska). In 2006, the Vienna Insurance Group acquired TUiR CIGNA STU S.A. Vienna Insurance Group (now: TU Interrisk S.A. Vienna Insurance Group), which operates as a non-life insurance company concentrating on the non-motor sector. In March 2007, Vienna Insurance Group increased its stake in the non-life insurer TU PZM up to 91.3% through a capital increase by the Polish Automobile Association ("PZM"). In December 2007, the Vienna Insurance Group executed a purchase agreement for the acquisition of FinLife Towarzystwo Ubezpieczeń na Życie S.A. (FinLife). On March 20, 2008, the Vienna Insurance Group announced its plans to concentrate its life insurance business activities in the Polish insurance market through the merging of Royal Polska and Benefia Life. It is intended that the two companies will distribute products across Poland through cooperative banking arrangements under the joint brand Benefia Life.

The Vienna Insurance Group's gross premiums written in Poland amounted to EUR 543.1 million in fiscal year 2007 and EUR 335.1 million in fiscal year 2006. In fiscal year 2007, 59.7% of the premiums derived from the non-life business and 40.3% from the life business. The group's pre-tax earnings amounted to EUR 18.8 million in fiscal year 2007 and EUR 7.7 million in fiscal year 2006. In addition, the loss ratio in Poland in fiscal year 2007 improved by 3.1 percentage points to reach a level of 59.9% due to effective claims and risk management as well as benign pricing. Influenced by business expansion, net investment income in Poland increased by 22.3% in the period.

Property and Casualty Insurance

The property and casualty products that the Vienna Insurance Group distributes in Poland are similar to those distributed in Austria (for more information, see above "*– Austria – Property and Casualty Insurance*"). Significant differences relate primarily to the terms and conditions of individual products, which must take into account both statutory provisions and the specific needs of Polish customers. The "Religa tax" introduced on October 1, 2007, which collects approximately 13% of motor vehicle liability premiums for financing the health care fund, currently represents the greatest challenge in the Polish property and casualty insurance market.

New car sales, which decreased after Poland's accession to the EU in 2004, increased again in 2007. This is reflected in the motor vehicle class, especially in motor vehicle own-damage insurance, which grew approximately 12.0% in fiscal year 2007 in comparison to the prior period. The Vienna Insurance Group has grown in excess of 33.7% in this class, placing it fifth in the market.

The non-motor vehicle market grew by 13.6% in fiscal year 2007, making it the fastest growing market in the property and casualty area. The Vienna Insurance Group, which grew by 31.7% in this segment, also holds fifth place in this market.

The following table contains an overview of the changes in premium income in the Polish property and casualty as well as life incurance business, loss ratio and expense ratio, and net combined ratio in the Polish property and casualty insurance business:

	Fiscal year ended December 31,		
	2007	2006	2005
Gross premiums written (EUR million)	543.1	335.1	74.1
Ceded reinsurance premiums as a percentage of premiums (%)	2.8	14.5	35.7
Net earned premiums (EUR million)	483.9	262.8	46.5
Net loss ratio %)	59.9	63.0	53.7
Net expense ratio (%)	39.3	40.1	48.7
Net combined ratio (%)	99.2	103.1	102.4

Life Insurance

The Vienna Insurance Group distributes life insurance products similar to those in Austria (for more information, see above "*– Austria – Life Insurance*"). Following the trend in Western Europe, the strongest growth occurred in unit-linked and index-linked life insurance products. Short-term single-premium and bank insurance products are also important growth drivers in the life insurance market. Benefia Life achieved premium growth of more than 500%, the highest premium growth in the Polish insurance market, through sales of a new index-linked single-premium product for VIP customers.

The following table sets forth the gross premiums written income of the Vienna Insurance Group in Poland in the life insurance business, broken down according to the following categories:

	Fiscal year ended December 31,		
	2007	2006	2005
	(in EUR million)		
Regular premium payments	189.9	97.9	1.9
Single-premium policies	29.0	21.4	21.8
Total	218.9	119.3	23.7

Competition

In terms of gross premiums written, the Polish group companies (including FinLife) were collectively ranked sixth in the market by insurance group in fiscal year 2007, with a market share of 5.1%. According to the Polish insurance authorities, they ranked fifth in the non-life area with a market share of 6.9%, and eighth in the life area (including FinLife) with a market share of 3.7%.

Competitors in the non-life business in fiscal year 2007 were, amongst others, PZU (no. 1), Warta (no. 2), the Ergo Group (no. 3) and the Allianz Group (no. 4) and on the life side PZU (no. 1), Commercial Union (no. 2), Aegon (no. 3), Amplico-Life AIG (no. 4), Allianz (no. 5) and ING (no. 6) (Source: Internal analysis based on preliminary data 2007 of the Polish Insurance Regulatory Agency KNF).

Premium growth in the Polish insurance market amounted to 16.6% in fiscal year 2007 (2006: 21.1%). Premium volume grew 11.0% (2006: 4.9%) on the non-life side and 20.9% (2006: 37.8%) on the life side. In comparison, the Vienna Insurance Group (Compensa Non-Life and Life, Benefia Non-Life and Life, Royal Polska, Cigna now: TU Interrisk S.A. Vienna Insurance Group) posted total premium growth of 45.8% in Poland in fiscal year 2007 (2006: 47.7%). Premium growth on the non-life side amounted to 30.1% (2006: 19.5%) and growth on the life side amounted to 76.6% (2006: 174.1%) (Source: Internal analysis based on preliminary data 2007 of the Polish Insurance Regulatory Agency KNF).

Description of the Six Most Important Individual Operating Companies

The Vienna Insurance Group has pursued its multi-brand strategy on the Polish market. On the other hand, the segment back office is taking advantage of synergies through greater cooperation and the bundling of competencies.

Towarzystwo Ubezpieczeń Compensa S.A. Vienna Insurance Group (Compensa Non-Life) and Towarzystwo Ubezpieczeń na Życie "Compensa S.A." Vienna Insurance Group (Compensa Life)

Compensa Non-life and Compensa Life were both founded in 1990 and are among the best-known insurers in Poland. The Vienna Insurance Group has held a participating interest in Compensa Non-Life since 2001. The majority of the company's portfolio is made up of motor vehicle insurance products, which should be balanced in the future through the promotion of the non-motor classes of business. The primary source of the losses generated in 2006 was eliminated by the 2006 restructuring of the motor vehicle liability insurance business, which was not profitable in certain sub-segments. Compensa Life concentrates on the traditional life insurance business including group insurance and single-premium plans with a strong agent network of its own, as well as multilevel marketing and brokers. Compensa Non-Life and Compensa Life have a well developed nationwide sales network consisting of approximately 2,800 agents and over 110 branches as of December 31, 2007.

BENEFIA Towarzystwo Ubezpieczeń Majatkowych S.A. Vienna Insurance Group (Benefia Non-Life) und der BENEFIA Towarzystwo Ubezpieczeń na Życie S.A. Vienna Insurance Group (Benefia Life)

Benefia Life and Benefia Non-Life operate in a niche market. The latter specializes in cooperative arrangements with auto dealers and offers its products predominantly in the motor-vehicle segment. Since the end of 2006, Benefia Non-Life has also sold its products over the Internet. Benefia Life concentrates on the bank insurance business, online sales and other alternative marketing channels. These two companies do not have a separate network of agents for insurance.

Royal Polska Towarzystwo Ubezpieczeń na Życie S.A. Vienna Insurance Group (Royal Polska)

Acquired in 2005, Royal Polska operates in the life insurance business. It sells its products through an independent company, which operates throughout Poland with 300 agents and was also taken over by the Vienna Insurance Group. Royal Polska concentrates on the bank insurance business. In addition, it sells index-linked life insurance products in the individual and group insurance segments.

TU Interrisk S.A. Vienna Insurance Group (formerly TUiR CIGNA STU S.A) (Interrisk Poland)

A non-life insurer specializing in the non-vehicle classes, Interrisk Poland has belonged to the Vienna Insurance Group since 2006. In addition to non-life insurance, Interrisk Poland sells private health insurance. As of December 31, 2007 Interrisk Poland had a well developed national insurance sales network consisting of approximately 1,800 agents and 40 branches.

Romania

Romania is the Vienna Insurance Group's fifth largest insurance market in terms of gross premiums written, which amounted to EUR 413.5 million or 6.0% of the Vienna Insurance Group's total gross premiums written in fiscal year 2007. For detailed information about the Romanian insurance market, see "*Management's Discussion and Analysis of Financial Condition and Results of Operations – Significant Factors Affecting Business Operations*".

The Vienna Insurance Group is represented in Romania by the four companies Unita S.A. Vienna Insurance Group, Agras Vienna Insurance Group S.A., Omniasig Asigurari de Viata S.A. (Life) and S.C. Omniasig S.A. Vienna Insurance Group (Non-Life). Unita Vienna Insurance Group S.A. (Unita), was founded in 1990 as the first private insurance company in Romania and has been part of the Vienna Insurance Group since 2001. Since October 2002, Unita has held a majority interest in the Romanian insurance company Agras Vienna Insurance Group S.A.; its stake as of December 31, 2007 was 88.7%. In 2005, the Vienna Insurance Group acquired 98.5% of Omniasig Vienna Insurance Group S.A. (Omniasig), at that time the third largest insurance company in Romania (Source: Insurance Profile, May 2006 issue – 2/2006(11)). Through Omniasig, the Vienna Insurance Group indirectly holds a stake in S.C. Omniasig Asigurari de Viata S.A., which operates in the life insurance segment. In November 2007, the Vienna Insurance Group also took over the majority shares of S.C. Asigurarea Romaneasca – Asirom S.A. (Asirom), increasing its stake to approximately 98.5%. Subsequent to the acquisition of Asirom, the Vienna Insurance Group has a market share in Romania of approximately 28%.

In 2007, the Vienna Insurance Group's gross premiums written in Romania amounted to EUR 413.5 million; in fiscal year 2006 they were EUR 236.9 million. In fiscal year 2007 96.7% of gross premiums written were generated by the non-life classes and 3.3% from the life classes. The Group's pre-tax earnings in Romania amounted to EUR 4.6 million in fiscal year 2007 and EUR 2.8 million in fiscal year 2006. In fiscal year 2007, the Romanian market saw an increase in its loss ratio of 5.5 percentage points, reaching a level of 66.0%, which was primarily influenced by the motor classes. Influenced by business expansion, net investment income in Romania increased by 118.7% in the period.

Property and Casualty Insurance

The products sold on the property and casualty insurance side in Romania are similar to those sold in Austria, see above " – *Austria – Property and Casualty Insurance*". The key differences arise primarily due to legal requirements and the different market conditions with respect to premium calculation, coverage amounts and the scope of coverage.

Romania shows strong growth primarily in the property and casualty lines, in large part driven by the motor classes. There is increasing consciousness of the need for insurance coverage in the household and homeowner areas, not least of all because of the catastrophic floods of 2006 and 2007, which prompted the government to consider mandatory household insurance.

The following table sets forth a summary of the changes in premium income in the Romanian property and casualty as well as life insurance business, loss and expense ratios and net combined ratio in the Romanian property and casualty insurance business:

	Fiscal year ended December 31,		
	2007	2006	2005
Gross premiums written (EUR million)	413.5	236.9	136.2
Ceded reinsurance premiums as a percentage of premiums (%)	9.9	17.2	22.4
Net earned premiums (EUR million)	314.9	193.5	96.9
Net loss ratio (%)	66.0	60.5	64.1
Net expense ratio (%)	34.9	39.2	40.9
Net combined ratio (%)	100.9	99.7	105.0

Life Insurance

The life insurance products sold in Romania are also similar to those sold in Austria, see above "– *Austria – Life Insurance*". The Vienna Insurance Group believes there is significant potential in the life insurance area in Romania in the coming years.

The life insurance business has developed more and more dynamically in recent years. Whereas initially fund-linked life insurance was developing strongly because of the tax benefits, now also traditional products like credit insurance are growing. Strong growth is expected to continue in the years ahead given that the insurance density in this area is far below the European average.

The following table sets forth the gross premiums written income of the Vienna Insurance Group in Romania in the life insurance segment, broken down according to the following categories:

	Fiscal year ended December 31,		
	2007	2006	2005
	(in EUR million)		
Regular premium payments	7.4	10.5	3.7
Single-premium policies	6.3	1.6	5.8
Total	13.7	12.1	9.5

Competition

In fiscal year 2007, the Vienna Insurance Group including its four group affiliates (Unita S.A., Agras Asigurare Reasigurare S.A., S.C. Omniasig Asigurari de Viata S.A. and S.C. Omniasig S.A.) was ranked first in the market, with an 19.6% market share (Source: Internal analysis based on preliminary data 2007 of Insurance Profile, March 2008 issue – 1/2008(18)). When Asirom is included, in which a majority interest was acquired in November 2007, the Vienna Insurance Group held a 27.8% market share in fiscal year 2007 in terms of gross premiums written. Its position (including Asirom) stood at 9.6% (no. 3) in fiscal year 2007 in terms of gross premiums written on the life side and at 32.5% (no. 1) on the non-life side. (Source: Internal analysis based on preliminary data 2007 of Insurance Profile, March 2008 issue – 1/2008 (18)).

Competitors on the non-life insurance side are, amongst others, Allianz-Tiriac (no. 2), BCR Asigurari (no. 3) and Asiban (no. 4); on the life side they are, amongst others, ING (no. 1), AIG (no. 2) and Asiban (no. 4). (Rankings based on internal analysis of preliminary data 2007 of Insurance Profile, March 2008 issue – 1/2008 (18) based on gross premiums written).

Premium growth in the Romanian insurance market amounted to 26.9% in fiscal year 2007 (2006: 30.1%). Gross written premiums increased 25.9% on the non-life side (2006: 36.4%) and 31.3% on the life side (2006: 9.5%). In comparison, the Vienna Insurance Group (Unita S.A., Agras Asigurare Reasigurare S.A., S.C. Omniasig Asigurari de Viata S.A. and S.C. Omniasig S.A.) posted total premium growth of 64.8% (2006: 1.5%), with 67.6% (2006: 4.2%) on the non-life side and 17.1% (2006: -35.9%) on the life side (Source: Internal analysis based on preliminary data 2007 of Insurance Profile, March 2008 issue – 1/2008 (18)).

Description of the individual operating companies

Unita Vienna Insurance Group S.A.

Unita Vienna Insurance Group S.A. (Unita) was founded in 1990 as the first private insurer in Romania. It has been part of the Vienna Insurance Group since 2001. Since transferring its life portfolio to Omniasig Life in 2005, Unita has been a pure property insurance company specializing in the motor classes with more than 320,000 customers. In addition to having a full-time sales force, the company works in close cooperation with brokers and leasing companies. Unita's product portfolio currently meets the needs of retail and corporate customers in the life and non-life areas. The products are marketed through its own sales network consisting of over 200 branches and approximately 8,000 agents as well as through collaborations with brokers and banks.

Agras Vienna Insurance Group S.A.

Agras Asigurare Reasigurare S.A. (Agras) has been part of the Vienna Insurance Group since Unita acquired a majority interest in 2002. It is the largest Romanian farm insurance company, with more than 4,000 customers in the farm segment. Its back office operations are combined with those of Unita. Sales are handled through its own specialized network, agents, brokers and partnerships with seed suppliers.

Omniasig Vienna Insurance Group S.A. Omniasig Asigurari de Viata S.A.

In 2005, the Vienna Insurance Group acquired 72.8% of S.C. Omniasig S.A. (Omniasig) (its share as of December 31, 2007 was 98.48%), which, in turn, is the majority owner of S.C. Omniasig Asigurari de Viata S.A. (indirectly held share as of December 31, 2007 was 79.99%). The companies in the Omniasig group operate on the non-life side in the retail and corporate segments, with a special emphasis on large corporations, as well as offering personal and life insurance. Omniasig and its subsidiaries have an effective and developed sales network consisting of more than 300 sales locations.

Asigurarea Romaneasca – Asirom. S.A.

After acquiring a 30% share of S.C. Asigurarea Romaneasca – Asirom. S.A. (Asirom) in July 2007, in November of that year the Vienna Insurance Group purchased an additional 20.2%, making it the majority owner of Asirom. As Asirom is a listed company, the Vienna Insurance Group submitted a compulsory offer to the remaining stockholders. Additional purchases brought its share up to 98.5%. In 1999, the former state insurance company was privatized and is among the top three insurance companies in the country today (Source: Insurance Profile, November 2007 issue).

The Rest of Europe

In 2007, the Vienna Insurance Group recorded gross premiums written of EUR 383.8 million in the other CEE markets in which it operated with its subsidiaries. There has been strong growth in recent years in these CEE markets as well. The other CEE markets in which the Vienna Insurance Group operates recorded a moderate loss ratio of 58.9% and a cost ratio of 43.9% in fiscal year 2007. Influenced by business expansion, net investment income in the other CEE markets increased by 163.2%. However, the anticipated growth in the insurance industry depends on the growth of the respective national economies. The same is true of the possibility of achieving an insurance density comparable to that existing in the EU-15 countries.

The following section describes the business operations of the Vienna Insurance Group in these CEE markets.

Albania

The Vienna Insurance Group entered the Albanian insurance market in September 2007. TBIH Financial Services Group N.V., in which the Vienna Insurance Group holds a majority stake, acquired 75% of Sigma Sh.a., based in Tirana, which was founded in 1999 and operates in the property insurance area. Sigma has a subsidiary in Macedonia and a branch in Kosovo. Sigma was the first private insurance company in Albania and is the third largest insurer in the country today with a focus on motor insurance. The Albanian insurance market has a very high growth potential due to the very small insurance density there. Life insurance was not sold there until 1997, and the insurance market is dominated by the non-life classes.

Bulgaria

The Vienna Insurance Group acquired interests in the two Bulgarian companies Bulgarski Imoti Sachversicherungsgesellschaft AG (Bulgarski Imoti Non-Life) and Bulgarski Imoti Lebensversicherungsgesllschaft AG (Bulgarski Imoti Life) in 2002. Bulstrad Insurance & Reinsurance Plc. and Bulstrad Life Insurance Joint-Stock Company have also been part of the Vienna Insurance Group since 2006 as a result of the acquisition of a majority stake in TBIH Financial Services Group N.V. Bulstrad Non-Life is the largest non-life insurance company on the Bulgarian insurance market and has over 400 employees and 72 offices in the country. As a diversified insurance company with a well-developed network of offices, the Vienna Insurance Group is well positioned in the Bulgarian insurance market with its dynamic character. In the first three quarters of 2007, the market share of the Bulgarian companies of the Vienna Insurance Group was 18.1%, as measured by gross premiums written, resulting in a first place ranking in the market (Source: Bulgarian Insurance Association Statistics). There is a large amount of corporate business with Austrian customers in particular and the Vienna Insurance Group has plans for further expansion. The collaboration that began in 2003 with the subsidiary of Hypo Vereinsbank continues to be important for the Bulgarian life insurance business. The termination of the cooperation with the Raiffeisen Group in 2006 resulted in a temporary decline in premiums. In 2005, Wiener Städtische AG reacquired the 26% share that HUK Coburg had acquired in each of the companies in 2003.

In the first three quarters of 2007, gross written premiums in the Bulgarian insurance market increased 20.4% (Q1-3 2006: 12.9%), with gross written premiums increasing by 18.7% in the non-life area (Q1-3 2006: 10.8%) and 30.1% in the life area (Q1-3 2006: 28.0%). In comparison, the Bulgarian subsidiaries of the Vienna Insurance Group recorded growth of 28.4% in total premiums (Q1-3 2006:

11.8%), with premiums increasing by 29.5% in the non-life area (Q1-3 2006: 8.0%) and 17.9% in the life area (Q1-3 2006: 68.8%) (Source: Internal analysis based on nine-month data of the Bulgarian Insurance Association).

Georgia

The Vienna Insurance Group operates in Georgia through its participation in TBIH, which holds approximately 70% of the largest insurance company in the country, Georgian Pension and Insurance Holding JSC. TBIH is also the majority owner of International Insurance Company IRAO Ltd. Versicherung, the fifth largest in Georgia, which operates exclusively in the non-life area. Together the Georgian subsidiaries of the Vienna Insurance Group sell products in all important insurance segments. As part of the reform of the national pension system, GPIH became the first to sell private pension products. The company has a large sales force comprised of agents and also cooperates with the largest Georgian bank, TBC. IRAO had been operating strictly on the non-life side, where it sells a comprehensive assortment of products in motor and industrial classes, but in 2007 it also started operating on the life insurance side. The company marketed two products, coverage for borrowers and life insurance for credit card holders. IRAO continues to pursue plans to sell health insurance products to retail and corporate customers and has set up a separate department for health insurance.

Croatia

The Vienna Insurance Group is represented in Croatia by three companies: Kvarner Vienna Insurance Group d.d., based in Rijeka (Kvarner), Cosmopolitan Life Vienna Insurance Group d.d. za osiguranje d.d. (Cosmopolitan Life), and Helios d.d. (Helios). Kvarner has operated on the Croatian insurance market since September 1999 and sells both life insurance and non-life insurance. After the additional purchase of Cosmopolitan Life, which was founded in 1998 and operates strictly in the life insurance business, and the acquisition of a majority of Helios, which specializes in non-life, through its participation in TBIH in 2006, the Vienna Insurance Group reached fourth place in the Croatian insurance market in 2007 with a market share of 7.6% (2006: 7.0%), as measured by gross premiums written (Source: Internal analysis based on preliminary data 2007 of the Croatian Financial Regulatory Agency Statistics).

Kvarner has a widespread sales network consisting of more than 128 sales offices covering the whole territory of Croatia. Sales are focused on the company's own sales force, which accounts for 70% of sales. With the promotion of the expansion of its own sales force in the last five years, the company has created a dynamic premium revenue trajectory with growth above market levels. In addition, the Vienna Insurance Group benefits from various partnerships with Croatian banks, of which the partnership with the Erste Bank Group is especially important.

In December 2006, Cosmopolitan Life was the first to introduce the index-linked product "Best of Trend" with a capital guarantee and investment in international securities, which generated strong customer interest.

With a view to Croatia's anticipated entry into the EU, the legal environment in the insurance field is being harmonized with the standards set by the European Union. In 2007, the growth in premiums in the Croatian insurance market amounted to 10.5% (2006: 10.1%), with gross written premiums growing by 9.4% in the non-life area (2006: 9.0%) and 13.6% in the life area (2006: 13.4%). In comparison, the Vienna Insurance Group in Croatia recorded total premium growth of 18.6% in 2007 (2006: 8.1%), with premiums growing by 19.7% in the non-life area (2006: 11.4%) and 17.4% in the life area (Q1-3 2006: 4.7%) (Source: Internal analysis based on preliminary data 2007 of the Croatian Financial Regulatory Agency Statistics).

Russia

In October 2005, Wiener Städtische AG reached agreement with the Moscow insurance company Moskovskaja Strachovaja Kompanija (MSK) to establish a joint life-insurance company in Russia, Insurance Company MSK-Life Ltd. Wiener Städtische AG holds a 25% share of this life insurance company and MSK holds a 75% share. MSK's shareholders are the City of Moscow, which holds a 51% share, and Bank of Moscow, which holds a 49% share. MSK-Life obtained a license in August 2006 to begin operating in the life and health insurance businesses, and since then it has been selling a wide array of life insurance products and casualty and health coverage. It sells insurance products through the sales networks of MSK and the Bank of Moscow, which has offices in Russia from Kaliningrad to Vladivostok. Approximately 10,000 policies were written in the first few months. The Vienna Insurance Group also holds 15% of the Closed Joint-Stock Medical Insurance Company "Solidarnost Ollya Zhizni" (SoVita) and Insurance Joint-Stock Company "Standart-Rezerv", two insurance companies that were part of KFS until 2006. These two companies are also majority owned by the Bank of Moscow. SoVita is purely a health insurance company currently specializing predominantly in mandatory medical coverage. The Vienna Insurance Group believes that there is considerable potential in the Russian insurance market due to its size and the large amount of pent-up demand for insurance services.

Serbia

The Vienna Insurance Group operates through its subsidiary, Wiener Städtische Osiguranje a.d.o. Beograd, in both the life and non-life areas of the Serbian market. Wiener Städtische Osiguranje a.d.o. Beograd received its license from the competent finance ministry in 2003. As of December 31, 2007, Wiener Städtische Osiguranje a.d.o. Beograd was operating in the Serbian market with 13 branches. According to statistics from the Serbian National Bank, in the first three quarters of 2007, Wiener Städtische Osiguranje a.d.o. Beograd was ranked fourth in the Serbian market, as measured by gross premiums written. Wiener Städtische Osiguranje a.d.o is focusing on the core area of Serbia and is not active in Kosovo. Following restrictive license revocations in 2006 and the privatization of DDOR in 2007, the Serbian insurance market is now characterized by the entry of a number of new players.

Turkey

In June 2007, the Vienna Insurance Group acquired a 74.3% share in Ray Sigorta A.S. through its holdings in TBIH Financial Services Group N.V. Ray Sigorta is purely a non-life insurance company with a market share of approximately 2.7%. The company was founded in 1958 and specialized in transportation insurance. In 1992, Ray Sigorta was privatized and is currently listed on the Istanbul Stock Exchange. The majority of premiums are still generated by motor and casualty insurance. Toward the end of 2007, Ray Sigorta reached an agreement with Petrol Ofisi (OMV), which has the largest network of petrol stations in Turkey, allowing Ray Sigorta to use the network to sell its motor insurance products.

The Turkish insurance market holds considerable potential due to the size and vitality of its economy and the large pent-up demand for insurance services.

Ukraine

In the fourth quarter of 2004, the Vienna Insurance Group entered the Ukrainian insurance market by acquiring a participating interest in the insurance company Geschlossene Aktiengesellschaft Versicherungsgesellschaft "Jupiter" (Jupiter) AG, a life insurance company. In 2005, Wiener Städtische AG acquired majority shares in the Ukrainian insurance company Versicherungs AG Kniazha AG (Kniazha). At the beginning of 2007, the Vienna Insurance Group increased its share in Kniazha from just under 50% to 80%. In 2006, it acquired a majority stake in IC Globus Uzhgorod (Globus), a non-life insurance company founded in 1994. Kniazha operates exclusively in the property insurance area (primarily in motor vehicle third-party liability insurance) and its network of insurance agents and branches provide it with representation throughout Ukraine. Globus operates in the property, health and casualty areas, and also has a widespread distribution network covering the entire country. 2007 was a dynamic year for Globus with several key events, which sustained its position in the Ukrainian market. The regional network of branches was expanded, the sale of insurance products intensified, public relations were enhanced and its information technology was modified. Jupiter is a life insurance company. In November 2007, TBIH Financial Services Group N.V., which is majority owned by the Vienna Insurance Group, acquired a 62% stake in Ukrainska Strakhova Grupa, subject to regulatory approvals which were received in February 2008. Aside from motor vehicle liability insurance, that company concentrates on selling products in the collision insurance segment.

In March 2006, through its majority shareholding in TBIH, the Vienna Insurance Group held a 50% interest in UPIH. As part of the restructuring of the TBIH holdings, VAB Bank (a Ukrainian bank that held interests in VAB Insurance, VAB Life Insurance and VAB Re Insurance through TBIF, a subsidiary of TBIH) transferred its interests in the VAB companies to UPIH, causing them to become direct subsidiaries of UPIH. In March 2008, the Vienna Insurance Group, through its shareholding in KFS, increased its interest in UPIH to 62% and, as a result, increased its indirect holdings in VAB Insurance, VAB Life Insurance and VAB Re Insurance.

UPIH holds a 99.98% interest in each of the private joint-stock companies, VAB Insurance, VAB Life Insurance and VAB Re Insurance. VAB Insurance is active primarily in the motor vehicle liability insurance segment with gross premiums of approximately EUR 8.3 million in fiscal year 2007. VAB Life Insurance recorded gross premiums of approximately EUR 0.6 million in fiscal year 2007. VAB Re Insurance primarily sells reinsurance in the transit insurance segment and recorded gross premiums of approximately EUR 5 million in fiscal year 2007. The retirement pension insurance company VAB Pension has approximately 105,000 members.

Hungary

The Vienna Insurance Group operates in the life and non-life areas in Hungary through its subsidiary Union Vienna Insurance Group Biztosítóz Rt. (Union Hungary). From the viewpoint of the Vienna Insurance Group there were no attractive acquisition opportunities in the Hungarian insurance market over the last few years. Consequently, the Vienna Insurance Group decided to invest in the organic growth of Union Hungary. Its entry into the motor vehicle insurance segment in 2004 was one of the primary reasons why the company was able to grow. In terms of gross premiums written, Union Hungary was ranked ninth in the market for fiscal year 2007 (Source: Internal analysis based on preliminary data 2007 of the Hungarian Insurance Association). Recently performance improvement measures were introduced, primarily in the areas of claims management and general work processes. In recent years, there were positive developments particularly on the life insurance side in connection with the single-premium product “Smaragd”, a fund-linked life insurance plan in which Union Hungary raises customers’ premium payments through a credit arrangement.

In fiscal year 2007, the growth in premiums in the Hungarian insurance market was 12.0% (2006: 21.0%), with premium revenues growing by 2.9% in the non-life area (2006: 6.6%) and 20.8% in the life area (2006: 39.3%). In contrast, Union Hungary recorded growth of 38.6% in total gross written premiums (2006: 20.9%), with premiums growing by 19.3% in the non-life area (2006: -20.3%) and 57.8% in the life area (2006: 148.5%). (Source: Internal analysis based on preliminary data 2007 of the Hungarian Insurance Association).

Belarus

In 2002, the Vienna Insurance Group entered the Belarus insurance market by acquiring an interest in the Joint Belarus-Austrian Insurance Company Kupala (Kupala). In July 2005, ZASO Victoria (property insurance) was acquired, with the objective of developing and expanding the distribution of insurance products (household insurance, small and medium business insurance) through Prior Bank (Raiffeisen). This partnership was formed and further expanded in 2006. The Vienna Insurance Group is the only Western insurance company represented in the Belarus market.

Description of the Individual Group Companies in the Other Markets

Germany

Wiener Städtische AG operates in the Federal Republic of Germany through its wholly-owned subsidiaries, InterRisk Versicherungs AG Vienna Insurance Group and InterRisk Lebensversicherungs AG Vienna Insurance Group. In contrast to the insurance markets in the CEE region, the German insurance market is relatively saturated, and the Vienna Insurance Group holds only a small market share. InterRisk Versicherungs-AG concentrates primarily on casualty and selected property insurance products. On the life insurance side it concentrates primarily on risk insurance and disability insurance. Both InterRisk companies sell their products through independent brokers and multiple agents.

Liechtenstein

Wiener Städtische AG has been operating in Liechtenstein since 2000 through its subsidiary, Vienna-Life Lebensversicherung AG Vienna Insurance Group. The majority of Vienna-Life Lebensversicherung AG Vienna Insurance Group’s gross earned premiums are generated from unit-linked and index-linked life insurance. In 2006, the unit-linked life insurance plan “Silver Fund” was launched with an emphasis on precious metals.

In fiscal year 2006, the Vienna Insurance Group’s gross premiums written in Liechtenstein amounted to EUR 124.5 million. In fiscal year 2005, gross premiums written amounted to EUR 167.7 million. The result before taxes was EUR 2.8 million for fiscal year 2006 and 0.8 million for fiscal year 2005.

Since 2003, Vienna Life has also sold products for regular premium payments. This has made it increasingly possible for the company to build a broader customer base not only among wealthy individual customers but also in the growing segment of middle class customers. Wealthy private customers were the growth driver in 2006. The strong growth of the regular-premium business and the expansion of the sales base as a result of integrating new partners enabled Vienna Life to increase the number of policies by nearly one third. The product with the highest growth in 2007 was “Individual Life”, which combines individual asset investment with the tax benefits of life insurance in return for a single premium payment.

Capital Assets

Overview

The Vienna Insurance Group’s financial results are highly dependent on the quality and performance of the Group’s investment portfolio. In fiscal year 2007, profit from capital investments and interest was EUR 995.8 million, in fiscal year 2006 it was EUR 711.4 million, and in fiscal year 2005 it was EUR 593.9 million. The Group’s capital investments totaled EUR 20,171.4 million as of December 31, 2007, EUR 17,260.4 million as of December 31, 2006, and EUR 15,162.7 million as of December 31, 2005. These figures refer to capital investments excluding the capital investments of unit-linked and index-linked life insurance, as those are neither a source of revenue nor risk for the Vienna Insurance Group.

The Group’s capital investments are made in fixed-interest securities (bonds, loans/credit), equities, real estate, participations and structured investment products. All such investments take the Group’s overall risk position into consideration under the investment strategy provided for this purpose. When determining volumes and limits for open transactions, the risk inherent in the specified categories and market risk are of fundamental importance. Capital investment strategy is specified in the Group’s investment guidelines, which are constantly monitored for compliance by the central risk controlling unit and internal audit. Investment guidelines are centrally established and all Group companies are required to comply with these guidelines, taking the respective local regulations into account. See “*Risk Management*”.

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

- The Vienna Insurance Group follows a long-term, conservative investment policy.
- The Vienna Insurance Group focuses on using its asset mix to ensure that cash flows match its long-term liability profile and to create permanent increases in value by utilizing correlation and diversification effects for the individual asset classes.
- Depending on the asset class in question or on the objective within asset classes, investments are managed within the Group or by outside management. Decisions in this regard are made by a committee set up for this purpose.
- Market risk management for securities is aimed both at providing a transparent view of the potential risks arising from price, interest-rate and currency fluctuations as they affect the value and results of security investments, and at minimizing these risks. Risks are minimized by setting position limits and by using a two-level limit system for potential risks.
- Changes in the market are monitored continuously and the allocation of portfolio assets is actively adjusted.
- The share of investment in equities (broken down) does not exceed 10%.
- Bond investments in non-investment grade debt are only made in exceptional cases and only upon a decision to this effect by the Management Board.

The capital investment strategy for the CEE region can be summarized as follows:

- The investment policy is more conservative than that for Austria.
- The focus is on liquid investment categories, primarily fixed-interest securities. Equity investments are of secondary importance.

This applies especially to the Czech Republic and Slovakia.

Investment Portfolio

In accordance with the Group's conservative investment policy, the Vienna Insurance Group's directly held investment portfolio contains a large proportion of fixed-interest securities and loans in the amount of approximately 60%. As a rule the share of investment in equities is maintained below 10%, and the share in real estate is historically at approximately 10%, in both cases measured by book value of the total investment portfolio.

The table below sets forth the distribution of investments in the Vienna Insurance Group portfolio as of December 31, 2007 and 2006, broken down into the property and casualty, health, and life insurance categories in EUR million:

	Fiscal year ended December 31,					
	2007			2006		
	Property and casualty	Health	Life	Property and casualty	Health	Life
	(in EUR million)					
Land and buildings	370.6	147.5	2,350.7	1,410.5	123.1	641.9
Shares in affiliated companies and participations	640.8	121.4	208.7	231.5	107.4	193.4
Loans	106.0	120.3	961.1	166.6	112.3	778.5
Other securities	1,780.2	442.5	12,250.9	1,816.3	603.1	10,531.3
Held to maturity	71.4	0.0	301.9	54.6	0.0	251.7
Available for sale	1,300.3	361.1	11,297.2	1,426.3	549.3	9,785.4
Trading	330.7	81.4	565.2	248.2	53.9	453.3
Financial Instruments (derivatives) recognized at fair value	77.9	0.0	86.5	87.3	0.0	41.0
Other financial assets	355.9	39.1	275.9	272.9	18.5	253.1
Total financial assets	3,253.4	870.7	16,047.2	3,897.9	964.4	12,398.1

The change in the category "land and buildings" in the fiscal year 2007 with the fiscal year 2006 is mainly due to the first time consolidation of the non profit housing development companies. Vienna Insurance Group's investment portfolio and assets are not subject to material securities interests.

As of December 31, 2007, the "Other securities" category consisted of an investment in equities of approximately 8%, an investment in bonds of approximately 75%, and approximately 3% in various other securities and 14% in investment funds. Compared to December 31, 2006, this distribution has changed marginally.

Approximately 93.6% of the investments in the "Other financial assets" category consist of bank deposits and 5.8% consist of deposit receivables from the assumption of reinsurance contracts.

Bonds

As December 31, 2007, the Vienna Insurance Group's directly held bond portfolio represented approximately 54% of total capital assets. Including the proportion of bonds held by investment funds, this results in a share of bonds in the amount of approximately 60% based on the total capital assets. The Vienna Insurance Group actively manages its bond portfolio using estimates of changes in interest rates, spreads and creditworthiness and 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, i.e., made in the same currency as the obligations to policyholders. Currently, the Vienna Insurance Group is not planning to introduce any changes related to its bond portfolio strategy.

Under the Group's investment guidelines for Austria, investments in bonds are made almost exclusively in investment grade bonds with a rating of AAA to BBB – . Investments in non-investment grade bonds are made only in individual cases and only upon a decision to this effect by the Management Board. The goal is to achieve the greatest possible diversification among individual issuers, avoid accumulation risks, ensure good average creditworthiness, control foreign currency effects and make the majority of investments in middle to long-term maturities.

As a result of the very conservative risk politics of the Vienna Insurance Group and the avoidance of credit derivatives and complex credit structures, the exposure of the Vienna Insurance Group to the structured credit market is lower than 0.5% of total capital assets.

The following table sets forth the bond portfolio, managed by Vienna Insurance Group, of the Austrian companies in the Group as of December 31, 2007 and 2006, broken down by market value. Management of the bond portfolio within the Vienna Insurance Group is performed in part by the security investment departments of the insurance companies and in part by the investment company Ringturm KAG. The investment guidelines set by the Strategic Investment and Risk Committee (Securities) and the Tactical Investment Committee are carried out through the respective funds and portfolios. In the selection of pension funds not managed by the Group, the criteria and principles applied in the selection process are consistent with those applied within the Group.

	Fiscal year ended December 31,	
	2007	2006
	(in %)	
Standard & Poor's Rating[1]		
AAA	20.8	18.3
AA	35.1	31.2
A	37.7	43.2
BBB	5.8	6.7
BB	0.4	0.4
B	0.2	0.2

(1) Or equivalent rating classes of other rating agencies (Moody's, Fitch).

The composition of the bonds of the Vienna Insurance Group's portfolio and their average rating has not materially changed since December 31, 2007.

The following table sets forth the remaining maturities as of December 31, 2007 and 2006 for the bonds in the portfolio described above. All bonds, including, for example, floating rate notes and callable bonds, are classified according to their longest possible remaining maturity.

	Fiscal year ended December 31,	
	2007	2006
	(in %)	
Remaining maturity of up to one year	3.0	2.1
Remaining maturity from one to three years	5.2	3.8
Remaining maturity from three to five years	9.1	8.7
Remaining maturity from five to seven years	11.7	11.9
Remaining maturity from seven to ten years	24.1	20.8
Remaining maturity from ten to fifteen years	17.9	20.9
Remaining maturity over fifteen years	29.0	31.8

Loans

As of December 31, 2007, the Vienna Insurance Group's loan portfolio had a book value of EUR 1,187.4 million. Investments in loans and credits are used to create long-term positions for the insurance business, and are made only in instruments with top quality creditworthiness, particularly those from public institutions and non-profit housing construction companies, as well as mortgage loans. Overall, the loan portfolio is decreasing in significance relative to the Vienna Insurance Group's total investment portfolio because inviting bids on loans has become less important to the Austrian federal government and local authorities. Public institutions are instead increasingly raising needed financing by issuing bonds.

The following table sets forth the Vienna Insurance Group's loan portfolio as of December 31, 2007 and 2006, broken down by the different types of loans:

	Fiscal year ended December 31,	
	2007	2006
	(% of loan portfolio)	
Prepayments on policies	3.7	3.1
Mortgage loans	16.7	21.2
Loans to the Republic of Austria and public authorities	34.1	47.5
Loans with other collateral	17.6	22.6
Loans to affiliated companies	27.9	5.6

The Vienna Insurance Group's loan portfolio is focused primarily on borrowers within Austria. In comparison with the bond portfolio, the loan portfolio includes investments in long-term financing loans that were made in the last few years, as well as investments in formerly long-term Austrian government financing loans. The government loans in particular may be sold on short notice. The following table sets forth the Vienna Insurance Group's loan portfolio as of December 31, 2007 and 2006, broken down by remaining maturity:

	Fiscal year ended December 31,	
	2007	2006
	(% of loan portfolio)	
Remaining maturity of up to one year	3.9	19.2
Remaining maturity from one to five years	36.2	32.7
Remaining maturity from five to ten years	26.4	18.0
Remaining maturity more than ten years	33.5	30.2

Equities

As of December 31, 2007, the Vienna Insurance Group's directly held equity investments were approximately 6.0% (as of December 31, 2006 approximately 7.0%) of the total book value of the investment portfolio, while if equity investments held indirectly through investment funds are included, total investment in equities was approximately 9.0% (as of December 31, 2006: 11.0%). In accordance with the investment guidelines for Austria, investments are managed using the "top-down" approach, subject to the constraint that diversification be used to reduce the market price risk of equities as much as possible. Key elements of diversification are provided by markets or regions, sectors or industries, capitalization (large, medium and small), cycles (value, growth) and valuation allocations (fundamental or quantitative models). The overall proportion of equities in the CEE region is small. Equities have only been a strategic asset class in certain countries. Equity investments in the CEE region are primarily made through investment funds managed by third parties.

Risk diversification within the Vienna Insurance Group's equity portfolio is achieved by geographic diversification. In addition to investments in solid international blue-chip securities, the portfolio also contains a variety of highly liquid blocks of shares in exchange-listed Austrian companies, such as OMV AG, voestalpine AG and Wienerberger AG. The subsidiaries in the CEE region are constrained by restrictive investment rules, so that equities in practice play no (or only a very small) part in their portfolios.

The following table sets forth the regional distribution of the equities portfolio managed by the Wiener Städtische Versicherung AG at December 31, 2007 and 2006, without consideration of the hedging option:

	Fiscal year ended December 31,	
	2007	2006
	(in %)	
Austria	56.3	58.2
EU (without Austria)	37.0	35.6
USA	6.5	6.1
Other countries/regions	0.2	0.1

Including equity investments held through funds would not result in a significantly different allocation.

Real Estate

As of December 31, 2007, the Vienna Insurance Group's held real estate portfolio had a book value of EUR 2,868.7 million (market value: EUR 3,200.8 million) and a book value of EUR 2,175.6 million as of December 31, 2006 (market value: EUR 2,447.9 million). The real estate portfolio is used primarily to create highly inflation-resistant long-term positions for the insurance business, as well as to create hidden reserves. The real estate portfolio has represented approximately 14% of the total investment portfolio of the Vienna Insurance Group. To date, real estate has not been a strategic asset class for affiliated companies operating in the CEE region. The diversification and liquidity of the real estate portfolio has been, and will continue to be, improved by increasing the share invested in real estate funds. The share of capital assets represented by the total real estate portfolio will be reduced in the future.

The following table sets forth the Vienna Insurance Group's real estate portfolio as of December 31, 2007 and 2006, broken down by location and type of use of the various real estate holdings:

	Fiscal year ended December 31,	
	2007	2006
	(% of the real estate portfolio)	
Austria	94	92
Used by the Group	3	4
Used by outside parties	91	88
Other countries	6	8
Used by the Group	5	5
Used by outside parties	1	3

Participations

As of December 31, 2007, the Vienna Insurance Group's participation portfolio had a book value of EUR 970.8 million and a book value of EUR 532.2 million as of December 31, 2006, in both cases calculated under IFRS. As a result, the ratio of participations to the book value of the total investment portfolio was approximately 5.0%.

The Vienna Insurance Group focuses predominantly on long-term participations in insurance companies or in companies whose activities are closely associated with the insurance industry. Reflecting greater concentration on the core business, the tendency over the last few years has been towards a reduction in purely financial participations outside of the insurance portfolio. To date, the Vienna Insurance Group has held only a few financial participations in the CEE region, with these serving primarily to support its insurance business operations.

Employees

In fiscal year 2007, an average of 20,307 employees was employed by the Vienna Insurance Group (in accordance with IFRS and including 100% of employees from the companies consolidated at equity). The table below provides an overview for fiscal years 2007, 2006 and 2005 of the average number of employees in the Vienna Insurance Group.

	Fiscal year ended December 31,		
	2007	2006	2005
Vienna Insurance Group			
Fully consolidated companies:			
Employees in business procurement	9,942	8,856	7,690
Employees in operations	9,329	8,890	8,540
Total	19,271	17,746	16,230
Proportionally consolidated companies:			
Employees in business procurement	517	514	17
Employees in operations	519	327	99
Total	1,036	841	116

	Fiscal year ended December 31,		
	2007	2006	2005
Austria			
Employees in business procurement	2,845	2,822	2,725
Employees in operations	3,293	2,925	2,641
Total	6,138	5,747	5,366
Czech Republic			
Employees in business procurement	2,720	2,408	2,164
Employees in operations	1,918	2,157	2,321
Total	4,638	4,565	4,485
Slovakia			
Employees in business procurement	912	817	623
Employees in operations	785	769	755
Total	1,697	1,586	1,378
Poland			
Employees in business procurement	355	383	8
Employees in operations	1,004	1,002	1,101
Total	1,359	1,385	1,109
Romania			
Employees in business procurement	1,629	1,467	1,457
Employees in operations	1,138	1,190	1,203
Total	2,767	2,657	2,660
Remaining CEE Markets			
Employees in business procurement	1,973	1,449	706
Employees in operations	1,623	1,087	530
Total	3,596	2,536	1,236
Other Markets			
Employees in business procurement	25	24	24
Employees in operations	87	87	88
Total	112	111	112

The Vienna Insurance Group will offer shares to selected employees of Wiener Städtische AG in connection with an employee participation program as part of the Offering, see "*Management – Employee Participation Plan*".

Management believes that the Vienna Insurance Group has good relations with its employees.

Credit Rating

In fiscal year 2007, Wiener Städtische AG submitted itself to another interactive rating by the S&P's rating agency. In the results of the evaluation published in November 2007, S&P confirmed Wiener Städtische AG's Insurer Financial Strength Rating and Counterparty Credit Rating of "A+", which it had issued in July 2005. The outlook of the company was again rated as "positive" (see below for a precise definition of this rating). In its reasons for the rating, some of the positive factors listed by S&P's were among others its strong operational performance in the core markets, and its strategic management approach. It also emphasized the risk-conscious expansion in the CEE region and management's ability to effectively handle the attendant risks. In addition, it noted that the Vienna Insurance Group's financial capacity continues to be large.

The reason provided by S&P for rating the company's outlook as stable was its strong long-term operating performance in its core markets and the continued positive development of the insurance business in the CEE region. The increasing share of profits of the foreign business and the company's long-term development in relation thereto were mentioned in this regard.

On March 27, 2008, S&P published a new research update increasing the outlook from stable to positive.

The S&P rating assigned to Wiener Städtische AG is defined as follows:

> Insurer Financial Strength Ratings evaluate the financial stability of an insurance company and therefore the company's ability to fulfill the obligations arising from its insurance business when needed. The ratings range from AAA (best rating), through AA, A, BBB, BB, B, CCC, to CC (worst rating). Ratings from "AAA" to, and including, "BBB" are referred to as "investment grade" ratings. Distinctions within the rating categories from AA to CCC may be indicated by adding a "+" or "-" sign to the rating. The financial stability of an insurance company receiving an "A" is rated as very good by S&P's. According to S&P's assessment, the probability that unfavorable developments in the company's environment will negatively impact its financial stability is somewhat higher than is the case for insurance companies in higher-rated categories.
>
> The Counterparty Credit Rating is a general assessment of a borrower's ability to make payment on its financial obligations. The rating scale in this case also ranges from AAA (best rating), through AA, A, BBB, BB, B, CCC, to CC (worst rating). Ratings from "AAA" down to and including "BBB" are again classified as "investment grade". Distinctions within the rating categories from AA to CCC may be indicated by adding a "+" or "-" sign to the rating. According to S&P's assessment, a borrower with an "A" rating has a strong capacity to meet its financial obligations, but is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than borrowers in higher-rated categories.
>
> Each rating only expresses S&P's assessment at the time that the rating is awarded. S&P's may change its rating at any time. S&P's rating outlook provides an assessment of the potential direction of a long-term rating over the medium or long-term. The assessment of a "stable" outlook means that S&P's estimates that there is only a small probability that the rating will change. A discussion of the risks that could result from a lowering of the rating for Wiener Städtische AG is contained in the section entitled "*Risk Factors – A downgrading of its rating could have a materially adverse effect on the business of the Vienna Insurance Group*".

Legal and Arbitration Proceedings

Wiener Städtische AG and its affiliated companies are involved in a number of legal proceedings resulting from the ordinary course of business. The following contains a description of certain pending and threatened legal proceedings. To the extent not described in the following, management of Wiener Städtische AG does not expect legal disputes, legal proceedings government or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware), to which affiliated companies of the Vienna Insurance Group are a party or which are threatened to be brought against them will have a material adverse effect on the Issuer or the Vienna Insurance Group's consolidated financial position or profitability.

Coverage-related Proceedings

In their capacity as insurance companies, the affiliated companies of the Vienna Insurance Group are involved as a defendant in a number of court proceedings or have been threatened with legal actions. In addition, there are proceedings to which affiliated companies of the Vienna Insurance Group are not a party, but whose outcome can have an effect on it due to agreements with other insurance companies on participation in losses. In the Vienna Insurance Group's opinion adequate provisions for Austrian affiliated companies have been set aside for all claims, based on the amount in dispute.

Threatened and Pending Judicial and Arbitration Actions

Complaint by VKI based on its Standing as an Association

In 2005, in an action in which it has standing to sue as an association, VKI (*Verein für Konsumenteninformation*, an Austrian consumer information association) objected to some of the clauses contained in Wiener Städtische's General Contract Conditions for traditional life insurance based on violation of the transparency requirement, and called on Wiener Städtische AG to omit these clauses in the future. Since then, the complaint was also extended to include the General Contract Conditions used by Wiener Städtische AG for unit-linked life insurance.

The objection is aimed specifically at the following traditional life insurance provisions:

- allocation of the full costs of writing a policy at the start of the policy (the Zillmer method or "zillmerization");
- deduction of a charge against the surrender value of a policy;
- restriction of valid declarations made by the insurer to those made in writing; and
- deemed delivery of a declaration made by the insurer to the policyholder when the declaration is sent to the last address of the policyholder known to the insurer.

With respect to unit-linked life insurance, VKI objects to the following General Contract Condition provisions:

- the way in which the costs of the policy are allocated against the insurance premium and the manner in which these costs are presented;
- deduction of a death risk premium from the actuarial reserve;
- specification of a direct debit procedure as the only possible way to make premium payments;
- charges for policy set-up costs and a processing fee in the case of policy surrender; and
- allocation of the costs of writing a policy to the start of the policy term.

In addition to Wiener Städtische AG, the other Austrian companies in the Group, as well as most other large Austrian insurance companies, have comparable clauses in their General Contract Conditions. VKI has also initiated similar legal actions against UNION (which has meanwhile merged with BA-CA Versicherung) and other Austrian insurance companies. VKI has prevailed in the action and the Vienna Insurance Group has changed the respective clauses in its contracts.

Proceeding Regarding BA-CA Versicherung's Potential Infringement of Minimum Risk Capital Regulations

In a circular dated December 12, 2006, the FMA informed Austrian insurance companies that, in connection with fund- and index-linked life insurance, insurers are required to maintain a risk capital of at least 5% in excess of claim reserves in the case of death.

On October 9, 2007, the FMA informed BA-CA Versicherung of its intention to initiate investigations of BA-CA Versicherung's possible infringement of applicable regulations regarding the operation of its contract insurance business. Such an infringement could be caused by four fund-linked or fund-combined tariffs with insufficient risk capital, in which case the risk capital would be covered by the insured collective in case of an insured event.

On March 17, 2008, the FMA issued an administrative decree requesting BA-CA Versicherung to refrain offering these products at the current price level starting April 15, 2008. BA-CA Versicherung has changed its pricing and intends to file an appeal with the Austrian constitutional court and administrative court including a petition for suspensive effect of the decree.

Decree issued by the FMA Regarding Pension Retirement Agreements

In its decree dated December 14, 2007, the FMA required Wiener Städtische Versicherung AG to have a uniform guaranteed interest rate applying to accrued profits in previous years and the current year for all retirement pension insurance contracts in the same (respective) group of the cover fund (*Deckungsstock*).

Information Technology

The Vienna Insurance Group is dependent on the correct functioning of an operational EDP facility (hardware and software) and on the acquired rights to use such a facility. The potential effects of errors in the operation, programming and use of the EDP facility must be eliminated to the greatest extent economically possible. In order to ensure smooth operation of critical EDP systems, the Vienna Insurance Group has two geographically and organizationally separate computer centers, which are run by Blue IT-Services GmbH, a subsidiary of IBM Österreich GmbH, under an outsourcing contract. A complex security strategy has been implemented according to international standards to provide the Group-wide EDP network with the maximum economically possible protection against potentially adverse influences (including viruses, Trojans, hacking). This benefits all domestic companies in the Group, and also benefits the foreign Group companies to the extent that they use services provided by the common computing center. For the larger (as well as a few of the smaller) foreign Group companies, this is true for the areas of bookkeeping and cost accounting as well as personnel administration. In the medium term, as part of the process of implementing the SAP Project described below, insurance policy administration for the larger foreign Group companies will also be performed in the focal computing centers.

A Group-wide insurance policy administration system, aimed at providing a comprehensive EDP model to support insurance solutions, is currently being developed in collaboration with the software company SAP. The insurance policy administration system will meet the requirements of modern standardized work processes, taking into consideration cost effectiveness, cross-border use by various companies, low maintenance requirements, flexibility and data security. A number of Vienna Insurance Group companies in Austria, the Czech Republic and Slovakia are taking part in this project. The costs of the project will be shared among the companies using various SAP-modules according to a new pricing model.

The administration of Kooperativa Prague's new life insurance business has been tested using this system since 2005. At the end of 2007, parts of the application were brought online there. During 2008, all modules for one part of the life insurance business will be brought on line in the Czech Republic. The entire life insurance division of Kooperativa Prague should be converted to SAP by the end of 2009. SAP Systems Integration AG, based in Germany, was chosen to be the operator of the computing center for Prague; it has extensive experience running SAP software solutions.

The long-term goal is for all systems currently in use in the Vienna Insurance Group to be gradually replaced throughout the entire Group by this new complete solution. It is expected that this will result in the realization of significant savings. Customers will profit from faster processing of their cases in the new system.

The operation of the IT infrastructure of the Vienna Insurance Group in Austria by Blue IT-Services GmbH, a subsidiary of IBM Österreich GmbH, has been very stable and almost uninterrupted from the very beginning after the assumption of the operation of important portions of policy administration, the company network, and basic SAP operation at the end of 2004. The collaboration with IBM provides the Vienna Insurance Group with the benefits of the services of one of the market leaders in the operation of computing centers along with high-end technical services and the best operational security available. On this basis it has been possible to boost the efficiency of administrative processes and conduct insurance business in the narrow sense more aggressively.

Trademarks and Patents

The names “WIENER STÄDTISCHE”, “VIENNA INSURANCE GROUP” and “VIG” have been applied for and registered as a trademark in Austria and many other countries, including all countries of importance to the Vienna Insurance Group’s business operations. Trademarks protecting the words and/or the word-and-picture combinations used by the key companies in the Vienna Insurance Group have also been applied for and registered in the countries in which they are located and in other countries relevant to the companies’ business operations.

Wiener Städtische AG and its Group companies are the owners of a number of domains, including “wienerstaedtische” in combination with the top level domains “com,” “biz,” and, in the future, also “eu” and numerous country-specific top level domains (in particular “at”, “it”, “si”, “bg”, “cz”, “hu”, “pl”, “ro” and “sk”). The domain name “vienna-insurance-group” and “vig” were also registered in the top level “com” domain and in a number of country-specific top level domains.

Patents are of no importance to the operations of the Vienna Insurance Group.

Real Property

As of December 31, 2007, the book value of land and buildings owned by companies in the Vienna Insurance Group was approximately EUR 2,868.7 million, of which land value amounts to EUR 481.7 million. The overwhelming majority of commercial buildings used by the Vienna Insurance Group are owned by companies in the Group, and no major encumbrances have been recorded against the Vienna Insurance Group’s land holdings.

Contracts Outside of the Ordinary Course of Business

Other than the General Distribution Agreement entered into by Wiener Städtische Ag and Erste Bank AG in connection with the acquisition of the Target Companies (see “*Acquisition of the Target Companies and Long-Term General Distribution Agreement – Description of the Acquisition and the Long-Term General Distribution Agreement – General Distribution Agreement between Wiener Städtische AG and Erste Bank AG*”), neither Wiener Städtische AG nor any of the affiliated companies of the Vienna Insurance Group is a party to a material contract, which has not been entered into in the ordinary course of business. There are no agreements, which have been entered into by any affiliated company of the Vienna Insurance Group which contain a provision pursuant to which one of the affiliated companies of the Vienna Insurance Group would incur an obligation or receive a right, that would be of material significance for the Vienna Insurance Group and was not entered into in the ordinary course of business.

RISK MANAGEMENT

As a cross-border general insurance company, the Vienna Insurance Group views managing risk as being among its core competencies. The Vienna Insurance Group's objectives for portfolio and risk management are (i) to ensure its ongoing ability to fulfill its contracts in all insurance segments; (ii) in the area of life insurance, its secondary objective is to generate competitive profits that can be distributed to policyholders; (iii) to limit financial market risks with the ultimate objective of a long-term build-up of equity capital; (iv) to report, on a real-time, transparent basis, to the Group companies' management and to the management of the Vienna Insurance Group financial results, costs and risks to allow targeted management of financial risks within a given scope of actions; and (v) to achieve a reasonable return on equity.

The overall risks faced by the Vienna Insurance Group are sub-divided into the following individual risk categories:

- *Actuarial Risk.* These risks result from the fact that the Group guarantees a promise of future benefits, whose value must be calculated in advance. Different actuarial risks exist in the various insurance lines.

  For property and casualty insurance, they result either from an unexpected divergence between the loss volume and the insurance premiums that were set in advance (premium risk), or from the payment for losses out of reserves (reserve risk). Trend risk and accumulation risk play an important role in property and casualty insurance. One example of trend risk is an unexpectedly high increase in the number of storms and natural disasters due to changes in climatic conditions, while accumulation risk is the accumulation of various potential risks.

  In conventional life insurance, actuarial risks are those risks that arise from the fact that the Group must provide a long-term guaranteed promise of benefits for insurance premiums set in advance which do not vary, despite the fact that the biometrical data for the population might change in the future (caused, for example, by an increase in life expectancy due to medical advances). The guaranteed promise of benefits also includes a guaranteed minimum return, known as the actuarial interest rate. Moreover, there is always the risk of cancellation by the policyholder.

- *Credit Risk.* These risks result from potential losses arising due to a deterioration of the financial situation of a contractual partner ("counterparty default risk"). "Default" means the inability or refusal of a counterparty, an issuer or another contracting party to meet its contractual obligations. Credit risk also includes the risk of deterioration of a business partner's credit worthiness.

- *Market Risk.* Market risk is the risk of changes in the valuation of an investment portfolio due to unforeseen fluctuations in interest rate curves, share prices or exchange rates. As a result, it may be impossible to earn the guaranteed interest rate for life insurance policies, or to fulfill a capital guarantee (for example, in connection with the "*prämiengeförderte Zukunftsvorsorge*", a government subsidized private pension plan). The Vienna Insurance Group also regards potential changes to the market value of real estate and equity holdings as belonging to the category of market risk.

- *Strategic Risk.* Strategic risk management deals with the factors used to determine the long-term success of a business, and to which conditions these factors are exposed. Strategic risks may result, for example, from changes in the economic environment, in case law or in the regulatory framework.

- *Operational Risk.* These risks result from deficiencies or errors in business processes, controls or projects, caused by technology, employees, organizations or external factors.

- *Liquidity Risk.* These risks result from the possibility that the investment portfolio will not correctly match insurance obligations.

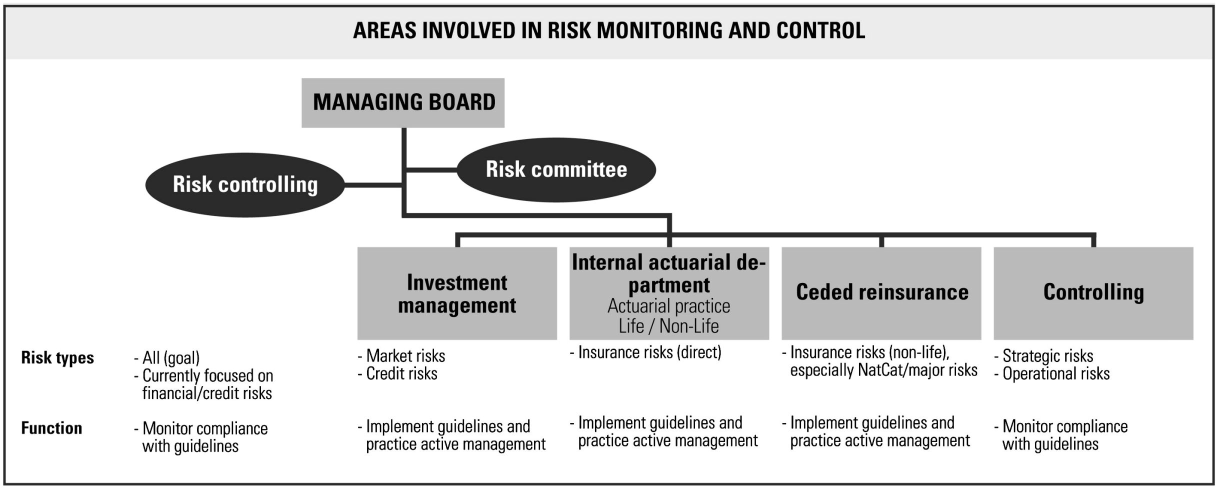
- *Concentration Risk.* Concentration risk is an individual direct or indirect position or a group of related positions that have the potential to materially adversely affect the insurance company, its core business or its key performance measures. Concentration risk is incurred by an individual position with a counterparty, an aggregate of positions with common owners, guarantors or managers or by sector concentrations.

Risk Management Organization

The Group's overall approach is for local units to be responsible for managing their respective risk, with individual companies in the Group being given very strict limits in the areas of investment and capital assets as well as in reinsurance for natural catastrophes. This approach also ensures that relevant legal requirements in the local jurisdictions in which the individual Group companies operate are adhered to.

The Vienna Insurance Group's risk management department is an independent organizational unit whose responsibilities and roles are defined in detail.

The following chart sets forth the responsibilities of individual areas and departments involved in risk monitoring and management within Wiener Städtische AG and the responsibilities of Wiener Städtische AG as the Group's parent company.



Risk Committee

The cross-class risk committee is formed by the actuarial, business organization, reinsurance, internal auditing and corporate risk controlling departments. The risk committee is responsible for the optimization and ongoing development of an Enterprise Risk Management (ERM) system. ERM is a framework for company-wide risk management that uses key principles and concepts, uniform terminology and clear instructions and support.

Investment Management

Investment Management implements the guidelines established by Wiener Städtische AG's managing board in the areas of market risk and credit risk.

The management of securities investment and investment and risk policy is handled by two committees, the "Strategic Investment and Risk Committee" and the "Tactical Investment Committee". The members of these committees are sub-divided into a decision-making group and an advisory group.

- *Strategic Investment and Risk Committee (Securities).* This committee is responsible for the approval of, or changes to, the permissible investment categories of the Group (asset classes), as well as for the annual determination of strategic asset allocation and risk strategy in the securities area. The strategic asset allocation and risk strategy in the securities area is reviewed at least on a monthly basis. The decision-making group includes the management board members responsible for financial matters of the Austrian, Czech and Slovakian insurance companies, as well as the Chief Investment Officer of Wiener Städtische AG. The advisory group includes the head of the securities department, his deputy and the risk manager.
- *Tactical Investment Committee.* This committee meets on a weekly basis and is responsible for managing securities investments within the strategic asset allocation limits and for making decisions as to which entities are responsible for managing investments (which could be either the Group, Ringturm KAG or a third party). The decision-making group includes the responsible

financial directors of the individual Austrian insurance companies as well as the Chief Investment Officer of Wiener Städtische AG. Decisions regarding tactical adjustments in asset allocation according to market conditions and the opinions formed as to market conditions are made by this committee with participation of the risk management division. For this purpose, the asset class managers develop proposals based on their market observation.

Asset/Liability Management ("ALM") is also part of the management of securities investments. ALM relates to the implementation of strategic decisions while considering assets and liabilities in order to achieve optimal business results and a match between assets and liabilities (matching duration, cash flow and returns) and for the optimization of investments. A key criterion in this regard is to cover reserves and expected cash flows with appropriate asset items.

Group Actuarial Office

Actuarial risks are managed by the Group Actuarial Office. This office reports directly to Wiener Städtische AG's Management Board. It consists of a team of insurance actuaries, which may be regarded as the core of the Group Actuarial Office. The actuaries in the Austrian and non-Austrian subsidiaries are integrated in the form of a network, which means that although the actuaries in the individual countries report to their respective board members, they are given guidelines for their activities in a wide range of areas from the Group Actuarial Office in Vienna. The Group Actuarial Office is responsible for determining various key figures for the Group such as Embedded Value, which is published on a regular basis.

The Group Actuarial Office performs a thorough actuarial analysis of all insurance solutions, so that an appropriate calculation of the statistical documents and an assessment of the overall conditions of the insurance market can be made. Particular attention is given to making a judgment about whether obligations to the customer can be met, while maintaining the profitability of the business operation.

It is important to lay the foundation for the successful pursuit of uniformly defined goals. To this end, an extensive system of reporting to the Group's Management Board, as well as to the Management Boards of individual Group companies, has been put in place.

Business Organization

The business organization department functions as an interface between the specialist departments and the benefits departments as well as between the Group's national segments with external service providers in the areas of IT and telephony. In this regard, the key service providers are IBM, SAP and Telekom. Furthermore, this department is also responsible for optimizing internal Group processes, strategic purchasing, facility management and building and construction matters relating to real estate utilized by the Group.

Passive Reinsurance

Wiener Städtische AG's central reinsurance department is the "Reinsurance Competence Centre", which manages reinsurance for all Group companies.

The Vienna Insurance Group's international reinsurance team, consisting of employees from the central reinsurance department as well as the reinsurance managers of all Group companies, works on the ongoing development of reinsurance guidelines and ensures strict adherence by all Group companies to these guidelines. This team is responsible for ongoing development of the Vienna Insurance Group's reinsurance strategies and handles the transfer of know-how among Group companies and collectively represents Vienna Insurance Group vis-à-vis the reinsurance market.

Risk Control

The risk control department is an independent organizational entity within the Vienna Insurance Group that prepares a quarterly risk budget for the investment area and monitors compliance with this budget on a weekly basis. Compliance with securities guidelines and the Company's own limit system is monitored continuously. Routine Value at Risk (VaR) calculations and analyses as well as detailed stress tests are performed in connection with such monitoring. Part of Vienna Insurance Group's S&P's FSR (Financial Strength Rating) is the analysis of the Company's risk capital model, which is handled by central risk controlling.

Auditing

In keeping with the minimum requirements for internal auditing, the independent internal auditing department monitors operating processes and business transactions as well as the functional capacity and adequacy of risk management. In its capacity as an independent supervisory agency, the auditing department reports the results of its audits, analyses and evaluations, along with any potential recommendations, directly to the managing board.

Risk Management

Actuarial Risk

The actuarial risks to be managed differ from one another by area of insurance. Included among them in the property and casualty area are premium and reserve risks. Reinsurance, however, is treated separately here. Actuarial risks in life insurance relate to actuarial reserves.

Property and Casualty Insurance

Actuarial risks in property and casualty insurance are primarily managed through actuarial models used for the setting of rates and the monitoring of loss experiences, and also through guidelines for entering into insurance contracts and the assumption of insurance risks.

The Vienna Insurance Group pursues a risk-appropriate policy for setting rates adapted to the respective market and customer segments. In the retail and commercial client business, actuarial calculations are based primarily upon the objects being insured, such as in motor vehicle or homeowners insurance, upon the activity being insured, such as in professional liability or construction risks insurance, or upon subjective risk factors inherent in the person of the policy holder, such as, for example, his age.

Rates for risks in the corporate client business are generally determined on the basis of an individual risk analysis. This is due to the fact that, in the insurance business, very specific risks are often covered for which no adequate statistical data are available. However, general risks are always also assessed based on the actuarial model for rate setting.

Reserves need to be set aside for insurance claims incurred but not settled. In order to estimate the amounts of such reserves, the Group relies on empirical values as well as on statistical test methods. In addition, the Vienna Insurance Group limits risk by monitoring these reserves on an ongoing basis. The information gained in this way is then used to update the estimates.

Life Insurance

In the area of life insurance, the Vienna Insurance Group concentrates primarily on biometric risks, such as life expectancy, disability, illness and needs for nursing care. Furthermore, the Vienna Insurance Group manages the risks that may result from future contract cancellations.

Reserves in the life insurance area are determined using actuarial methods. The calculations are based on biometrical data from the policyholder, thus primarily on national mortality tables.

Claims Adjustment

The objective of claims adjustment is the efficient settlement of claims and cost control, while providing the highest possible level of customer service. The Vienna Insurance Group continuously works to further optimize its claims handling. In this respect, telephone contact with customers through the call center and electronic data exchange increasingly play a key role, from claim reporting to payment transactions.

In the retail customer area, there is an increasing push for a changeover to communication by electronic means only, a trend that is beginning with motor vehicle insurance. Particular significance is attached to heightened quality management of loss appraisals by internal or external experts. To that end, the Vienna Insurance Group employs its own experts' organization, EXPERTA. Central coordination of loss appraisals by EXPERTA allows for the cost-effective appraisal of losses, ensuring consistent assessment of loss magnitudes.

In the corporate customer area, the Group's RiskConsult is regularly used for adjustments of large losses. In such cases RiskConsult acts as the loss adjuster, assuming the role of the expert and preparing a settlement proposal, including an examination of any possible subrogation claims.

The Internal Fraud Unit of Wiener Städtische AG's Department for Special Damages deals with suspected cases of fraud. Many years of cooperation with domestic and foreign security authorities have resulted in a high success rate in recent years, even when compared to international success rates.

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. Previously, only some of the risks of smaller foreign Group companies were being reinsured within the Vienna Insurance Group. These risks were in turn passed on at the Group level to reinsurers. However, in February 2008, the Vienna Insurance Group decided to found its own reinsurance company. This decision was based on the current situation in the reinsurance market, which is characterized by a consolidation of large reinsurance companies.

According to the management, the size of the Vienna Insurance Group presents a great advantage for the establishment of a Group-owned reinsurance company, as it can contribute to risk diversification. Additionally, the in-depth know-how acquired by the Group as a result of its strong presence in numerous markets presents good opportunities for offering suitable reinsurance solutions. Furthermore, management expects that founding its own reinsurance company will strengthen the Group's negotiating position with external reinsurers.

The Group-owned reinsurance company is not intended to underwrite high-risk business, in particular, coverage for natural disasters. Furthermore, in principle it is not intended to take over any retrocession business from reinsurance companies. The company will be developed in several stages, the first of which will run until 2009 or 2010, during which period it is expected to only underwrite internal insurance business within the Vienna Insurance Group. Thereafter and only after the organizational prerequisites have been established, will it also acquire external reinsurance business within the CEE region and possibly other markets as well.

Reinsurance Guidelines

The Vienna Insurance Group's Reinsurance Guidelines are updated annually by the Central Reinsurance Department, in cooperation with the Management Board member in charge of reinsurance, at the same time as the reinsurance strategy for the next fiscal year is being developed.

The Reinsurance Guidelines require that each Group company, in collaboration with the Central Reinsurance Department, obtain appropriate reinsurance coverage. The following items are regulated by the Reinsurance Guidelines:

- *Reinsurance is a Prerequisite for the Approval of Insurance Coverage.* Specialized departments may give binding approval for insuring a risk only when sufficient reinsurance coverage has been secured from outside reinsurers.
- *Retentions.* The maximum that can be put at risk on a probable maximum loss basis has been fixed Group-wide at EUR 17.5 million per natural disaster event. The Group-wide maximum retention per individual loss is approximately EUR 4 million.
- *Selection of Reinsurers – Diversification.* Wiener Städtische AG and its Group companies divide their reinsurance coverage across a large number of different international reinsurers that, in the judgment of the Vienna Insurance Group, have an appropriate credit standing, so as to minimize the risk arising from the possibility of any one reinsurer becoming insolvent. No reinsurer has ever defaulted to a significant extent on its obligations to Vienna Insurance Group in the Group's history.
- *Selection of Reinsurers – Rating.* In business segments where claims settlements can extend over a long period, particularly motor vehicle liability and general liability, the Vienna Insurance Group uses reinsurers with an excellent rating (a S&P's rating of at least "A", preferably "AA" or higher), which, in all probability, will be maintained over the long-term.

  For business segments with claims that are settled quickly (e.g., natural catastrophes, fire, technology, transport, storms, burglary, household, water pipes, motor vehicle own-damage), for which the number of reinsurers is larger, the preferred rating again is S&P's "A" or higher.

Reinsurers with a lower rating are temporarily accepted only in a limited number of individual cases.

- *Design of Reinsurance Programs.* To the extent that it is economically feasible, reinsurance coverage may be bought individually by each Group company from outside reinsurers. Where Group companies can only purchase individual reinsurance contracts on terms that would be uneconomical, the Vienna Insurance Group attempts, to the extent possible, to enter into reinsurance agreements on a collective basis to cover risks arising from insurance coverage of natural catastrophes, property classes, casualties, aviation and motor vehicle liability. Where smaller Group companies can purchase reinsurance contracts to cover minor risks only on uneconomical terms, Wiener Städtische AG itself acts as reinsurer. This internal reinsurance obligation is, in turn, passed on to the reinsurance market through retrocession, where the Group considers this to be necessary.

Reinsurance Coverage

- *Natural Catastrophes.* The Vienna Insurance Group insures losses arising from natural catastrophes such as storms, hail, flooding or earthquakes. The Group's retention for damages from natural catastrophes is limited through Vienna Insurance Group's reinsurance coverage to EUR 17.5 million per loss event.

- *Corporate Customer Business.* In the corporate customer business, the maximum net loss to the Vienna Insurance Group is capped at EUR 4 million, primarily using proportional reinsurance cessions. Both the effects of individual large losses, for example due to fire, as well as an increased loss frequency, can be covered using this reinsurance structure.

- *Retail Customer Business.* The retail customer business consists of generally stable in-force business with calculable results that are primarily characterized by a stable loss frequency. Thus, frequently occurring losses are externally reinsured only for exposed classes, such as storm insurance, through the targeted use of proportional reinsurance to reduce the effects on retention. The effects on retention of the small number of large losses to be expected are covered by externally placed non-proportional reinsurance. The maximum net loss to the Group for this business segment is between EUR 1 million and EUR 2 million, depending on the class.

Credit Risk

Credit risk arises in connection with the investment of capital assets and the insurance business. Transactions that expose the Vienna Insurance Group directly or indirectly to non-payment or non-performance risks are entered into only with parties that are approved, both on a general or an individual basis, and only for the approved purpose and amount.

- *Credit Risk – Capital Assets.* In managing credit quality risks, a distinction is made between "liquid" or "tradable" risks (bond issues and exchange-traded shares) and "bilateral" risks such as time deposits, OTC derivatives, loans, private placements and securities accounts/depositaries. The risks arising from the former are limited by means of rating and diversification limits at the portfolio level.

- Wiener Städtische AG only considers issuers or counterparties whose credit quality or reliability it can assess, whether through its internal analysis, credit evaluations/ratings from recognized sources, or based on unequivocal guarantees or recourse to reliable deposit protection mechanisms.

- *Credit Risk – Insurance Business.* In the insurance business, credit risk arises from dependence on the liquidity of the reinsurer that assumed a portion of the risk. In the event that a reinsurer does not fulfill the obligations it assumed, the responsibility will remain with the Vienna Insurance Group, which thereby sustains a loss. Therefore, reinsurance is of great importance in the Vienna Insurance Group's risk management. For that reason, the Vienna Insurance Group pursues a diversified reinsurance policy. The Vienna Insurance Group's reinsurers are rated at least investment grade. See "— *Reinsurance*".

- Credit risk also exists in connection with insurance payments to third parties for customers who are in arrears on premium payments. Another credit risk arises when the Vienna Insurance

Group makes a payment for insurance benefits for which the Vienna Insurance Group has a right of recourse against a third party and the third party does not meet its payment obligation.

Market Risk

The Vienna Insurance Group subdivides market risk into interest rate risk, share price risk, currency risk, real estate risk and equity investment risk. For the Vienna Insurance Group, the most important factors affecting market risk are interest rates and share prices. Exchange rates are of lesser importance. The Vienna Insurance Group monitors market risk using fair value assessments, VaR, sensitivity analyses and stress tests. In keeping with the insurance business and the maturities of the Vienna Insurance Group's obligations, the composition of capital assets follows the goal of covering insured risks in general and guaranteed investment income in particular in the life insurance area. See *"Business – Capital Assets"*.

Interest Rate and Share Price Risk

In the Vienna Insurance Group's investment approach, the bond segment serves primarily to ensure stable returns over the long-term, while delivering the highest possible returns. Derivatives are used to reduce investment risk. For bonds under outside management, such as investment funds, the use of derivative instruments must be expressly regulated in the corresponding investment guidelines.

The stock segment serves the goal of providing a long-term increase in returns, diversification and the offsetting of long-term erosion of value by inflation. The Vienna Insurance Group evaluates share price risk from the perspective of overall portfolio diversification while taking into account the correlation to other securities subject to market price risk.

The market price risk affecting results of operations is controlled by periodic calculation of the VaR under the "Investment and Risk Strategy – Securities" guidelines for price-sensitive securities, and by adjustment to the limit relative to budgeted risk. The determination of VaR is based on a daily variance-covariance calculation. The Vienna Insurance Group estimates variances and covariance's statistically based on past market data for a one-year period.

The Vienna Insurance Group uses a confidence level of 99%. The holding period is set at 10 and 20 days. The probability that the value of all financial transactions decrease by more than the VaR based on market changes during one day is less than 1%.

Decomposition analysis of Value-at-Risk in 2007 shows that the sources of risk are around 51% bonds and 50% equities. FX risk in general reduces the overall Value-at-Risk of approximately 1-2%.

The following table shows the VaR of the Vienna Insurance Group's available-for-sale securities:

	Fiscal year ended December 31, 2007
	(in EUR million)
Vienna Insurance Group VaR	
10 day holding period	190.9
20 day holding period	270.0
Total risk capacity	668.0
20-day VaR as % of risk capacity	40.4%

Due to the sought-after stability in the average rate of interest in the bond portfolio, there exists another risk of significant maturity clusters and associated reinvestment clusters. The maturity structure is tracked by a corresponding reporting system.

The stock portfolio is regularly subjected to stress tests and sensitivity analyses. Sensitivity analyses show balance sheet and economic changes resulting from changes in certain value factors. After the end of the technology bubble, the FMA regularly conducted stock sensitivity analyses or stress tests. The portfolio is divided into key stock index groups. The Vienna Insurance Group's balance sheet and income statement are recalculated on the assumption of a 35% stock crash. There are also moderate and light stock stress tests as well as three different interest-rate sensitivity calculations, taking into account the ratings breakdown of the bond portfolio. Wiener Städtische AG has satisfied the FMA stress test for more than seven years. FMA requires a stress test for property and casualty beginning December 31, 2008 for each Austrian company. The stress test results for the Austrian companies meet all necessary safety standards.

Real Estate Risk

The value of the real estate portfolio of the Vienna Insurance Group is subject to fluctuations in the real estate market. Real estate values are dependent on a number of factors, such as the economic situation of the region, the location of the real estate, its condition, and the level of demand for real estate. Internal appraisals of properties held by the Vienna Insurance Group are performed continuously.

Equity Investment Risk

Equity investment risk results primarily from lower than expected earnings by the individual companies in the investment portfolio, the currency risk associated with investments in insurance companies in the CEE region and legal risks. Some departments, such as Equity Investment Management and Controlling continuously monitor and manage these risks. The supervisory board members delegated by Wiener Städtische AG to major investee companies are also involved in these tasks.

Currency Risk of Securities

In the investment approach of insurance companies, currency risks and adjustments are assumed only for reasons of diversification or because of disproportionate hedging costs relative to the risk. Currencies are not treated as a source of income. Trading in currency instruments is not permitted. As a rule, assumption of currency risks is only permissible when it results from investment in securities.

The potentially negative effect on profit resulting from currency fluctuations (with respect to securities investments) is generally controlled through regular calculation of the VaR. This quantifies the currency risk along with risks from other risk sources.

Allowable unhedged foreign currencies are limited to convertible currencies of countries with a "sovereign rating" of AA from S&P's (or equivalent). For other currencies, a de minimis limit totaling 1% of the investment in securities applies.

Liquidity Risk

For the Vienna Insurance Group, liquidity risk consists primarily of exposure to a potential decline of new business in the life insurance area and a simultaneous cancellation of existing contracts, resulting in their payout. Liquidity risk is limited by matching capital assets against insurance obligations. Mixing and diversifying assets are further components of risk management for capital assets.

Operating Risks

Operating risk arises from deficiencies or errors in business processes, controls or projects caused by technology, employees, organization or outside factors. These operating risks include criminal acts, inadequate controls, organizational shortcomings, inadequate reporting or events that provide grounds for third-party damage claims. In some cases in the past, the Vienna Insurance Group has also been exposed to operating risks caused by agents. Individual operating risks are monitored in the individual functional areas, which also bear responsibility for these risks.

In order to guarantee smooth operation of mission-critical computer systems, Wiener Städtische AG has a geographically separate second data centre for the Austrian Group companies. Should the primary system fail, the second computer center can completely take over its functions within a very short time. To secure the Group-wide computer network, a complex security strategy was implemented to protect the network from possible damage (such as viruses, Trojans, hacking). Regular training of employees is intended to prevent user errors. In order to support insurance solutions with an appropriate overall computer model, an insurance administration system based on an SAP platform is presently being developed throughout the Group. See *"Business — Information Technology"*.

Strategic Risks

Strategic risk results from changes in the business environment, such as changes in market conditions, legislation or the regulatory framework.

The Vienna Insurance Group adapts to changes in the market environment. To this end, the Vienna Insurance Group continually follows social trends and developments in those countries where it does business. Clear cut trends and developments are noted in, and may lead to changes to, the annual review of strategy. Monitoring developments in the regulatory environment and in court decisions in those countries in which the Vienna Insurance Group does business is the responsibility of the legal division.

Property and Casualty Insurance Reserves

General Information

When claims are made by or against policyholders, all amounts that a company in the Vienna Insurance Group's property and casualty insurance segment pays or expects to pay the claimant are referred to as losses, and the costs of investigating, resolving and processing of these claims are referred to as loss adjustment expenses ("LAE"). The Vienna Insurance Group has established reserves for payment of losses and LAE for claims that arise under property and casualty insurance policies by class, coverage and year for each company in the Group.

In accordance with UGB and IFRS rules, no specific loss and LAE reserves are established until an event that causes a loss occurs. Loss and LAE can be divided into two categories: reserves for claims that have been reported but not settled ("RBNS"), and reserves for claims incurred but not reported ("IBNR"). Reserves for unsettled claims are based on expectations of future payments, including LAE expenses relating to such claims. Such expectations are made on a case-by-case basis, based on the facts and circumstances available at the time the reserves are established. The expectations reflect the informed judgment of the Group's loss adjuster based on general practices for forming insurance reserves and knowledge of the nature and value of a specific type of claim and are constantly reviewed with regard to their economic reasonableness using actuarial methods. These reserves are regularly adjusted during the ordinary course of settlement and represent the estimated final costs necessary to bring all pending reported claims to final settlement, taking into account inflation and other societal and economic factors that could affect the amount of reserves required. Consideration is given to historic trends of disposition patterns and loss payments, the level of claims reported but not settled, and types of coverage. In addition, court decisions, general economic conditions and public attitudes may also affect the estimation of reserves, as well as final costs of claims.

IBNR reserves are established to offset the future costs of losses that have been incurred but have not yet been reported to the individual Group companies.

These reserves, like RBNS reserves for reported claims, are established to offset future costs, including LAE expenses, in order to bring these losses to final settlement. Since by definition these losses are still unknown at the time the reserve is established, the Group calculates IBNR obligations based on past loss experience adjusted for current developments relating to loss-relevant factors.

The time required to learn of and settle these claims is an important factor. Claims that are easy to settle, such as motor vehicle property damage claims, are reported within a few days or weeks and are generally settled within a year.

Complicated claims such as personal injury in motor vehicle or general liability claims generally require a longer settlement period, which could span a number of years. Difficult claims, where settlement as a rule depends on the outcome of often-lengthy litigation, require a considerably longer time to settle, particularly in the liability, casualty, construction and professional liability classes.

The ultimate cost of a loss and LAE depends on a number of variable circumstances. Between the time when a claim is reported and final settlement of the claim, a change in circumstances may require established reserves to be adjusted either upwards or downwards. For example, changes in the legal environment, results of litigation and changes in medical costs, costs of materials for motor vehicle and home repair and labor rates can substantially impact claim costs. These factors can cause actual developments to differ from expectations, at times considerably. Loss reserve estimates are reviewed periodically and updated using the most current information available to management. Any adjustments to the estimation of reserves are reflected in the operating result. The Vienna Insurance Group's conservative reserves policy in this regard is reflected not least in the fact that the settlement of loss reserves has regularly resulted in settlement profits.

On the basis of the Group's internal procedures, management believes, based on the information currently available to it, that the Group's property and casualty reserves are adequate. However, the establishment of loss reserves is an inherently uncertain process, and accordingly, there can be no assurance that final losses will not differ from the Group's initial estimates.

Reconciliation of Initial and Final Loss and LAE Reserves

The following table sets forth a summary of the reserves of Wiener Städtische AG and DONAU, including the effects of reinsurance ceded, for the property and casualty insurance segment at the beginning and end of the last three fiscal years.

Reconciliation of Loss and LAE Reserves – Property-Accident Insurance Segment	As of December 31,		
	2007	2006	2005
	(in EUR million)		
Balance as of January 1,	1,415.2	1,310.8	1,234.9
Less reinsurance portion	291.9	253.3	227.4
Net	1,123.3	1,057.6	1,007.5
Plus loss expenses (excluding LAE) for:			
Current year losses	813.3	804.3	747.7
Prior year losses	-72.3	-67.0	-69.8
Total	741.1	737.4	678.0
Less payments for losses:			
Current year losses	407.1	407.1	378.7
Prior year losses	284.3	262.5	248.9
Total	691.4	669.6	627.6
Change in loss adjustment expenses reserve	1.6	-1.8	-0.1
Loss reserve as of December 31, (net)	1,174.5	1,123.5	1,057.9
Plus reinsurance portion	339.4	291.9	253.3
Loss reserve as of December 31, (gross)	1,513.9	1,415.4	1,311.1

Changes to Historical Reserves for Unsettled Property-Casualty Claims

The following table sets forth the change in reserves for unsettled claims of Wiener Städtische AG and DONAU at the end of the periods presented. The reserves show the estimated losses from direct business for claims arising in the current and all prior loss years that are unpaid as of the balance sheet date, including IBNR.

The first section of the following table sets forth gross reserves as initially established at the end of each stated year. The second section sets forth the cumulative amounts paid before reinsurance as of the end of the subsequent year with respect to the reserves originally established. The third section sets forth the recalculation for losses not settled at the end of the subsequent year. This recalculation is required primarily as a result of the Group's increased knowledge of additional facts and circumstances relating to open claims. The last section compares the current re-evaluated gross loss reserves to the gross reserves initially established and annually recalculated through December 31, 2007. For instance, the surplus shown in the table for each year represents the aggregate amount by which the initial reserve has changed due to recalculation at the end of the year after loss payments made in that year. Accordingly, the cumulative surplus at the end of a year relates only to the reserves at that year-end and cannot be summed.

In evaluating the information shown in this table, it is important to note that each amount includes the effects of all changes in prior periods. Conditions and trends that affected the liability in the past may occur again in the future, which means that conclusions about future results may not be derived from information presented in this table.

Changes in Historical Gross Reserves for Unsettled Losses on the Property-Accident Insurance Segment (excluding LAE)	December 31,					
	2007	2006	2005	2004	2003	2002
			unaudited (in EUR million)			
Gross liability for unsettled claims	1,430.4	1,356.9	1,251.2	1,181.2	1,149.1	1,169.4
Cumulative loss payments:						
One year later		350.1	325.5	298.4	292.6	312.6
Two years later			434.1	399.8	399.1	418.9
Three years later				456.4	455.0	476.9
Four years later					490.4	514.4
Five years later						542.0
Reserve balance:						
One year later		869.3	825.7	792.6	758.7	757.4
Two years later			633.6	614.3	578.5	581.7
Three years later				475.0	460.1	456.7
Four years later					377.7	390.5
Five years later						326.2
Surplus:						
One year later		137.4	100.0	90.3	97.7	99.3
Two years later			183.5	167.1	171.4	168.8
Three years later				249.8	234.0	235.8
Four years later					280.9	264.5
Five years later						301.1
Surplus in percent:						
One year later		10.1	8.0	7.6	8.5	8.5
Two years later			14.7	14.1	14.9	14.4
Three years later				21.1	20.4	20.2
Four years later					24.5	22.6
Five years later						25.8

The table shows a steady development between 2002 and 2007, with respect to the development of the premium volume, a stable process with respect to the initial reserve balances and settlement payments. Mainly as a result of the flood catastrophe in 2002, the latter shows an increase in payments. When the reserve was recalculated, the higher number of loss events and higher payments were determined properly and, despite the extraordinary loss in 2002, the surplus after one and two years is not significantly below that of other years. All years in the period under review show adequate and conservative reserves for unsettled claims that show significant settlement surpluses in each year.

INSURANCE SUPERVISION

Wiener Städtische AG and its insurance subsidiaries, are subject to supervision by the competent insurance supervisory authorities with respect to their operations as insurance companies. The competent insurance supervisory authorities must ensure that the business operations of the insurance companies comply with the statutory provisions and with the recognized principles of proper business operation.

In Austria, the FMA is responsible for the supervision of insurance companies. The duties and powers of the FMA in insurance supervision matters are generally regulated in the VAG which, in common with the insurance supervision laws of other EU member states, is based on EU insurance supervision law which is largely harmonized.

EC Single Market for Insurance

In accordance with the EC Treaty, the single market for insurance comprises an area without internal borders, in which insurance companies may operate freely. The objectives of the EC measures in this area are twofold: first, to provide all EU citizens with access to the widest possible range of insurance products on offer in the EC, while at the same time guaranteeing them the legal and financial protection required for insurance transactions; and second, to guarantee that an insurance company authorized to operate in one EU member state can offer its products throughout the EC without competitive restrictions as regards both the right of establishment and the right to provide services. The Commission has made a distinction between provisions for life insurance and non-life insurance in this regard, in order to take account of their specific characteristics and the important role that life insurance plays in capital accumulation and long-term financial security. The following directives were enacted in the area of direct insurance:

Life Insurance

In 1979, the Council adopted the first directive (79/267/EEC) for the coordination of direct (life) insurance, followed by a second directive (90/619/EEC) and a third directive (92/96/EEC). They contain regulations dealing with the right to provide services and with the right of establishment by insurance companies. For the purpose of simplification, the European Parliament and the Council adopted directive 2002/83/EC in 2002, into which the regulatory content of the three directives was consolidated in one uniform text.

The aim of the directive is the completion of the single market for insurance based on a single official approval of an insurance company and supervision of its activities by the authorities in the member state in which it has its registered office. The directive is based on the general application of the regulations of the respective member state to the cross-border insurance activities ("Home Country Principle"). The application of the regulations of the member state in which the insurance activity is being exercised is allowed only in certain areas, where this is necessary for the protection of the general interest of that member state, for example in the area of consumer protection or taxation.

Non-life Insurance

Already as early as 1973, the Council adopted the first directive (73/239/EEC), which establishes the appropriate legal framework for the freedom of establishment in the EC in respect of direct insurance with the exception of life insurance. The arrangements necessary to guarantee the exercise of the freedom to provide non-life insurance services are laid down in directive 88/357/EEC. This directive covers almost all non-life insurance, including compulsory insurance. However, a number of insurance branches or activities are excluded from the provisions of this directive. Finally, the Council adopted a third directive on direct non-life insurance (92/49/EEC). This directive covers the coordination of national rules governing the investment, diversification and localization of the assets used to cover technical provisions, the law applicable to insurance supervision, the terms of insurance and the physical inspection of policies and contract documents, access to and provision of insurance activities on the part of insurance companies, and supervision according to the Home Country Principle.

Specific Areas

Alongside these “major” directives, the EC has adopted rules in the following areas: motor vehicle liability insurance, annual financial statements and consolidated financial statements of insurance companies, legal costs insurance, credit and surety insurance and reinsurance. In addition, it has also set up an Insurance Committee to assist the Commission in its task of cooperating with national supervisory authorities in this area. There is also a directive on the coordination of legal regulations and administrative provisions relating to the compulsory liquidation of direct insurance companies. In order to give supervisory authorities more effective instruments to evaluate the actual solvency of the insurance companies that are part of a given insurance group, a directive on additional supervision of insurance companies was also adopted. This directive expands supervision to all activities which could have an impact on the financial position and the activity of the supervised insurance company. Also, pursuant to the directive, reinsurance, holding and insurance companies with their registered offices in a non-member state, in which a company subject to supervision holds a interest or is in a parent/affiliated company relationship are subject to supervision. The focus of the supervision is that the insurance group maintains adequate capital reserves on a consolidated basis and that intra-group transactions do not impact the solvency of the insurance company. Furthermore, procedures for the calculation of the solvency standards and own capital standards at group level have been established, and qualitative norms for “intra-group transactions” and “risk concentration” at the group level introduced. On July 10, 2007, the EU Commission proposed a directive to improve solvency supervision, referred to as Solvency II that proposes a revision of the insurance supervision law with the goals of improving consumer protection, modernizing supervision, deepening the integration of the markets, and improving the ability of European insurance companies to compete internationally. Under the new system, insurers and reinsurers will be obligated to take into account all types of risks and to manage them effectively. One of the options available to insurance and reinsurance companies under the Solvency II reform is the choice of calculating the Solvency Capital Requirements (SCR) using either the “European Standard Formula” or by applying an “Internal Model”. Additionally, insurance groups will get a group supervisor, which should facilitate monitoring the group as a whole. Negotiations regarding the proposed directive are currently in progress in the European Council and the European Parliament. It is expected that the directive will be adopted in 2009.

The national implementing measures for the directive on the principle of equal treatment for men and women (2004/113/EC) came into effect on December 1, 2007. These measures prescribe equal treatment for men and women with respect to access to insurance services. As a result, different pricing is only permitted in exceptional cases, where an actuarial basis can be shown. In the area of health insurance, an exception has been introduced, so that the costs of pregnancy, childbirth and maternity are borne jointly by men and women.

In January 2001, the European Commission set up a network for out-of-court settlements (FIN-NET) in the financial services industry. The network is designed to help dissatisfied consumers find an amicable solution to a problem where the supplier has its registered office in another member state.

Insurance License

Every insurance company must be licensed for business operations. As a rule, the FMA will issue a license if the necessary legal conditions are fulfilled (for example sufficient capital reserves, a suitable business plan, proper qualifications of the management board members). An insurance company which has its registered office in another EEA member state only needs authorization from the competent supervisory authority in its home country, which authority will then primarily be in charge of the supervision of the company. Insurance companies that have their registered office in an EEA member state are authorized to operate in Austria or another EEA member state either by establishing a branch office or pursuant to the freedom to provide services, as long as they have notified the competent authority in their home country, which in turn notifies the FMA.

Supervision of the Operations of Insurance Companies

The insurance supervisory authority monitors compliance with the licensing requirements not only at the time when the license is granted but throughout the entire duration of the company’s business activities. In doing so, the authority has to take all measures necessary to protect the interests of policyholders, in particular to ensure that claims arising under the insurance contracts can be met on an ongoing basis. Insurance companies must provide for sufficient technical reserves, cover them with suitable assets and have a defined minimum of capital reserves at all times. In order to ensure that claims arising from insurance contracts can be met on an ongoing basis, an insurance company's assets, financial position and results of operations are analyzed at regular intervals by the FMA on the basis of documents that must be submitted. The documents include annual financial statements, the annual auditor's report together with supplementary information, and a variety of information and data describing the economic position and development of the insurance company. Additionally, the FMA inspects the conduct of insurance companies business on-site. The insurance supervision authorities are able to intervene in the business operations of insurance companies to enforce their objectives by means of enforcement measures and issuing orders. Administrative penalties can also be imposed.

Auditor, Trustee (Deckungsstocktreuhänder) and Actuary

In addition to supervision by the FMA, supervision is also carried out by the auditor, the trustee (*Deckungsstocktreuhänder*) and the appointed actuary. Apart from auditing obligations under the general commercial and company laws, the auditor is required to meet special auditing and reporting obligations under supervisory law.

The trustee primarily has to ensure that the cover fund complies with the cover requirements and to confirm investment of the cover assets in accordance with regulations. The trustees are appointed by the supervisory authority for companies active in the area of life or health insurance. The cover fund constitutes a group of assets to which the policyholders alone are entitled in the event of bankruptcy.

Insurance companies dealing in life insurance, or health or accident insurance with the characteristics of life insurance must appoint a responsible actuary and his deputy. The actuary must ensure that rates and technical reserves are calculated in accordance with applicable provisions and must verify that the obligations under the insurance contracts can be fulfilled on an ongoing basis.

If the actuary determines that the preparation of premium rates and the calculation of the technical reserves are not in accordance with applicable regulations and with actuarial principles or that the continued performance of obligations under the insurance contracts is at risk, he must inform the management board immediately. The actuary is obliged to submit to the management board an annual report containing his observations in the course of his activities and place an audit certificate on the report. The audit certificate has to confirm that certain criteria for the actuarial reserve are met and that the premiums agreed in new policies are likely sufficient to cover obligations from the policies; such report must be submitted to the FMA. If the management does not take the concerns of the actuary into account then the actuary must report this to the FMA without delay. Additionally, certain evaluations by the actuary must be submitted to the FMA.

Information, Submission, Reporting, Notification and Approval Requirements under the Insurance Supervision Act (VAG)

The FMA supervises the business conduct of Austrian insurance companies, including Wiener Städtische AG. The VAG contains the supervisory instruments available to the FMA. These include, inter alia, the information, submission, reporting, notification and approval requirements as well as on-site inspections. Mainly with respect to information and notification duties, the FMA also supervises companies to which business operations have been outsourced. The FMA may demand all necessary disclosure about subsidiaries, the acquisition of which was subject to approval or notification of the FMA, in particular the disclosure of the annual balance sheets and other business documentation.

In general, insurance companies have to notify the FMA immediately of all facts which could compromise the continuing performance of obligations under the insurance contracts. Furthermore, the FMA can demand at any time that an insurance company provide information with respect to matters of its business conduct and to submit pertinent documents. In addition, the VAG contains extensive notification and approval requirements with respect to insurance companies. The most important duties are briefly described below:

- Outsourcing agreements under which a significant part of the operations are transferred wholly or to a significant extent to another company must be notified promptly to the FMA. The outsourcing agreement is subject to approval by the FMA, if the assuming entity is not an insurance company with its corporate seat in the EEA. Outsourcing agreements which relate only to operations outside of the EEA member states also have to be notified to the FMA.

- The intention to appoint a responsible actuary and a deputy actuary must be reported to the FMA. The appointed actuary must report to the FMA if he observes that calculations were not made in accordance with applicable regulations or not on the basis of actuarial principles or that the continued performance of obligations under the insurance contracts is at risk, and the management board does not act in accordance with his proposals.

- Capital reserve requirements and the capital reserve level for every balance sheet segment which is operated by the insurance company must be notified to the FMA on an annual basis. A regrouping of assets between the balance sheet segments which has an impact on the capital reserve level must also be notified to the FMA.

- To the extent that expenses and income are not allocated to one particular balance sheet segment, they must be assigned to the individual balance sheet segments according to appropriate allocation procedures. Such allocation procedures must be approved by the FMA.

- Insurance companies must keep registers of the assets which are allocated to the cover fund and of those assets which are suitable to cover actuarial reserves for which no cover fund needs to be allocated. Insurance companies are obligated to present to the FMA schedules indicating the size of technical reserves at the end of each quarter and the end of the fiscal year, and all assets which are allocated to the cover assets and to the coverage of technical reserves as well as the other assets at the end of the fiscal year.

- The management board must notify the FMA of the identity of the auditor who was elected by the shareholders' meeting. If, in the course of his activities, the auditor becomes aware of any circumstances which could constitute a violation of relevant regulations, could put the continued performance of obligations at risk, could affect the continuation of the operations, or could result in qualification or refusal to provide an auditor's report, he must notify the FMA thereof.

- The FMA is generally entitled to demand all information that is necessary for the ongoing supervision of insurance companies and for the compilation of insurance statistics. The FMA has issued regulations and has provided forms that regulate the content of the individual notifications in detail. In particular the following documents must be disclosed to the FMA on an annual basis: (i) the annual financial statements and management report; (ii) the auditor's report; (iii) proof of the approval of the annual financial statements; (iv) the minutes of the shareholders' meeting relating to the formal approval of the actions of management board and supervisory board members; and (v) proof of publication of the annual financial statements.

- Amendments to the articles of association require the approval of the FMA.

- The FMA must be notified of any changes in the types of risks that the insurance company wants to cover, in the case that reinsurance is provided, this also pertains to the type of reinsurance contracts that the insurance company has entered into with ceding insurers.

- The FMA must be notified of any changes in the broad reinsurance policy guidelines. Such changes may only be put into effect following the notification.

- The FMA must be notified of the establishment of a foreign branch office.

- Austrian insurance companies must report to the FMA the appointment of new members of the management board or administrative board, as well as new managing directors. This notification must take place when feasible but no less than one month prior to such appointment and in all cases without delay after the appointment comes into effect. Resignations of members of the management board or administrative board must also be reported promptly. The selection of new supervisory board members and the resignation of supervisory board members must also be reported promptly to the FMA.

- Certain acquisitions and sales by insurance companies of shares in stock corporations also require notification to the FMA.

- Policy transfers without the policyholder's consent and legal transactions that result in universal succession require prior approval from the FMA.

- Persons that would like to directly or indirectly acquire an interest in a domestic insurance company that would result in them holding 10% or more of the share capital or voting rights or being able to exert substantial influence on management in some other way must notify the FMA of this. Insurance companies must also inform the FMA as soon as they become aware of any acquisitions/disposals of shares requiring notification to the FMA.
- Insurance companies that are in an insurance group and are subject to additional supervision must also provide the FMA with information on internal group transactions.

Supplementary Supervision

The Insurance Groups Directive (Directive 98/78/EC on the supplementary supervision of insurance undertakings in an insurance group) has been incorporated into the VAG, providing for additional supervision of companies belonging to an insurance group. Supplementary supervision has the purpose of avoiding gaps in prudential supervision in the case of internationally active insurance groups, especially in the area of capital resources requirements. The VAG provides for supervisory authority of the FMA vis-à-vis group companies (shareholders, subsidiaries and sister companies) of an Austrian insurance undertaking, even if such group companies have their seat outside of Austria. The Austrian insurance undertaking is obliged to provide for adequate measures which provide to the FMA access to information of group companies which are covered by the supplementary supervision.

Additionally Directive 2002/87/EC on the supplementary supervision of credit institutions, insurance undertakings and investment firms in a financial conglomerate has been implemented into the Austrian Financial Conglomerates Act (Finanzkonglomerategesetz — FKG) and the VAG. In this context the FKG now expands supplementary supervision to all group companies of a financial conglomerate. Financial conglomerates are large financial groups active in different financial sectors, often across borders.

International Cooperation

The increase in cross-border insurance activities and the formation of internationally operating groups of companies and conglomerates has led to close collaboration between insurance supervisory authorities. The insurance supervisory authorities cooperate in the International Association of Insurance Supervisors (IAIS), in the OECD Insurance Committee, in the EU Insurance Committee and in the Committee of European Insurance and Occupational Pensions Supervisors (CEIOPS).

Money Laundering and Counter-Terrorism

In addition to existing supervisory obligations to combat money laundering and the financing of terrorism, other wide-ranging obligations regarding the exercise of diligence, verification and reporting were added to the VAG, which implement the directive on prevention of the use of the financial system for the purpose of money laundering and the financing of terrorism (2005/60/EC) and the directive on the implementation of the aforementioned directive with regard to the definition of the term “politically exposed persons” and the specification of the technical criteria for the simplified obligations of diligence as well as the exemption in cases where financial transactions are only occasionally performed or only to a very limited extent (2006/70/EC).

The implementation of European Parliament and Council Regulation (EC) No. 1781/2006 from November 15, 2006, on the transmission of information pertaining to persons ordering money transfers, results in further obligations.

MANAGEMENT

Wiener Städtische AG has a two-tier management system. The management board is in charge of the day-to-day business and represents the company vis-à-vis third parties. The supervisory board appoints the members of the management board, removes them from office and supervises the management activities of the management board. The supervisory board is authorized to represent Wiener Städtische AG in legal transactions with members of the management board and, in certain cases, in legal disputes against members of the management board. As a rule, the supervisory board is not authorized to make management decisions, but pursuant to the Austrian Stock Corporation Act and the Articles of Association, the management board is obligated to seek the consent of the supervisory board for certain actions. See "*Description of Share Capital and Summary of the Articles of Association of Wiener Städtische AG – Management Board and Supervisory Board*".

The management board must report to the supervisory board at regular intervals on the business activities and the financial position of Wiener Städtische AG. The supervisory board may also request special reports to be prepared on any matter relating to management.

The management board is assisted in the management of Wiener Städtische AG by members of the extended board and in cross-regional issues by members of the Group management board and the extended Group board.

The members of the management board, the supervisory board, the extended board, the Group management board and the extended Group board can be contacted at the following address: WIENER STÄDTISCHE Versicherung AG Vienna Insurance Group, Schottenring 30, 1010 Vienna, Austria.

Members of the Management Board

Wiener Städtische AG's management board is composed of four, five or six persons. Substitute management board members may be appointed. The following persons are currently members and substitute members of the management board:

Name	Age	Position	Member since	Appointed until
Dr. Günter Geyer	64	General director, chairman of the management board	1991	6/30/2011
Dkfm. Karl Fink	62	General director, member of the management board	1991	6/30/2011
Mag. Robert Lasshofer	50	Member of the management board, deputy general director	1999	6/30/2011
Dr. Rudolf Ertl	61	Member of the management board	2001	6/30/2011
Dr. Hans-Peter Hagen	48	Member of the management board	2004	6/30/2011
Dr. Martin Simhandl	46	Member of the management board	2004	6/30/2011
Mag. Peter Höfinger	36	Substitute member of the management board	2007	6/30/2011
Dr. Judit Havasi	32	Substitute member of the management board	2007	6/30/2011
Ing. Martin Divis	34	Substitute member of the management board	2007	6/30/2011

Dr. Günter Geyer

Dr. Günter Geyer was born in 1943. He studied law at the University of Vienna. In 1974, he joined Wiener Städtische Wechselseitige Versicherungsanstalt of which he was appointed secretary general in 1984 and a member of its management board in 1988. In 1991, he was appointed deputy general director of Wiener Städtische AG. Since July 1, 2001, Dr. Geyer has been general director of Wiener Städtische AG. Dr. Geyer's primary areas of responsibility on the management board are strategic planning, public relations, human resources management, international personnel development, international labor law, group marketing and investor relations. The countries for which he is responsible are Slovakia, Czech Republic and Hungary.

In addition to his responsibilities at Wiener Städtische AG, Dr. Geyer currently holds directorships and offices in the following:

- Chairman of the supervisory board of Bank Austria Creditanstalt Versicherung Aktiengesellschaft
- Chairman of the supervisory board of DONAU Versicherung AG Vienna Insurance Group
- Chairman of the supervisory board of Kooperativa poijst'ovna, a.s., Vienna Insurance Group, Bratislava
- Chairman of the supervisory board of Kooperativa pojišt'ovna, a.s., Vienna Insurance Group, Prague
- Chairman of the supervisory board of UNION Vienna Insurance Group Biztosító Rt.
- Deputy chairman of the supervisory board of SPARKASSEN VERSICHERUNG AG
- 2nd deputy chairman of the supervisory board of Casinos Austria AG
- Member of the supervisory board of Casinos Austria International Holding GmbH
- Member of the supervisory board of SOZIALBAU gemeinnützige Wohnungsaktiengesellschaft
- Member of the supervisory board of Österreichische Verkehrsbüro Aktiengesellschaft
- Member of the supervisory board of WIEN ENERGIE GmbH
- Member of the supervisory board of Wien Holding GmbH
- Chairman of the management board of Wiener Städtische Wechselseitige Versicherungsanstalt-Vermögensverwaltung
- Vice-President of the Austrian Insurance Association (VVO)

Dkfm. Karl Fink

Dkfm. Karl Fink was born in 1945. He graduated in 1971 from the University of Economics and Business Administration in Vienna. After working for four years for Marubeni Corporation in Tokyo and Berlin, Dkfm. Fink joined Wiener Städtische Wechselseitige Versicherungsanstalt in 1975. From 1979 through 1987, Dkfm. Fink was chairman of the management board of Interrisk – Internationale Versicherungs-AG, Vienna. In 1987, he was appointed a member of the management board of Wiener Städtische Wechselseitige Versicherungsanstalt. In July 2004, he was appointed deputy general director and in October 2007 general director of Wiener Städtische AG. Dkfm. Fink's primary areas of responsibility on the management board are large corporate clients (underwriting and claims), reinsurance (Austria and CEE), sponsoring and the associated companies under TBIH.

In addition to his responsibilities at Wiener Städtische AG, Dkfm. Fink currently holds directorships and offices in the following:

- Chairman of the supervisory board of the life insurance company Bulgarski IMOTI
- Chairman of the supervisory board of the non-life insurance company Bulgarski IMOTI
- Chairman of the supervisory board of Bulstrad Insurance & Reinsurance Plc.
- Chairman of the supervisory board of TBIH Financial Services Group N.V.
- Deputy chairman of the supervisory board of Towarzystwo Ubezpieczen Compensa S.A.
- Deputy chairman of the supervisory board of Towarzystwo Ubezpieczen Na Zycie Compensa S.A.
- Deputy chairman of the supervisory board of DONAU Versicherung AG Vienna Insurance Group
- Deputy chairman of the supervisory board of KOOPERATIVA poist'ovňa, a.s. Vienna Insurance Group, Bratislava
- Deputy chairman of the supervisory board of Kooperativa pojišt'ovna, a.s. Vienna Insurance Group, Prague

- Deputy chairman of the supervisory board of Vienna Insurance Group Polska Sp. Z o.o.
- Deputy chairman of the supervisory board of Wiener Städtische osiguranje akcionarsko drustvo
- Member of the supervisory board of the Austrian HAGELVERSICHERUNG Versicherungsverein auf Gegenseitigkeit
- Member of the supervisory board of AT&S Austria Technologie & Systemtechnik AG
- Member of the supervisory board of Towarzystwo Ubezpieczen Interrisk S.A. Vienna Insurance Group (formerly T.U. CIGNA STU S.A.)
- Member of the supervisory board of Insurance Company MSK Life Ltd.
- Member of the supervisory board of Wienerberger AG
- Member of the management board of Wiener Städtische Wechselseitige Versicherungsanstalt-Vermögensverwaltung
- Chairman of the Industrial Insurance committee of the Austrian Insurance Association (VVO)

Mag. Robert Lasshofer

Mag. Lasshofer was born in 1957. After completing his education at Höhere Technische Lehranstalt TGM (where he studied operations technologies – industrial engineering), he studied economics at the University of Vienna. In 1983, he joined Zentralsparkasse und Kommerzialbank Vienna (now Bank Austria Creditanstalt AG). In 1987, Mag. Lasshofer joined UNION Versicherungs-AG. In 1998, he was appointed a member of the management board of DONAU Versicherung AG Vienna Insurance Group. Since 1999, Mag. Lasshofer has been a member of the management board of Wiener Städtische AG. Mag. Lasshofer's primary areas of responsibility include marketing, sales, advertising and the nine regional offices. The country for which he is responsible is Liechtenstein.

In addition to his responsibilities at Wiener Städtische AG, Mag. Lasshofer currently holds directorships and offices in the following:

- Deputy chairman of the supervisory board of VIENNA LIFE Lebensversicherung AG, Vienna Insurance Group
- 2nd Deputy chairman of the supervisory board of Ringturm Kapitalanlageges.m.b.H
- Deputy chairman of the supervisory board of Union Vienna Insurance Group Biztosító Rt.
- Member of the supervisory board of ATHENA Wien Beteiligungen AG
- Member of the supervisory board of SOZIALBAU gemeinnützige Wohnungsaktiengesellschaft
- Member of the supervisory board of S-Bauspakasse der oesterreichischen Sparkassen AG
- Deputy chairman of the shareholder's committee of Finanzpartner GmbH

Dr. Rudolf Ertl

Dr. Ertl was born in Vienna in 1946. He completed his studies of law with a doctorate in 1969 at the University of Vienna. Thereafter he studied at the University of Economics and Business Administration in Vienna. Dr. Ertl joined Wiener Städtische Wechselseitige Versicherungsanstalt in 1972. In 1990, he was appointed a member of the management board of DONAU Versicherung AG Vienna Insurance Group. In 1999, he became a member of the extended board. Since July 2001, he has been a member of the management board of Wiener Städtische AG. Dr. Ertl is primarily responsible for the business organization, IT (Austria and CEE), legal costs insurance (claims), real estate and real estate oriented investments, and company law departments. The country for which he is responsible is Serbia.

In addition to his responsibilities at Wiener Städtische AG, Dr. Ertl currently holds directorships and offices in the following:

- Member of the management board of DONAU Versicherung AG Vienna Insurance Group
- Chairman of the supervisory board of Wiener Städtische osiguranje akcionarsko drustvo
- Chairman of the supervisory board of Towarzystwo Ubezpieczen Compensa S.A.

- Chairman of the supervisory board of Towarzystwo Ubezpieczen Na Zycie Compensa S.A.
- Chairman of the supervisory board of Royal Polska Towarzystwo Ubezpieczen na Zycie S.A.
- Chairman of the supervisory board of Vienna Insurance Group Polska Sp. Z o.o.
- Deputy chairman of the supervisory board of BENEFIA Towarzystwo Ubezpieczen Majatkowych S.A.
- Deputy chairman of the supervisory board of BENEFIA Towarzystwo Ubezpieczen na Zycie S.A
- Deputy chairman of the supervisory board of the life insurance company Bulgarski IMOTI
- Deputy chairman of the supervisory board of the insurance company Bulgarski IMOTI
- Deputy chairman of the supervisory board of WÜSTENROT Versicherungs-AG
- Member of the supervisory board of Towarzystwo Ubezpieczen Interrisk S.A. Vienna Insurance Group (formerly T.U. CIGNA STU S.A.)
- Member of the supervisory board of SPARKASSEN VERSICHERUNG Aktiengesellschaft

Dr. Hans-Peter Hagen

Dr. Hagen was born in 1959. He studied law at the University of Vienna, from which he graduated with a doctorate in 1987. In 1989, he joined Wiener Städtische Wechselseitige Versicherungsanstalt. In 1999, he became a member of the extended board and in July 2004, he was appointed a member of the management board of Wiener Städtische AG. Dr. Hagen's primary areas of responsibility are general liability insurance (underwriting and claims), motor vehicle insurance (underwriting), legal costs insurance (underwriting), property insurance underwriting (retail business), property insurance (underwriting and claims; excluding legal costs insurance and corporate clients).

In addition to his responsibilities at Wiener Städtische AG, Dr. Hagen currently holds directorships and offices in the following:

- Member of the management board of Kooperativa pojišt'ovna, a.s., Vienna Insurance Group, Prague
- Deputy chairman of the supervisory board of INTERRISK Versicherungs-Aktiengesellschaft Vienna Insurance Group
- Deputy chairman of the administrative board of OMNIASIG Vienna Insurance Group S.A.
- Member of the supervisory board of INTERRISK Lebensversicherungs-Aktiengesellschaft Vienna Insurance Group
- Member of the supervisory board of OMNIASIG Asigurari de Viata S.A. Vienna Insurance Group
- Member of the supervisory board of UNITA Vienna Insurance Group S.A.
- Member of the supervisory board of DONAU Versicherung AG Vienna Insurance Group
- Member of the supervisory board of voestalpine AG

Dr. Martin Simhandl

Dr. Simhandl was born in 1961 and holds a law degree. In 1985, he joined Wiener Städtische Allgemeine Versicherungsanstalt. In 2000, he was appointed a member of the extended board of Wiener Städtische AG. Since November 2004, Dr. Simhandl has been a member of the management board of Wiener Städtische AG. Dr. Simhandl's primary areas of responsibility are finance and accounting, capital investment (securities and funds, investment management) life, health and casualty insurance. The countries for which he is responsible are Ukraine and Germany.

In addition to his responsibilities at Wiener Städtische AG, Dr. Simhandl currently holds directorships and offices in the following:

- Chairman of the supervisory board of INTERRISK Versicherungs-AG Vienna Insurance Group
- Chairman of the supervisory board of the insurance company KNIAZHA

- Chairman of the supervisory board of Erste gemeinnützige Wohnungsgesellschaft Heimstätte Gesellschaft m.b.H.
- Chairman of the supervisory board of Ringturm Kapitalanlageges.m.b.H.
- Chairman of the supervisory board of Sparkassen Immobilien AG
- 1st deputy chairman of the supervisory board of CEE PROPERTY-INVEST IMMOBILIEN AG
- Deputy chairman of the supervisory board of INTERRISK Lebensversicherungs-AG Vienna Insurance Group
- Member of the supervisory board of Bank Austria Creditanstalt Versicherung AG
- Member of the supervisory board of DONAU Versicherung AG Vienna Insurance Group
- Member of the supervisory board of Sparkassen Versicherung Aktiengesellschaft
- Member of the supervisory board of TBIH Financial Services Group N.V.
- Member of the supervisory board of UNION Vienna Insurance Group Biztosító Rt.
- Member of the supervisory board of Wiener Hafen Management GmbH
- Member of the management board of Wiener Städtische Wechselseitige Versicherungsanstalt-Vermögensverwaltung
- Member of the shareholders' committee of TECH GATE VIENNA Wissenschafts- und Technologiepark GmbH
- Member of the steering committee of Beteiligungs- und Immobilien GmbH
- Member of the steering committee of Beteiligungs- und Wohnungsanlagen GmbH
- Member of the steering committee of Beteiligungs- und Wohnungsanlagen GmbH &Co OEG
- Member of the steering committee of Humanomed Krankenhaus Management Gesellschaft mbH

Substitute Members of the Management Board

Mag. Peter Höfinger

Mag. Peter Höfinger was born in 1971. In 1998, after completing his law studies, he joined an Austrian law firm working in Vienna and Prague before starting to work for Winterthur Versicherung, where he held a number of management positions, in companies of the corporate group in the Czech Republic and Poland. From 2001, Mag. Höfinger has been CEO of AXA Biztosito Rt., Hungary, before he moved to DONAU Versicherung in 2003, where he is a member of the management board responsible for distribution. In 2007, Mag. Höfinger became a member of the Group management board of Wiener Städtische AG, where he provides assistance to the management board of Wiener Städtische AG, primarily with respect to underwriting and claims by international corporates and large customers, property insurance (underwriting and claims; excluding legal costs insurance and corporate clients) and the international reinsurance service group. The countries for which he is responsible are Romania and Russia.

In addition to his responsibilities at Wiener Städtische AG, Mag. Höfinger currently holds directorships and offices in the following:

- Member of the management board of DONAU Versicherung AG Vienna Insurance Group
- Member of the administrative board of OMNIASIG Vienna Insurance Group S.A.
- Deputy chairman of the supervisory board of OMNIASIG Asigurari de Viata S.A.
- Deputy chairman of the supervisory board of UNITA Vienna Insurance Group S.A.
- Member of the supervisory board of Česká podnikatelská pojišťovna, a.s., Vienna Insurance Group (CPP)

- Member of the supervisory board of Kooperativa pojišt'ovna, a.s., Vienna Insurance Group, Prague
- Member of the supervisory board of Insurance Joint-Stock Company "STANDARD REZERV"
- Member of the supervisory board of Wiener Städtische osiguranje a.d.o.
- Member of the supervisory board of Joint Belarus-Austrian Insurance Company KUPALA
- Member of the supervisory board of Insurance Company ZASO Victoria Non-Life

Dr. Judit Havasi

Dr. Judit Havasi was born in 1975 and studied law in Vienna and Budapest. In 2000, she joined Union Biztosító (formerly Gloria Swisslife), a fully owned subsidiary of Wiener Städtische AG. Dr. Havasi has been a member of the management board of UNION Biztosító since 2005. In 2006, she completed her studies as a tax advisor and became a member of the extended board of Wiener Städtische AG that same year. In 2007, Dr. Havasi became a member of the Group management board of the Vienna Insurance Group. Dr. Havasi assists the management board of Wiener Städtische AG, particularly with respect to Group matters in the areas of labor law, international personnel development, corporate law (CEE), legal costs insurance (claims) and finance and accounting (CEE).

In addition to her responsibilities at Wiener Städtische AG, Dr. Havasi currently holds directorships and offices in the following:

- Member of the management board of Union Vienna Insurance Biztosító Rt.

Ing. Martin Divis, MBA

Ing. Martin Divis was born in 1973. After finishing his business studies in Prague, he completed a post-graduate MBA degree in New York, USA. He joined Kooperativa Prague in 1995. Ing. Divis became a member of the extended board of Kooperativa Prague in 2005 and has been deputy general director of the company and a member of the extended board of Wiener Städtische AG since 2006. In 2007, Ing. Divis became a member of the Group management board of the Vienna Insurance Group, where he assists the management board of Wiener Städtische AG with international coordination in the areas of investments (real estate and real estate oriented investments, as well as securities and funds) and general liability (underwriting and claims). The country for which he is responsible is Belarus.

In addition to his responsibilities at Wiener Städtische AG, Ing. Divis currently holds directorships and offices in the following:

- Member of the management board of Kooperativa pojišt'ovna, a.s., Vienna Insurance Group, Prague
- Member of the supervisory board of the life insurance company Bulgarski IMOTI
- Member of the supervisory board of the insurance company Bulgarski IMOTI
- Member of the supervisory board of Bulstrad Insurance & Reinsurance Plc.
- Member of the supervisory board of Joint Belarus-Austrian Insurance Company KUPALA
- Member of the supervisory board of Insurance Company ZASO Victoria Non-Life
- Member of the steering committee of the Czech Insurance Association
- Chairman of the motor vehicle division of the Czech Insurance Association

Members of the Supervisory Board

The Wiener Städtische AG's supervisory board is composed of members elected by the shareholders' meeting and by employee representatives delegated by the works council. The number of employee representatives on the supervisory board must be at least 50% of the number of members elected by the shareholders' meeting. In accordance with the Articles of Association of

Wiener Städtische AG, the supervisory board must consist of at least three members elected by the shareholders' meeting. Currently, the supervisory board of Wiener Städtische AG is composed of ten members elected by the shareholders' meeting and five members delegated by the employees' representation. Unlike the members elected by the shareholders' meeting, the employee representatives on the supervisory board are persons employed by Wiener Städtische AG.

The term of office of the members of the supervisory board elected by the shareholders' meeting terminates at the end of the shareholders' meeting in which the supervisory board actions for fourth fiscal year following the election are formally approved. Re-election (also more than once) is admissible. The members delegated by the employees' representation are delegated for an indefinite period of time.

The following table sets forth information on the persons who are currently members of the supervisory board:

Name	Age	Position	Member since	Appointed until
KR Dkfm. Klaus Stadler Generaldirektor i.R	69	Chairman of the supervisory board	1992	2010
KR Dr. Karl Skyba	68	Deputy chairman of the supervisory board	1992	2010
Propst Bernhard Backovsky	65	Member of the supervisory board	2002	2010
Mag. Alois Hochegger	58	Member of the supervisory board	2005	2010
Dipl.-Ing. Guido Klestil	66	Member of the supervisory board	1992	2010
Prof. KR Walter Nettig	72	Member of the supervisory board	1992	2010
HR Dkfm. Heinz Öhler	62	Member of the supervisory board	2002	2010
Mag. Reinhard Ortner	59	Member of the supervisory board	2007	2010
Dr. Johann Sereinig	56	Member of the supervisory board	1992	2010
Mag. Dr. Friedrich Stara	59	Member of the supervisory board	2002	2010
Peter Grimm 1st deputy chairman of the central works council	55	Member of the supervisory board	1991	
Heinz Neuhauser member of the central works council	64	Member of the supervisory board	1991	
Franz Urban chairman of the central works council	58	Member of the supervisory board	1991	
Gerd Wiehart 2nd deputy chairman of the central works council	46	Member of the supervisory board	2002	
Peter Winkler member of the central works council	52	Member of the supervisory board	2005	

KR Dkfm. Klaus Stadler

KR Dkfm. Stadler was born in 1939. He studied at the University of Economics and Business Administration of Vienna. From 1965 through 1969, he was employed by Österreichische Revisions- und Treuhand-Gesellschaft m.b.H. From 1969 through 1974 he was managing director of Heizbetriebe Wien GmbH (now Fernwärme Wien Ges.m.b.H.). From 1974 until his retirement in 2002. Since 1980, Dkfm. Stadler has been a member of Wien Holding GmbH management board and has been general director since 1989.

General director (retired) KR Dr. Karl Skyba

KR Dr. Skyba was born in 1939. In 1957, he joined the municipal authority for the city of Vienna, where he first worked in welfare and later in finance and investment administration. From 1983 through 1990, he was head of the cabinet of the Mayor of the City of Vienna. From 1991 until his retirement in early 2003, Dr. Skyba was general director of Wiener Stadtwerke Holding AG.

Probst Bernhard Backovsky

Probst (provost) Backovsky was born in 1943. He joined the monastery of Augustiner Chorherrenstift in Klosterneuburg after he graduated from high school, and in 1965 he was invested in the order. After his ordination to the priesthood, he practiced a number of religious activities until 1995, when he was elected provost of the monastery of Klosterneuburg. He was appointed abbot in 1996.

Mag. Alois Hochegger

Mag. Hochegger was born in 1949. He studied business administration at the University of Graz. After finishing his studies, he was employed as an auditor with the Sparkassen-Prüfungsverband (the auditing association of the savings banks) in Vienna. From 1981 through 1990, Mag. Hochegger was employed by the Sparkasse in Wolfsberg and since 1983, he was the chairman of the management board of the Sparkasse in Wolfsberg. From 1990 through 1999, Mag. Hochegger was deputy chairman of the management board of Kärntner Sparkasse AG. Since August 1999, Mag. Hochegger has been chairman of the management board of Kärntner Sparkasse AG.

Dipl.-Ing. Guido Klestil

Dipl.-Ing. Klestil was born in 1941. He studied communication technology, upon completion of which he held a number of positions in international companies in the electric and electronics industries, including general director of ITT – Austria / Alcatel Austria AG. From 1988 through 1994, he held a number of positions in ÖIAG and was a member of the management board of Austrian Industries AG. From 1997 until his retirement in 2002, Dipl.-Ing. Klestil was managing partner of a consulting firm.

Prof. KR Walter Nettig

Prof. KR Nettig was born in 1935. Upon completion of his apprenticeship to become a photographic equipment salesman, he worked with a photographic products company in Vienna, following which he set up his own photographic equipment shops and was active in the photographic industry's purchasing organization, Fotoring-Austria Gen.m.b.H. (a cooperative). From 1987 through 1996, he was a member of the regional parliament and city council of Vienna. From 1989 through 1991, Prof. KR Nettig was city councilor for the departments of culture, sports, environment and consumer protection. From 1992 through 2004, Prof. KR Nettig was president of the economic chamber of Vienna. Since 1996, he has been a special delegate for international economic matters of the City of Vienna.

HR Dkfm. Heinz Öhler

HR Dkfm. Öhler was born in 1945. He completed his studies at the University of Economics and Business Administration in Vienna. In 1970, Dkfm. Öhler joined the Tiroler Gebietskrankenkasse. In 1971, he was appointed head of the finance division of Tiroler Gebietskrankenkasse and in subsequent years, held a number of positions in the Tiroler Gebietskrankenkasse. At present, Dkfm. Öhler is a director of the Tiroler Gebietskrankenkasse.

Mag. Reinhard Ortner

Mag. Reinhard Ortner was born in 1949. After completing his studies in social sciences and economics (with a major in political economy) at the University of Vienna, he was employed by Erste oesterreichische Spar-Casse. In 1977, he became head of the accounting, business administration and finance department group. Since 1984, Mag. Ortner has been a member of the management board of Erste Bank der oesterreichischen Sparkassen AG. In June 2007, he retired from the management board of Erste Bank der oesterreichischen Sparkassen AG.

Dr. Johann Sereinig

Dr. Sereinig was born in 1952. He completed his study of basic and integrative sciences at the University of Vienna in 1976. Thereafter he was employed by Österreichische Länderbank AG. From 1984 to 1986, he was advisor to the Federal Minister of Finance and subsequently became advisor to the Federal Chancellor. From 1988 through 1993, he was head of the Federal Chancellor's cabinet. Since early 1994, Dr. Sereinig has been a member of the management board of Verbund – Österreichische Elektrizitätswirtschafts-AG. In 2007, he became deputy chairman of the management board of Verbund – Österreichische Elektrizitätswirtschafts-AG.

Mag. Dr. Friedrich Stara

Mag. Dr. Stara was born in 1949. He completed his studies in economic sciences at the University of Economics and Business Administration in Vienna. Dr. Stara joined the HENKEL-Group in 1976 and held a number of positions from 1977 through 1989. From 1993 through 1997, he was general manager of HENKEL Austria GmbH and the HENKEL Austria Group. From 1998 through 2004, he was president of HENKEL Central Eastern Europe. Since July 2005, Dr. Stara has been a member of the management board of HENKEL KGaA.

Peter Grimm

Mr. Grimm was born in 1952. He has been with "Wiener Städtische" since 1973. Mr. Grimm is first deputy chairman of the central works council of Wiener Städtische AG.

Heinz Neuhauser

Mr. Neuhauser was born in 1943. He joined "Wiener Städtische" in 1969. Mr. Neuhauser held a number of positions as office and field staff for "Wiener Städtische". He is a member of the central works council of Wiener Städtische AG.

Franz Urban

Mr. Urban was born in 1949 and joined "Wiener Städtische" in 1969. Mr. Urban was primarily employed in the area of motor vehicle insurance claims. Since 1990, he has been chairman of the works council for the provincial head office for Vienna and the central head office. He is also is chairman of the central works council of Wiener Städtische AG.

Gerd Wiehart

Mr. Wiehart was born in 1961. He joined "Wiener Städtische" in 1976 and, among other things, was employed in the non-motor vehicle underwriting department and in the advertising department. Since 1991, he has been a member of the works council, and since 2001, Mr. Wiehart has been second deputy chairman of the central works council of Wiener Städtische AG.

Peter Winkler

Mr. Winkler was born in 1956. He has been employed with "Wiener Städtische" since 1979. Since 1996, he has been a member of the works council and was appointed chairman of the Upper Austria works council in 1999. Mr. Winkler is member of the central works council of Wiener Städtische AG.

OAR Peter Haunschmidt

In fiscal year 2007, Oberamtsrat Peter Haunschmidt withdrew from the supervisory board. Oberamtsrat Haunschmidt had been a member of the supervisory board from 2002 through May 25, 2007.

Members of the Extended Board

The following table contains a list of the members of the extended board of Wiener Städtische AG:

Name	Age	Position
Robert Bilek	51	Head of human resources
Mag. Hermann Fried	43	Head of health insurance
Mag. Helene Kanta	49	Head of corporate law
Dr. Wolfgang Petschko	30	Head of international corporates and large customers service
Dr. Michael Schlögl	39	Head of motor vehicle insurance
Dr. Christine Dornaus	44	Head of investment management in subsidiaries and associated companies and loans

Robert Bilek

Robert Bilek was born in 1956 and joined "Wiener Städtische" in 1973. In 1993, he was appointed head of human resources administration – payroll accounting and in 1999, he became head of human resources. Since January 2005, Mr. Bilek has been a member of the extended board of Wiener Städtische AG. His main responsibility in the extended board is coordination of domestic human resources, such as the development of training programs and the advancement of junior and senior management.

In addition to his responsibilities at Wiener Städtische AG, Mr. Bilek currently holds directorships and offices in the following:

- Chairman of the savings and loan fund for employees of Wiener Städtische Allgemeine Versicherungsanstalt reg. Gen.m.b.H.
- Member of the supervisory board of VBV Vorsorgekasse AG
- Deputy Chairman of the Employers' committee of the Austrian Insurance Association (VVO)
- President of the Austrian Institute for Professional Insurance Education (BÖV)

Mag. Hermann Fried

Mag. Hermann Fried was born in 1964. He joined University of Economics and Business Administration, Vienna Institute for regional development after completing his studies in business administration at the University of Economics and Business Administration in Vienna. In 1994, he became assistant to the chairman of the management board of the Association of Social Insurance Agencies Austria. In 1997, he became Head of the controlling department in the Health- and Social fund of Lower Austria before he joined Wiener Städtische in 1998. Mag. Fried has worked in the health insurance department since joining Wiener Städtische AG. He was appointed deputy group head of health insurance in 2002, and became group head in 2004. Mag. Fried has been a member of the extended board of Wiener Städtische AG since January 2008. His responsibility in the extended board is to advise the management board with respect to personal health and life insurance.

In addition to his responsibilities at Wiener Städtische AG, Mag. Fried currently holds directorships and offices in the following:

- Deputy Chairman of the Health Insurance Section of the Austrian Insurance Association (VVO)

Mag. Helene Kanta

Mag. Helene Kanta was born in 1958. After completing her law degree at the University of Vienna, she began working for the VVO in 1985 where she was head of the legal department and Syndic. She has been employed in the legal department of Wiener Städtische AG since 1997, and became head of the department in 2001. Mag. Kanta has been a member of the extended board of Wiener Städtische AG since January 2008 and provides advice to the management board, with respect to legal matters.

In addition to her responsibilities at Wiener Städtische AG, Mag. Kanta currently holds directorships and offices in the following:

- Member of the executive board of Neue Heimat Oberösterreich Holding GmbH
- Member of the supervisory board of Vienna Life Lebensversicherungs AG Vienna Insurance Group

Dr. Wolfgang Petschko

Dr. Wolfgang Petschko was born in 1978, after completing his studies of information management he joined the Federal Chancellery of the Republic of Austria before he started working for Donau Versicherung in 2002 as an assistant to the head of reinsurance service group. From 2006 he was responsible for country management CEE in the corporate clients' service group. In 2007, Dr. Petschko became managing director of Vienna International Underwriters GmbH and head of international corporate clients and key accounts services group of Wiener Städtische AG. Since January 2008, Dr. Petschko is also a member of the extended board of Wiener Städtische AG and provides advice to the management board with respect to key accounts and corporate clients in the field of non-life insurance (excluding motor vehicle insurance).

In addition to his responsibilities at Wiener Städtische AG, Dr. Petschko currently holds directorships and offices in the following:

- Managing director of Vienna International Underwriters GmbH

Dr. Michael Schlögl

Dr. Michael Schlögl was born in 1968. After completing his studies in actuarial mathematics and technical mathematics at the Vienna University of Technology he commenced part-time work with "Weiner Städtische". After finishing his postgraduate advanced degree in engineering at the Vienna University of Technology, Dr. Schlögl began working full-time with Wiener Städtische AG. In 2003, Dr. Schlögl received his doctorate from the Vienna University of Technology. In 2004, he was appointed deputy group head of the motor vehicle department, and in early 2005, group head of Wiener Städtische's motor vehicle department. Dr. Schlögl has been a member of the extended board of Wiener Städtische AG since January 2008 and provides advice to the management board, with respect to motor vehicle insurance. He does not hold any positions outside Wiener Städtische AG.

Dr. Christine Dornaus

Dr. Christine Dornaus was born in 1963. After completing her studies and receiving a doctorate in social sciences and economics in 1989, she held management positions in domestic and foreign banking. Dr. Dornaus joined Wiener Städtische AG in 2002, initially as deputy head of investment and loans underwriting, and then as head of this area in November 2005. Dr. Dornaus has been a member of the extended board of Wiener Städtische AG since January 2008 and provides advice to the management board, with respect to investments (excluding insurance company investments).

In addition to her responsibilities at Wiener Städtische AG, Dr. Dornaus currently holds directorships and offices in the following:

- Managing director of Beteiligungs- und Immobilien GmbH
- Managing director of Beteiligungs- und Wohnungsanlagen GmbH
- Managing director of PFG Holding GmbH
- Managing director of Wiener Städtische Beteiligungs GmbH
- Member of the supervisory board of Bank Austria Creditanstalt Versicherung AG
- Member of the supervisory board of InvestEquity Beteiligungs-AG
- Member of the supervisory board of Kapital Beteiligungs Aktiengesellschaft
- Member of the supervisory board of UBF Mittelstandsfinanzierungs AG
- Member of the advisory board of Andel InvestmentsPraha s.r.o.
- Member of the advisory board of Futurelab GmbH

Members of the Group Management Board

The following table contains the members of the Group management board of the Vienna Insurance Group:

Name	Age	Position
Franz Fuchs	54	General director, chairman of the management board of the Compensa companies in Poland
Dr. Franz Kosyna.	53	Member of the management board of DONAU Versicherung AG Vienna Insurance Group

Franz Fuchs

Franz Fuchs was born in 1953. After completing his studies in mathematics at the University of Vienna, he worked as an actuary for an Austrian insurance company since 1974. Between 1977 and 2003, Mr. Fuchs was employed by several major domestic and foreign insurance groups. At the end of 2003, he moved to the Wiener Städtische Group, where he was appointed chairman of the management board of the Polish Compensa companies. At the end of 2006, Mr. Fuchs became a member of the extended board of Wiener Städtische AG and has been a member of the Group management board since the beginning of 2007.

In addition to his responsibilities at Wiener Städtische AG, Mr. Fuchs currently holds directorships and offices in the following:

- General director of Towarzystwo Ubezpieczen Compensa S.A.
- General director of Towarzystwo Ubezpieczen Na Zycie Compensa S.A.
- General director of Vienna Insurance Group Polska Spolka z o.o.
- Chairman of the supervisory board of BENEFIA Towarzystwo Ubezpieczen Na Zycie S.A. Vienna Insurance Group
- Chairman of the supervisory board of BENEFIA Towarzystwo Ubezpieczen S.A. Vienna Insurance Group
- Chairman of the supervisory board of Capitol Spolka z o.o.
- Chairman of the supervisory board of closed joint stock company JUPITER Life Insurance Vienna Insurance Group
- Chairman of the supervisory board of Towarzystwo Ubezpieczen InterRisk S.A. Vienna Insurance Group (formerly Cigna T.U. CIGNA STU S.A)
- Chairman of the supervisory board of Vienna Finanse
- Chairman of the supervisory board of FinLife Towarzystwo Ubezpiecen ny Zycie S.A.
- First deputy chairman of the supervisory board of Kvarner Vienna Insurance Group ddo.
- Deputy chairman of the supervisory board of Royal Polska Towarzystwo Ubezpiecen na Zycie S.A. Vienna Insurance Group
- Deputy chairman of the supervisory board of Towarzystwo Ubezpieczen Polski Zwiazek Motorwy Spolka Akcyja Vienna Insurance Group
- Deputy chairman of the supervisory board of life insurance company Bulgarski Imoti
- Deputy chairman of the supervisory board of insurance company Bulgarski Imoti
- Deputy chairman of the supervisory board of Bulstrad Insurance and Reinsurance Plc
- Member of the supervisory board of Osiguranje Helios dd.
- Member of the supervisory board of TBIH Financial Services Group N.V.
- Member of the supervisory board of Insurance Company KNIAZHA
- Member of the supervisory board of Globus Vienna Insurance Group AG
- Member of the supervisory board of Seesam Life Insurance SE

Dr. Franz Kosyna

Dr. Franz Kosyna was born in 1954. He studied law and joined "Wiener Städtische" in 1983. From 1992 to 1995, he was a member of the management board of UNION Versicherung (now BA-CA Versicherung). From 1995 to 1998, Dr. Kosyna was general secretary of Wiener Städtische AG. From 1999 to 2004, he was a member of the management board of KOOPERATIVA poist'ovňa Bratislava in Slovakia, and was appointed deputy general director beginning 2003. From 2004 to 2006, Dr. Kosyna was deputy general director of Kooperativa pojišt'ovna a.s. Prague in the Czech Republic. At the beginning of 2005, he was appointed to the extended board of Wiener Städtische AG. In 2006, he became general director of Česká podnikatelská pojišt'ovna a.s., Vienna Insurance Group (CPP). At the end of 2007, Dr. Kosyna was appointed to the management board of Donau Versicherung. As a member of the Group management board, Dr. Kosyna assists with coordination of the international strategy of the Vienna Insurance Group.

In addition to his responsibilities at Wiener Städtische AG, Dr. Kosyna currently holds directorships and offices in the following:

- Member of the management board of DONAU Versicherung AG Vienna Insurance Group
- Member of the executive board of Wiener Städtische Finanzierungsdienstleistungs GmbH
- Deputy chairman of the supervisory board of KOMUNÁLNA poist'ovňa a.s. a.s., Vienna Insurance Group
- Member of the supervisory board of Kooperativa pojišt'ovna, a.s., Vienna Insurance Group, Bratislava
- Member of the supervisory board of Capitol Spolka z o.o.
- Member of the supervisory board of Antares Risk s.r.o.
- Member of the supervisory board of Sigmund Freud Privatstiftung
- Member of the management board of Sigmund Freud Gesellschaft
- Member of the management board of Verein der Freunde des Sigmund Freud Museums

Members of the Extended Group Board

The following table contains a list of the members of the extended Group board of the Vienna Insurance Group:

Name	Age	Position
Mag. Roland Gröll	42	Head of the group accounting department
Mag. Robert Haider	42	Member of the management board of DONAU Versicherung AG Vienna Insurance Group
Dr. Birgit Moosmann	45	Head of labor law department
Mag. Larysa Winter	34	Head of international personnel development

Mag. Roland Gröll

Mag. Roland Gröll was born in 1965. After completing his studies in business administration he started working for Wiener Städtische AG in 1994 where he completed a traineeship programs and joined the accounting department. In 2004, Mag. Gröll became deputy head of finance and accounting department. Since 2008, Mag. Gröll has been a member of the extended Group board, where he is responsible for coordinating Group accounting. He does not hold any positions outside of Wiener Städtische AG.

Mag. Robert Haider

Mag. Robert Haider was born in 1965. He studied law at the University of Vienna. After completing his studies, Mag. Haider was employed in a number of companies in the information technology industry. In 1998, he was appointed managing director of an information technology subsidiary of Wiener Städtische AG. In 2001, Mag. Haider was appointed to the management board of DONAU and to the extended board of Wiener Städtische AG. Mag. Haider has been a member of the extended Group board since 2008, where he is responsible for information technology and process optimization for the Group.

In addition to his responsibilities at Wiener Städtische AG, Mag. Haider currently holds directorships and offices in the following:

- Member of the management board of DONAU Versicherung AG Vienna Insurance Group
- Member of the supervisory board of Cosmopolitan Life Vienna Insurance Group d.d.o
- Member of the supervisory board of Kvarner Vienna Insurance Group ddo
- Member of the administrative board of OMNIASIG Vienna Insurance Group S.A.
- Member of the shareholders' committee of TOGETHER Internet Services GmbH

Dr. Birgit Moosmann

Dr. Birgit Moosmann was born in 1962. After completing her law studies, she joined Wiener Städtische AG in 1989 and has been employed in the human resources department since that time. She became deputy head of labor law in 1999 and was appointed head of the Labor Law Department in 2004. Since 2008, Dr. Moosmann is a member of the extended Group board, where she is responsible for coordinating company-wide labor law matters. She does not hold any positions outside of Wiener Städtische AG.

Mag. Larysa Winter, MBA

Mag. Larysa Winter, born 1973, joined Unilever Ukrain Ltd. in 1995. After completing her law studies at National University, Kiew in 1998 she became the Manager of the Legal Department. 2001 Mag. Winter moved to Vienna, where she was working as Human Resources Expert for multinationally operating companies. Between 2002 and 2006 Mag. Winter completed an additional postgraduate education at Henley Management College. Since March 2007 she is Head of the International Human Resources Development of Wiener Städtische AG. In January 2008 she became a member of the extended Group board, where she is responsible for coordinating company-wide human resources issues. Mag. Winter does not hold any positions outside of Wiener Städtische AG.

Additional Information Regarding the Members of the Management Board, Supervisory Board, the Extended Board, the Group Management Board and Extended Group Board

None of the members of the management board, supervisory board, the extended board, the Group management board or the extended Group board of Wiener Städtische AG:

- has any family relationship with another member of the management board, the supervisory board, the extended board, the Group management board or the extended Group board of Wiener Städtische AG;
- is, or has been, at any time in the previous five years a member of the administrative, management or supervisory bodies or partner of a company or partnership outside the Vienna Insurance Group (with the exception of those positions disclosed in this Prospectus);
- has during at least the previous five years been convicted in relation to fraudulent offences;
- was during at least the previous five years as a member of the administrative, management or supervisory bodies, partners with unlimited liability or as a senior manager of a company involved in any bankruptcies, receiverships or liquidations, with the exception of Dr. Kosyna who has been associated with in the liquidation of the company Kapitol Invest Hungary, where he was chairman and a member of the supervisory board;
- was subject to any official public incrimination and/or sanctions by statutory or regulatory authorities (including designated professional bodies);
- has ever been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of an issuer or from acting in the management, or conduct of the affairs of any issuer for at least the previous five years;
- has potential conflicts of interests between any duties vis-à-vis Wiener Städtische AG and their private interests and/or other duties;

- was selected on the basis of any arrangement or understanding with major shareholders, customers, suppliers or others, as a member of the administrative, management or supervisory bodies or member of senior management.
- has agreed to any restrictions on the disposal within a certain period of time of their holdings in the securities of Wiener Städtische AG.

The following table contains information about all enterprises and companies of which members of the supervisory board, the management board, the extended board, the Group management board or the extended Group board have been members of the administrative, management or supervisory bodies or partners over the last five years. Excluded from this table are positions on the executive bodies of subsidiaries of Wiener Städtische AG held by members of the management board, the extended board, the Group management board or the extended Group board. Subsidiaries in this context are deemed to be such companies in which Wiener Städtische AG presently holds directly or indirectly an interest of more than 50%:

Member of management board, supervisory board, extended board, group management board, extended group board	Name of the company	Position last held	Still applicable
Management Board			
Dr. Günter Geyer	Wiener Städtische Wechselseitige Versicherungsanstalt – Vermögensverwaltung	Member of the management board	yes
	Sparkassen Versicherung AG	1st deputy chairman of the supervisory board	yes
	Casinos Austria AG	2nd deputy chairman of the supervisory board	yes
	Casinos Austria International Holding GmbH	Member of the supervisory board	yes
	SOZIALBAU gemeinnützige Wohnungsaktiengesellschaft	Member of the supervisory board	yes
	Österreichisches Verkehrsbüro Aktiengesellschaft	Member of the supervisory board	yes
	WIEN ENERGIE GmbH	Member of the supervisory board	yes
	Wien Holding GmbH	Member of the supervisory board	yes
	Union Versicherungs-Aktiengesellschaft	Chairman of the supervisory board	no
	RUEFA Reisen AG	Deputy chairman of the supervisory board	no
	A.W.H. Beteiligungsgesellschaft m.b.H.	Member of the supervisory board	no
	Gewista-Werbegesellschaft mbH	Member of the supervisory board	no
	Immobiliendevelopment Wiener Stadtwerke BMG & Soravia AG	Member of the supervisory board	no
	Kapital & Wert Immobilienbesitz AG	Member of the supervisory board	no
	Kapital & Wert Vermögensverwaltung AG	Member of the supervisory board	no
	"Merkur" Unternehmensbeteiligung. Vermögensverwaltung und Finanzierungsvermittlung Gesellschaft m.b.H.	Member of the supervisory board	no no
	Semperit AG Holding	Member of the supervisory board	no
	card complete Service Bank AG (formerly: Visa-Service Kreditkarten AG)	Member of the supervisory board	no

Member of management board, supervisory board, extended board, group management board, extended group board	Name of the company	Position last held	Still applicable
Dkfm. Karl Fink	Wiener Städtische Wechselseitige Versicherungsanstalt – Vermögensverwaltung	Member of the management board	yes
	Österreichische Hagelversicherung VVaG	Member of the supervisory board	yes
	AT & S Austria Technologie & Systemtechnik AG	Member of the supervisory board	yes
	Wienerberger AG	Member of the supervisory board	yes
	Geschlossene Aktiengesellschaft Strachowaja kompanija "MSK-Life"	Member of the supervisory board	yes
	INVESTKREDIT Bank AG	Member of the supervisory board	no
	Österreichische Kreditversicherung Coface AG	Member of the supervisory board	no
	SEMPERIT AG Holding	Deputy chairman of the supervisory board	no
	UBF-Mittelstandsfinanzierungs-AG	Member of the supervisory board	no
	General Cologne RE Rückversicherungs-AG	Member of the supervisory board	no
Mag. Robert Lasshofer	ATHENA Wien Beteiligungen AG	Member of the supervisory board	yes
	SOZIALBAU gemeinnützige Wohnungsaktiengesellschaft	Member of the supervisory board	yes
	S Bausparkasse der oesterreichischen Sparkassen AG	Member of the supervisory board	yes
	Kapital & Wert Vermögensverwaltung Aktiengesellschaft	Chairman of the supervisory board	no
	Kapital & Wert Immobilienbesitz AG	Deputy chairman of the supervisory board	no
	Wüstenrot Bausparkasse AG	Member of the supervisory board	no
Dr. Rudolf Ertl	Wüstenrot Versicherungs-Aktiengesellschaft	Deputy chairman of the supervisory board	yes
	Sparkassen Versicherung AG	Member of the supervisory board	yes
	Bank Austria-Wiener Städtische KFZ Leasing GmbH	Member of the supervisory board	no
	Kapital & Wert Immobilienbesitz AG	Member of the supervisory board	no
Dr. Hans Peter Hagen	voestalpine AG	Member of the supervisory board	yes
Dr. Martin Simhandl	Wiener Städtische Wechselseitige Versicherungsanstalt – Vermögensverwaltung	Member of the management board	yes
	Sparkassen Immobilien AG	Chairman of the supervisory board	yes
	CEE Property-Invest Immobilien AG	1st Deputy Chairman of the supervisory board	yes
	Wiener Hafen Management GmbH	Member of the supervisory board	yes
	Sparkassen Versicherung AG	Member of the supervisory board	yes

Member of management board, supervisory board, extended board, group management board, extended group board	Name of the company	Position last held	Still applicable
	SEMPERIT AG Holding	Member of the supervisory board	no
	Gemeinnützige Mürz-Ybbs Siedlungsanlagen-GmbH	Deputy chairman of the supervisory board	no
	Gemeinnützige Industrie-Wohnungsaktiengesellschaft	Member of the supervisory board	no
	Kapital & Wert Vermögensverwaltung AG	Member of the supervisory board	no
	Kapital & Wert Immobilienbesitz AG	Member of the supervisory board	no
	Allgemeine Baugesellschaft-A. Porr Aktiengesellschaft	Member of the supervisory board	no
	Union Versicherungs-Aktiengesellschaft	Member of the supervisory board	no
	VBV Pensionskasse AG	Member of the supervisory board	no
Substitute Members of the Management Board			
Mag. Peter Höfinger	Insurance Joint-Stock Company "STANDARD REZERV"	Member of the supervisory board	yes
	Hungarian Insurance Association (MABISZ)	Member of the management board	no
Dr. Judit Havasi	–	–	–
Ing. Martin Divis	–	–	–
Extended Board			
Robert Bilek	Spar- und Vorschußkasse der Angestellten der "Wiener Städtsiche Allgemeine Versicherung Aktiengesellschaft" reg. Gen.m.b.H	Member of the management board	yes
	VBV Vorsorgekasse AG	Member of the supervisory board	yes
Mag. Hermann Fried	Privatklinik Villach Gesellschaft mbH	Deputy chairman of the supervisory board	yes
Mag. Helene Kanta	IMPERIAL-Székesfehérvar Ingatlankezelési Kft.	Member of the supervisory board	no
Dr. Wolfgang Petschko	–	–	–
Dr. Michael Schlögl	–	–	–
Dr. Christine Dornaus	Beteiligungs- und Immobilien GmbH	Managing director	yes
	Beteiligungs- und Wohnhausanlagen GmbH	Managing director	yes
	InvestEquity Beteiligungs-AG	Member of the supervisory board	yes
	Kapital Beteiligungs Aktiengesellschaft	Member of the supervisory board	yes
	UBF Mittelstandsfinanzierungs AG	Member of the supervisory board	yes
	Futurelab GmbH	Member of the advisory board (*Beirat*)	yes
Group Management Board			
Franz Fuchs	–	–	–
Dr. Franz Kosyna	Antares Risk s.r.o.	Member of the supervisory board	yes
	Sigmund Freud Privatstiftung	Member of the supervisory board	yes

Member of management board, supervisory board, extended board, group management board, extended group board	Name of the company	Position last held	Still applicable
	Sigmund Freud GesellschaftmbH	Member of the supervisory board	yes
	Verein der Freunde des Sigmund Freud Museums Wien	Member of the management board	yes
	Kapitol Invest Hungary in Liquidation	Chairman of the supervisory board	no
Extended Group Board			
Mag. Roland Gröll	–	–	–
Mag. Robert Haider	Together Internet Services GmbH	Member of the shareholders' committee (*Gesellschaftausschuß*)	yes
Dr. Birgit Moosmann	–	–	–
Mag. Larysa Winter	–	–	–
Supervisory Board:			
Dkfm. Klaus Stadler	A.W.H. -Beteiligungsgesellschaft m.b.H.	Member of the supervisory board	yes
	Kabel-TV-Wien GmbH	2nd deputy chairman of the supervisory board	yes
	Stiftungsrat ORF	Officer	yes
	Wiener Stadthalle – Betriebs- und Veranstaltungsgesellschaft m.b.H.	Deputy chairman of the supervisory board	no
	Wiener Tourismusverband	Member of the supervisory board	no
	Wien Holding GmbH	Chairman of the management board, General director	
	Vereinigte Bühnen Wien Ges.m.b.H.	Member of the supervisory board	no
Dr. Karl Skyba	Wiener Rotes Kreuz-Rettungs- Krankentransport, Pflege- und Betreuungsges.m.b.H.	Member of the supervisory board	yes
	Flughafen Wien AG	Member of the supervisory board	yes
	St. Anna Kinderspital GmbH	Member of the supervisory board	yes
	Wiener Stadtwerke Holding AG	Chairman of the management board	no
	Wien Energie GesmbH	Chairman of the supervisory board	no
	Wiener Linien GesmbH	Chairman of the supervisory board	no
	Siemens Aktiengesellschaft Österreich	Member of the supervisory board	no
	Allgemeine Baugesellschaft-A. Porr Aktiengesellschaft	Member of the supervisory board	no
	Austria Ferngas Gesellschaft mbH	Chairman of the supervisory board	no
	Wien Energie Gasnetz GmbH	Chairman of the supervisory board	no
	Wiener Stadtwerke Beteiligungsmanagement GmbH	Chairman of the supervisory board	no
	Bestattung Wien GmbH	Chairman of he supervisory board	no
	Immobiliendevelopment Wiener Stadtwerke BMG & Soravia AG	Chairman of the supervisory board	no

Member of management board, supervisory board, extended board, group management board, extended group board	Name of the company	Position last held	Still applicable
Generalabt Probst Bernhard Backovsky	–	–	–
Mag. Alois Hochegger	Kärntner Sparkasse AG	Chairman of the management board	yes
	Privatstiftung Kärntner Sparkasse	Member of the management board	yes
	Wolschner Privatstiftung	Chairman of the management board	yes
	"Die Kärntner" - BTWFBeteiligungs-und Wirtschaftsförderungsgesell-schaft St.Veit/Glan Gesellschaft m.b.H.	Member of the supervisory board	yes
	"Die Kärntner" - Förderungsgesellschaft für das Gurktal Gesellschaft m.b.H.	Member of the supervisory board	yes
	"Die Kärntner" - Förderungs und Beteiligungsgesellschaft für den Bezirk Wolfsberg Gesellschaft m.b.H.	Member of the supervisory board	yes
	ERSTE-SPARINVEST Kapitalanlagegesellschaft m.b.H.	Member of the supervisory board	yes
	Sparkassen IT Holding AG	Member of the supervisory board	yes
	Österreichischer Sparkassenverband	President	yes
	Sparkassen Prüfungsverband	Member of the advisory board (*Beirat*)	yes
	Die Zweite Wiener Vereins-Sparcasse	Member of the advisory board (*Sparkassenrat*)	yes
	Bankhaus Krentschker & Co. Aktiengesellschaft	Member of the supervisory board	no
	"Die Kärntner" - Förderungsgesellschaft für die Stadt St.Veit/Glan Gesellschaft m.b.H.	Member of the supervisory board	no
Dipl.-Ing. Guido Klestil	Austriamicrosystems AG	Chairman of the supervisory board	yes
	Rodenstock GmbH. Deutschland	Deputy chairman of the supervisory board	no
	AXIS Vermögensverwaltung	Chairman of the supervisory board	no
	Alcatel Lucent Austria AG	Chairman of the supervisory board	no
	Aspern Industrie Beteiligung und Beratung AG	Chairman of the supervisory board	no
Prof. KR Walter Nettig	Imperial Hotels Austria AG	Chairman of the supervisory board	yes
	card complete Service bank AG (formerly: Visa Service Kreditkarten AG)	Chairman of the supervisory board	yes
	Wirtschaftskammern Pensionskasse AG	Chairman of the supervisory board	no
Dkfm. Heinz Öhler	Bank für Tirol und Vorarlberg AG	Member of the supervisory board	yes
Mag. Reinhard Ortner	Oesterreichische Kontrollbank AG	2nd deputy chairman of the supervisory board	yes

Member of management board, supervisory board, extended board, group management board, extended group board	Name of the company	Position last held	Still applicable
	Österreichische Lotterien GmbH	Member of the supervisory board	yes
	Steiermärkische Bank und Sparkasse AG	Member of the supervisory board	yes
	Webster University	Board of Trustees	yes
	Die Zweite Wiener Vereins Sparcasse	Chairman of the advisory board (*Sparkassenrat*)	yes
	Erste Factoring d.o.o. Zagreb	Chairman of the supervisory board	yes
	Erste Bank der oesterreichischen Sparkassen AG	Member of the management board	no
	Die Erste österreichische Spar-Casse Privatstiftung	Member of the management board	no
	Erste Bank Hungary Rt.	Chairman of the supervisory board	no
	Erste und Steiermärkische Bank, d.d.	Chairman of the supervisory board	no
	Erste Bank a.d., Novi Sad	Chairman of the supervisory board	no
	Slovenska Sporitelna, Bratislava	Chairman of the supervisory board	no
	VBV Pensionskasse AG	Chairman of the supervisory board	no
	VBV, Betriebliche Altersvorsorge AG	Chairman of the supervisory board	no
	Generali Holding Vienna AG	Member of the supervisory board	no
	Ceska spořitelna, Prague	Member of the supervisory board	no
Dr. Johann Sereinig	Österreichische Elektrizitätswirtschaft-AG – Verbund	Member of the management board	yes
	Verbund - Austrian Power Trading AG	Chairman of the supervisory board	yes
	Verbund - Austrian Hydro Power AG	Deputy chairman of the supervisory board	yes
	Verbund - Austrian Power Grid AG	Member of the supervisory board	yes
	Ennskraftwerke AG	Deputy chairman of the supervisory board	yes
	Österreichische Bayerische Kraftwerke AG. Deutschland	Member of the supervisory board	yes
	Donaukraftwerke Jochenstein AG. Deutschland	Member of the supervisory board	yes
	Grenzkraftwerke GmbH, Deutschland	Member of the supervisory board	yes
	Verbund - Austrian Thermal Power GmbH & Co KG	Deputy chairman of the supervisory board	yes
	Verbund International Finance B.V. Niederlande	Deputy chairman of the supervisory board	yes
	STEWEAG-STEG GmbH	Member of the supervisory board	yes
	KELAG – Kärntner Elektrizitäts-AG	Member of the supervisory board	yes
	Energie Klagenfurt GmbH	Deputy chairman of the supervisory board	yes

Member of management board, supervisory board, extended board, group management board, extended group board	Name of the company	Position last held	Still applicable
	Verbund – Austria Power Sales GmbH	Member of the general assembly and the shareholders' committee (*Gesellschafterausschuß*)	yes
	Verbund BeteiligungsgmbH.	Member of the general assembly	yes
	Verbund Italia S.p.A. Italien	Deputy chairman of the supervisory board	no
	APT Austrian Power Trading Deutschland GmbH, Deutschland	Chairman of the shareholders meeting	no
	Verbund BeteiligungsgmbH	Member of the supervisory board	no
	Verbund Management Service GmbH	Deputy chairman of the general assembly	no
	Austrian Power Trading-Polska, Polen	Chairman of the supervisory board; deputy chairman of the general assembly	no
	APT Power Trading Slovenija, Slowenien	Chairman of the shareholders committee; deputy chairman of the general assembly	no
Mag. Dr. Friedrich Stara	Henkel KGaA	Executive manager	yes
	Schwarzkopf & Henkel Gesellschaft mbH	Managing director	no
	Henkel Central Eastern Europe Gesellschaft mbH	Managing director	no
	Persil – Altersunterstützung Gesellschaft mbH	Managing director	no
	Henkel Austria Gesellschaft mbH FN 94826a	Managing director	no
	Henkel Austria Gesellschaft mbH FN 128354g	Managing director	no
Employee Representatives:			
Peter Grimm	Wiener Städtische Wechselseitige Versicherungsanstalt – Vermögensverwaltung	Member of the supervisory board	yes
Heinz Neuhauser	Wiener Städtische Wechselseitige Versicherungsanstalt – Vermögensverwaltung	Member of the supervisory board	yes
Franz Urban	Wiener Städtische Wechselseitige Versicherungsanstalt – Vermögensverwaltung	Member of the supervisory board	yes
	Spar- und Vorschußkasse der Angestellten der "Wiener Städtische Allgemeine Versicherung Aktiengesellschaft" reg. Gen.m.b.H	Member of the supervisory board	yes
Gerd Wiehart	Spar- und Vorschußkasse der Angestellten der "Wiener Städtische Allgemeine Versicherung Aktiengesellschaft" reg.Gen.m.b.H.	Member of the management board	yes

Member of management board, supervisory board, extended board, group management board, extended group board	Name of the company	Position last held	Still applicable
	Wiener Städtische Wechselseitige Versicherungsanstalt – Vermögensverwaltung	Member of the supervisory board	yes
	Wohnbauvereinigung für Privatangestellte Gemeinnützige Gesellschaft mit beschränkter Haftung	Member of the supervisory board	yes
Peter Winkler	Wiener Städtische Wechselseitige Versicherungsanstalt – Vermögensverwaltung	Member of the supervisory board	yes

Remuneration and Benefits of the Members of the Management Board, Supervisory Board, Extended Board, Group Management Board and Extended Group Board

The members of the management board received total remuneration of approximately EUR 4,971,000 for their services in fiscal year 2007. The total remuneration received by retired members of the management board (including surviving dependents) amounted to approximately EUR 1,042,000 in 2007. The remuneration received by members of the supervisory board in the fiscal year 2007 amounted to approximately EUR 226,000.

The members of the extended board are fulfilling this task in addition to their operative work for companies of the Vienna Insurance Group. For their services as members of the extended board, they received a total remuneration of approximately EUR 3,000 in fiscal year 2007, however for the year 2007 additional remuneration in the amount of up to EUR 200,000 may be granted depending on the achievement of objectives. For their operative work for companies of the Vienna Insurance Group while being members of the extended board these members received a total remuneration of approximately EUR 928,000 in the fiscal year 2007, including performance based pay for 2006 paid out in 2007 (exchange rates in case of foreign currencies are as of March 18, 2008). The members of the Group Management Board are also fulfilling this task in addition to their operative work for companies of the Vienna Insurance Group. For their services as members of the Group management board they received a total remuneration of approximately EUR 132,000 in fiscal year 2007, however for the year 2007 additional remuneration in the amount of up to EUR 132,000 may be granted depending on the achievement of objectives. For their operative work for companies of the Vienna Insurance Group while being members of the Group management board they received a total remuneration of approximately EUR 1,066,000 in fiscal year 2007, including performance based pay for 2006 paid out in 2007 (exchange rates in case of foreign currencies are as of March 18, 2008). Since the extended Group board was established in 2008, the members of the Extended Group Board did not receive any remuneration for their services as members or the extended Group Board in 2007.

Of the expenses incurred for severance pay and pensions totaling approximately EUR 13,259,000 in fiscal year 2007, approximately EUR 2,156,000 accounted for severance pay and pensions for members of the management board. For the members of the extended board, the Group management board and the extended Group board no separate expenses for severance pay and pensions have accrued besides the compulsory contributions according to Austrian law to the employee provision fund.

A company car and a cellular telephone are made available to each member of the management board. The members of the management board are entitled to use the benefits which are available to all employees on the same terms and conditions as the employees of Wiener Städtische AG. Basically this applies to health insurance within the framework of the group health insurance, to in-house medical treatment services and to the option of subscribing to insurance policies at employee terms and conditions. Basically such benefits are also granted to those members of the extended board and the Group management board if they are executing operative work for Wiener Städtische AG.

The standard employment contract of a member of the management board of Wiener Städtische AG provides for a pension equal to a maximum of 40% of the calculation basis (the calculation basis is generally equivalent to the fixed part of the salary) if the person remains a member of the management board until his 65th birthday. Different benefits apply to management board members with longer periods of prior employment, insofar as the percentage of the calculations basis is for historical reasons higher (55%) and supplement payments are granted if the supervisory board wants the member of management board to remain in his position also after his retirement age. The employment contracts of management board members of Wiener Städtische AG also provide for severance pay, which essentially follows the parameters of the prior severance pay provisions in the Austrian Employees' Act (*Angestelltengesetz*) in combination with the relevant industry-specific provisions. Under these provisions, depending on the length of their employment, members of the management board may receive as a severance pay between two and twelve months' salary, with a 50% bonus in the event of retirement or resignation after a long illness. In the event of retirement from the management board at ones own request before the possibility of pensioning or in the event of encumbered retirement the member of the management board is not entitled to any severance pay.

Employment contracts between members of the management or supervisory boards and Wiener Städtische AG or its subsidiaries do not provide for benefits substantially exceeding the general statutory entitlements when their employment contract is terminated.

For the members of the management board and supervisory board of Wiener Städtische AG and WST-Versicherungsverein, WST-Versicherungsverein took out a financial loss liability policy (D&O insurance) and a management insurance policy for expenses of criminal proceedings. The insurance covers all members of the management board and supervisory board of Wiener Städtische AG and WST-Versicherungsverein, as well as members of the management board of subsidiaries (companies in which WST-Versicherungsverein has an interest greater than 50%, or that are directly or indirectly controlled), for claims against them in their capacity as members of the executive bodies of WST-Versicherungsverein, Wiener Städtische AG or their group companies. The D&O insurance also covers positions in the executive bodies of other companies which are performed in the interest of Wiener Städtische AG or of WST-Versicherungsverein, provided that these external mandates have been reported separately. The policyholder is WST-Versicherungsverein.

Shares and Stock Options Held by Members of the Management Board, Supervisory Board, Extended Board, Group Management Board and Extended Group Board

As of January 1, 2008, a total of 15,385 shares of Wiener Städtische AG were held by members of the management board, extended board, supervisory board, Group management board and extended Group board:

	Number of shares held as of January 1, 2008
Management board, supervisory board, extended board, Group management board and extended Group board	
Dr. Günter Geyer	3,093
Dkfm. Karl Fink	1,081
Mag. Robert Lasshofer	2,100
Dr. Rudolf Ertl	883
Dr. Hans-Peter Hagen	804
Dr. Martin Simhandl	717
Substitute members of the management board	
Mag. Peter Höfinger	204
Dr. Judit Havasi	50
Ing. Martin Divis	150
Extended board	
Robert Bilek	344
Mag. Hermann Fried	204
Mag. Helene Kanta	313
Dr. Wolfgang Petschko	103
Dr. Michael Schlögl	125
Dr. Christine Dornaus	316
Group management board	
Franz Fuchs	645
Dr. Franz Kosyna	240
Extended Group board	
Mag. Roland Gröll	100
Mag. Robert Haider	200
Dr. Birgit Moosmann	204
Mag. Larysa Winter	0
Supervisory board	
Dkfm. Klaus Stadler	2,040
Dr. Karl Skyba	510
Probst Bernhard Backovsky	0
Mag. Alois Hochegger	0
Dipl. Ing. Guido Klestil	0
Walter Nettig	0
Dkfm. Heinz Öhler	47
Mag. Reinhard Ortner	0
Dr. Johann Sereinig	600
Mag. Dr. Friedrich Stara	0
Peter Grimm	50
Heinz Neuhauser	107
Franz Urban	0
Gerd Wiehart	55
Peter Winkler	100

A total of 3,512.0 of these shares were purchased under the employee participation plan 2005. If these shares are sold before January 1, 2011, the granted discount of 30% of the purchase price has to be repaid.

Employee Participation Plan

In connection with the capital increase from authorized capital adopted by the management board and approved by the supervisory board on April 20, 2008, the management board established an employee participation plan for certain Group employees. Up to 1,000,000 new shares are available for the employee participation plan, which are to be preferentially allocated to participating employees at a preferential price.

Significant terms of the employee participation plan include:

- All active employees and managing directors (not including temporary employees or employees not yet of age) employed (without interruption) since December 31, 2006 and all members of the managing board of Wiener Städtische AG or companies that have been fully consolidated insurance subsidiaries of the Issuer on December 31, 2007 in Austria, the Czech Republic, Slovakia, Hungary, Poland, Romania, Bulgaria, Germany and employees of the branches of Wiener Städtische AG in Slovenia and Italy, whose employment was not terminated as of April 30, 2008 or who are currently in a state of termination of employment due to retirement, are eligible to participate in the employee participation plan.
- Employees are offered a preferential purchase price that is reduced by 20% below the Subscription and Offer Price. The preferential share subscription is limited to a maximum of 250 Shares for each management board member/employee.
- In order to obtain the preferential price, each participant must acquire at least five shares with a minimum holding period of five full calendar years. The purchase price reduction must be repaid if ownership of the shares is transferred before December 31, 2013.
- The subscription period for the employee plan extends from April 22, 2008 08:00 a.m., until April 30, 2008 03:00 p.m. (CET).

Supervisory Board Committees

The supervisory board of Wiener Städtische AG has formed the following committees:

Working Committee (committee for decisions on urgent matters of the company)

This committee decides on matters that require the approval of the supervisory board and which, due to urgent circumstances, may not be delayed until the next ordinary meeting of the supervisory board.

Audit Committee

The audit committee is responsible for accounting issues and for auditing Wiener Städtische AG and the Group. It analyzes the audit reports of the auditors, reports on them to the supervisory board and prepares the resolution on the adoption of the financial statements.

Strategy Committee

In cooperation with the management board and, if applicable, with experts, the strategy committee prepares strategic resolutions which subsequently are to be adopted by the supervisory board.

The following persons are currently members of the working committee, the audit committee and the strategy committee:

- KR Dkfm. Klaus Stadler (substitute Dr. Sereinig and Mag. Alois Hochegger)
- KR Dr. Karl Skyba (substitute Dipl.Ing. Guido Klestil and HR Dkfm. Heinz Öhler)
- Franz Urban (substitute Heinz Neuhauser and Peter Grimm)

Human Resources Committee (committee for matters regarding the management board)

The human resources committee deals with the human resources-related matters of the management board, including planning for their succession. The human resources committee establishes the terms of employment contracts with members of the management board as well as their remuneration.

The current members of the human resources committee are:

- KR Dkfm. Klaus Stadler
- KR Dr. Karl Skyba

The presence of at least three committee members forms a quorum. If the committee is composed of less than three members, all of its members must be present. The employee representatives in the supervisory board have the right to nominate members to the supervisory board committees with seats and votes prorated according to the ratio of their representation on the supervisory board. This does not apply for committees handling matters related to contractual relations between Wiener Städtische AG and the members of the management board, with the exception of resolutions on the appointment or removal from office of a member of the management board as well as on the granting of stock options of Wiener Städtische AG.

Corporate Governance

The Austrian Corporate Governance Code (the "Code") creates a body of rules and regulations for responsible management and guidance of companies in Austria. Its objective is to create sustained and long-term value and to increase transparency for all shareholders. The law forms the basis of the Code, in particular, provisions of the Austrian stock corporation law, stock exchange law and capital markets law as well as the OECD-rules on corporate governance.

The Code encompasses three categories of rules. A rule that is a "legal requirement" means that the rule is based on mandatory legal provisions. A "comply or explain" rule means that the rule must be observed; any deviation must be stated and explained in order to be in compliance with the Code. In the case of a "recommendation", lack of adherence does not have to be disclosed or explained.

To a large extent, Wiener Städtische AG is in compliance with the provisions of the Code in the June 2007 version. Wiener Städtische AG deviates from the recommendations of the Code concerning "comply or explain" rules and one of the "recommendation" rules as indicated below:

Rule 38 and Rule 57 – Comply or explain

Rule 38: The supervisory board shall define a requirement profile for members of the management board that takes into account the enterprise's business focus and its situation, and shall use this profile to appoint members of the management board in line with a predefined appointment procedure. Furthermore, the supervisory board shall also pay due attention to the issue of successor planning. Nominations to the management board for the last time must be made before the age limit defined in the internal rules or in the articles of incorporation is reached by the potential nominee.

Rule 57: A person holding a position on the management board of a listed company may not hold more than four positions on the supervisory boards (with the position of the chairperson counting as two positions) of stock corporations that do not belong to the group. Major shareholdings are not considered to be non-group companies. An appointment as a supervisory board member must be made for the last time before the age limit defined in the internal rules or the articles of incorporation is reached by the potential appointee.

Explanation: In the opinion of Wiener Städtische AG, age alone is not a criterion which would justify general exclusion from holding a position in an executive body. Because experience is a highly valuable qualification and age is a very individual measure, setting such an age limit does not appear to be reasonable. Therefore, no fixed upper age limits have been set either for nomination to the management board or to the supervisory board of Wiener Städtische AG. In the selection of members for the management board and the supervisory board, emphasis is placed primarily on the best possible personal and professional qualifications.

Rule 41 – Comply or Explain

The supervisory board shall set up a nomination committee. In cases of supervisory boards with not more than six members (including employees' representatives) this function may be exercised by all members jointly. The nomination committee submits proposals to the supervisory board for filling positions that become available on the management board and deals with issues of successor planning.

Explanation: Successor planning is performed by all supervisory board members jointly on the basis that successor planning is of particular importance. Therefore, the supervisory board of Wiener Städtische AG has not established a nomination committee.

Rule 31 – Recommendation

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

Explanation: The principles of remuneration of the management board are published, as is the total remuneration for the management board. Separate remuneration details for each individual member of the management board are not provided in the annual report based on the management board members' right to privacy vis-à-vis the comparatively insignificant value that such information would have for investors.

DESCRIPTION OF SHARE CAPITAL AND SUMMARY OF ARTICLES OF ASSOCIATION OF WIENER STÄDTISCHE AG

The following is a summary of the material terms of the shares of Wiener Städtische AG as set out in the Articles of Association of Wiener Städtische AG and pursuant to the relevant provisions of the Austrian Stock Corporation Act (*Aktiengesetz*). This description is only a summary which does not contain the complete wording of the Articles of Association. A complete copy of the Articles of Association is available for inspection on the website of the Company (www.wienerstaedtische.at) and also at the registered office of Wiener Städtische AG, Schottenring 30, 1010 Vienna. The current Articles of Association of Wiener Städtische AG were last amended in the shareholders' meeting held on April, 16, 2008, and approved by the FMA and are applicable jointly with the Austrian Stock Corporation Act.

Share Capital

The share capital of the company amounts to EUR 109,009,251.26, divided into 105,000,000 no par value common bearer shares with voting rights where each no par value share has a notional portion of the share capital equal to the total amount of the issued share capital divided by the number of shares. The pro rata share in the total share capital amounts for one common share to approximately EUR 1.04.

The total share capital of Wiener Städtische AG is paid up and there are no contributions outstanding on the shares issued by Wiener Städtische AG.

The share capital of Wiener Städtische AG has been raised in the amount of EUR 71,946,105.83 not by cash payment, but by contribution of the insurance operations of Wiener Städtische Wechselseitige Versicherungsanstalt: as of December 31, 1991, Wiener Städtische Wechselseitige Versicherungsanstalt, pursuant to § 61 a VAG, contributed its entire insurance operations including all assets and liabilities as a going concern and contribution in kind at book values to Wiener Städtische AG. The transfer of rights by way of universal succession comprised the complete assets pertaining to the insurance operation contributed and all rights and obligations connected with the insurance operation contributed. Wiener Städtische Wechselseitige Versicherungsanstalt – Vermögensverwaltung retained only the creditor and debtor items as specified in the notes to the contribution balance sheet. For effecting the contribution in kind, WST-Versicherungsverein received new shares out of a capital increase adopted by Wiener Städtische AG in the par value amount of a total of ATS 990,000,000.00 (rounded EUR 71,946,105.83), corresponding to 9,900,000 shares (since the split of shares in 2004: 69,300,000 shares).

Making use of the authorized capital adopted by resolution of the shareholders' meeting held on June 16, 1994, the management board decided on September 29, 1994, as approved by the supervisory board, to increase the share capital of Wiener Städtische AG by ATS 135,000,000.00 (rounded EUR 9,810,832.61) to ATS 1,233,680,000.00 (rounded EUR 89,655,022.06) by issuing 1,350,000 non-voting bearer preference shares at a par value of ATS 100.00 each. These 1,350,000 non-voting preference shares were listed on the Official Market of the Vienna Stock Exchange as of October 17, 1994.

By resolution of the shareholders' meeting held on May 24, 2005, the preferential dividend right of the non-voting preference shares has been cancelled. As a result, all non-voting preference shares (since the split of shares in 2004: 9,450,000 shares) were converted into voting common shares. The conversion was entered in the companies' register on June 4, 2005. After this conversion of the non-voting preference shares into common shares, the (remaining) common shares of Wiener Städtische AG were also admitted to trading at the Vienna Stock Exchange.

Making use of the authorized capital as adopted by resolutions of the shareholders' meetings held on June 12, 2003, June 16, 2004, and May 24, 2005, the management board decided on April 25, 2005, November 30, 2005, and December 16, 2005, as approved by the supervisory board, to increase the share capital of Wiener Städtische AG by EUR 19,354,229.20 to EUR 109,009,251.26 by issuing 18,642,400 common bearer shares. These 105,000,000 common bearer shares were listed on the Official Market of the Vienna Stock Exchange as of December 20, 2005.

Short Description of the Rights Vested in the Shares

All shares have the same dividend rights.

Voting rights are exercised in proportion to the number of common shares. Each common share participates to the same extent in the share capital.

The shareholders' meeting decides on the utilization of the balance sheet profit on the basis of the proposal of the management board and of the report of the supervisory board. The balance sheet profit to be distributed among the shareholders is distributed in proportion to the number of shares. Contributions effected during the fiscal year are taken into account for the distribution of profits according to the time period since the date when the contribution was effected. For an issue of new shares a different right to distribution of profits may be specified.

Pursuant to § 212 para. 2 AktG (Austrian Stock Corporation Act (*Aktiengesetz*)), in the event that the Issuer is liquidated, the assets remaining after satisfying or safeguarding the creditors will be divided among the shareholders in proportion to their share of the total share capital.

Shareholders' dividends not collected within three years after their due date will be forfeited to the free reserves of the Issuer.

There is no restriction on the transfer of the shares.

All shares carry full dividend rights for the complete fiscal year from January 1, 2008, through December 31, 2008.

For detailed information see "– *Voting Rights and Shareholders' Meetings*", "*Dividend Rights*", "*Rights in Case of Liquidation*" and "*Subscription Rights*".

Share Certificates / Transferability

The management board determines the form and content of all share certificates, dividend coupons, renewal coupons and interim certificates. Pursuant to the Articles of Association of Wiener Städtische AG shareholders have no right to receive single share certificates. However, a share certificate may be requested by the shareholders for more than one share in Wiener Städtische AG.

Shares of Wiener Städtische AG may either be registered shares or bearer shares. If in the case of a capital increase the resolution regarding the increase does not specify whether the new shares shall be registered shares or bearer shares, they shall be bearer shares.

Bearer shares may not be issued as long as any contributions for them have not been fully paid up. The company however may hand over to the shareholder an interim certificate registered in his name; the amount of the portion of the contribution already paid shall be specified on the certificate. If registered shares are issued, the transfer of such registered shares to another owner requires the approval of the company. Such approval shall be granted by the management board after previous authorization by the supervisory board. The transfer shall be registered in the share register of the company.

General Information Regarding Capital Measures

Austrian law permits an increase in share capital, in particular, in the following ways:

- through a resolution to issue new shares adopted by the shareholders' meeting (ordinary capital increase (*ordentliche Kapitalerhöhung*) pursuant to §§ 149 ff AktG);
- through a resolution of the shareholders' meeting authorizing the management board on basis of the Articles of Association and subject to approval of the supervisory board to issue new shares up to a specified amount (not exceeding 50% of the issued share capital at the time of authorization) within a specified period, which may not exceed five years (authorized capital (*genehmigtes Kapital*) pursuant to §§ 169 ff AktG);
- through a resolution of the shareholders' meeting authorizing the issuance of new shares up to a specified amount for specific purposes such as granting stock options to employees, executives and members of the management board and the supervisory board of the company or of an affiliated company (not exceeding 10% of the issued share capital at the time of authorization), for preparation of a merger of several companies, or in order to grant conversion rights or subscription rights to creditors of convertible bonds (not exceeding 50% of the issued share capital at the time of authorization) (conditional capital (*bedingtes Kapital*) pursuant to §§ 159 ff AktG);

- through a resolution of the shareholders' meeting authorizing the management board to effect a conditional capital increase with the approval of the supervisory board in order grant stock options to employees, executives and members of the management board up to a certain amount (not exceeding 10% of the issued share capital at the time of authorization) (authorized conditional capital (*genehmigtes bedingtes Kapital*) pursuant to § 159 para. 3 AktG); and
- through a resolution of the shareholders' meeting authorizing the conversion of free reserves or profit carried forward into share capital (capital adjustment (*Kapitalberichtigung*) pursuant to the Capital Adjustment Act).

Resolutions of the shareholders' meeting regarding an increase of the share capital of Wiener Städtische AG must be adopted by a simple majority of the share capital represented in the shareholders' meeting, except in the case where the subscription rights of existing shareholders are being excluded, in which case a majority of at least three-quarters of the share capital represented at the time of the resolution is required. Resolutions of the shareholders' meeting regarding authorized or conditional capital or authorized conditional capital require a majority of at least three-quarters of the share capital represented in the shareholders' meeting.

A resolution to decrease the share capital of Wiener Städtische AG requires, except in the case of certain capital reductions by repurchase of own shares of the company, a majority of at least three-quarters of the share capital represented in the shareholders' meeting, see § 175 para. 1 AktG.

Changes to the Share Capital

Wiener Städtische AG was founded on December 5, 1991 with share capital of ATS 10,000,000.

By resolution of an extraordinary shareholders' meeting held on June 25, 1992, the share capital was increased by ATS 990,000,000 to ATS 1,000,000,000 by issuing 9,900,000 voting bearer shares with a par value of ATS 100 for each share.

The new shares were subscribed by WST-Versicherungsverein, which contributed its entire insurance operations as consideration to Wiener Städtische AG under the contribution in kind and transfer agreement entered into on May 29, 1992, pursuant to § 61a VAG.

By resolution of the extraordinary shareholders' meeting held on June 25, 1992, the management board was authorized to increase, until March 31, 1997, the share capital of Wiener Städtische AG by up to a par value amount of ATS 500,000,000 by issuing up to 5,000,000 shares at a par value of ATS 100 each. Making partial use of this authorization, the management board decided, with the approval of the supervisory board, on October 5, 1993, to increase the share capital by a par value amount of ATS 98,680,000 (rounded EUR 7,171,355.28) by issuing 986,800 voting bearer shares with a par value of ATS 100 each.

By resolution of the ordinary shareholders' meeting held on June 16, 1994 the authorization of the management board to issue shares from the remaining the authorized capital in the amount of ATS 401,320,000 was extended to May 31, 1999. Making further partial use of this authorization, the management board decided, with the approval of the supervisory board, on September 29, 1994, to increase the share capital of Wiener Städtische AG by a par value amount of ATS 135,000,000 to ATS 1,233,680,000 (rounded EUR 89,655,022.06) by issuing 1,350,000 non-voting bearer preference shares at a par value of ATS 100 each. These non-voting preference shares were listed on the Official Market of the Vienna Stock Exchange as of October 17, 1994.

By resolution of the ordinary shareholders' meeting held on June 2, 1999, the share capital in the amount of ATS 1,233,680,000 has been converted at the rate of exchange determined by the EU Council of 1:13.7603 to EUR 89,655,022.06. A resolution was also adopted to convert the shares with a par value of ATS 100 into no-par value shares. Following that, a no-par value share corresponded to a pro rata amount in the share capital of rounded EUR 7.27.

The ordinary shareholders' meeting of Wiener Städtische AG held on June 16, 2004, adopted a resolution to the effect that the number of shares was to be split at a ratio of 1:7. The subdivision of the share capital therefore changed from 10,986,800 to 76,907,600 voting non-par common bearer shares and from 1,350,000 to 9,450,000 non-voting no-par value preference bearer shares. There was no change in the share capital. Since the share split, the pro rata amount of one common share in the share capital amounts to rounded EUR 1.04.

By resolution adopted on May 24, 2005, the shareholders' meeting cancelled the preferred dividend right of the non-voting preference shares. This resulted in the conversion of the 9,450,000 non-voting preference bearer shares into voting common shares. The share capital of EUR 89,655,022.06 was thereby subdivided into a total of 86,357,600 common shares. The cancellation of the preferred dividend right was entered in the companies register on June 4, 2005.

On the basis of an authorization in § 4 para. 2 of the Articles of Association and of the resolutions by the management board and the supervisory board adopted on April 25, 2005, May 2, 2005, November 30, 2005 and December 16, 2005 Wiener Städtische AG increased its share capital of EUR 89,655,022.06 by EUR 19,354,229.20 to EUR 109,009,251.26 by issuing 18,642,400 new shares. Since December 20, 2005, the share capital of Wiener Städtische AG has been equal to EUR 109,009,251.26, divided into 105,000,000 common bearer shares.

Capital Increase with Respect to the Offering – Authorized Capital pursuant to §§ 169 ff AktG

The New Shares being offered in this Prospectus will be issued on the basis of authorized capital:

The Management Board adopted a resolution on March 26, 2008 with the consent of the supervisory board, to propose to the 17th annual general shareholders meeting on April 16, 2008, an increase in the authorized capital in § 4 para. 2 of the Articles of Association to EUR 54,504,625.63 (52,500,000 New Shares). The supervisory board further approved on March 26, 2008 a capital increase on the basis of the resolution of the shareholders' meeting of April 16, 2008 with respect to the authorized capital in the amount of up to 40,000,000 New Shares and authorized the committee for urgent affairs of the Supervisory Board (*Arbeitsausschuss*) for the Supervisory Board to grant all further approvals in connection with the structure and procedure of the issue and the capital increase, in particular to determine of the exact volume of the capital increase, the type of capital increase, the subscription and the offer price per new share or the maximum and final subscription- and offer price per new share, the date of entitlement to dividends on the New Shares as well as the elements of the employee participation program.

In the shareholders' meeting held on April 16, 2008, the management board was authorized in accordance with the agenda published on March 27, 2008 to increase the nominal share capital with the approval of the supervisory board (authorized capital). This authorized capital has been entered into the Commercial Register on April 18, 2008. Until April 15, 2013, the management board is authorized, subject to the consent of the supervisory board, to increase the share capital – possibly in several tranches – by up to EUR 54,504,625.63 by issuing up to 52,500,000 registered or bearer shares against contribution in cash or in kind. The management board, with the consent of the supervisory board, shall decide regarding the terms of the rights vested in the shares, the exclusion of the subscription rights of existing shareholders and other terms and conditions of the share issue. It is also possible to issue non-voting preference shares, with rights equal to those vested in already existing preference shares. The issue prices may differ between common shares and preference shares.

On the basis of this authorization, the management board of Wiener Städtische AG adopted a resolution on April 20, 2008, to increase the share capital of the company, which currently amounts to EUR 109,009,251.26, by EUR 23,878,216.94 to EUR 132,887,468.20 by issuing up to 23,000,000 new shares, without excluding statutory subscription rights. The supervisory board consented to this resolution of the management board on April 20, 2008. The supervisory board authorized its working committee to grant all further approvals required in connection with the structure and procedure of the issue and the capital increase. Also, on April 20, 2008, a share purchasing plan was adopted for employees of the Vienna Insurance Group, to be implemented during the course of the capital increase. Up to 1,000,000 new shares are available for the employee participation plan. The shares under this plan are to be preferentially allocated to participating employees at an appropriate preferential price. For more detailed information regarding this employee participation plan, see "*Management – Employee Participation Plan*".

Erste Bank der oesterreichischen Sparkasse AG, J.P. Morgan Securities Ltd. and Merrill Lynch International have been authorized to underwrite the New Shares pursuant to § 153 para. 6 AktG under the condition that (i) the New Shares are offered to shareholders for subscription (indirect subscription offer), and (ii) placement of the New Shares is carried out to the extent that subscription rights are not exercised within the subscription period pursuant to § 153 para. 1 AktG.

After the capital increase resolved on April 20, 2008, the share capital of Wiener Städtische AG will amount to EUR 163,513,876.89, subdivided into 157,500,000 common bearer shares.

Conditional Capital pursuant to §§ 159 ff AktG

The shareholders' meeting held on April 16, 2008, authorized the management board to issue, with the consent of the supervisory board, until April 15, 2013, in one or more than one stages bearer convertible bonds with a total par value amount of up to EUR 2,000,000,000 and to grant the holders of convertible bonds conversion rights for up to 30,000,000 common bearer shares of the company in accordance with convertible bond terms and conditions yet to be established by the management board.

For this purpose the share capital has been conditionally increased pursuant to § 159 para. 2 line 1 AktG by up to EUR 31,145,500.36 by issuing up to 30,000,000 common bearer shares (conditional capital). The conditional capital increase will only be effected to the extent that holders of convertible bonds issued on the basis of the resolution of the shareholders' meeting held on April 16, 2008, make use of the subscription or conversion right granted to them. At the present time Wiener Städtische AG has not issued any convertible bonds.

Non-Voting Preference Shares

Wiener Städtische AG presently has not issued any non-voting preference shares.

Pursuant to § 4 para. 4 of the Articles of Association, Wiener Städtische AG is authorized to provide for the issue of new preference shares with equal rights in the course of capital increases and resolutions allowing for additional authorized capital, without requiring the consent of the holders of preference shares.

Issue of Shares not Representing the Capital

Wiener Städtische AG has not issued any shares not representing the capital.

At the end of 2004, Wiener Städtische AG issued a supplementary capital bond (*Ergänzungskapitalanleihe*). The bond was issued in two tranches, a fixed period supplementary capital bond with a term of 2005 – 2022 and an issue size of EUR 180,000,000 (first tranche) and a variable perpetual supplementary capital bond with an issue size of EUR 120,000,000 (second tranche).

The first tranche carries for the first twelve months a coupon of 4.625% per annum, and after that a coupon corresponding to the six-month Euribor plus 1.9% per annum. The second tranche carries for the first year a coupon of 4.25% p.a., and for the subsequent eleven years a coupon equal to the variable CMS rate of interest ("EUR-ISDA-EURIBOR Swap Rate 11:00", term 10 years) plus 0.085% p.a., however at least 2% p.a., and starting with the 13th year a coupon equal to the 6-month Euribor plus 2.02% p.a.

Securities Carrying a Right to Conversion into or Subscription of Shares

Wiener Städtische AG has not issued any securities carrying conversion rights into or subscription rights for shares. Regarding the authorization of the management board to issue convertible bonds for a total amount of up to EUR 2,000,000,000 and regarding conditional capital for servicing these convertible bonds, see "*– Conditional Capital Pursuant to §§ 159 ff AktG*".

Terms and Conditions of the Articles of Association

The Austrian Stock Corporation Act contains provisions which are intended to restrict the possibility of impairing the rights of an individual shareholder. In particular all shareholders, in general, must be treated equally, except if the affected shareholders have agreed to unequal treatment. Also, measures interfering with shareholders' rights require, as a rule, a resolution of the shareholders' meeting, e.g. capital increases or the exclusion of subscription rights.

The Articles of Association of Wiener Städtische AG do not contain any conditions regarding changes in the capital or in the rights of different classes of shares or conditions regarding the exercise of shareholder rights, which are more stringent than the statutory provisions. The Articles of Association of Wiener Städtische AG also, in principle, do not allow for any interference with shareholder rights under less stringent conditions than the statutory provisions. However, the Articles of Association of Wiener Städtische AG make the participation in a shareholders' meeting and the exercise of the voting right in the shareholders' meeting conditional on the shares being deposited and provides for majorities for adopting resolutions which are different from those provided for by the law. See "– *Voting Rights and Shareholders' Meetings*".

Own Shares

Pursuant to the Austrian Stock Corporation Act, stock corporations are not allowed to purchase their own shares except in accordance with certain restricted exceptions. Wiener Städtische AG therefore is allowed to purchase its own shares only in restricted cases:

- upon approval of the shareholders' meeting that is valid for a period not exceeding 30 months and limited to a total of 10% of the share capital, if the shares are listed on a regulated market (such as the Official Market of the Vienna Stock Exchange), or if the shares are intended to be offered to employees, executives and members of the management board or of the supervisory board of the company or of a company affiliated with it;
- in case the shares are acquired for no consideration;
- to prevent severe immediately impending damage to the company (up to the maximum of 10% of the share capital);
- by way of universal succession (e.g., by merger);
- for the purpose of compensating minority shareholders; and
- based on a shareholders' meeting resolution for share repurchase in accordance with the provisions for decreases in share capital.

The purchase and sale of shares by Wiener Städtische AG must be made in accordance with the principle of equal treatment of the shareholders (§ 47a AktG). A purchase or sale by means of a stock exchange transaction or a public offering meets this requirement. A shareholders' resolution is necessary to determine another procedure except in case of an allocation of shares to employees, key employees and members of the management board or supervisory board of Wiener Städtische AG or one of its affiliates.

On April 16, 2008, the shareholders' meeting authorized the acquisition of own shares according to § 65 para. 1 subpara. 4 and 8 AktG. At the present time Wiener Städtische AG has not acquired any own shares. Furthermore, the shareholders' meeting held on April 16, 2008, has authorized the management board to dispose of the own shares in manner different from a sale by means of a stock exchange or a public offering, in particular a sale of own shares in the course of the implementation of employee participation programs.

Voting Rights and Shareholders' Meetings

Each common share of Wiener Städtische AG gives its holder the right to one vote in the shareholders' meetings of Wiener Städtische AG. Voting rights are exercised in proportion to the ratio of the number of common shares. Shareholders may adopt resolutions in a shareholders' meeting by a simple majority of the votes cast or, if a majority of the share capital represented is required for adopting a measure, by a simple majority of the share capital represented, unless the law or the Articles of Association require a different majority.

Measures which consequently may be adopted by the shareholders' meeting of Wiener Städtische AG with a simple majority of the share capital represented or of the votes cast include, among others:

- Increase of the share capital without simultaneous exclusion of subscription rights;
- Issue of convertible or participating bonds as well as participation rights without simultaneous exclusion of subscription rights;
- Election of members of the supervisory board; and
- Amendments to the Articles of Association (with the exception of modification of the purpose of the Company).

The following measures require pursuant to the law a majority of at least 75% of the share capital represented in a shareholders' meeting, which threshold cannot be reduced by a provision in the Articles of Association of Wiener Städtische AG:

- Change of the purpose of the Company;
- Increase of the share capital with simultaneous exclusion of subscription rights;
- Resolution on authorized or conditional capital;
- Reduction of the share capital;
- Exclusion of subscription rights for convertible bonds, participating bonds or participation rights;
- Dissolution of the company or continuation of the operation of the dissolved company;
- Transformation of the company into a company with limited liability;
- Approval of a merger or a demerger;
- Transfer of all assets of the company; and
- Approval of profit pools, management contracts and contracts for the lease of a business operation.

A majority of 90% of the total share capital is required for a transformation by transfer of the business pursuant to the Transformation Act or for an unproportional demerger pursuant to the Demerger Act.

A shareholder or a group of shareholders holding at least 20% of the share capital is authorized to object to a settlement or waiver of liability claims of the company against members of the management board, of the supervisory board or against certain third parties.

A shareholder or a group of shareholders holding at least 10% of the share capital has the right to:

- petition the court to revoke the appointment of a member of the supervisory board, the court has to grant the petition for cause;
- request special audits of events during the formation or the management of the company which have occurred within the preceding two years, and to request the appointment of special auditors by the court if such a motion has been overruled by the shareholders' meeting;
- object to the appointment of a person as special auditor and to request before the court the appointment of a different person as special auditor;
- request the adjournment of a shareholders' meeting if the majority objects to certain items in the financial statements;
- request with good cause before the court that a different special auditor be appointed; and
- request that claims for damages be asserted by the company against shareholders, members of the management board, members of the supervisory board or certain third persons if the claims alleged are not obviously unjustified.

A shareholder or a group of shareholders holding at least 5% of the share capital is entitled to:

- request that the shareholders' meeting be convened or to convene a shareholders' meeting after receiving approval from the court if neither the management board nor the supervisory board complies with such request;
- request that items be included on the agenda for the shareholders' meeting;
- request that claims for damages be asserted by the company against shareholders, members of the management board, members of the supervisory board or certain third parties if a special audit report ascertains facts leading to damages claims against such persons;
- request before the court the appointment or the removal of liquidators for important reasons;
- request before the court the audit of the financial statements in the course of the liquidation; and

- contest a resolution of the shareholders' meeting if such resolution provides for depreciation, amortization or write-offs, valuation allowances, reserves or provisions exceeding the amount admissible by law or the Articles of Association.

Neither the Austrian Stock Corporation Act nor the Articles of Association in general provide for a minimum quorum in the shareholders' meetings.

The shareholders' meetings take place in Vienna. The Articles of Association however also permit the shareholders' meetings to take place in the capital of an Austrian province.

The shareholders' meeting is convened by the management board or by the supervisory board by publishing the agenda. The meeting is convened by publication in the Official Gazette (*Amtsblatt zur Wiener Zeitung*) and by registered letter sent to the shareholders registered in the shareholders' register.

If shares or interim certificates have been issued, only such shareholders are authorized to participate in the shareholders' meeting who have deposited their shares (interim certificates) with an Austrian notary public, with the banks specified in the convening notice for the shareholders' meeting or with the company during the period specified in the following paragraph, such deposit to be effected during office hours and shares to remain deposited until termination of the shareholders' meeting.

The deposit must be effected in timely fashion such that there are at least three working days between the date of deposit and the date of the shareholders' meeting; for effecting the deposit the shareholders must have at least 14 days from the date the meeting is convened, not counting for this purpose the day of the publication. If the last day of such period is a Sunday or an official holiday in Austria, the subsequent working day must also be available for effecting the deposit. For the purposes of this provision, Saturdays, Good Friday, December 24 and December 31 are not considered to be working days but are instead holidays.

The deposit is also deemed to have been duly effected if shares (interim certificates) are kept in a blocked securities account of another bank, with the consent of a depositary, until the shareholders' meeting is terminated. If the deposit is not effected with the company, the registration for the shareholders' meeting must be effected in such a way that the deposit receipt is filed with the company at the latest one day after the end of the period allowed for effecting the deposit. The convening notice for the shareholders' meeting may make it a condition for participating in the shareholders' meeting that a double list of the numbers of the shares (interim certificates) be submitted within the period allowed. If no shares (interim certificates) have been issued, the convening notice for the shareholders' meeting is to give information on the conditions to be complied with by the shareholder in order to be allowed to participate in the shareholders' meeting.

The ordinary shareholders' meeting which takes place according to the Articles of Association of Wiener Städtische AG within the first 6 months of each fiscal year adopts resolutions including the following:

- Distribution of the balance sheet profit;

- Formal approval of the actions of the members of the management board and the supervisory board in the preceding fiscal year; and

- Appointment of the auditors.

The management board, the supervisory board or, under certain circumstances, shareholders holding in the aggregate at least 5% of the share capital, may request that an extraordinary shareholders' meeting be convened or they may themselves convene such a meeting.

The chairman of the supervisory board or his deputy shall preside over the shareholders' meetings. If neither one is present nor prepared to preside over the meeting, the notary called in for the certification shall preside over the meeting until a chairman is elected.

Under certain circumstances, such as when a resolution violates the Articles of Association or the Austrian Stock Corporation Act, shareholders may file an action with the Vienna Commercial Court to challenge the resolution or for a declaration of nullity of the resolution adopted at the shareholders' meeting, therefore having the resolution declared void.

Neither Austrian law nor the Articles of Association restrict the right of foreign holders of shares or holders of shares who have their registered offices abroad to own or exercise the voting rights of their shares of Wiener Städtische AG.

Management Board and Supervisory Board

The management board is responsible for managing the business of the company and represents the company in transactions with third parties. The management board is bound by Austrian law, the Articles of Association and its rules of procedure as adopted by the supervisory board. The supervisory board monitors the management of the company, but is not however authorized to make management decisions. It is responsible for appointing and removing members of the management board. The supervisory board is authorized to represent the company in transactions with the members of the management board. It gives approval in matters for which such approval is required pursuant to Austrian law or in accordance with the Articles of Association.

Both the members of the management board and of the supervisory board are bound to observe loyalty and diligence vis-à-vis the company. In exercising their duties both the members of the management board and of the supervisory board must comply with the duty of diligence of a prudent and conscientious manager. Both the management board and the supervisory board must take a many factors into account in their decisions, including the interests of the company, its shareholders, employees and creditors as well as of the public. The management board must respect the shareholders' rights to equal treatment and equal information.

Shareholders and other persons must not issue instructions to the management board or to the supervisory board nor use their influence to cause a member of the management board or of the supervisory board to act to the detriment of the company or its shareholders. A controlling company must not cause the company to act to its own or its shareholders' detriment. A single shareholder or any other person who, by exercising his influence on the company, causes a member of the management board or of the supervisory board to act to the detriment of the company or its shareholders is liable to the company for damages resulting therefrom. In addition, the members of the management board and of the supervisory board are jointly and severally liable if any of their actions have violated their duties.

As a rule, shareholders cannot directly claim damages from the members of the management board or of the supervisory board in the event of a violation of their obligations vis-à-vis the company. Except for insolvency and tortious claims, only the company has the right to claim damages against members of the management board or of the supervisory board. However, the company may waive this right or may agree on a settlement on such a claim if at least 5 years have passed since the claim came into existence and the shareholders' meeting agrees to such waiver or settlement with a simple majority of the votes cast and no group of shareholders holding together at least 20% (in special cases 5%) of the share capital objects and enters such objection into the minutes.

In accordance with the Articles of Association of Wiener Städtische AG the management board is composed of four, five or six members to be appointed by the supervisory board; at the present time it is composed of six members. The members of the management board are appointed for a maximum term of five years; a re-appointment is, however, admissible. The supervisory board may cancel the appointment of members of the management board before expiry of the term of office for good cause, for example in case of a serious violation of the duty of diligence.

In accordance with its Articles of Association, Wiener Städtische AG is represented by two members of the management board jointly or by one member of the management board together with a *Prokurist*. In accordance with statutory restrictions, representation is also possible by two *Prokuristen*. Authorization for the entire business to be represented by only one person is not permitted.

In accordance with the Articles of Association and the rules of procedure of the supervisory board of Wiener Städtische AG, certain actions of the management board require the approval of the supervisory board, such as:

- Establishment of general principles of the business policies;

- Acquisition and disposal of investments as well as acquisition, disposal and closing down of companies and operations, whenever in a particular case the amount of EUR 2,000,000 per transaction is exceeded;

- Acquisition, disposal and encumbrance of real estate if in a particular case the amount of EUR 2,000,000 for each transaction is exceeded;

- Borrowing by means of bonds, loans or credits exceeding EUR 2,000,000 for each particular case and EUR 5,000,000 altogether in one fiscal year;

- Establishment and closure of branch offices;

- Investments whose acquisition costs exceed EUR 2,000,000 for each particular case or that are not contained in the report on investment projects prepared by the management board and approved by the supervisory board for the respective fiscal year;

- Granting loans and credits to the extent they exceed the amount of EUR 5,000,000 in each particular case;

- Taking up or abandoning lines of business;

- Establishing principles regarding granting participations in profit or in sales and pension commitments for executives within the meaning of § 80 para. 1 AktG;

- Holding positions as member of the supervisory board of the management board or as managing director in companies outside of the Group as well as other paid activities by members of the management board, granting a *Prokura* (commercial power of attorney) as well as entering into and terminating employment contracts with holders of a *Prokura* (*Prokurist*);

- Granting options for shares of the company to employees and executives of the company or one of its affiliated companies as well as to members of the management board and of the supervisory board of affiliated companies;

- Entering into agreements with members of the supervisory board through which agreements any such member undertakes to perform a service to the company or to a subsidiary outside of their activity on the supervisory board in exchange for other than a merely insignificant payment. This also applies to agreements with companies in which a member of the supervisory board has a substantial economic interest;

- Acquisition of securities, although the supervisory board may authorize the management board to acquire securities up to a maximum amount within a certain period of time; and

- Assuming liability for bonds, loans and credits to the extent in any individual case the amount of EUR 1,000,000 is exceeded.

In accordance with the Articles of Association the supervisory board is composed of a minimum of three members elected by the shareholders' meeting as well a number of members delegated by the employees' representation in accordance with the Labor Constitution Act. The shareholders' meeting may revoke the appointment of any member of the supervisory board elected by it with a majority of three-quarters of the votes. The central works council may at any time replace any of the employee representatives delegated by it with a different person. Any member of the supervisory board elected by the shareholders' meeting has the right to resign with a four weeks notice by addressing a letter via registered mail to the chairman of the supervisory board. The supervisory board convenes at least once in each quarter of a calendar year. For a quorum in the supervisory board the presence of at least half of its members and in addition the presence of the chairman or his deputy is required. Unless a different majority is mandatory by law, the supervisory board decides by a simple majority of the votes cast. In the event of a tie, the vote of the chairman or of his deputy shall decide.

Members of the management board and of the supervisory board need not hold any shares of Wiener Städtische AG. For more detailed information regarding the management board and the supervisory board and their current members, see "*Management*".

Dividend Rights

The offered New Shares have full dividend rights as of January 1, 2008. Consequently, holders of the offered New Shares will be entitled to receive dividends as set by resolution for fiscal year 2008 and the years thereafter, however not with regard to former years. Profits will be distributed to the shareholders in proportion to their share in the share capital. The annual general shareholders' meeting decides on the distribution of profits including the amount and the date of the distribution on basis of the proposal for the distribution of profits prepared by the management board and of the report of the supervisory board. Dividends not collected by shareholders within 3 years are forfeited to the free reserves of the Company. The payment of dividends (less capital gains tax) is made, to the extent no exemption from the payment of the capital gains tax applies, through crediting the dividend payment to the respective custody bank.

Shareholders are only entitled to dividends from such balance sheet profit resulting from the non-consolidated financial statements prepared in compliance with Austrian generally accepted accounting principles. The financial statements are prepared by the management board and approved by the supervisory board. The balance sheet profit available for distribution is to be ascertained by taking into account the profit and loss carry forwards of previous years as well as reversal or allocation of reserves. The allocation of certain reserves is required by law; such reserves therefore shall be deducted in order to ascertain the balance sheet profit. For more detailed information on the dividend policy, see "*Dividend Policy*".

Rights in Case of Liquidation

In the event that Wiener Städtische AG is dissolved, all assets remaining after repayment of outstanding liabilities and of the supplementary capital are distributed pro rata to the shareholders. A resolution for dissolution of the company requires a majority of at least three-quarters of the share capital represented in the shareholders' meeting.

Subscription Rights

The holders of shares of Wiener Städtische AG are entitled to subscription rights. They have the right to be allocated such number of new shares enabling them to maintain their existing share in the share capital of Wiener Städtische AG. In a similar manner, the shareholders of Wiener Städtische AG are entitled to subscription rights for convertible bonds, warrant-linked bonds, participation rights and participation certificates issued by Wiener Städtische AG.

Shareholders may waive their subscription rights through shareholders' meeting resolutions regarding capital increases (or the issue of convertible bonds, etc., respectively). In addition, subscription rights may be excluded when effecting capital increases (or issuing convertible bonds, etc., respectively) by a majority of three-quarters of the share capital represented in the shareholders' meeting. Also, with a majority of three-quarters of the share capital represented, the shareholders' meeting may authorize the management board in the course of a resolution regarding authorized capital to exclude the subscription rights of shareholders when increasing the capital within the scope of the authorized capital. The resolution of the management board to increase the share capital and to exclude shareholders' subscription rights requires the consent of the supervisory board. Subscription rights may be excluded if new shares (convertible bonds etc.) are underwritten by an underwriter with the obligation to offer them to shareholders for purchase. The subscription rights of shareholders are fully replaced by their rights vis-à-vis such an underwriter.

The Austrian Stock Corporation Act provides for a period of at least two weeks for exercising subscription rights. The management board shall publish the subscription price and the starting date and length of the subscription period in the Official Gazette (*Amtsblatt zur Wiener Zeitung*). In general, shareholders' subscription rights are transferable. Trading of the subscription rights on the Vienna Stock Exchange is not planned in connection with this Offering.

The Austrian Corporate Governance Code

See "*Management – Corporate Governance*"

Special Reporting Requirements Pursuant to the Stock Exchange Act

Shares of a stock corporation with its registered office in Austria which are traded on the Official Market or the Second Regulated Market of the Austrian Stock Exchange are subject to the reporting requirements under the Stock Exchange Act see "*The Vienna Stock Exchange – Ownership Interest Reporting*" and "*The Vienna Stock Exchange – Directors' Dealings*".

Special Reporting and Approval Requirements Pursuant to the Insurance Supervision Act

The FMA supervises the conduct of business of domestic insurance companies, thus also Wiener Städtische AG. The Austrian Insurance Supervision Act (*Versicherungsaufsichtsgesetz-VAG*) contains the various supervision instruments of the FMA. These include in particular duties to inform, to submit, to report, to give notice and to seek approval, as well as on-site inspections. The supervision on the part of the supervision authority, in particular with regard to the obligations to inform and submit documentation, also extends to companies to which parts of the business have been outsourced in accordance with § 17 a VAG and to companies in which the insurance company holds equity participation rights in accordance with § 76 para. 4 VAG.

The VAG contains extensive obligations for insurance companies to notify and seek approval. Some of the most important are listed as examples below.

Pursuant to § 10 VAG, amendments to the Articles of Association of domestic insurance companies require the approval of the FMA. Modifications of the type of risks which the insurance company intends to cover and modifications of the principles of reinsurance policies shall be notified to the FMA. Further, the establishment of a branch office abroad shall be notified to the FMA.

In addition, the appointment and the resignation of members of the management board as well as the election and the resignation of members of the supervisory board shall be reported to the FMA pursuant to § 11 VAG.

§ 11 b VAG provides for an obligation to report any increase or decrease or giving up an of equity participation in insurance companies. Accordingly, persons who directly or indirectly intend

(i) to hold at least 10% of the share capital or of the voting rights in a domestic insurance company, or

(ii) to be able to exercise substantial influence on its management in any other way, or

(iii) to increase such an existing equity holding according to (i) or (ii) to more than 20%, 33% or 50% of the share capital or of the voting rights, or

(iv) to increase such an existing equity participation according to (i) or (ii) to an extent that the insurance company becomes its subsidiary within the meaning of § 244 Austrian Enterprise Code (*Unternehmensgesetzbuch – UGB*) shall give written notice of the above to the FMA, including the information on the amount of the equity participation. The intention to give up an equity participation or decrease it below the thresholds as specified must also be reported to the FMA. For this purpose the voting rights held by a trustee or voting rights which are the object of an option agreement, among others, are deemed equivalent to the voting rights of the purchaser or seller.

Any action or transaction subject to the duty to report must also be reported by the respective insurance company to the FMA without delay, and at least once each year a list of shareholders with holding interests subject to the duty to report must be submitted. The FMA may authorize the acquisition by not objecting to it, may set a maximum period during which the acquisition must be implemented, whereby an acquisition after expiry of the period is again subject to the duty to report, and it may prohibit the acquisition if the parties do not conform with the interests of reliable and diligent management of the insurance company.

The acquisition and the disposal of equity interests in corporations by an insurance company shall be reported to the FMA pursuant to § 76 VAG, to the extent:

- the direct or indirect equity interest exceeds 50% of the share capital of such company, or

- the purchase price exceeds 10% of the equity capital of the insurance company, or
- the acquisition creates affiliated companies pursuant to § 228 para. 3 UGB, or
- companies are no longer considered to be affiliated companies within the meaning of § 228 para. 3 UGB as a result of the sale.

This also applies in the event that additional shares are purchased or sold or when the increase of the amount of shares already reported exceeds the above-mentioned thresholds or falls below them. For calculating the share in the capital of the other company, the shares owned by affiliated companies must be added.

Further Events to be Reported to the FMA

- all contingent liabilities or profit and loss transfer agreements associated with equity interests,
- purchase and sale of participations in partnerships as personally liable partner,
- purchase and sale of shares, except for equity interests in corporations or participations in partnerships as personally liable partner, if the purchase price exceeds 1% of the equity capital of the insurance company.

For further insurance supervision regulations, see "*Insurance Supervision*".

Notifications

Notifications regarding shares of Wiener Städtische AG are published in the Official Gazette (*Amtsblatt zur Wiener Zeitung*).

PRINCIPAL SHAREHOLDER

The Issuer's principal shareholder is Wiener Städtische Wechselseitige Versicherungsanstalt – Vermögensverwaltung ("WST-Versicherungsverein"). To the knowledge of the Issuer, the remaining shares of Wiener Städtische AG are in free float. Except for WST-Versicherungsverein, no other person directly or indirectly holds an interest exceeding 5% of the share capital. With this interest in the share capital, WST-Versicherungsverein will continue to have a controlling interest in the Issuer. WST-Versicherungsverein will be able to exercise a controlling influence on the Issuer, its business activities and its dividend distribution policy. Although its purpose is to promote and support the economic development of the Issuer, WST-Versicherungsverein as shareholder does not necessarily pursue in all aspects interests identical to those of minority shareholders. In particular, it is not guaranteed that WST-Versicherungsverein will align its voting behavior with the interests of the minority shareholders. Before the share capital increase, WST-Versicherungsverein holds 75,888,882 Shares representing 72.3% of the share capital of Wiener Städtische AG. Not taking into account the exercise of the over-allotment option by the Joint Global Coordinators, WST-Versicherungsverein is expected to hold at least 91,888,882 Shares, representing at least 71.8% of the share capital of Wiener Städtische AG, after completion of the Offering (assuming all 23,000,000 New Shares are sold in the Offering). Assuming that the Joint Global Coordinators exercise their over-allotment option in full, WST-Versicherungsverein is expected to hold at least 90,888,882 Shares, representing at least 71.0% of the share capital of Wiener Städtische AG, after completion of the Offering.

Since the conversion of the non-voting preferred stock to common stock in June 2005, all shareholders of Wiener Städtische AG have identical voting rights. Neither WST-Versicherungsverein nor any other shareholder has voting rights which differ from those of any other shareholders.

Wiener Städtische Wechselseitige Versicherungsanstalt – Vermögensverwaltung

Until 1991, "Wiener Städtische" operated its insurance business in the legal form of a mutual insurance society (*Versicherungsverein auf Gegenseitigkeit*). The roots of "Wiener Städtische" date back to the years 1824, 1839 and 1898, when the three mutual insurance institutes that were the predecessor companies of Wiener Städtische AG were established see "*Business – History of the Vienna Insurance Group*".

In 1992, the complete insurance operation was spun off and transferred to the Issuer as a contribution in kind by way of universal succession pursuant to §§ 61a ff VAG. Since then, the mutual insurance society has existed as "Wiener Städtische Wechselseitige Versicherungsanstalt – Vermögensverwaltung" ("*WST-Versicherungsverein*") and performs the functions of an investment holding company.

Mutual Insurance Society

The essential characteristic of a mutual insurance society is that, upon entering into an insurance contract, the policyholders at the same time become members of the insurance society. This did not change when the insurance operations were transferred to a stock corporation. Upon entering into an insurance contract with the Issuer, holders of policies issued by the Issuer automatically become members of WST-Versicherungsverein, except in the case of a coinsurance or reinsurance or an insurance contract with a term of less than one year. The Issuer, however, also has the right to enter into insurance contracts not involving membership in WST-Versicherungsverein. The members of WST-Versicherungsverein exercise their rights through the members' assembly and, therefore, do not as a whole directly participate in the business activities or supervision of the Issuer.

The purpose of the society is asset management, in particular, acquiring, managing and disposing of shares in other companies, in particular the interest in the Issuer, supporting the members, in particular by promoting and assisting the economic development of the Issuer and its group companies, as well as providing administrative securities services to affiliated companies. WST-Versicherungsverein is allowed to take steps to strengthen the capital reserves of the Issuer or to support the Issuer and its group companies in promoting their corporate image, for example through sponsoring and advertising activities.

The rights of the Issuer's shareholders are not restricted by WST-Versicherungsverein.

The executive bodies of WST-Versicherungsverein are the members' assembly, the society's supervisory board and the society's management board.

Members' Assembly

The members' assembly is the highest level executive body of WST-Versicherungsverein. It is composed of between 40 and 60 members acting on a voluntary basis, who represent the customers of Wiener Städtische AG and are elected by the members' assembly for a term of 6 years. Re-election is possible. The members of the society's supervisory board, except for its chairman and his deputy, are not eligible to be elected. The members' assembly meets at least once a year. The members' assembly has, in particular, the following powers and rights:

- to decide in all matters which, pursuant to the Stock Corporation Act, are the responsibility of the shareholders' meeting of the Issuer, before WST-Versicherungsverein exercises its shareholder rights in these matters,
- to receive information with regard to matters of the Issuer and the exercise of shareholders' rights,
- to elect and remove the members of the society's supervisory board,
- to formally approve the actions of the society's management board and supervisory board,
- to appoint auditors to audit transactions within the management of the Issuer,
- to bring claims of the Issuer against the members of the Issuer's management board or supervisory board in connection with the management of the Issuer, and
- to determine the remuneration of the members of the society's supervisory board and reimbursement of expenses of members of the members' assembly.

A request by the members for a resolution to be adopted by the members' assembly must be signed by at least 2% (in the case of proposals for election to the members' assembly: 1%) of the members.

Supervisory Board of the Society

The society's supervisory board is composed of between 9 and 13 members elected by the members' assembly and further members nominated by the central works council of the Issuer and also elected by the members' assembly. For this purpose, the central works council nominates persons from among the employee representatives who are members of the Issuer's supervisory board. The number of such supervisory board members nominated by the central works council may not exceed 50% of the remaining members belonging to the society's supervisory board. (In case this is an uneven number, a further member may be elected from the employee representatives of the Issuer's supervisory board).

The term of office of the society's supervisory board is designed in analogy to the Stock Corporation Act, i.e. the members of the supervisory board are elected until the termination of the meeting of the members' assembly adopting the resolution for formal approval of supervisory board's actions during the fourth fiscal year after their election, unless they are elected for a shorter period of time. Certain transactions are subject to the approval of the society's supervisory board (simple majority), in particular the acquisition and disposal of ownership interests and the determination of the general principles of business policy. If the society's supervisory board approves the annual financial statements, they shall be deemed to be formally approved, unless the society's management board and supervisory board opt for formal approval by the members' assembly. The following table contains information regarding the present members of the society's supervisory board:

Member of the Supervisory Board		Main Activity outside of WST-Versicherungsverein
Chairman	Prof. Dr. Helmut ZILK	Former Mayor of the City of Vienna
Deputy chairman	Dr. Wolfgang RUTTENSTORFER	General director and chairman of the management board of OMV Aktiengesellschaft
Deputy chairman	Baurat h.c. DI Dr. Heinz KAUPA	Member of the management board of VERBUND-Austrian Power Grid AG
Member	Eduard ASCHENBRENNER	Deputy chairman of the Presidium of the Union of Municipal Employees
Member	DI Dr. Helmut DRAXLER	Former Chairman of the management board of RHI AG
Member	Dr. Edeltraud FICHTENBAUER	Lawyer
Member	Senatsrat Ernst GRAF	Managing Municipal Councilor *(Umweltgemeinderat)* of the Municipality of Leopoldsdorf
Member	Hermann GUGLER	Auditor and tax advisor
Member	Prof. Dr. Herbert LUDL	General director of SOZIALBAU Gemeinnützige Wohnungs-AG
Member	DI Horst PÖCHHACKER	Chairman of the supervisory board of ÖBB-Holding AG and formerly chairman of the management board of PORR AG
Member	Ing. Gerhard SCHMID	Member of the management board of Flughafen Wien AG
Member	Dipl.-Ing. Hans-Dieter TOTH	Former General director of Österreichisches Verkehrsbüro AG
Member	Mag. Norbert VANAS	Deputy general director of Hauptverband der österreichischen Sozialversicherungsträger
Employee representative	Peter GRIMM	1st deputy chairman of the central works council of Wiener Städtische AG
Employee representative	Heinz NEUHAUSER	Member of the central works council of Wiener Städtische AG
Employee representative	Franz URBAN	Chairman of the central works council of Wiener Städtische AG
Employee representative	Peter WINKLER	Member of the central works council of Wiener Städtische AG
Employee representative	Gerd WIEHART	2nd deputy chairman of the central works council of Wiener Städtische AG

Some of the members of the supervisory board were elected in the meeting of the members' assembly on May 23, 2005, for a period until the termination of the meeting of the members' assembly adopting the resolution on the formal approval of the actions of the supervisory board members for fiscal year 2009.

In the meeting of the members' assembly on May 29, 2006, Dr. Wolfgang Ruttenstorfer, DI Dr. Helmut Draxler, DI Horst Pöchhacker and Eduard Aschenbrenner were elected as members of the supervisory board until the termination of the meeting of the members' assembly adopting the resolution on the formal approval of the actions of the supervisory board members for fiscal year 2009.

In the constitutive meeting of the supervisory board on May 29, 2006, Dr. Wolfgang Ruttenstorfer and Baurat hc. DI Dr. Heinz Kaupa were elected deputy chairmen of the supervisory board.

In the meeting of the members' assembly on May 24, 2007, Dr. Edeltraud Fichtenbauer (Lawyer) was elected as a member of the supervisory board until the termination of the meeting of the members' assembly adopting the resolution on the formal approval of the actions of the supervisory board members for fiscal year 2009.

The employee representatives are members of the Issuer's supervisory board. The remaining members of the society's supervisory board do not hold a position in any executive body of the Issuer or of any other company in the Vienna Insurance Group.

Management Board of the Society

The society's management board conducts business of the mutual society. The society's management board and the chairman of the society's management board are appointed to and removed from office by the supervisory board. The terms of office are up to 5 years. The society's management board consists of 3, 4 or 5 members. At least two members of the society's management board are to be appointed from the members of the management board of the Issuer (including the chairman of the management board). Any deviating resolution of the society's supervisory board shall be adopted by unanimous vote. Currently, the following persons are members of the society's management board:

- Dr. Günter GEYER, chairman of the management board
- Dkfm. Karl FINK
- Dkfm. Hans RAUMAUF
- Dr. Martin SIMHANDL

The terms of office of Dr. Geyer and the other remaining members of the society's management board end on June 30, 2011.

Dkfm. Hans RAUMAUF is chairman of the management board of DONAU. The remaining members of the society's management board are members of the management board of the Issuer.

RELATED PARTY TRANSACTIONS

Related Parties

WST-Versicherungsverein holds the majority of voting rights in Wiener Städtische AG. Due to the control resulting from this majority holding, it is considered a related party.

WST-Versicherungsverein and Vienna Insurance Group have entered into a number of agreements negotiated at arm's length. Such agreements concern the rent of office facilities, the hiring of staff on the part of Wiener Städtische Wechselseitige Versicherungsanstalt – Vermögensverwaltung and the division of expenses, in particular expenses incurred for the public relations measures of Wiener Städtische AG, such as sponsoring and advertising measures.

As of December 31, 2007, the liabilities owing by WST-Versicherungsverein to the Group amounted to EUR 12.8 million. This is less than 0.05% of the total assets of the consolidated financial statements of Wiener Städtische AG as of December 31, 2007.

A financial loss liability insurance policy (D&O insurance) and a management insurance policy for expenses of criminal proceedings have been taken out for the members of the management boards and supervisory boards of Wiener Städtische AG and WST-Versicherungsverein. The insurance policy covers all members of the management boards and supervisory boards of Wiener Städtische AG and WST-Versicherungverein if claims are asserted against them in their capacity as members of the executive bodies of WST-Versicherungsverein, Wiener Städtische AG or their group companies. The D&O policy covers also positions in the executive bodies of other companies which are performed by the above-mentioned executive body members in the interest of Wiener Städtische AG or of WST-Versicherungsverein. The policyholder is WST-Versicherungsverein.

Transactions with other Group Companies

In the context of the group-wide SAP project all Austrian companies and some of the larger foreign insurance companies have converted their bookkeeping and cost accounting to centrally operated SAP modules. Some companies already use other SAP modules such as Business Partner, Processing of Claims, Business Intelligence or Collection and Disbursement. The SAP policy management system is currently being implemented in Kooperativa Prague and DONAU Versicherung AG. All licenses regarding SAP software are managed centrally in the Vienna Insurance Group in order to achieve a cost effective use of the licenses.

In some small and medium sized subsidiaries we use the Koop International insurance policy management system, which was especially designed and purchased for this purpose. Koop International is constantly readjusted to the technical standards and enhanced according to the needs of the users under the supervision of Wiener Städtische AG.

Larger foreign companies have been using the INSIS policy management system of Fadata Ltd. for several years; INSIS is a highly functional internationally tested system which allows an optimal individual adjustment to the needs of the respective insurance companies.

All the described services and actions have been concluded among the group companies of the Vienna Insurance Group with adequate license, service and data processing center service agreements to arms length conditions.

We use the systems Koop International and INSIS under the aspect of a standardization and harmonization of the currently used insurance contract administration systems and in preparation for a conversion of the whole insurance contract administration of the Vienna Insurance Group to SAP; this conversion is planned on a long-term basis. We are currently implementing interfaces between these "pre" SAP systems and the SAP insurance solution.

Transactions with Members of the Management Board and the Supervisory Board of Wiener Städtische AG

As at December 31, 2007, the members of the management board and of the supervisory board held significantly less than 0,015% of the shares of Wiener Städtische AG.

As at December 31, 2007, there were no loans outstanding or guarantees granted by Wiener Städtische AG in favor of members of the management board or supervisory board.

TAXATION

Taxation in Austria

Taxes on Income from the Shares (e.g., Investment Income Tax, Foreign Withholding Tax)

The following is a summary of the Austrian tax consequences that may be relevant to the ownership of shares or Subscription Rights by persons resident in Austria ("resident shareholders") and by persons not resident in Austria ("non-resident shareholders") for Austrian tax purposes. The following comments are of a general nature and based on the law as currently in force and the current practices of the Austrian tax authorities. It should be noted that these legal provisions could be subject to change, which could also entail retroactive changes. This description does not cover all aspects of taxation that may be relevant for the decision to purchase, own or dispose of shares or Subscription Rights. It is not intended to substitute for the advice of a tax consultant. Prospective investors should consult their own tax advisers concerning the tax consequences of purchasing, owning and disposing of shares or Subscription Rights.

Individuals and corporations resident in Austria are subject to Austrian income tax or corporate income tax on their entire worldwide income (unlimited tax liability). Individuals having a place of residency or their habitual abode in Austria, as well as corporations having their registered office or their central place of management in Austria, are generally regarded as tax resident in Austria under domestic Austrian tax law and the double taxation agreements ("DTAs") entered into by Austria.

Individuals having neither their place of residency nor their habitual abode in Austria as well as corporations having neither their registered office nor their central place of management in Austria are not considered tax resident in Austria. They are only subject to Austrian taxation on their income from Austrian sources and income that is attributed to a permanent establishment in Austria. These individuals and corporations are treated as non-resident persons under the domestic Austrian tax law and DTAs.

Austrian Withholding Tax

Dividends – Resident Shareholders

Certain income from domestic investments, in particular dividends paid by an Austrian corporation, is generally subject to withholding taxation in the form of the Austrian investment income tax ("*Kapitalertragsteuer*") pursuant to § 93 para. 1 Income Tax Act ("*Einkommensteuergesetz*", "*EStG*").

Dividends paid to a resident shareholder are subject to investment income tax at a rate of 25%. The company paying the dividends or the bank remitting the dividends on behalf of the company must withhold this tax and remit it to the tax office. The company or the bank must issue a certificate to the shareholder showing the gross dividend, the tax withheld, the date of payment, the period in respect of which the dividend is payable and the tax office to which the withheld tax was remitted. For individuals, the withholding tax is a final tax which means that no further income tax at a higher tax rate will be payable on the dividend income, even if the average income tax rate applicable to the shareholder is higher (the progressive income tax rate varies from 0% to 50%). If the final 25% withholding tax is higher than half the average income tax rate payable on a shareholder's total income, this lower rate can apply if application for dividend assessment is made in the context of income tax assessment. In this case, the investment income tax is set off against the income tax and any excess tax refunded. Final taxation also entails that costs and expenses, in particular interest paid in relation to the dividends, are not deductible from investment income.

Resident shareholders which are corporations are generally subject to a 25% corporate income tax. Dividends from shares in resident stock corporations are tax exempt at the level of the receiving company according to § 10 of the Corporate Income Tax Act ("*Körperschaftsteuergesetz*", "*KStG*"). Although the investment income tax is levied, it is deemed to be a prepayment on the corporate income tax and is therefore credited against the assessed corporate income tax or refunded. No investment income tax is due if the dividends are paid to a company holding at least 25% of the share capital of the dividend paying company. Interest on liabilities assumed for the acquisition of shares is deductible if they are included in operating assets (§ 11 para. 1 line 4 KStG).

Dividends—Non-Resident Shareholders

In the case of a non resident individual shareholder, investment income tax amounts to 25% and is withheld at source. The income of a non resident shareholder from dividends paid in Austria is subject to the withholding of investment income tax as final taxation, unless a lower tax rate applies pursuant to a DTA between Austria and the country of the shareholder's residence.

Dividend payments to a company that (i) is resident in another EU member state and (ii) has one of the legal forms listed in the EC Parent Subsidiary Directive (Directive No. 90/435/EEC of the Council dated July 23, 1990 (EC Official Journal No. L 225, page 6)) (an "EU company") are exempt from investment income tax by virtue of §94a EStG if, for an uninterrupted period of at least one year, the company directly held at least 10% of the company's share capital and there is no tax avoidance, abuse of law or tax fraud involved. If the one-year holding period requirement is not fulfilled until after the dividend payment has been made, investment income tax that has been withheld will be refunded after completion of the one-year minimum holding period upon request. Dividends which are attributable to a permanent establishment in the EU are also exempt from investment income tax (the 25% withholding tax is refunded or might not be withheld at source). All other corporations are subject to the 25% investment income tax.

Pursuant to the DTA between Germany and Austria ("DTA-Germany"), the withholding tax on dividends paid to German investors, to which the DTA-Germany applies, may not exceed 15%. If the German investor is a corporation (but not a partnership) directly holding at least 10% of the share capital of the dividend paying company, the tax rate may not exceed 5%. Pursuant to § 94a EStG, the withholding tax will be reduced to 0% if the conditions of § 94a EStG are met, see above.

Pursuant to the DTA between Switzerland and Austria ("DTA-Switzerland"), the withholding tax on dividends paid to Swiss investors, to which the DTA-Switzerland applies, may not exceed 15%. If the investor is a corporation (but not a partnership) directly holding at least 20% of the share capital of the dividend paying company, the tax rate is reduced to 0%. The applicability of the DTA-Switzerland should be reviewed on a case-by-case basis because it contains several specific exemptions.

Pursuant to the DTA between the USA and Austria ("DTA-USA"), the withholding tax on dividends paid to US investors, to which the DTA-USA applies, may not exceed 15%. If the investor is a corporation (but not a partnership) directly holding at least 10% of the voting rights of the dividend paying company, the tax rate may not exceed 5%.

Pursuant to the DTA between the United Kingdom and Austria ("DTA-UK"), the withholding tax for British investors to which the DTA-UK applies may not exceed 15%. If the investor directly or indirectly holds more than 25% of the voting rights of the dividend paying company, the withholding tax may not exceed 5%. Pursuant to § 94a EStG, the withholding tax will be reduced to 0% if the conditions of § 94a EStG are met, see above.

In order to obtain the favorable withholding tax rates under one of the DTAs listed above or another DTA, non-resident shareholders must file an application with the Austrian tax authorities. A certificate of residency from the tax authorities of the country of residence of the shareholder confirming that the shareholder is tax resident in such country must be enclosed with the application. A refund form and instructions for this form are available on the website of the Federal Ministry of Finance (www.bmf.gv.at). (Information on the website of the Federal Ministry of Finance is not incorporated by reference into this Prospectus.)

Pursuant to the ordinance on DTA relief which entered into force on July 1, 2005 ("*DBA-Entlastungsverordnung*", Federal Gazette III No. 92/2005 as amended in Federal Gazette II No. 44/2006), the reduced tax rate as provided for in the applicable DTA may be applied immediately at the source in all cases if certain evidence is provided (in particular, a qualified tax certificate of residency and, for corporations, certain additional evidence) and no grounds for rejecting such application exist (e.g., dividend payments to foreign private foundations/investment funds/trusts/double resident companies). However, the Issuer has not put into place procedures which allow for relief at source and therefore, non-resident shareholders which are eligible for benefits under an applicable DTA will be required to apply for a refund of all or a portion of the withheld taxes.

Capital Gains

Resident Shareholders

Pursuant to Austrian law as currently in force, gains from the disposal of shares by investors holding the shares as private assets are subject to standard progressive tax rates pursuant to the Income Tax Act, if the disposal occurs within one year after the acquisition of the shares ("speculative period") and provided that the overall amount of such gains ("speculative gains") within the calendar year exceeds EUR 440. Losses from the disposal of shares within one year of their acquisition ("speculative losses") can only be set off against speculative gains and not against other income. In general, after the speculative period of one year, capital gains are tax exempt if the shares have been held as private assets.

In cases where a resident shareholder has held shares representing at least 1% of the share capital of the company ("qualifying participation") at any time in the preceding five years before disposal, the capital gain resulting from the disposal is subject to Austrian income tax. Such capital gains are taxed at a tax rate equal to half of the average income tax rate payable on the shareholders total income.

Capital gains from the disposal of shares held by corporations are subject to taxation at full rates irrespective of any speculative period or qualifying participation. Capital gains from the disposal of shares by individuals forming part of the individual's business assets are subject to taxation at full rates within a speculative period of one year; after the expiration of one year such capital gains are subject to a tax rate equal to half of the average income tax rate payable on the shareholders total income.

If, in respect of a shareholding that at any time within the five years preceding the sale represented at least 1% of the relevant company's share capital, a shareholder takes steps which lead to the loss of Austria's right of taxation in favor of other countries (e.g., by transferring his/her residence for tax purposes outside of Austria), such steps are treated as a disposal resulting in capital gains amounting to the difference between the acquisition cost and the fair market value of the shares. Taxation of such capital gains shall be deferred until the shares are actually disposed of, however, if the shareholder moves to an EU member state or to an eligible EEA member state. Otherwise, deferred tax shall be levied upon transfer of the shareholder's residence for tax purposes to a country other than an EU member state or an eligible EEA member state. However, this deferred tax will not be levied more than 10 years thereafter.

Non-Resident Shareholders

Pursuant to Austrian law as currently in force, capital gains of non resident shareholders are not taxable in Austria, unless the capital gains are attributable to the shareholder's permanent establishment in Austria or result from the disposal of a qualifying participation (representing at least 1% of the share capital) held at any time in the five years preceding the disposal. These capital gains are subject to taxation at half of the average income tax rate payable on the shareholders total income.

However, capital gains (provided they are not attributable to the shareholder's permanent establishment in Austria) are exempt from taxation under most of the applicable DTAs, because they allocate the right to tax such capital gains exclusively to the state of residency of the seller. However, the tax treatment may be different, if the shareholder has been resident in Austria for a certain period before the disposal.

Taxation of Subscription Rights

Subscription Rights are considered part of the shareholder rights acquired with the shares. The receipt, exercise and lapse of Subscription Rights does not generate taxable income to the shareholder. If the shareholder exercises the subscription rights and buys New Shares, the tax basis in the New Shares will be equal to the amount paid as acquisition price.

Transfer Tax

The acquisition or the transfer of shares in Austria is not subject to any Austrian transfer tax, stamp duty or comparable tax.

The issuance of new shares in an Austrian company is subject to capital transfer tax ("*Gesellschaftsteuer*") at a rate of 1% of the issue price of the new shares, which tax is borne by the issuing company.

Inheritance and Gift Tax

Resident Shareholders

Pursuant to the Inheritance and Gift Tax Act ("ErbStG") any gift or transfer of shares by a donor or deceased individual is subject to inheritance and gift tax at a tax rate based upon the market value of the shares and upon the relationship of the beneficiary to the deceased or the donor (currently between 2% and 60%). No tax is levied upon inherited shares if the deceased individual's shareholding is below 1%. This exemption, however, does not apply in cases of gifts, which are subject to gift tax.

The Austrian Constitutional Court recently repealed the constituent statutory definitions of inheritance tax (§ 1 para. 1 line 1 ErbStG) and gift tax (§ 1 para 1 line 2 ErbStG) as being unconstitutional and gave the legislature until July 31, 2008, to provide a remedy. Should no appropriate remedy to the ErbStG satisfying the findings of the Constitutional Court be provided by the legislature before this deadline, starting as of August 1, 2008, no further inheritance and gift tax relating to the said constituent statutory definitions will be incurred. Considering the political discussion currently taking place, it is uncertain whether a substitute act will be provided for the ErbStG.

Non-Resident Shareholders

Only shares held by persons resident in Austria or transferred to heirs or beneficiaries resident in Austria are subject to inheritance and gift tax.

Refer to the applicable DTA which Austria has entered into with the country of residency of a shareholder for more detailed information.

Pursuant to the DTA applicable until the end of 2007 regarding gift and inheritance tax between Austria and Germany, transfers of shares from a deceased German shareholder to his beneficiary are not subject to Austrian taxation. The same applies under the DTAs between Austria and Switzerland and the DTA between Austria and the USA. At present, there is no DTA regarding gift and inheritance tax between Austria and the United Kingdom. However, pursuant to § 48 of the Federal Tax Code ("*Bundesabgabenordnung*"), the Federal Ministry of Finance is prepared to grant unilateral relief from Austrian taxation or credit foreign taxes against Austrian taxes under certain conditions.

In view of the planned abolition of the inheritance and gift tax in Austria—see above—Germany has terminated the DTA between Austria and Germany with respect to inheritance tax effective the end of 2007. However, according to information from the Austrian Federal Ministry of Finance, Germany has consented to an extension of protection under the DTA for the period from January 1, 2008, to July 31, 2008.

United States Federal Income Tax Considerations

This disclosure is limited to the U.S. federal tax issues addressed herein. Additional issues may exist that are not addressed in this disclosure and that could affect the U.S. federal tax treatment of the Rights Offering and New Shares. This tax disclosure was written in connection with the promotion or marketing of the Rights Offering and New Shares by the Issuer, and it cannot be used by any holder for the purpose of avoiding penalties that may be asserted against the holder under the Internal Revenue Code of 1986, as amended (the "Code"). Holders should seek their own advice based on their particular circumstances from an independent tax adviser.

The following is a discussion of certain U.S. federal income tax consequences of the Rights Offering and of purchasing, owning and disposing of shares (including New Shares) to U.S. Holders (as defined below), but it does not purport to be a comprehensive description of all of the tax considerations that may be relevant to a particular person's decision to acquire such securities. This discussion only applies to U.S. Holders that hold the Subscription Rights or shares as capital assets for U.S. federal income tax purposes. This discussion does not describe all of the U.S. federal income tax consequences that may be relevant to a holder in light of the holder's particular circumstances or to holders subject to special rules, such as:

- certain financial institutions;
- insurance companies;
- dealers and certain traders in securities or foreign currencies;
- persons holding shares as part of a hedge, straddle, conversion or integrated transaction;
- persons whose functional currency for U.S. federal income tax purposes is not the U.S. dollar;
- partnerships or other entities classified as partnerships for U.S. federal income tax purposes;
- regulated investment companies or real estate investment trusts;
- persons liable for the alternative minimum tax;
- tax-exempt organizations; or
- persons that own or are deemed to own 10% or more of the Issuer's voting stock.

This discussion is based on the Code, administrative pronouncements, judicial decisions, final, temporary and proposed Treasury regulations and the income tax treaty between the United States and Austria (the "Tax Treaty"), all as of the date hereof. These laws are subject to change, possibly on a retroactive basis. Prospective purchasers should consult their own tax advisers concerning the U.S. federal, state, local and non-U.S. tax consequences of purchasing, owning and disposing of shares in their particular circumstances.

As used herein, a "U.S. Holder" means a beneficial owner of a share that is eligible for benefits of the Tax Treaty and is, for U.S. federal income tax purposes: (i) a citizen or resident of the United States; (ii) a corporation, or other entity taxable as a corporation, created or organized in or under the laws of the United States or any political subdivision thereof; or (iii) an estate or trust the income of which is subject to U.S. federal income taxation regardless of its source.

This discussion assumes that the Issuer is not, and will not become, a passive foreign investment company (as discussed below).

Taxation of Subscription Rights

A U.S. Holder will not have any U.S. federal income tax consequences as a result of the receipt exercise or expiration of the Subscription Rights. A U.S. Holder that exercises Subscription Rights generally will have a tax basis in the New Shares equal to the Subscription Price paid for the New Shares.

Taxation of Distributions

Distributions received by a U.S. Holder on shares, other than certain *pro rata* distributions of shares to all shareholders, will constitute foreign-source dividend income to the extent paid out of the Issuer's current or accumulated earnings and profits (as determined for U.S. federal income tax purposes). Because the Issuer does not maintain records of earnings and profits for U.S. federal income tax purposes, it is expected that distributions will generally be reported to U.S. Holders as dividends. The amount of the dividend will include any amounts withheld in respect of Austrian taxes. The amount of the dividend a U.S. Holder will be required to include in income will equal the U.S. dollar value of the euro, calculated by reference to the exchange rate in effect on the date the payment is received by the holder, regardless of whether the payment is converted into U.S. dollars on the date of receipt. If a U.S. Holder realizes gain or loss on a sale or other disposition of euro after the date of receipt, such gain or loss will be U.S.-source ordinary income or loss. Corporate U.S. Holders will not be entitled to claim the dividends-received deduction with respect to dividends paid by the Issuer. Subject to applicable limitations, dividends received by certain non-corporate U.S. Holders in taxable years beginning before January 1, 2011 may be taxable at a maximum rate of 15%. Non-corporate U.S. Holders should consult their own tax advisers regarding the availability of these favorable rates in light of their own particular situation.

Austrian taxes withheld from cash dividends on shares at a rate not exceeding the rate provided in the Tax Treaty will be creditable against a U.S. Holder's U.S. federal income tax liability, subject to applicable restrictions and limitations that may vary depending upon such holder's circumstances. Austrian taxes withheld in excess of the Tax Treaty rate for which a refund is available are not eligible for credit against a U.S. Holder's U.S. federal income tax liability. See "— *Taxation in Austria—Austrian Withholding Tax—Dividends—Non Resident Shareholders*" above for a discussion of how a U.S. Holder may obtain a refund. Dividend income generally will constitute foreign-source "passive category" income or in the case of certain U.S. Holders, foreign-source "general category" income for foreign tax credit purposes. U.S. Holders should consult their own tax advisers to determine whether they are subject to any special rules that limit their ability to make effective use of foreign tax credits. A U.S. Holder that does not elect to claim a foreign tax credit may instead claim a deduction for Austrian income tax withheld, but only for a year in which the holder elects to do so with respect to all foreign income taxes.

Special rules govern the manner in which accrual basis taxpayers are required (or may elect) to determine the U.S. dollar amount of taxes withheld in a foreign currency that is eligible for a foreign tax credit. Accrual- basis taxpayers therefore should consult their own tax advisors regarding the requirements and elections applicable in this regard.

Sale or Other Disposition of Shares

A U.S. Holder will generally recognize capital gain or loss on the sale or other disposition of shares, which will be long-term capital gain or loss if the holder has held such shares for more than one year. The amount of the U.S. Holder's gain or loss will be equal to the difference between the amount realized on the sale or other disposition and such holder's tax basis in the shares, as determined in U.S. dollars. Any gain or loss will generally be U.S.-source gain or loss for foreign tax credit purposes. For non-corporate U.S. Holders, any capital gain will generally be subject to U.S. federal income tax at preferential rates provided certain holding period requirements are met. The deductibility of a capital loss is subject to limitations.

A U.S. Holder that receives Euro on the sale or other disposition of shares will realize an amount equal to the U.S. dollar value of the Euro on the date of sale or other disposition (or in the case of cash-basis and electing accrual-basis taxpayers, the settlement date, provided that the shares are traded on an established securities market). An accrual-basis U.S. Holder that does not elect to determine the amount realized using the spot rate on the settlement date will recognize exchange gain or loss (taxable as U.S. source ordinary income or loss) equal to the difference (if any) between the U.S. dollar value of the amount received based on the spot exchange rates in effect on the date of sale or other disposition and the settlement date. A U.S. Holder will have a tax basis in the Euro received equal to the U.S. dollar value of the Euro on the settlement date. Any exchange gain or loss realized on a subsequent conversion of the Euro into U.S. dollars will be U.S.-source ordinary income or loss.

Passive Foreign Investment Company Considerations

Based on the nature of its business, the Issuer believes that it was not a passive foreign investment company (a "PFIC") for U.S. federal income tax purposes for its 2007 taxable year and does not expect to become a PFIC for the foreseeable future. However, since PFIC status depends upon the composition of a company's income and assets and the market value of its assets (including, among others, less than 25% owned equity investments) from time to time, and the nature of its business, there can be no assurance that the Issuer will not be considered a PFIC for any taxable year. If the Issuer were treated as a PFIC for any taxable year during which a U.S. Holder directly or indirectly held a share, certain adverse U.S. federal income tax consequences could apply to such holder.

Information Reporting and Backup Withholding

Payment of dividends and sales proceeds that are made within the United States or through certain U.S.-related financial intermediaries generally are subject to information reporting and to backup withholding unless the U.S. Holder is a corporation or other exempt recipient or, in the case of backup withholding, the holder provides a correct taxpayer identification number and certifies that no loss of exemption from backup withholding has occurred. The amount of any backup withholding from a payment to a U.S. Holder will be allowed as a credit against the holder's U.S. federal income tax liability and may entitle such holder to a refund, provided that the required information is timely furnished to the Internal Revenue Service.

Taxation in the Czech Republic

Introduction

The following is a summary of the current Czech tax legal system and practice of the Czech tax authorities at the date of this Prospectus. The summary deals exclusively with certain Czech tax consequences of holding and disposal of the shares for the beneficial owners of the shares who: (i) are tax residents in the Czech Republic, and (ii) are not tax residents in Austria and (iii) do not have a permanent establishment or fixed base outside of the Czech Republic with which the holding of the shares is effectively connected ("Czech Holders").

This summary also assumes that the Czech Holder does not either directly or indirectly control 10% or more of the registered capital or the voting power of the Issuer and is not deemed to have a substantial or significant influence over the Issuer for other reasons.

This document is only intended as a general guide and is not intended to be, nor should it be considered to be, legal or tax advice to any particular Czech Holder. Accordingly, potential investors should satisfy themselves on to the overall tax consequences, including, specifically, the consequences under Czech law and practice of the Czech authorities, of the acquisition, ownership and disposal of the shares in their own particular circumstances, by consulting their own tax experts.

Czech Tax Residents' Dividend Taxation

Dividends received from abroad should be included into ordinary annual personal income tax base (individuals) or corporate income tax base (companies) and shall include any foreign taxes withheld from such income. Dividends received by Czech Holders (individuals) are currently subject to income tax at the rate of 15%, while this tax rate will be reduced to 12.5% since 2009. Dividends received by Czech Holders (companies) shall be taxed with the corporate income tax rate of 21%. Corporate income tax rate will be reduced to 20% for the taxable period initiated in 2009 and to 19% for taxable period initiated in 2010. Corporate income tax rate for investment and share funds is 5%.

Dividends paid from Austrian joint-stock companies may generally be subject to a withholding tax in Austria. In accordance with Article 10 of the Agreement between the Czech Republic and the Republic of Austria for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on income and capital dated June eighth, 2006, as amended ("Austrian/Czech DTA"), the withholding tax shall not exceed 10% of the gross amount of dividends.

In addition, according to Article 22 of the Austrian/Czech DTA the Czech Republic shall allow to the Czech Holders who are entitled under the Austrian/Czech DTA a deduction from the amount of the tax paid on such income from dividends in Austria. Such deduction shall not, however, exceed that part of the Czech tax, as computed before the deduction is given, which is appropriate to the dividend income which, in accordance with the provisions of the Austrian/Czech DTA, may be taxed in Austria.

Shares Revaluation

Most Czech Holders that keep accounting books in accordance with the Czech accounting standards who hold the shares for the purpose of trading will be required to revaluate the shares to fair value for accounting purposes. In such cases the revaluation differences should be reported as an income or expense. Such income is generally taxable and the corresponding expense is generally tax deductible for Czech corporate or personal income tax purposes, assuming the general tax deductibility conditions are met by the particular Czech Holder.

Irrespective of whether a Czech Holder is required to keep the accounting books according to the International Financial Reporting Standards or not, the above stated tax consequences shall remain the same as the current Czech tax law requires that the impact of International Financial Reporting Standards on the tax base of the taxpayers be eliminated.

Czech Holders' Capital Gains Taxation

Capital gains realized by corporate Czech Holders upon the sale of the shares are included into ordinary corporate income tax base and tax rate of 21% is imposed. Corporate income tax rate, as mentioned before, will be reduced to 20% for the taxable period initiated in 2009 and to 19% for taxable period initiated in 2010. Corporate income tax rate for investment and share funds is 5%.

In case of Czech Holders (individuals), any gains derived from the sale of shares other then securities of collective investments pursuant to the Czech tax law acquired after January 1, 2008 are exempted from Czech personal income tax only if:

(i) the holding period of the shares exceeds six months and the shares have not been held in connection with business activities of the individual Czech Holders,

(ii) the shareholder has not held, directly or indirectly, more than 5% of the registered capital and voting rights of the Issuer during the last 24 months and

(iii) the holding period of the shares exceeds five years and the shares have not been held in connection with business activities of the individual Czech Holders.

If the condition stated in article (ii) above is not fulfilled then capital gains are exempted from Czech personal income tax if the period between the purchase and sale of shares is longer than five years.

In other cases, the capital gains are generally subject to ordinary Czech personal income tax at a tax rate of 15% or 12.5% starting from 2009.

Potential losses realized by the corporate Czech Holders upon the sale of the shares may generally be considered as tax deductible for the corporate Czech Holders, assuming the general deductibility conditions are met. In case of Czech Holders who are individuals holding the shares in connection with their business activities and being subject to Czech accounting standards, the loss is generally considered as tax deductible similarly to corporate Czech Holders.

In case of the Czech Holders who are individuals holding the Shares with no relation to their business activities, the loss is generally considered as tax deductible for Czech income tax purposes only:

(i) if capital gains are not exempted from Czech personal income tax and

(ii) only against other taxable capital gains derived by the individual Czech Holders from the sale of securities in a given tax period provided that such securities have not been held in connection with the business activities of the individual Czech Holders.

Otherwise, the loss from the sale of the shares is generally considered as tax non-deductible for such individual Czech Holders.

The tax basis in the Existing Shares will be reduced by the amount allocated to the Subscription Rights.

Taxation of Subscription Rights

Subscription Rights are considered part of the shareholder rights acquired with the shares. The receipt, exercise and lapse of Subscription Rights does not generate taxable income to the shareholder. If the shareholder exercises the Subscription Rights and buys New Shares, the tax basis in the New Shares will be equal to the amount paid as the acquisition price. Thus, on the sale of the Subscription Rights the shareholder will realize a capital gain or loss.

THE VIENNA STOCK EXCHANGE

The information relating to the Vienna Stock Exchange set out below is derived from information obtained from the Vienna Stock Exchange, in particular from the website of the Vienna Stock Exchange (www.wienerborse.at), the annual report of 2006 and monthly statistics relating to December 2007, and the annual report of the FMA. The website of the Vienna Stock Exchange (www.wienerborse.at) contains further information about the Vienna Stock Exchange as well as a range of special services, such as quotations and ad hoc information about the companies listed on the Vienna Stock Exchange. The information contained in this website is not part of this Prospectus.

The Vienna Stock Exchange is operated by Wiener Börse AG, based on a license under the Austrian Stock Exchange Act (*Börsegesetz*). In addition to a securities exchange, Wiener Börse AG also operates a multilateral trading facility (MTF) and a commodities exchange.

The Vienna Stock Exchange is supervised by the FMA. As the market and stock exchange supervisory authority, the FMA is responsible, in particular, for supervision of the reporting requirements for reportable instruments in accordance with the Austrian Securities Supervision Act 2007 ("*WAG 2007*"), the supervision of market participants and the clarification and investigation of infringements against the ban on insider trading and the ban on market manipulation, the monitoring of securities analyses concerning the issue and dissemination of recommendations in Austria, the regularity and fairness of securities trading, the clarification and investigation of price manipulation, stock exchange supervision in compliance with the Stock Exchange Act (*BörseG*) and the monitoring of issuers and shareholders with respect to their duties of publication.

The FMA is responsible for the supervision of the lawfulness of resolutions of the executive bodies of the stock exchange operator. For that purpose, it uses the stock exchange commissioner (*Börsekommissär*). The stock exchange commissioner and his deputy are appointed by the Federal Minister of Finance, but act on behalf of the FMA and are bound by the instructions of the FMA, as the competent supervisory authority. The stock exchange commissioner (at present one stock exchange commissioner and two deputies) is to be invited to all important meetings of the stock exchange operator. He monitors Wiener Börse AG as well as the Vienna Stock Exchange, reviews the resolutions of the executive bodies of Wiener Börse AG with respect to their lawfulness and has the duty to veto unlawful resolutions.

Wiener Städtische AG holds approximately 3.5016% of the share capital of Wiener Börse AG.

The Markets of the Vienna Stock Exchange

The Austrian Stock Exchange Act provides for two types of admission: the Official Market (*Amtlicher Handel*) and the Second Regulated Market (*Geregelter Freiverkehr*). Classification according to the type of admission is used as the criterion for admission and classification in the individual market or trading segments: Prime Market, Standard Market Continuous, Mid Market and Standard Market Auction.

The Unregulated Third Market that existed prior to the entry into force of WAG 2007, has been operated by the Wiener Börse AG since November 1, 2007, in the form of a multilateral trading facility within the meaning of the WAG 2007. A multilateral trading facility is not a regulated market under the Stock Exchange Act. It is a trading facility operated on the basis of a license from the FMA according to the provisions of the WAG 2007. However, on the basis of a special FMA approval, the operator of a regulated market is entitled to operate a multilateral trading facility. Participation takes place on the basis of the operator's own general terms and conditions of business, the "Terms and conditions for operation of the Third Market" which the Wiener Börse AG has drawn up with the approval of the FMA.

Both the Official Market and the Second Regulated Market of the Vienna Stock Exchange have been recognized as regulated markets pursuant to the Directive 2004/39/EC on markets in financial instruments (MiFID). The statutory offense of "misuse of insider information" and the administrative offense of "market manipulation" are also applicable to multilateral trading facilities. In December 2004, the U.S. Securities and Exchange Commission granted the Vienna Stock Exchange the status of a "Designated Offshore Securities Market" in accordance with the U.S. Securities Act.

Certain listing criteria set out by the Austrian Stock Exchange Act and—in the Prime Market trading segment—certain non-statutory criteria set out by the Vienna Stock Exchange must be met by the shares of a company for them to be listed and traded on the Vienna Stock Exchange. Securities that meet the relevant criteria are admitted to trading on the Vienna Stock Exchange and included in the appropriate trading segment.

The Prime Market segment represents the highest-ranking stock market segment of the Vienna Stock Exchange. To be admitted to the Prime Market a company must fulfill the criteria set out by the Austrian Stock Exchange Act and in addition must contractually commit to fulfilling the more stringent transparency, quality and publication requirements included in the "Prime Market Rules".

The Standard Market Continuous and Standard Market Auction stock market segments contain all stocks admitted to listing on the Official Market or Second Regulated Market that do not meet the criteria for admission to the Prime Market. Shares listed on the Standard Market Continuous are traded continuously, whereas shares listed on the Standard Market Auction are traded only once a day in the intraday auction.

To provide sufficient liquidity, shares traded on the Prime Market and the Standard Market Continuous segments must be serviced by a specialist trader who has agreed to place firm quotes on a permanent basis. In both segments, additional liquidity providers other than the designated specialists are permitted to act as market makers, who also place firm quotes on a permanent basis.

The securities of Wiener Städtische AG are presently admitted to listing on the Official Market and traded in the Prime Market segment of the Vienna Stock Exchange.

Trading and Settlement

Shares and other equity securities listed on the Vienna Stock Exchange are quoted in Euro per share. Listed shares are traded both on the Vienna Stock Exchange and over-the-counter ("OTC").

The electronic trading system used by the Vienna Stock Exchange is XETRA (Exchange Electronic Trading). XETRA is the electronic trading system of Deutsche Börse AG. By this electronic trading system, all market participants have the same access to trading on the Vienna Stock Exchange regardless of their location.

Settlement of the transactions on the spot market and the derivatives market of the Vienna Stock Exchange takes place outside the Vienna Stock Exchange through CCP Austria Abwicklungsstelle für Börsegeschäfte GmbH (CCPA). A multilevel risk management system includes credit assessment, a daily evaluation of positions as well as a clearing fund based on joint liability which is funded by the participants. Netting reduces the number of settlement transactions to be processed, increases the efficiency of the clearing procedure and reduces the transaction costs. Transactions are settled as a rule by means of suitable CCP securities on a T+3 delivery versus payment ("DvP") basis, with Oesterreichische Kontrollbank Aktiengesellschaft ("OeKB") acting on behalf of CCPA as the central custodian and settlement bank. In case of non-delivery, the transaction will be performed on a T+14 basis by a cash settlement, with the defaulting counterparty having to pay a penalty. Settlement terms of OTC transactions depend on the agreement reached between the trading counterparties.

Trading can be suspended by the Vienna Stock Exchange if orderly stock exchange trading is temporarily endangered or if its suspension is necessary in order to protect the public interest. To avoid unwanted strong price fluctuation the electronic system provides for automatic volatility interruptions and market order interruptions during auctions, and for automatic volatility interruptions during continuous trading.

The Austrian Traded Index

The Austrian Traded Index ("ATX") is an index that is weighted according to the market capitalization of the companies contained therein. The ATX is designed as the underlying reference for the Austrian stock trading, close to the market and transparent, and serves as reference index for futures and options. The ATX consists of the most liquid and the highest capitalized stocks, based on free float, traded on the Prime Market. As of December 28, 2007, the last trading day 2007, out of the 58 securities that were traded on the Prime Market, 21 were included in the ATX. Since September 19, 2005, the shares of Wiener Städtische AG have been also included in the ATX.

Trading Volume

In 2006, the aggregate trading volume of the domestic shares listed on the Official Market and the Second Regulated Market of the Vienna Stock Exchange amounted to approximately EUR 129.53 billion. In 2007, the aggregate trading volume of the domestic shares listed on the Official Market and the Second Regulated Market of the Vienna Stock Exchange amounted to about EUR 176.3 billion. As of December 31, 2007, a total of 99 companies were listed on the Prime Market, Standard Market Continuous and Standard Market Auction segments. The large majority of these companies were Austrian companies. As of December 31, 2007, the total market capitalization of all Austrian companies listed in the equity market on the Vienna Stock Exchange amounted to about EUR 156.55 billion (equity market including mid market; excluding mid marked EUR 156.44 billion) (December 31, 2006: EUR 144.7 billion). (Source: Vienna Stock Exchange).

Please note that the Vienna Stock Exchange has significantly less trading volume than stock exchanges in other Western European countries. Securities traded on the Vienna Stock Exchange are possibly less liquid and more volatile than securities traded on other stock exchanges.

Selected Provisions of Austrian Capital Market Law

Misuse of Insider Information

The Stock Exchange Act sanctions the abuse of insider information in Austria or abroad with respect to financial instruments that are admitted to trading on a regulated market in Austria, as well as the abuse of insider information in Austria with respect to financial instruments that are admitted to trading on a regulated market in another EU member state.

The implementation of the Market Abuse Directive 2003/6/EC has resulted, with effect from January 1, 2005, in a broader definition of "insider information" than before such implementation. Insider information is now defined as "information of a precise nature which has not been made public, relating, directly or indirectly, to issuers of financial instruments or to financial instruments and which, if it were made public, would be likely to have a significant effect on the prices of those financial instruments or on the price of related derivative financial instruments, because a reasonable investor would be likely to use such information as part of the basis of his investment decision". The term "financial instrument" includes securities, money market instruments, futures, forward rate agreements and commodity derivatives.

An insider is any person who is in possession of insider information. The Austrian Stock Exchange Act differentiates between primary insiders and secondary insiders. Primary insiders are members of the management and the supervisory board and other persons who are in possession of insider information due to their profession, function, responsibilities or shareholding. Primary insiders are also persons who gained insider information in by violating criminal laws. Secondary insiders are persons who—without being a primary insider—gained knowledge of insider information from a primary insider or a third person.

Primary and secondary insiders are prohibited from using insider information for their own or a third party's account by (i) acquiring or disposing of the respective financial instruments, (ii) giving recommendations concerning the purchase or sale of such securities to third parties and (iii) communicating insider information unless required by law. For a violation, it is not necessary to act with the intention to gain a pecuniary advantage for oneself or a third person; it is sufficient that the perpetrator, acting with gross negligence does not know that the information constitutes insider information.

Violation of the prohibition of misuse of insider information is a criminal offence and may be punished with imprisonment of up to five years.

Pursuant to the Austrian Stock Exchange Act, in order to prevent insider deals, all issuers are obliged

- to inform their employees and other persons providing services to the issuer about the prohibition on the misuse of insider information;
- to issue internal directives for the communication of information within the company and to monitor compliance; and

- to take organizational measures suitable for preventing the misuse of insider information or its disclosure to third parties.

Evidence of adherence to these obligations—which has to be provided by delivering the company's internal compliance directive—is a prerequisite for admission to the Official Market and the Second Regulated Market.

The issuer compliance regulation (*Emittenten-Compliance-Verordnung—ECV*) enacted by the FMA regulates in further detail the measures to be taken by issuers whose securities are admitted to trading on the Official Market or the Second Regulated Market. This regulation provides inter alia for black-out periods, during which persons working in confidential areas may not place any orders in financial instruments of the issuer. Confidential areas are areas within the company where persons have access to insider information, whether on a regular or occasional basis. Confidential areas must be organizationally separated from other areas within the company to reduce the danger of an abusive use or an improper distribution of insider information. Also, within a confidential area, the circle of persons having access to insider information must be minimized. The issuer, or the persons acting by order or for the account of the issuer, must maintain a list of the people who have access to insider information. The issuer must issue an internal company compliance directive. This compliance directive must be submitted to the FMA and to the Vienna Stock Exchange.

Market Manipulation

Under Austrian law, market manipulation means transactions or orders to trade

- which give, or are likely to give, false or misleading signals as to the supply of, demand for or price of financial instruments, or
- which secure, by a person, or persons acting in collaboration, the price of one or several financial instruments at an abnormal or artificial level.

Market manipulation does not cover cases where the person who entered into the transactions or issued the orders to trade establishes that his reasons for so doing were legitimate and that these transactions or orders to trade conform to accepted market practices on the regulated market concerned. With regard to accepted market practices the FMA has issued a regulation (Market practices regulation).

Market manipulation shall also mean transactions or orders to trade which employ fictitious devices or any other form of deception or contrivance. Finally, market manipulation shall mean dissemination of information through the media, including the Internet, or by any other means, which gives, or is likely to give, false or misleading indications as to financial instruments, including the dissemination of rumors and false or misleading news, where the person who made the dissemination knew, or ought to have known, that the information was false or misleading. Market manipulation is an administrative offence and is to be fined by the FMA in the amount of up to EUR 50,000. Furthermore, any pecuniary gained advantage is to be declared forfeited by the FMA.

In the publishing of securities analyses and information with the nature of investment recommendations, disclosure must be made as to who prepared the analysis/recommendation. In addition, criteria for the appropriate presentation of such recommendation, disclosure of conflicts of interest when recommendations are prepared, and for the communication of recommendations prepared by a third party are defined.

Ad-hoc Disclosure

The ad-hoc disclosure has the purpose of increasing transparency in the market, in order to ensure a fair chance of access to important information and, in particular, to function as a preventive measure for the fight against the misuse of insider information. The immediate publication of a new fact makes insider information accessible to everyone and thereby prevents the prohibited use of prior knowledge for transactions in listed securities.

The statutory provisions on ad-hoc disclosure build upon the term insider information (for the term "insider information", see "*—Misuse of Insider Information*" above). Accordingly, issuers are obliged to "disclose to the public without delay any insider information which is directly related to them". This publication has to be made "via an electronic information dissemination system which is widespread at least within the European Union" and, in the case of the Issuer must be in the German and English or

Czech languages. The dissemination of ad-hoc information must also include publication via minimum one of the following electronic information dissemination systems: (i) Reuters, (ii) Bloomberg or (iii) Dow Jones Newswire. The form, content and type of the publication and the transmission of ad-hoc disclosures are regulated by the Disclosure and Reporting Regulation (VMV) of the FMA. At the same time as the disclosure, the information must also be reported to the FMA and the Vienna Stock Exchange and disclosed through the information portal of the OeKB (Issuer-Information-Center Austria). Furthermore, issuers must also provide all ad-hoc (insider) information that must be disclosed to the public on their website for an appropriate time period of at least six months. Issuers have to provide an easily distinguishable reference (e.g. a hyperlink) to its publications site.

Material changes with regard to published insider information have to be announced immediately after occurrence of the changes and have to be identified as such.

Issuers may delay the public disclosure of insider information in order not to prejudice their legitimate interests, provided that (i) such omission would not be likely to mislead the public and (ii) the issuer is able to ensure the confidentiality of such information. The issuer is obliged to inform the FMA without delay of its decision to delay the public disclosure of insider information.

To ensure the confidentiality of insider information, an issuer must control access to such information. In particular, an issuer must (a) establish effective arrangements to deny access to such information to persons other than those who require it for the exercise of their functions within the company; (b) take the necessary measures to ensure that any person with access to such information acknowledges the legal and regulatory duties entailed and is aware of the sanctions attaching to the misuse or improper dissemination of such information and (c) have in place measures which allow immediate public disclosure in case the issuer was not able to ensure the confidentiality of the relevant information.

A violation of these rules is an administrative offence and is to be fined by the FMA in the amount of up to EUR 30,000.

Whenever an issuer, or a person acting on its behalf or for its account, discloses any insider information to any third party in the normal exercise of its employment, profession or duties, complete and effective public disclosure of that information must be made, simultaneously in the case of an intentional disclosure and promptly in the case of a non-intentional disclosure. This does not apply if the person receiving the information is under a duty of confidentiality.

Ownership Interest Reporting

The disclosure of material ownership interests—measured in terms of the proportion of voting rights—of individual shareholders of a listed company are intended to make transparent to the public in particular the influence of such shareholders.

Natural or legal persons acquiring or disposing directly or indirectly of an ownership interest in an issuer whose home member state is Austria, and whose shares are listed on a regulated market, must notify immediately, at the latest, however, after two trading days the FMA, the Vienna Stock Exchange and the company whose securities have been acquired or disposed about the interest held, if this acquisition or disposal results in such shareholder's voting rights equaling, exceeding or falling below 5%, 10%, 15%, 20%, 25%, 30%, 35%, 40%, 45%, 50%, 75% and 90% of the voting rights of the relevant company. The share of the voting rights is calculated on the basis of the total number of voting shares even if the exercise of these voting rights is suspended.

The period of two trading days starts on the day subsequent to the day on which the person gained knowledge of the acquisition or disposal, or of the possibility of the exercise of the voting rights or on which, given the circumstances, the person should have gained such knowledge irrespective of the day on which the acquisition, disposal or the possibility of the exercise of the voting rights becomes effective or upon attaining, exceeding or falling below the stated thresholds as a result of the allocation of the voting rights. The notification of the acquisition or the disposal of voting rights must contain the following details: the number of voting rights after the acquisition or disposal; if applicable, the chain of the controlled companies via which the voting rights could in fact be exercised; the date on which the threshold was attained or exceeded and the name of the shareholder even if the shareholder itself is not entitled to exercise the voting rights and of the person that is entitled to exercise the voting rights in the name of the shareholder.

As soon as the stock corporation receives the notification about the acquisition or disposal of voting rights, at the latest, however, two trading days after receipt of such notification, the stock corporation must disclose the information contained therein. Disclosure is to be made through an electronic information dissemination system which extends at least within the European Community (for example, Bloomberg, Reuters) and must be in the German language. The stock corporation must provide this information simultaneously with supporting disclosure documentation to the FMA, Wiener Börse AG and also to the OeKB (Issuer-Information-Center Austria) for storage purposes.

Directors' Dealings

Persons discharging managerial responsibilities with regard to an issuer of financial instruments with its registered office in Austria must report to the FMA all of their deals for their own account in shares or securities similar to shares of the issuer or related companies admitted for trading on regulated markets or related derivatives. In addition, these persons must publish such information. The publication may also be made through the FMA's website.

Persons discharging managerial responsibilities are in particular members of the management board and the supervisory board of a stock corporation. The same rules apply to persons who have a close relationship with them, for example spouses, common law spouses, dependent children as well as any other family members who have lived in the same household for at least one year. Persons who have such close relationship are, in addition, legal entities, fiduciary institutions or partnerships which are managed by such a person or which are directly or indirectly controlled by such a person, or which have been established for the benefit of such a person or whose business interests, to a large extent, are similar to those of such a person.

Reporting to the FMA must be made within five business days after the trade was concluded, but may be postponed until the total volume of the trades reaches the amount of EUR 5,000 (per calendar year). The trades by persons having managerial duties and by all persons who have close relationships to them are to be included. The form, content and type of disclosure and transmission of directors' dealings notifications are regulated by the Disclosure and Reporting Regulation (VMV)

The violations of notification requirements and of directors' dealings constitute an administrative offence and are to be fined by the FMA in the amount of up to EUR 30,000.

According to the issuer compliance directive of the FMA, all notifications about directors' dealing must be disclosed to the person who is responsible for compliance in the company. This person must keep a register of directors' dealings. The publication can also be effected on the FMA's website by agreement with the person responsible for reporting.

Austrian Takeover Act

The Austrian Takeover Act (*Übernahmegesetz*) regulates public offers for the acquisition of shares of Austrian stock companies which are admitted to trading on a regulated market of an Austrian stock exchange. The purpose of the Takeover Act is to ensure that a public offer for the shares of such companies is carried out in a fair way and that the shareholders of the company are treated equally. If a controlling interest in the company is established, the Takeover Act also seeks to ensure that shareholders have an opportunity to sell their shares at a fair price. The Takeover Commission supervises compliance with the Takeover Act and has the power to fine violators of the Takeover Act. Breaches of the regulations of the Takeover Act can result inter alia in the suspension of voting rights and, in the case of severe breaches, in the suspension of other shareholders' rights as well.

Any public offer for the shares of a target company must be prepared in accordance with the formal requirements of the Takeover Act and be submitted to the Takeover Commission prior to its publication. Generally, an offeror must not disclose its intention to launch a public offer until it has notified the Takeover Commission. If, however, rumors of the offeror's intention lead to significant changes in the price of the target company's shares prior to notification of the Takeover Commission, an offeror is required to publish its intention to bid for the shares of the target company immediately and must submit the offering documents to the Takeover Commission within ten trading days following publication.

The Takeover Act differentiates between voluntary offers, mandatory offers and voluntary offers to gain control. Any person who acquires a controlling interest in a target company must notify this to the

Takeover Commission and must prepare an offer ("mandatory offer") to purchase the remaining shares in the target company and must submit the offer document to the Takeover Commission within 20 trading days of acquiring the controlling interest. Furthermore, every voluntary offer aiming at acquiring a controlling influence is statutorily under the condition precedent that the bidder acquires more than 50% of the outstanding shares with permanent voting power ("voluntary offer to gain control").

Important portions of the Takeover Act are based on a formal concept of control. Within the meaning of the Takeover Act, an interest is "controlling" if it confers more than 30% of the voting rights in the target company. Acquisitions of less than 30% of the voting rights do not in any way trigger a mandatory offer ("safe harbor"). If the threshold of 30% is not exceeded, but a secured blocking minority (26%) is indeed exceeded, only 26% of the voting rights can be exercised unless the Takeover Commission explicitly revokes the suspension of the voting rights. In this event, the Takeover Commission becomes involved only upon request and, instead of suspending the voting rights, it can also establish conditions and obligations.

What is referred to as "passive" acquisition of control (that is, where a shareholder acquires a controlling interest without recent actions of its own (for example acquisition of shares) for example as a result of the break-up of a controlling shareholder consortium) similarly does not trigger a mandatory offer provided the person acquiring control would not necessarily have been expecting to achieve control when the shares were acquired. In this case as well, only 26% of the voting rights can be exercised if the Takeover Commission does not, upon request, explicitly revoke the suspension of the voting rights.

In addition, under certain circumstances, the extension of an existing controlling interest also triggers a mandatory offer ("creeping-in"): that is, a person with a controlling interest who does not have a majority of the voting rights of a listed company at his disposal and acquires an additional 2% or more of the voting rights within a period of 12 months must make a mandatory offer.

The Articles of Association of a stock corporation can, inter alia, stipulate that during the takeover process certain restrictions on transfer and voting rights with respect to shares of the target company are not applicable ("break through"). The acquirer of an interest of at least 75% of the share capital of a stock corporation can call a shareholders' meeting within six months after a takeover process. If, in such a shareholders' meeting, a vote is taken on changes to the Articles of Association (in particular the abolition of transfer restrictions, voting right restrictions and delegation rights) or the recall or election of members of the supervisory board, restrictions on voting rights do not apply.

As a rule, the price for a voluntary public offer can be freely determined. The price for a mandatory offer and the voluntary offer to gain control (i) must be at least equal to the average stock exchange price weighted according to the respective trading volume during the preceding six months before the day, on which the intent to bid was pronounced and (ii) must be at least equal to the highest share price that the bidder or a legal entity acting jointly with the bidder has paid or agreed to pay during the last 12 months before publication of the offer. Under certain circumstances, an appropriate price is to be set for a mandatory offer.

A mandatory offer must include an alternative offer which provides exclusively for paying cash for the securities which are to be acquired. In addition, the bidder may also offer the person to whom the offer is directed an alternative choice of receiving other securities in exchange for the shares.

The offer document for voluntary offers and mandatory offers is to be examined by a qualified independent expert before the offer document is submitted to the Takeover Commission and delivered to the target company. The management board of the target company must issue a statement on the offer immediately after the publication of the offer document.

As a rule, subsequent improvement of public offerings and the submission of competitive offers are permissible. As a rule, the same rules that apply to the original offer also apply to improved or competitive offers.

After the bidder's intention of making an offer becomes known to the management board and the supervisory board of the target company, they require the consent of the shareholders' meeting for all measures which could hinder the offer or its success. This applies particularly to the issuance of securities through which the bidder could be prevented from acquiring control of the target company. The bidder and all parties acting jointly with the bidder may not acquire securities of the target company at better terms than those in the offering. Violation of these rules can lead to suspension of voting rights and to penalties imposed by the Takeover Commission.

The acceptance period for an offering may not be less than two weeks and not more than ten weeks, calculated in each case from the date of the publication of the offering document. In certain instances, such as in the case of a mandatory offer, there is a follow-up period three months after the publication of the results of the offering within which the offer can be accepted.

The Takeover Commission monitors adherence to the Takeover Act and is authorized to penalize violations of takeover regulations. In addition to other civil and administrative sanctions, violations of provisions of the Takeover Act can result in the suspension of the voting rights of the violator's shares and—in the case of serious violations—suspension of the other rights of the shareholder. The Takeover Commission can also officially introduce proceedings and does not itself have a supervisory authority.

Squeeze-out of Minority Shareholders

A principal shareholder that has more than 90% of the total nominal capital has the possibility of excluding the remaining shareholders from the company by paying adequate compensation in cash. This right to demand such exclusion is not restricted to cases where there was a prior takeover bid. In the case of such a squeeze-out, the minority shareholders do not have the right to block the shareholder exclusion as such but can introduce a separate review procedure for assessing the adequacy of the cash compensation paid for the minority interests. If a squeeze-out is implemented subsequent to a takeover bid, in those cases in which the bidder in the context of the takeover bid or in connection with the takeover bid has acquired more than 90% of the outstanding shares involved in the bid it is assumed that cash compensation equal to the highest amount paid is adequate.

THE PRAGUE STOCK EXCHANGE

The following information about the Prague Stock Exchange (also the "Exchange") comes from the Prague Stock Exchange, in particular from the website of the Prague Stock Exchange (www.pse.cz) and from the website of UNIVYC, a.s. (www.univyc.cz). The website of the Prague Stock Exchange contains more extensive information about the Prague Stock Exchange and provides special services such as viewing securities prices and ad hoc notices from listed companies. The information contained on that web site is not part of this Prospectus. The following discussion of the provisions of Czech capital market law merely provides a summary of the most important Czech provisions relating to the acquisition and trading of Wiener Städtische shares. This summary is not an exhaustive description of all of the provisions of Czech capital market law, and investors should also consult with their own legal advisors.

The Prague Stock Exchange is operated by Burza cenných papírů Praha, a. s., ("BCPP") which is organized in the form of a stock corporation (*akciová společnost*) pursuant to legislative mandate. In addition to a securities exchange, BCPP also controls Energetická burza Praha, an operator of an energy exchange. UNIVYC, a.s. ("UNIVYC") is a wholly-owned subsidiary of BCPP providing settlement services for exchange and OTC trading.

The Prague Stock Exchange is supervised by the Czech National Bank (*Česká národní banka*). Under the National Bank Act (*zákon č. 6/1993 Sb., o České národní bance*), the Czech National Bank is responsible for financial market supervision in the Czech Republic.

The main regulator of the capital markets in the Czech Republic used to be the Czech Securities Commission. Pursuant to Act No. 57/2006 Coll., on the Amendment of Acts in connection with the Integration of Financial Market Supervision, the Czech Securities Commission ceased to exist on 31 March 2006 and the role of the market regulator was transferred to the Czech National Bank (the central bank of the Czech Republic) as of 1 April 2006.

The Czech National Bank has also taken over the activities of the Office for Supervision over Insurance Companies and Pension Funds, previously established at the Ministry of Finance, and the activities of the Office for Supervision over Credit Unions. As a result, the Czech National Bank now has the role of an integrated regulator and supervisor in the areas of banking, foreign exchange regulation, capital markets, insurance, pension funds and credit unions.

In its role as an integrated regulator, the Czech National Bank now issues bank licenses, supervises compliance with applicable laws and regulations by banks and other financial market professionals, governs Czech monetary policy and issues the respective licenses. It also supervises insurers, pension funds and credit unions, and performs all the activities of the former Czech Securities and Exchange. As the market and stock exchange supervisory authority, the Czech National Bank is responsible for monitoring compliance with reporting obligations in respect of financial instruments subject to mandatory reporting, supervising market participants, investigating and prosecuting violations of the insider trading ban and the market manipulation ban, ensuring order and fairness in securities trading, investigating and prosecuting price manipulation, supervising the Exchange in accordance with the National Bank Act, and supervising issuers and stockholders in respect of their disclosure obligations.

The markets of the Prague Stock Exchange

BCPP organizes the regulated securities market in the Czech Republic. Under the Capital Market Trading Act (*zákon č. 256/2004 Sb., o podnikání na kapitálovém trhu*), the regulated market is divided into two main markets: the Official Market and the Special Market for investment instruments other than securities (e.g. futures). The Official Market further divides into the Main Market and the Official Free Market.

In order for a company to have its equity securities admitted to an official market (including the Prague Stock Exchange main market or official free market), the following principal criteria must ordinarily, among other, be satisfied: (i) the securities to be admitted must be fully paid and must be tradable without any restrictions; (ii) the minimum issue value must be at least EUR 1 million; (iii) the minimum free float must be at least 25%; (iv) the issuer shall have published its financial statements for at least three preceding years or, if shorter, the period of its existence; and (v) a prospectus describing the business activities and financial standing of the issuer and approved by the Czech National Bank or the respective EU member state regulator must be published.

The Prague Stock Exchange Committee on Listing (the "Prague Stock Exchange Listing Committee") decides whether to admit a security to trading and has certain discretion to deviate from the admission requirements described above. Application for admission of a security to trading on Prague Stock Exchange can be filed by an issuer or by a member of the Prague Stock Exchange. The application must provide certain basic data with regard to the issuer and the issue, and the prospectus must be approved by the Czech National Bank or another EU member state regulator. The Prague Stock Exchange Listing Committee reviews and approves the application.

A company admitted to an official market is required to make certain financial information publicly available. In particular, such company must file with the Czech National Bank and Prague Stock Exchange audited annual financial statements, unaudited semi-annual statements, information about convocation of a general meeting and certain corporate resolutions. In addition to the above, company whose shares have been admitted to the main market must also submit to the Prague Stock Exchange unaudited quarterly and preliminary annual financial statements and report certain changes in its financial or business condition, including: (i) information about any default with monetary obligations exceeding 5% of the issuer's equity capital; (ii) any legal or commercial dispute involving an amount of 5% or more of the issuer's assets; (iii) the issue of a bankruptcy order against the issuer or any of its significant subsidiaries; (iv) information about any significant monetary obligation becoming due and payable based on a creditor's decision or automatically due to cross-default; (v) change in the shareholder structure or holdings by major shareholders; and (vi) any changes of members of the statutory and/or supervisory body of the company. The official free market imposes lower disclosure standards and thus enables companies to have their securities publicly traded without having to comply with the extensive disclosure requirements applicable to companies whose securities are admitted to the Prague Stock Exchange main market.

According to the Capital Market Trading Act, the BCPP can organize an unregulated free market. In order to be listed on the Unregulated Free Market, a company must publish a prospectus. The requirements for being listed on the Unregulated Free Market are set out in the Exchange Rules.

The Main Market as well as the Official Free Market and the Unregulated Free Market of the Prague Stock Exchange are recognized as regulated markets under the Directive No. 2004/39/EC on Markets in Financial Instruments (MiFID). In May 2004, the U.S. Securities and Exchange Commission recognized the Prague Stock Exchange as a "designated offshore securities market" under the U.S. Securities Act.

Wiener Städtische AG's shares have been traded in the Main Market part of the Official Market of the Prague Stock Exchange since February 5, 2008. Five members of the Exchange are already market makers for the shares of Wiener Städtische AG on the Prague Stock Exchange.

Trading and Settlement

The Prague Stock Exchange is an electronic exchange and trades are effected through its automated trading system. The exchange trading and information system is based on the automated processing of buy and sell orders entered into the system by member firms.

Securities traded on the Exchange are divided into three trading groups. The first trading group comprises all securities except for securities issues traded within the SPAD system (Systém pro Podporu Akcií a Dluhopisů , which means "System Supporting the Trading of Shares and Bonds" ("SPAD")) and securities issues in certificated form; the second trading group comprises all securities issues traded in certificated form; and the third trading group consists of securities traded within the SPAD.

Trading in shares can be currently undertaken in the following ways:

(i) trades with the participation of market makers within the SPAD;

(ii) automatic trades;

(iii) block trades.

SPAD is based on the participation of market makers. A market maker is a Prague Stock Exchange member who has entered into an official contract with the Prague Stock Exchange to act as a market maker for selected issues. Trading is divided into either an open or closed phase. During the open phase, market makers are obliged to make their quotations and the price is set according to the best quotation. During the closed phase, market makers are not obliged to make quotations and trading can be made within the allowed spread defined by the best quotation in the open phase.

Automatic trading is effected in two forms: (i) auction trading, which is based on the accumulation of buy and sell orders through the automated trading system at a particular time, at which a single price for the security is fixed – the price fixed on a given day can differ from the closing price from the previous day by a maximum of 5 per cent. and (ii) continuous trading for the same day based on a further accumulation of previously unmatched and new orders for which the price may be, within certain limits, variable during the day.

Block trades are effected in two forms: (i) block trades between Prague Stock Exchange members and (ii) block trades between a Prague Stock Exchange member and a non-member. For these trades, both the price and number of securities are determined by an agreement between the buyer and seller, but the trade is registered and settled in the automatic trading system of the Prague Stock Exchange.

In addition to the types of trades described above, the Prague Stock Exchange also enables trades with the participation of a specialist and futures trades. Trading with the participation of a specialist is intended for trading of products where it is not possible to provide for a sufficient number of market makers when trading in SPAD. This method of trading is currently intended only for trading with investment certificates and warrants. As to the futures trades, futures are traded on the same basis as SPAD trading, meaning that also in this case, market liquidity is ensured by market makers, whose task is to maintain supply and demand for assigned futures series.

UNIVYC, a wholly-owned subsidiary of BCPP, is licensed by the Czech National Bank primarily to settle trades on the Prague Stock Exchange. The manner in which trades are settled depends on whether the securities are in a certificated or book-entry form. The majority of securities traded on the Prague Stock Exchange are in a book-entry form and are registered at the Securities Centre (Středisko cenných papírů), a computerized register of all Czech book-entry form securities.

Trades on the Prague Stock Exchange with securities issued by foreign issuers are settled through UNIVYC accounts. UNIVYC is an accountholder with Clearstream and interests in foreign securities held by UNIVYC are recorded on its account. UNIVYC holds securities for the benefit of its accountholders (custodians) and records securities in book-entry form.

Settlement of trades on the Prague Stock Exchange is generally effected on the third business day following the trading day. UNIVYC maintains Prague Stock Exchange member accounts and a number of non-member accounts and records the securities traded. UNIVYC ensures cash settlement through the Clearing Centre of the Czech National Bank and through the delivery of the securities in a book-entry form to the purchaser on its account at the Securities Centre, or through its account with UNIVYC, where applicable.

Prague Stock Exchange members created the Guarantee Fund of the Prague Stock Exchange, administered by UNIVYC, to guarantee the fulfillment of the obligations of members of the Prague Stock Exchange arising from automatic trades and trades in the SPAD system.

According to the Exchange Rules, the Prague Stock Exchange can suspend trading as a whole or trading in a certain security or a special kind of security, especially in the event of a technical problem in the trading system.

Indices of the Prague Stock Exchange

The PX index is the official blue chips price index of the Prague Stock Exchange. The index is calculated according to the market capitalization of the securities included. The index was first calculated in 2006, and replaces the original PX 50 and PX-D indices. Calculation of the PX is in accordance with the IFC (International Finance Corporation) method for designing emerging market indices. When the index started on April 5, 1994, it included 50 securities and opened with an initial value of 1,000 points. Since December 2001, the index has been comprised of a variable number of securities. The PX index is a price index, which is why dividends are not taken into account.

The PX-GLOB index is the official “broad base” price index of the Prague Stock Exchange. This index is also calculated according to the market capitalization of the securities included.

Selected Provisions of Czech Capital Market Law

General information

The Czech capital market is regulated by a large number of laws and regulations. The most important of these are the Czech Capital Market Trading Act (zákon č. 256/2004; *Sb. o podnikání na kapitálovém trhu*) and the Czech Act on the Supervision over the Capital Market Area (zákon č. 15/1998; *Sb. o dohledu v oblasti kapitálového trhu*). As a result of the integration of the capital market in the Czech Republic, the Czech Securities Commission ceded all its functions to the Czech National Bank, which has exercised them since April 1, 2006.

Ad hoc reporting obligation

After the admission of the Shares to trading on the main market of the Prague Stock Exchange, the Issuer will be required to comply with certain reporting obligations under the Capital Market Trading Act and the Prague Stock Exchange rules and regulations. Such obligations include: (i) disclosure and publication of inside information (any information which is not publicly known and which, after publication, could have a significant influence on the price of or proceeds from the Shares); (ii) disclosure and publication of any information significant for protection of the investors or proper functioning of the market; and (iii) disclosure and publication of current information (information relating to general meetings, such as notice of convening and decisions of such meetings) and periodic information (e.g., annual, semi-annual and quarterly reports, annual list of published information about the Issuer).

Such information must be published on the Issuer's website, and the Czech National Bank must be notified thereof. The Issuer may postpone publication for good cause, but only if investors are not deceived as a result of the delay and if the information can be kept secret within the Vienna Insurance Group. The Czech National Bank must be notified of the delay in the publication of confidential information, including the reasons for non-disclosure.

Under the Prague Stock Exchange rules and regulations, the Issuer will be required to report immediately any changes to the structure of the shareholders holding at least 10% of the voting rights in the Issuer or more, or amounting to 5% if they are known to the Issuer but always after obtaining a report from the register of shareholders with an indication of parties acting in concert. The Issuer will be further obliged to ensure simultaneous publication of all information on the Prague Stock Exchange and any other regulated market where the Shares may be listed.

Changes in Large Shareholdings

Czech law requires ownership of stock in companies that are listed on the Prague Stock Exchange and whose registered office is in the Czech Republic to be reported. Since the Issuer has its registered office in Austria, this requirement does not apply to it or its stockholders.

Directors' Dealings

Persons who are members of the Issuer's management and their relatives must notify the Czech National Bank of any transaction involving Issuer's stock in their own name. This notification requirement only applies if the aggregate value of these transactions in any given year exceeds EUR 5,000. The Czech National Bank makes such notifications public.

Insider Trading

The Capital Market Trading Act prohibits insider dealing and market manipulation with respect to securities admitted to trading on a regulated market in the EEA. Generally, Czech law defines inside information as any precise information relating to investment or other instrument traded on a regulated market in an EEA member state, which is not publicly known and which (after its publication) could significantly affect the price of or proceeds from such instrument. The law defines an insider as any person which has acquired such inside information in connection with: (i) its employment, profession or position; (ii) its share in the registered capital or voting rights of the issuer; (iii) fulfillment of its obligations; or (iv) a criminal offence; as well as (v) any other person who acquires inside information in any other manner and knows or may know that the information is inside information. An insider:

- must not use the inside information, directly or indirectly, for purchase or sale (even attempted), for its own or a third person's account, of the respective instrument to which the inside information relates;
- must not give any direct or indirect investment recommendations to third parties for the purchase or sale of the respective financial instrument to which the inside information relates; and
- must keep the inside information confidential and prevent access to it by other persons, unless communication of the respective information to other persons constitutes the insider's normal course of activities.

Breach of the obligations relating to inside information may constitute an administrative or even a criminal, offence, and can result in financial sanctions of up to CZK 10,000,000 (approximately EUR 356,000).

Market Manipulation

Czech law also prohibits market manipulation, meaning any action that may: (i) distort a market participant's perception as to the value of, supply of, or demand for a financial instrument; or (ii) distort the price of a financial instrument in any other manner, while certain acts (such as stabilization or buyback in accordance with the Stabilization Regulation) are specifically deemed not to be market manipulation. Breach of the prohibition on market manipulation is an administrative offence and can result in financial penalties of up to CZK 20,000,000 (or approximately EUR 713,000) and, when intentional, can lead to a potential criminal liability.

Any institutional investors, securities dealers (brokers) and banks have the obligation to report to the Czech National Bank any trades which they suspect could be executed on the basis of an inside information or constitute market manipulation.

Takeover Bids According to the Czech Commercial Code

The provisions of the Czech Commercial Code governing takeover bids only apply to companies established under Czech law. As a result, these provisions do not apply to Wiener Städtische AG.

GENERAL INFORMATION ON WIENER STÄDTISCHE AG

The Issuer is a stock corporation under Austrian law. It is registered in the companies register of the Commercial Court of Vienna under the number FN 75687f. The name of the company is "WIENER STÄDTISCHE Versicherung AG Vienna Insurance Group". Its registered office is in Vienna. Its business address is Schottenring 30, 1010 Vienna, which is also where its main offices are located. Its telephone number is +43-0-50350-20 000 and its fax number is +43-0-50350-99-20 000. The commercial name of the Issuer is "Wiener Städtische - Vienna Insurance Group".

The Issuer was founded on December 5, 1991, and registered on December 9, 1991. The Issuer is incorporated for an unlimited period. Under a contribution in kind and transfer agreement dated May 29, 1992, the complete insurance operations of Wiener Städtische Wechselseitige Versicherungsanstalt were spun off and transferred to the Issuer as a contribution in kind pursuant to § 61a VAG, effective as of December 31, 1991. Before that date, "Wiener Städtische" operated the insurance business in the legal form of a Versicherungsverein auf Gegenseitigkeit (mutual insurance society), the "Wiener Städtische Wechselseitige Versicherungsanstalt". Since then, the Versicherungsverein auf Gegenseitigkeit has operated under the name "Wiener Städtische Wechselseitige Versicherungsanstalt – Vermögensverwaltung" and performs the function of a financial holding company, see "*Principal Shareholder*".

In 1994, Wiener Städtische AG made an initial public offering of preference shares. The preference shares (9,450,000 shares after the share split in 2004) were listed on the Official Market of the Vienna Stock Exchange starting October 17, 1994. By resolution of the shareholders' meeting held on May 24, 2005, the preference shares were converted into common shares. The conversion was registered in the companies register of the Commercial Court of Vienna on June 4, 2005. After the conversion, the share capital of Wiener Städtische AG was divided into 86,357,600 common shares, which have been traded in the Prime Market segment of the Vienna Stock Exchange since June 20, 2005. The shares of Wiener Städtische AG have been included in the Austrian Traded Index (ATX) since September 19, 2005.

During the capital increase of December 2005, 18,642,400 no-par value bearer shares were issued. Since December 20, 2005, all 105,000,000 no-par value bearer shares of the Company have been listed on the Official Market of the Vienna stock exchange and on the Main Market of the Prague Stock Exchange since February 5, 2008.

Purpose of the Company

The Issuer's purpose is set forth in § 2 of the Articles of Association. According to this section, Wiener Städtische AG's purpose is to continue the insurance operations of Wiener Städtische Wechselseitige Versicherungsanstalt, which were transferred pursuant to § 61a VAG by way of universal succession. As a rule, taking out an insurance policy with Wiener Städtische AG results in membership in WST-Versicherungsverein. However, Wiener Städtische AG can also enter into insurance agreements that do not result in such membership.

Wiener Städtische AG directly and indirectly operates in the life insurance business, including supplementary insurance, health insurance and casualty insurance, and the non-life insurance business (loss and damage insurance) to the extent that such operations have been licensed by the FMA. The Issuer's purpose also includes:

- Holding interests in other companies;
- Insurance brokerage;
- Acting as an advisor in matters of insurance;
- Brokerage of mortgage loans and personal loans as well as securities brokerage, to the extent that such activities are connected with its insurance business;
- Brokerage of building savings contracts;
- Performance of services in automatic data processing and information technology;
- Establishment and management of organizational facilities for companies in which the Company holds an interest or with which cooperation agreements have been entered into;
- Performance of administrative services for companies in which the Company holds an interest, or with which a cooperation agreement has been entered into; and

- Operating private hospitals in the operating form of a company walk-in health clinic for the medical care of the Company's employees.

The Issuer has both domestic and foreign operations.

Vienna Insurance Group

Wiener Städtische AG is both an operating insurance company and the parent company of the multinational Vienna Insurance Group, see "*Business – Overview*". Wiener Städtische AG and the Vienna Insurance Group are also part of the Wiener Städtische Wechselseitige Versicherungsanstalt – Vermögensverwaltung group which has its registered office in Vienna, see "*Principal Shareholder – Wiener Städtische Wechselseitige Versicherungsanstalt – Vermögensverwaltung*".

Documents Available for Inspection

Copies of the following documents may be inspected at the registered office of Wiener Städtische AG, Schottenring 30, 1010 Vienna, during normal office hours, within a period of 12 months following publication of the Prospectus:

- The Articles of Association of Wiener Städtische AG;
- The annual financial statements of Wiener Städtische AG and the Group for the last three fiscal years;
- the Prospectus;
- Review of Group Embedded Value of Wiener Städtische Versicherung AG Vienna Insurance Group as at December 31, 2007; and
- Review of the traditional embedded value results of Sparkassen Versicherung AG.

Auditors

The IFRS annual financial statements of Wiener Städtische AG (consisting of the balance sheet, income statement and notes) for the year ended December 31, 2005 was audited by KPMG Wirtschaftsprüfungs- und Steuerberatungs GmbH, Porzellangasse 51, 1090 Vienna and for the years ended December 31, 2006, and December 31, 2007, were audited by KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Porzellangasse 51, 1090 Vienna in accordance with Austrian generally accepted accounting regulations and principles, and the unqualified audit opinions for the annual financial statements for the years ended December 31, 2005, 2006 and 2007, were rendered on April 7, 2006, April 6, 2007 and March 12, 2008, respectively.

The auditors and their responsible employees are members of the Austrian Chamber of Chartered Accountants, Schönbrunner Straße 222-228/1/6, 1120 Vienna.

During the period covered by the financial information, auditors have neither been relieved from their duties, nor have they resigned or not been reappointed.

The IFRS annual financial statements of Wiener Städtische AG Vienna Insurance Group for the fiscal year ended December 31, 2008 will be audited by PWC PriceWaterhouseCoopers GmbH.

B&W Deloitte

Wiener Städtische AG has instructed B&W Deloitte GmbH, Magnusstraße 11, 50672 Cologne, Germany ("B&W Deloitte") to review a number of individual value components of the embedded values of the Vienna Insurance Group (Review of Group Embedded Value of Wiener Städtische Versicherung AG Vienna Insurance Group as at 31 December 2007, see Appendix H-1) and of S-Versicherung (Review of the traditional embedded value results of Sparkassen Versicherung AG, Appendix H-14). B&W Deloitte consented to the form and context in which the Review of Group Embedded Value of Wiener Städtische Versicherung AG Vienna Insurance Group as at 31 December 2007 and the Review of the traditional embedded value results of Sparkassen Versicherung AG are included in the Prospectus. B&W Deloitte, insurance actuaries and consultants, is one of the leading Independent actuarial consultancies to insurance companies. It is a subsidiary of Deloitte & Touche LLP, the United Kingdom member firm of Deloitte & Touche Tohmatsu ("DTT"), a Swiss Verein whose member firms are separate and independent legal entities.

Admission to Trading

Applications for admission of the New Shares to the Official Market of the Vienna Stock Exchange and to the Main Market of the Prague Stock Market are expected to be made on April 21, 2008. If admitted trading of the New Shares in the Prime Market segment of the Official Market of the Vienna Stock Exchange and the Main Market of the Prague Stock Exchange is expected to commence not earlier than on May 9, 2008.

Custodian

Oesterreichische Kontrollbank Aktiengesellschaft,
Am Hof 4, 1010 Vienna

Payment and Filing Office

The main payment and filing office in Austria is Erste Bank der oesterreichischen Sparkassen AG, Börsegasse 14, 1010 Vienna, Austria.

Vienna Stock Exchange Market Maker

Erste Bank der oesterreichischen Sparkasse AG, Bank Austria Creditanstalt AG, Raiffeisen Centrobank AG und Timber Hill (Europe) AG have been designated as Market Makers for the Shares of Wiener Städtische AG in accordance with the Rules of the Vienna Stock Exchange. For a certain amount of time during stock exchange trading hours (on average, 65% of the trading hours), Erste Bank der oesterreichischen Sparkasse AG is obliged to quote binding purchase and selling prices based on a minimum quote size (1000 shares) and a maximum spread of 1%. This designation as market maker may be cancelled with one months' notice at the end of each month.

Prague Stock Exchange Market Maker

Česká spořitelna, a.s., Patria Finance, a.s., Atlantik finanční trhy, a.s., FIO, burzovní společnost, a.s. and WOOD & Company Financial Services a.s. have been designated as Market Makers for the Shares of Wiener Städtische AG in accordance with the Rules of the Prague Stock Exchange.

Securities Identification Numbers

ISIN of the Offer Shares: AT0000908504

ISIN of the Subscription Rights: AT0000A092Y9

Trading Symbol

VIG

Reuters Symbol

VIGR.VI (Vienna Stock Exchange)

VIGRsp.VI (Prague Stock Exchange)

RESPONSIBILITY STATEMENT PURSUANT TO EUROPEAN COMMISSION REGULATION (809/2004) DATED APRIL 29, 2004

WIENER STÄDTISCHE Versicherung AG Vienna Insurance Group, with its registered office in Vienna, Austria, assumes responsibility for this Prospectus and declares that it has taken all reasonable care to ensure that such is the case the information contained in the Prospectus is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect the import of such information.

Vienna, April 21, 2008

WIENER STÄDTISCHE Versicherung AG
Vienna Insurance Group
as Issuer

By: ______________________	By: ______________________
Name: Dr. Günter Geyer	Name: Dkfm. Karl Fink
Title: General Director	Title: General Director

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CONSOLIDATED BALANCE SHEET AS OF 31 DECEMBER 2007

ASSETS in EUR '000			Notes	31.12.2007	31.12.2006
A.	**Intangible assets**		**1**		
	I.	Goodwill		422,300	339,576
	II.	Purchased insurance portfolios		30,629	49,022
	III.	Other intangible assets		71,576	72,849
	Total intangible assets			**524,505**	**461,447**
B.	**Investments**				
	I.	Land and buildings	**2**	2,868,725	2,175,573
	II.	Ownership interests*	**3+4**	970,770	532,223
	III.	Financial investments		16,331,894	14,552,572
		a) Loans and other investments	**5**	1,858,350	1,601,828
		b) Other securities	**6**	14,473,544	12,950,744
		Financial investments held to maturity		373,273	306,234
		Financial investments available for sale		12,958,608	11,760,935
		Trading assets**		1,141,663	883,575
	Total investments			**20,171,389**	**17,260,368**
C.	**Investments of unit- and index-linked life insurance**		**7**	**3,065,985**	**2,340,578**
D.	**Reinsurers' share in underwriting provisions**		**8**	**1,186,664**	**963,314**
E.	**Receivables**		**9**	**1,200,283**	**983,703**
F.	**Deferred tax assets**		**11**	**33,861**	**23,543**
G.	**Other assets**		**12**	**284,686**	**224,058**
H.	**Cash and cash equivalents**		**10**	**277,700**	**226,443**
Total ASSETS				**26,745,073**	**22,483,454**

* including affiliated companies, associated companies and other ownership interests

** including financial investments at fair value through profit and loss

CONSOLIDATED BALANCE SHEET AS OF 31 DECEMBER 2007

LIABILITIES AND SHAREHOLDERS' EQUITY in EUR '000	Notes	31.12.2007	31.12.2006
A. Shareholders' equity	**13**		
I. Share capital		109,009	109,009
II. Capital reserves		1,035,029	1,035,029
III. Retained earnings		1,057,693	775,701
IV. Other reserves		136,374	292,670
V. Minority interests		277,458	70,799
Total shareholders' equity		**2,615,563**	**2,283,208**
B. Subordinated liabilities	**14**	**442,910**	**413,200**
C. Underwriting provisions			
I. Unearned premiums	**15**	960,354	765,602
II. Mathematical reserve	**16**	12,502,836	10,477,880
III. Provision for outstanding insurance claims	**17**	3,008,951	2,644,255
IV. Provision for profit-independent premium refunds	**18**	43,126	36,792
V. Provision for profit-dependent premium refunds	**18**	557,762	687,725
VI. Other underwriting provisions	**19**	19,100	16,167
Total underwriting provisions		**17,092,129**	**14,628,421**
D. Underwriting provisions of unit- and index-linked life insurance	**20**	**2,948,522**	**2,238,861**
E. Non-underwriting provisions			
I. Provisions for pensions and similar obligations	**21**	404,618	526,384
II. Provision for taxes	**22**	126,029	76,859
III. Other provisions	**23**	264,155	232,391
Total non-underwriting provisions		**794,802**	**835,634**
F. Liabilities	**24**	**2,688,674**	**1,856,439**
G. Deferred tax liabilities	**11**	**80,765**	**121,528**
H. Other liabilities	**25**	**81,708**	**106,163**
Total LIABILITIES AND SHAREHOLDERS' EQUITY		**26,745,073**	**22,483,454**

CONSOLIDATED SHAREHOLDERS' EQUITY

Change in consolidated shareholders' equity in fiscal years 2006 and 2007

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**

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 2007	**109,009**	**1,035,029**	**775,701**	**245,128**	**47,542**	**2,212,409**	**70,799**	**2,283,208**
Exchange rate	0	0	0	0	10,686	10,686	−1,960	8,726
Change in scope of consolidation/ ownership interests	0	0	55,474	9,680	0	65,154	194,141	259,295
Unrealised gains and losses from financial investments available for sale	0	0	0	−176,662	0	−176,662	−6,020	−182,682
Profit for the period	0	0	312,618	0	0	312,618	36,253	348,871
Dividend payment	0	0	−86,100	0	0	−86,100	−15,755	−101,855
As of 31 December 2007	**109,009**	**1,035,029**	**1,057,693**	**78,146**	**58,228**	**2,338,105**	**277,458**	**2,615,563**

Unrealised gains and losses as of 31.12.2007 are equal to a gross amount of EUR 191,634 million (EUR 763,111 million) less deferred taxes of EUR 24,643 million (EUR 84,110 million), less deferred profit participation of EUR 91,910 million (EUR 430,918 million), less minority interests of EUR 3,065 million (EUR 2,955 million).

The change in the shareholders' equity of associated companies is EUR 5,086 million (EUR 4,321 million).

CONSOLIDATED INCOME STATEMENT FOR THE PERIOD FROM 1 JANUARY 2007 TO 31 DECEMBER 2007

in EUR '000	Notes	2007	2006
Premiums	**27**		
Premiums written — Gross		**6,911,931**	**5,881,510**
Premiums written — Reinsurers' share		−843,335	−792,859
Premiums written — Retention		**6,068,596**	**5,088,651**
Change due to provisions for premiums — Gross		−139,443	−59,528
Change due to provisions for premiums — Reinsurers' share		12,540	9,555
Net earned premiums		**5,941,693**	**5,038,678**
Financial Result	**29**		
Investment income		1,439,900	1,046,583
Investment and interest expenses		−444,126	−335,135
Total financial result		**995,774**	**711,448**
Other income	**30**	**51,960**	**61,412**
Claims and insurance benefits	**31**		
Expenses for claims and insurance benefits — Gross		−5,523,539	−4,661,011
Expenses for claims and insurance benefits — Reinsurers' share		492,032	447,691
Total expenses for claims and insurance benefits		**−5,031,507**	**−4,213,320**
Operating expenses	**32**		
Commission and other acquisition expenses		−1,194,072	−1,026,090
Administrative expenses		−334,223	−293,798
Reinsurance commissions		183,185	183,488
Total operating expenses		**−1,345,110**	**−1,136,400**
Other expenses	**33**	**−182,384**	**−145,852**
Result from shares in affiliated and associated companies	**28**	**6,870**	**5,001**
Profit before taxes		**437,296**	**320,967**
Tax expenses	**34**	**−88,425**	**−56,646**
Profit for the period		**348,871**	**264,321**
Attributable to Wiener Städtische shareholders		312,618	260,902
Minority interests in net income for the period	**13**	36,253	3,419
Earnings per Share	**13**		
basic = diluted earnings per share (in EUR)		2.98	2.48

CONSOLIDATED CASH FLOW STATEMENT FROM 1 JANUARY 2007 TO 31 DECEMBER 2007

in EUR '000	2007	2006
Profit for the period less minority interest	312,618	260,902
Minority interest	36,253	3,419
Profit for the period before minority interest	**348,871**	**264,321**
Net change in other underwriting provisions	2,063,411	1,837,184
Changes in underwriting receivables and payables	−66,060	−132.724
Changes in deposit receivables and payables, as well as in invoice receivables and payables	42,789	−15,023
Changes in other receivables and payables	150,612	128,351
Changes in financial investments held for trading	−151,992	−221,867
Realised gains and losses of investments	−327,816	−162,304
Write up/down of all other investments	113,109	89,255
Changes in provisions for pension, severance pay, and other personnel expenses	−135,428	−64,776
Changes in deferred tax assets/liabilities, excl, tax provisions	11,100	25,059
Changes in other balance sheet items	−57,386	2,214
Changes in goodwill and intangible assets	−4,977	−21,429
Other income and expenses affecting cash flow, and adjustments to net income for the period	34,744	−82,903
Cash Flow from operating activities	**2,020,978**	**1,645,358**
Cash proceeds from the sale of affiliated and associated companies	5,125	434
Payments for the acquisition of affiliated and associated companies	−58,384	−139,848
Cash proceeds from the sale of other ownership interests	38,640	35,012
Payments for the acquisition of other ownership interests	−457,783	−125,195
Cash proceeds from the sale of available for sale securities	2,923,822	2,905,305
Payments for the acquisition of available for sale securities	−3,390,242	−4,169,853
Cash proceeds from the sale of securities held to maturity	47,555	30,429
Payments for the acquisition of securities held to maturity	−99,123	−74,455
Cash proceeds from the sale of land and buildings	84,668	39,519
Payments for the acquisition of land and buildings	−242,448	−211,678
Changes in unit- and index-linked life insurance items	−608,243	−544,965
Changes in other investments	−202,624	780,506
Cash Flow from investing activities	**−1,959,038**	**−1,474,789**
Minority interest in capital increase	5,952	0
Increase in subordinated liabilities	9,463	0
Dividend payments	−101,855	−72,447
Cash proceeds from and payments for other financing activities	23,639	−174,870
Cash Flow from financing activities	**−62,801**	**−247,317**
Net change in cash and cash eqivalents	**−861**	**−76,748**
Cash and cash equivalents at beginning of period	**226,443**	**290,347**
Cash and cash equivalents at end of period	**277,700**	**226,443**
Including non-profit housing development corporations	*54,294*	*12,916*
Change in scope of consolidation	**49,117**	**18,449**
Foreign exchange differences in cash and cash equivalents	**3,001**	**−5,605**

Additional information

interest received	621,289	495,643
dividends received	142,619	130,780
interest paid	121,734	81,531
dividends paid	101,855	72,447
income taxes paid	59,007	55,730

SEGMENT REPORTING

CONSOLIDATED BALANCE SHEET BY PRIMARY SEGMENTS (LINES OF BUSINESS)

ASSETS in EUR '000	Property/Casualty 31.12.2007	Property/Casualty 31.12.2006	Life 31.12.2007	Life 31.12.2006	Health 31.12.2007	Health 31.12.2006	Total 31.12.2007	Total 31.12.2006
A. Intangible assets	493,996	432,037	23,519	22,425	6,990	6,985	524,505	461,447
B. Investments	3,253,425	3,897,850	16,047,231	12,398,131	870,733	964,387	20,171,389	17,260,368
C. Investments of unit- and index-linked life insurance	0	0	3,065,985	2,340,578	0	0	3,065,985	2,340,578
D. Reinsurers' share of underwriting provisions	952,499	846,265	232,078	115,074	2,087	1,975	1,186,664	963,314
E. Receivables	759,713	652,908	420,574	314,774	19,996	16,021	1,200,283	983,703
G. Other assets	191,071	157,131	91,504	66,129	2,111	798	284,686	224,058
H. Cash and cash equivalents	159,522	180,774	111,800	43,884	6,378	1,785	277,700	226,443
Subtotal	**5,810,226**	**6,166,965**	**19,992,691**	**15,300,995**	**908,295**	**991,951**	**26,711,212**	**22,459,911**
Consolidated deferred tax assets							33,861	23,543
Total ASSETS							**26,745,073**	**22,483,454**

LIABILITIES AND SHAREHOLDERS' EQUITY in EUR '000	Property/Casualty 31.12.2007	Property/Casualty 31.12.2006	Life 31.12.2007	Life 31.12.2006	Health 31.12.2007	Health 31.12.2006	Total 31.12.2007	Total 31.12.2006
B. Subordinated liabilities	190,751	184,600	252,159	228,600	0	0	442,910	413,200
C. Underwriting provisions	3,738,667	3,184,577	12,585,461	10,725,843	768,001	718,001	17,092,129	14,628,421
D. Underwriting provisions of unit- and index-linked insurance	0	0	2,948,522	2,238,861	0	0	2,948,522	2,238,861
E. Non-underwriting provisions	449,832	565,999	300,365	184,171	44,605	85,464	794,802	835,634
F. Liabilities	605,458	1,317,591	1,861,729	336,598	221,487	202,250	2,688,674	1,856,439
H. Other liabilities	75,701	94,722	5,755	11,336	252	105	81,708	106,163
Subtotal	**5,060,409**	**5,347,489**	**17,953,991**	**13,725,409**	**1,034,345**	**1,005,820**	**24,048,745**	**20,078,718**
Consolidated deferred tax liabilities							80,765	121,528
Consolidated shareholders' equity							2,615,563	2,283,208
Total LIABILITIES AND SHAREHOLDERS' EQUITY							**26,745,073**	**22,483,454**

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	
	2007	2006	2007	2006	2007	2006	2007	2006
in EUR '000								
Premiums written — Gross	3,671,168	3,067,151	2,934,166	2,516,459	306,597	297,900	**6,911,931**	**5,881,510**
Net earned premiums	2,746,753	2,264,704	2,889,442	2,477,454	305,498	296,520	**5,941,693**	**5,038,678**
Net investment income, not incl. affiliated and associated companies	147,789	113,926	831,679	583,481	16,306	14,041	**995,774**	**711,448**
Other income	35,262	39,761	16,663	21,349	35	302	**51,960**	**61,412**
Claims and insurance benefits	−1,764,361	−1,517,786	−3,000,226	−2,434,563	−266,920	−260,971	**−5,031,507**	**−4,213,320**
Operating expenses	−774,998	−625,762	−531,420	−474,555	−38,692	−36,083	**−1,345,110**	**−1,136,400**
Other expenses	−126,045	−99,492	−55,301	−45,352	−1,038	−1,008	**−182,384**	**−145,852**
Result from shares in affiliated and associated companies	670	340	6,364	4,655	−164	6	**6,870**	**5,001**
Profit before taxes	265,070	175,691	157,201	132,469	15,025	12,807	**437,296**	**320,967**

REGIONS	Austria		Czech Republic		Slovakia		Poland	
	2007	2006	2007	2006	2007	2006	2007	2006
in EUR '000								
Premiums written — Gross	3,695,374	3,434,731	1,130,465	1,047,998	494,524	387,683	543,137	335,058
Net earned premiums	3,304,487	3,100,390	918,955	827,572	398,756	281,397	483,902	262,776
Net investment income, not incl. affiliated and associated companies	840,812	600,095	46,002	40,057	26,094	17,979	21,805	18,200
Other income	13,784	12,999	13,616	23,937	2,084	3,411	2,922	5,889
Claims and insurance benefits	−3,258,253	−2,895,490	−631,354	−595,844	−297,592	−190,100	−269,573	−134,504
Operating expenses	−577,929	−576,013	−218,883	−190,098	−84,333	−70,066	−207,040	−135,783
Other expenses	−43,665	−36,613	−53,186	−47,578	−33,060	−15,415	−13,531	−8,725
Result from shares in affiliated and associated companies	7,565	3,687	−1,340	1,075	347	456	298	−123
Profit before taxes	286,801	209,055	73,810	59,121	30,296	27,662	18,783	7,730

	Romania		Other CEE		Other markets		Total	
	2007	2006	2007	2006	2007	2006	2007	2006
in EUR '000								
Premiums written — Gross	413,490	236,891	383,770	198,373	251,171	240,776	**6,911,931**	**5,881,510**
Net earned premiums	314,936	193,524	300,317	161,428	220,340	211,591	**5,941,693**	**5,038,678**
Net investment income, not incl. affiliated and associated companies	13,756	6,290	28,603	10,960	18,702	17,867	**995,774**	**711,448**
Other income	9,751	4,863	5,729	4,431	4,074	5,882	**51,960**	**61,412**
Claims and insurance benefits	−208,509	−117,301	−199,780	−103,028	−184,446	−177,053	**−5,031,507**	**−4,213,320**
Operating expenses	−113,912	−71,335	−114,224	−64,201	−28,789	−28,904	**−1,345,110**	**−1,136,400**
Other expenses	−11,461	−13,287	−10,399	−6,668	−17,082	−17,566	**−182,384**	**−145,852**
Result from shares in affiliated and associated companies	0	0	0	−94	0	0	**6,870**	**5,001**
Profit before taxes	4,561	2,754	10,246	2,828	12,799	11,817	**437,296**	**320,967**

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

FOR FISCAL YEAR 2007

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General information

The WIENER STÄDTISCHE Versicherung AG VIENNA INSURANCE GROUP is the leading Austrian insurance company in Central and Eastern Europe and thus the largest publicly traded insurance group in Austria. Its headquarters is located at Schottenring 30, 1010 Vienna. The WIENER STÄDTISCHE WECHSELSEITIGE Versicherungsanstalt-Vermögensverwaltung incorporates as the senior parent company the WIENER STÄDTISCHE Versicherung AG VIENNA INSURANCE GROUP in its consolidated financial statements.

The insurance companies of the Vienna Insurance Group offer high-quality insurance services in both life and other insurance areas in 23 countries in Central and Eastern Europe.

Significant accounting policies

The consolidated financial statements as of 31 December 2007 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 2007. These consolidated financial statements comply with the guidelines of the new IFRS 7 standards. IFRS 7 replaces IAS 30 (Disclosures and Presentation) as well as parts of IAS 32 (Financial Instruments: Disclosure) and now encompasses all disclosure requirements for financial instruments. Since the Vienna Insurance Group previously disclosed the fair values of each category of financial instruments, the implementation of the accounting standard further impacts the financial results and risk report. 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 investments 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. Financial investments

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 Wiener Städtische 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 is in a position to directly or indirectly determine the financial and operating policies of a subsidiary. Consolidation of a subsidiary starts when control is gained and ends when this influence no longer exists. The consolidated financial statements include a total of 29 domestic and 41 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 22 domestic and 11 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). This applies to those companies that were managed as a joint venture with TBIH Financial Services Group N.V., Amsterdam. Since the company is a pure holding company and operations are conducted in the associated enterprises, the latter are directly incorporated in the consolidated financial statements with a 60% share. During the reporting period, 4 companies were included in the consolidated financial statements using proportional consolidation.

Associated companies are companies over which Wiener Städtische has a significant influence, but does not exercise control. These companies are accounted for using the equity method. The consolidated financial statements include 4 domestic and 3 foreign companies accounted for at equity. In addition, 11 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", 33 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 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 Vienna Insurance Group has no control over such mutual funds.

Based on the contractually agreed assumption of control over GIWOG Gemeinnützige Industrie-Wohnungs-AG, Leonding, and its subsidiaries, they are incorporated in the consolidated financial statements beginning in 2007. The newly consolidated companies earned profits before taxes of EUR 15.278 million in fiscal year 2007. The total profit before taxes of all consolidated non-profit housing development companies was EUR 35.253 million. 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:

Since 2006

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

Beginning in 2007

- GIWOG Gemeinnützige Industrie-Wohnungs-AG, Leonding
- GEMYSAG Gemeinnützige Mürz-Ybbs-Siedlungsanlagen- GmbH, Kapfenberg
- "Schwarzatal" Gemeinnützige Wohnungs- und Siedlungsan- lagen GmbH, Vienna.

The effects on the balance sheet and income statement of the newly consolidated companies are shown below:

Balance sheet In EUR '000	2007 Non-profit housing development companies	2006 Non-profit housing development companies
Investments	669,950	641,638
Thereof investment property	*620,080*	*589,534*
Other assets	48,854	53,433
Total assets	**718,804**	**695,071**
Shareholders' equity	246,020	232,352
Provisions	11,818	10,972
Liabilities	460,966	451,747
Total liabilities and shareholders' equity	**718,804**	**695,071**

Income Statement In EUR '000	2007 Non-profit housing development companies
Income	85,930
Expenses	−61,583
Financial result	−9,069
Profit before taxes	15,278
Taxes	0
Net income	**15,278**

The share of all non-commercial public housing associations in the real estate portfolio of the Vienna Insurance Group is EUR 1,784.510 million.

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 market-ability and valuation of the assets and liabilities acquired, Wiener Städtische recognises this excess amount as income on the income statement.

With respect to the subsidiaries, joint ventures, and associated companies acquired before 1 January 2004, the previous inclusion or valuation rules are used on the IFRS opening balance sheet. In the consolidated financial statements up until 31 December 2004, prepared in accordance with the Austrian commercial code and insurance supervisory authority regulations, asset-side differences from capital consolidation of acquired insurance companies were applied against 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.

In 2007 the following changes occurred in the scope of consolidation:

The previously proportionally consolidated UNION Versicherungs-AG, Vienna, was fully consolidated in the first quarter since the ERGO Versicherungsgruppe renounced its intervention rights. Subsequently, the Bank Austria Creditanstalt Versicherung AG, Vienna, merged with the UNION Versicherungs-AG, Vienna, with the latter as the absorbing entity. The absorbing entity was renamed as Bank Austria Creditanstalt Versicherung AG, Vienna Following completion of the merger, the WIENER STÄDTISCHE Versicherung AG VIENNA INSURANCE GROUP has a 60.5% stake in shares of Bank Austria Creditanstalt Versicherung AG.

In the second quarter all of the shares in COUNTRY INN VIC Hotelerrichtungs- and Betriebsgesellschaft m.b.H., Vienna, were sold to a company that is not included in the consolidated financial statements; therefore, the former was deconsolidated.

In the third quarter, the Celetná 25, s.r.o., Prague, merged with Kooperativa pojišťovna, a.s., Prague, with the latter as the absorbing entity.

As of 31.12.2007, the SC Asigurarea Romaneasca Asirom S.A., Bucharest, is not yet included in the consolidated results because by that date the Vienna Insurance Group had not yet obtained control according to IAS 27.13. In the year 2008 the company will be included in the consolidated results of the Vienna Insurance Group.

During the reporting period from 1 January 2007 to 31 December 2007, the Vienna Insurance Group acquired common control over the following subsidiaries:

Company acquired Amount in million EUR	Interest acquired, in %	Date of-first consolidation	Goodwill	Assets acquired	Liabilities acquired	Profit before taxes
Ray Sigorta A.Ş., Istanbul*	60	1.7.2007	45.5	171.5	150.5	0.3

* The shares of this company are held indirectly by TBIH Financial Services Group N.V., Amsterdam.

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

Company founded	Interest [in %]	Date founded
Mělnická Zdravotní a.s., Prag	70.00	13.9.2007
KOORDITA, a.s., Ostrava-Hrabova	100.00	1.12.2007

Expansion of the scope of consolidation	Interest [in %]	Date of first consolidation
"Schwarzatal" Gemeinnützige Wohnungs- und Siedlungsanlagen GmbH, Vienna	34.68	1.1.2007
AIS Servis, s.r.o., Brno	70.00	1.1.2007
GEMYSAG Gemeinnützige Mürz-Ybbs-Siedlungsanlagen-GmbH, Kapfenberg	34.57	1.1.2007
GESCHLOSSENE AKTIENGESELLSCHAFT JUPITER LEBENSVERSICHERUNG VIENNA INSURANCE GROUP, Kiev	73.00	1.1.2007
Geschlossene Aktiengesellschaft "Ukrainische Versicherungsgesellschaft KNIAZHA", Kiev	80.00	1.1.2007
GIWOG Gemeinnützige Industrie-Wohnungs-AG, Leonding	34.60	1.1.2007
IC Globus Insurance Company with Added Liability "Globus", Kiev	51.00	1.1.2007

Information on the companies that are fully consolidated, proportionally consolidated, and included at equity in the consolidated financial statements as of 31 December 2007 is provided in Note 4 "Participations" in the Notes to the Consolidated Financial Statements.

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 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 nonfinancial 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 instruments ("financial insurance contracts") for the purposes of IFRS. Such contracts exist only to a minor extent in the personal insurance area.

Both insurance contracts and financial insurance contracts can have contract terms that qualify 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, investment fund, or business unit (e.g. balance sheet unit), holding the contract are considered profit-dependent participations in net income.

Contracts with profit-dependent participation in net income 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 policies 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 recognized directly in equity, are also recognized 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 code 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 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 the income statement.

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 at least on each balance sheet reporting date for indications of impairment. Intangible assets with an indefinite useful life (primarily goodwill) are tested even if there are no indications of impairment. Since the scheduled amortisation of goodwill resulting from mergers is not permitted according to IAS 36 (Impairment of assets), the Vienna Insurance Group conducts impairment tests at least once annually. For this purpose, the subsidiaries in a given country are consolidated into an economic unit. An impairment arises only if there is a need to write down the entire economic unit. The value in use of the economic units is calculated using the capitalised earnings method. The capitalised earnings value is calculated using budget projections for the next three years. Earnings following the three year period are extrapolated using an annual growth rate. Discount rates are calculated using a base rate equal to the average annual return on Austrian government bonds adjusted for sector and market risk. The discount rates used for the impairment test were between 8.60% and 11.10%.

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

Estimates

The preparation of the IFRS consolidated financial statements requires that management make discretionary assessments and specify assumptions concerning future developments which could have significant effects on the recognition and value of assets and liabilities, the disclosure of other obligations on the balance sheet reporting date, and the reporting of income and expenses during the fiscal year. There is a not insignificant 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 reserves
- Fair values of capital assets not based on stock market prices or other market prices
- Goodwill
- Valuation adjustments for receivables and other (accumulated) impairment losses
- Deferred tax assets from the capitalisation of tax loss carryforwards

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 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. Using the option afforded by IFRS 1, no adjustments were made. Goodwill is valued at 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 subsequent to 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

Purchased intangible assets 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 an 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 investments. Fair value is determined according to the following hierarchy:

- 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 non-listed financial investments are involved, or if a price cannot be immediately determined, fair value is established either by the use of generally accepted valuation models based on the discounted cash flow method or by an assessment by management as to what amounts could be realised from an orderly sale at current market prices.
- The fair value of certain financial instruments, particularly unlisted financial derivatives, is determined using pricing models which take into account factors including contract and market prices, their relation to one another, current value, counterparty credit-worthiness, yield curve volatility, and early repayment of the underlying instrument.

The use of different pricing models and assumptions can lead to differing results for fair value. Changes in the estimates and assumptions used to determine the fair value of assets in cases where no market price quotations are available may necessitate a write-up or write-down of the book value of the assets in question and recognition of the corresponding income or expense on the income statement.

For both owner-occupied and third party-leased land and buildings, real estate appraisals are performed at regular intervals, for the most part by sworn and judicially certified experts in construction and real estate appraisal. The market value is determined based on intrinsic and capitalised value, generally proportionally adjusted; in exceptional cases the tangible value method is used. 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 instruments 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 capital asset item would not have been reported at the fair value anyway, with recognition of the unrealised profits and losses (trading securities and capital assets of unit- and index-linked life insurance). The assessment as to whether a reduction in value is permanent is based on an evaluation of market conditions, the issuer's financial position, and other factors. In the case of equity instruments, the Group normally assumes permanent impairment if a reduction of 20% in the (adjusted) cost of acquisition is observed over a period of more than six consecutive months. Likewise, permanent impairment is immediately assumed if a reduction of more than 40% has existed, even for a short time, as of the valuation date.

Information on the nature and extent of risks associated with financial investments is provided in the section entitled "Risk reporting" on page F-24.

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 putting the asset in its present location and condition.

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

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

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 worth, financial position and earnings of the Group and are therefore not consolidated. These shares are valued analogously to the valuation of financial instruments available for sale. These valuation policies are also applied to shares in associated companies which were not significant enough to be valued at equity. The interest in Wüstenrot Versicherungs-Aktiengesellschaft, as presented above on page F-9 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 instruments reported as capital assets are divided into the following categories in accordance with the requirements of IAS 39:

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

The corresponding investments are valued upon 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 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 reflected on the income statement.

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 instrument in question. In the case of permanent impairment, a write-down is recognised on the income statement.

Financial instruments available-for-sale and trading securities are recognised at fair value on the balance sheet. If available-for-sale financial instruments are sold, the difference between the adjusted cost of acquisition carried forward and fair value is directly recognised in other reserves ("unrealised gains and losses"). No separate calculation of adjusted cost of acquisition 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 valued at fair value reported 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 instruments is performed when the Group's contractual rights to cash flows from the financial instruments expire.

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

Reinsurers' share of underwriting provisions

The reinsurers' share of the underwriting provisions is valued in accordance with the contract provisions.

The credit quality of each contracting party is taken into account when the reinsurers' share is valued. The credit quality of the Group's reinsurers was such that no valuation adjustments on the reinsurers' share were necessary on the reporting dates of 31.12.2007 and 2006.

Receivables

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

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

Aside from 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 as a rule shown on the liabilities side of the balance sheet under other underwriting reserves (cancellation reserves).

Other assets

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

Taxes

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

The actual taxes for the individual companies of the Vienna Insurance Group are calculated using a 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 accordance with IAS 12.47, deferred taxes are calculated based on the tax rates that apply at the time of realisation. 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 overall tax deferral calculation. Deferred tax assets are not recognised if it is not likely that the tax benefits they contain can be realised. Deferred taxes are calculated using the following tax rates:

	Tax rate in %	
	31.12.2007	31.12.2006
Austria	25	25
Czech Republic*	21	24
Slovakia	19	19
Poland	19	19
Romania	16	16
Germany	30	40
Liechtenstein	20	20
Croatia	20	20
Bulgaria	10	15
Serbia	10	10
Hungary	16	16
Ukraine	25	25
Turkey	20	20

* Beginning in 2008 progressive reduction of the corporate income tax (2008: 21%, 2009: 20%, 2010: 19%).

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 29,913 million (EUR 28,370 million). No acquisition costs in excess of this figure are capitalised. For foreign companies, in the property/casualty insurance area, a portion of the acquisition commissions is recognised in the same proportion as earned premiums bear to written premiums. 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 actuarial reserve and related tariff are calculated using the same basis, which is applied uniformly for the entire tariff and during the entire term of the policy. An annual adequacy test of the calculation basis is performed in accordance with IFRS 4 and applicable national accounting requirements (see section titled "Adequacy test for liabilities arising from insurance contracts"). As a rule, in life insurance the official mortality tables of each country are used. If current mortality expectations differ to the benefit of policy-holders from the calculation used for the tariff, leading to a corresponding insufficiency in the actuarial reserve, the reserve is correspondingly 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 actuarial 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 31.12.2007:	3.41%
As of 31.12.2006:	3.15%

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

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

As of 31.12.2007:	3%
As of 31.12.2006:	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 entitled "Classification of insurance contracts".

Other underwriting provisions

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 to receivables from policyholders. These reserves are formed based on the application of certain percentage rates to overdue premium receivables.

Underwriting provisions of unit-linked 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 used to calculate the necessary reserve amount for each balance sheet reporting date, are available for 31 December 2006 and 31 December 2007.

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

The calculations for 31 December 2007 and 31 December 2006 are based on the following assumptions:

	2007	2006
Interest rate	5.0%	4.5%
Pension and salary increases	3.0%	2.5%
Labour turnover rate	Age-dependent 0% - 7%	Age-dependent 0% - 7%
Retirement age, Woman	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.

Severance allowance

Wiener Städtische is required according to the law, supplemented by collective agreements, to make a severance benefit payment to all employees in Austria whose contracts are terminated by their employer or who 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 two and 18 months’ earnings. A reserve has been set up for this obligation.

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

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

The calculations for 31 December 2007 and 31 December 2006 are based on the following assumptions:

	2007	2006
Interest rate	5.0%	4.5%
Pension and salary increases	3.0%	2.5%
Labour turnover rate	Age-dependent 0% - 7%	Age-dependent 0% - 7%
Retirement age, Woman	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 pays monthly 1.53% of earnings into an occupational employee pension fund, where the contributions are invested in an account of the employee 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 de jure or de facto 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 amortized 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.

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.

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

Operating expenses

The Group's personnel and materials expenditures are assigned to the following items on the income statement, 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 or projects caused by technology, staff, organisation or external factors.
- **Liquidity risk:** Liquidity risk depends on how good the fit is 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, 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.

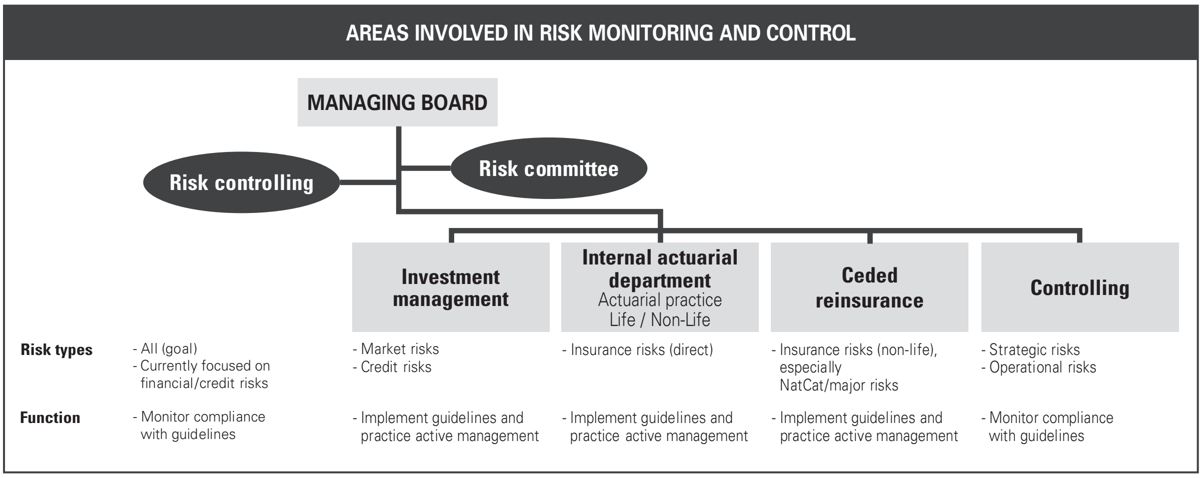
Effective risk and opportunities management requires ERM (Enterprise Risk Management) and a risk policy and risk strategy set by management. ERM enables managers to deal effectively with uncertainty and the risks and opportunities it involves, and strengthens their ability to create value. Taking all 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. Every employee contributes to the effectiveness of risk management in the Vienna Insurance 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.

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 established at Wiener Städtische AG.

- **Risk controlling:** The risk controlling department prepares a quarterly risk budget for the investment area. Budget compliance is checked weekly. Compliance with securities 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 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 full Management Board.

- **Operations:** Operations acts as an interface between the technical and claims departments and the Group's country head offices and the external service providers in the areas of information technology and telephony. Operations is also responsible for optimisation of internal processes, strategic procurement, facility management and construction matters related to real estate occupied by the Group.

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 among 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 below 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.

Claims and benefits

In accordance with normal industry practice and accounting and supervisory requirements, Vienna Insurance Group 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 been incurred but which have not yet been reported to Vienna Insurance Group ("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 legal 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 approximately 9% of investments. The Vienna Insurance Group's equity holdings include, inter alia, 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. Should stock markets move down, reported values might need to be adjusted.

Aspects of tax law environment affecting earnings

Changes to tax law changes could negatively affect the attractiveness of certain Vienna Insurance Group products currently enjoying tax advantages. Thus, the introduction of laws to reduce the tax advantages of the Group's old-age retirement products or other life insurance products could considerably diminish the attractiveness of those products.

Developments in Central and Eastern Europe

The expansion and development of business operations in the countries of Central and Eastern Europe that do not yet belong to the EU is a core component of the Vienna Insurance Group's strategy. The Vienna Insurance Group's goal is to achieve an even stronger presence in these target markets. As part of the strategy pursued in this region, the Vienna Insurance Group has made acquisitions and established new companies. Political, economic and social conditions in these countries have changed rapidly in recent years. Far-reaching political and economic reforms have led to a situation where in which political and economic change can take place as new democratic and market-oriented systems are being constructed.

Risks due to acquisitions

To date, the Vienna Insurance Group has acquired a series of companies in countries of Central and Eastern Europe, or has acquired interests therein.

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;
- Settlement of open questions of a legal, supervisory, contractual or labour law nature raised by the acquisition;
- Integration of marketing, customer support and product lines; and
- Integration of 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, pile-ups of flood debris, landslides, storms, etc., may be the result of general climate change. It is possible that the number of claims thus caused may continue to rise in the future.

Credit risk from investments

In managing risks related to credit quality, a distinction must be made between “liquid” or “marketable” risks (exchange-listed bonds and shares) and “bilateral” risks, such as, for example, time deposits, OTC derivatives, loans, private placements and securities custodial accounts/depositories. Risks relating to the former are limited at the portfolio levels by means of rating and diversification limits.

Consideration is only given to those issuers or contracting parties whose credit quality or reliability can be assessed by Wiener Städtische, whether on the basis of an analysis performed by Wiener Städtische, credit assessments/ratings from recognised sources, unambiguous guarantees or the possibility of recourse to reliable mechanisms for safeguarding investments.

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 Vienna Insurance Group of its obligations to policyholders. The Vienna Insurance Group is therefore exposed to the risk of insolvency on the part of reinsurers.

Currency risks

To diversify its portfolio, the investment area also makes use of international capital markets and, to a very small extent, foreign currencies. Foreign exchange risk in the investment area does not represent a significant risk.

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.

Regulatory environment

Vienna Insurance Group is subject to (insurance) regulations in Austria and abroad.

These regulations govern such matters as:

- Capitalisation of insurance companies and groups;
- Admissibility of investments as security for underwriting reserves;
- Licences of the various companies of the Vienna Insurance Group;
- Marketing activities and the sale of insurance policies; and
- Cancellation rights of policyholders.

Changes to the statutory framework could make restructuring necessary, thereby resulting in increased costs.

Investments

The Group invests in fixed-interest securities (bonds, loans/credits), shares, real estate, equity interests, and structured investment products, taking into account the overall risk position of the Group and the investment strategy provided for this purpose. Within the risk limits, the Chief Investment Officer of the Vienna Insurance Group implements the strategy decided on by the strategic investment committee. When determining exposure volumes and limits, the risk inherent in the specified categories and the market risks are of fundamental importance. The capital investment strategy is laid down in the form of investment guidelines, compliance with which is continuously monitored by the central risk controlling and internal audit departments. Investment guidelines are laid down on a centralized basis and are mandatory for all group companies, with a distinction made between investment strategies for Austria, the CEE region and Germany.

The investment strategy for Austria can be summarised as follows:

- Vienna Insurance Group practices a conservative investment policy designed for the long-term.
- Vienna Insurance Group 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 through the use of correlation and diversification effects of the individual asset classes.
- Investment management depends on the asset class in question or on the orientation within asset classes, whether performed internally or by an outside manager. Decisions in this regard are made by a committee set up for this purpose.
- Management of market risk on securities 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 securities investments, and at limiting these risks. Risks are limited by setting position limits and by means of a two-tier limit system for risk exposure.
- Market developments are monitored continuously and the allocation of portfolio assets managed actively.

About 60% of Wiener Städtische's investment portfolio consists of direct holdings of fixed-interest securities and loans. Direct holdings of shares and real estate amount to 6% and approximately 14%, respectively, in each case measured by the book value of the total investment portfolio.

The table below shows the breakdown of the Vienna Insurance Group's investments as of 31 December 2007 and 31 December 2006, in EUR millions, broken down by Property and Casualty, Health, and Life insurance segments:

Investments segment	31.12.2007				31.12.2006
	Property/ Casualty	Life	Health	Total	Total
in EUR millions					
Land and buildings	370.56	2,350.65	147.51	2,868.72	2,175.57
Owner-occupied land and buildings	179.90	43.47	25.62	248.99	203.29
Third-party leased land and buildings	190.66	2,307.18	121.89	2,619.73	1,972.28
Shares in affiliated and associated companies	640.76	208.66	121.35	970.77	532.22
Loans	105.99	961.12	120.32	1,187.44	1,057.37
Other securities	1,780.20	12,250.89	442.49	14,473.58	12,950.74
Financial investments held to maturity	71.37	301.91	0.00	373.28	306.23
Government bonds	64.56	134.24	0.00	198.80	165.20
Corporate bonds	6.81	167.29	0.00	174.10	140.84
Other	0.00	0.38	0.00	0.38	0.19
Financial investments available for sale	1,300.25	11,297.22	361.14	12,958.61	11,760.93
Equities	97.97	961.26	31.79	1,091.02	1,197.83
Investment funds	254.56	1,567.77	134.20	1,956.53	1,800.82
Fixed-interest securities	801.90	8,440.39	192.55	9,434.84	8,291.45
Other	145.82	327.80	2.60	476.22	470.83
Financial investments held for trading	330.69	565.23	81.35	977.27	755.27
Bonds	299.97	546.84	81.35	928.16	720.75
Equities	16.18	2.12	0.00	18.30	9.21
Investment funds	12.86	12.35	0.00	25.21	13.05
Derivatives	0.00	0.60	0.00	0.60	1.80
Other	1.68	3.32	0.00	5.00	10.46
Financial investments at fair value through profit and loss	77.89	86.53	0.00	164.42	128.30
Bonds	50.68	34.92	0.00	85.60	70.18
Equities	7.56	6.71	0.00	14.27	7.34
Investment funds	6.47	23.20	0.00	29.67	28.00
Structured bonds	13.18	21.63	0.00	34.81	22.71
Other securities	0.00	0.07	0.00	0.07	0.07
Other investments	355.92	275.91	39.07	670.90	544.45
Bank deposits	345.11	235.66	37.97	627.74	450.32
Deposits on assumed reinsurance business	1.23	36.34	1.10	38.67	86.11
Other investments	0.58	3.91	0.00	4.49	8.02
Total	**3,253.43**	**16,047.23**	**870.74**	**20,171.39**	**17,260.34**

Other securities

Financial investments held to maturity have the following maturity structure:

Maturity structure (financial instruments held to maturity) in EUR '000	Acquisition Costs Carried Forward 31.12.2007	Acquisition Costs Carried Forward 31.12.2006	Fair Value 31.12.2007	Fair Value 31.12.2006
up to one year	12,837	31,350	12,822	31,464
from one to five years	83,929	58,733	84,098	59,639
from five to ten years	120,685	107,079	121,051	113,268
more than ten years	155,822	109,072	158,517	119,143
Total	**373,273**	**306,234**	**376,488**	**323,514**

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

Maturity structure (financial instruments available for sale) in EUR '000	Fair Value 31.12.2007	Fair Value 31.12.2006
no maturity	2,952,523	2,971,834
up to one year	284,938	214,605
from one to five years	2,104,696	1,813,126
from five to ten years	3,210,934	2,695,274
more than ten years	4,405,517	4,066,096
Total	**12,958,608**	**11,760,935**

Rating categories (Standard & Poor's) (financial instruments available for sale) in EUR '000	Fair Value 31.12.2007	Fair Value 31.12.2006
AAA	2,578,142	1,988,487
AA	3,190,904	2,215,445
A	3,825,191	3,895,054
BBB	754,405	882,211
BB and lower	57,454	47,504
no rating (e,g, shares, unit trusts)	2,552,512	2,732,234
Total	**12,958,608**	**11,760,935**

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

The following table shows the maturity structure of the assets valued at fair value reflected on the income statement:

Maturity structure (financial instruments valued at fair value reflected on the income statement) in EUR '000	Fair Value 31.12.2007	Fair Value 31.12.2006
no maturity	41,898	34,943
up to one year	55,661	44,567
from one to five years	21,582	15,293
from five to ten years	37,416	21,175
more than ten years	7,871	12,322
Total	**164,428**	**128,300**

Bonds

As of 31 December 2007, bonds represented approximately 54% of total investments in the Vienna Insurance Group's securities portfolio. When the bond portion of unit trusts is included, bonds represent approximately 60% of all investments. Vienna Insurance Group actively manages its bond portfolio using estimates of changes in interest rates, spreads, and credit quality, taking into account limits related to individual issuers, credit quality, 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. With regard to its bond portfolio, the Vienna Insurance Group is currently not planning any changes to its investment strategy.

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 credit quality, to control foreign currency effects, and to make the majority of investments in mid- to long-term maturities.

Equities

As of 31 December 2007, Vienna Insurance Group's directly held equity investments represented approximately 6% of the book value of the total investment portfolio, and if indirect shareholdings through funds are taken into account, total equity investments were approximately 9%. In accordance with the investment guidelines for Austria, management is performed using the "top-down" approach, subject to the constraint that diversification be used to minimize the market price risk of the equities. Key elements are diversification by markets or regions, sectors or industries, capitalisation (large, medium and small caps), business cycle (value, growth), and valuation allocations (fundamental or quantitative models). For the Group's companies in CEE countries, the overall equity component is very small.

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 blocks of liquid shares in listed Austrian companies. Highly restrictive investment rules apply to subsidiaries in the CEE-region, such that equities play no, or only a secondary, role in their portfolios.

Loans/ Lending

Vienna Insurance Group loans had a book value of EUR 1,187.4 million on 31 December 2007, and a book value of EUR 1,057.4 million on 31 December 2006. Investments in loans and credits used to create long-term positions for the insurance business are made only in mortgage loans and in instruments of first-class credit quality, particularly those of public institutions and nonprofit housing development companies. In the CEE region, investments in loans and credits have much less importance. 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 the total investment portfolio. This development is due to the fact that the floating of loans has become less important to the federal government and local authorities in Austria, with public institutions instead increasingly obtaining financing through bonds.

Decrease in value of loans	**Gross book value**	**Decrease in value**	**Net book value**
in EUR '000			
Not value reduced Loans	1,186,656	0	1,186,656
Value reduced Loans	4,099	3,317	782
Total	**1,190,755**	**3,317**	**1,187,438**

A portfolio analysis and an analysis of remaining time to maturity for the Vienna Insurance Group's loan portfolio are provided in Note 5, "Loans and other investments", in the notes to the consolidated financial statements.

Land and buildings

As of 31 December 2007, the Vienna Insurance Group's real estate portfolio had a book value of EUR 2,868.7 million (market value: EUR 3,200.8 million) and a book value of EUR 2,175.6 million as of 31 December 2006 (market value: EUR 2,447.9 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 14% 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 following table shows Vienna Insurance Group real estate investments as of 31 December 2007 and 31 December 2006, broken down by location and type of use of the respective properties:

Use of Property	31.12.2007 % of the real estate portfolio	31.12.2006 % of the real estate portfolio
Austria	**94**	**92**
Used by the Group	3	4
Used by third parties	91	88
Andere Staaten	**6**	**8**
Used by the Group	5	5
Used by third parties	1	3

Participations

The Vienna Insurance Group portfolio of ownership interests had a book value of EUR 970.8 million on 31 December 2007, and a book value of EUR 532.2 million on 31 December 2006. The ratio of ownership interests to the book value of the total investment portfolio was therefore approximately 5% on 31 December 2007.

The Vienna Insurance Group focuses primarily on long-term interests in insurance companies, or in companies whose activities are closely related to insurance. Reflecting a greater concentration on the core business, the tendency over the last few years has been towards a reduction of purely financial equity interests outside of the insurance portfolio. To date, the Vienna Insurance Group has held only a few financial equity 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 capital assets is aimed at providing coverage for insured risks appropriate to 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 design, 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 managed by third parties. Unit trusts, for example, must be expressly governed by the corresponding investment guidelines.

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 adjusting it to the limit relative to the risk budget. The VaR is determined based on a daily variance-covariance calculation.

The Vienna Insurance Group statistically estimates variances and covariances from market data over a 12-month period.

The Vienna Insurance Group uses a 99% confidence level. The holding period is between 10 and 20 days. Each stock's average risk contribution is somewhat smaller than its risk yield contribution. The foreign-currency risk contribution corresponds only to a few percentage points of the overall risk.

The following table shows the Vienna Insurance Group's VaR for available-for-sale securities:

Vienna Insurance Group VaR (in million EUR)	31.12.2007
10-day holding period	190.90
20-day holding period	270.00
Total risk capacity	668.04
20-days VaR as % of risk capacity	40.41%

Capital market scenario analysis

The analysis is carried out annually for all Vienna Insurance 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 2007:

Reduction in market value	Scenario 1	Scenario 2	Scenario 3	Scenario 4	Scenario 5
of equities	−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)	1,445.51	1,813.90	1,589.94	1,963.22	1,664.58

In scenario 1, the market value of all asset classes drops significantly at the same time. The likelihood of such an extreme scenario's happening is very low. The market value of the assets is still considerably higher than the value of the liabilities after stress testing, which confirms the Vienna Insurance Group's excellent rating.

Life insurance

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

	Endowment insurance (not including risk insurance)		Risk insurance		Pension insurance		Unit- and index-linked insurance		Government-sponsored pension plans		Total	
Change in holdings	**No. of policies**	**Amt. ins.**	**No. of policies**	**Amt. ins.**	**No. of policies**	**Amt. ins.**	**No. of policies**	**Amt. ins.**	**No. of l policies**	**Amt. ins.**	**No. of policies**	**Amt. ins.**
Number of policies in pc./Amount insured in EUR '000												
As of 1.1.2007	2,666,534	23,084,078	706,689	17,834,510	537,334	6,759,649	265,077	5,723,194	217,556	3,680,264	4,393,190	57,081,694
2007 additions												
New business	201,098	2,605,706	183,435	4,648,498	30,506	627,474	155,263	1,768,253	56,369	918,284	626,671	10,568,214
Premium increases	1,469	188,573	32	9,244	0	92,950	196	66,661	0	200,720	1,697	558,148
Total additions	**202,567**	**2,794,279**	**183,467**	**4,657,742**	**30,506**	**720,424**	**155,459**	**1,834,914**	**56,369**	**1,119,004**	**628,368**	**11,126,362**
2007 changes												
Changes in additions	30,811	575,334	19,290	1,461,183	6,151	187,069	25,491	1,471,800	1,714	28,907	83,457	3,724,294
Changes in reductions	−35,678	−887,752	−69,541	−582,826	−5,284	−270,065	−27,297	−1,771,198	−4,049	−156,895	−141,849	−3,668,736
Total changes	**−4,867**	**−312,418**	**−50,251**	**878,357**	**867**	**−82,996**	**−1,806**	**−299,398**	**−2,335**	**−127,988**	**−58,392**	**55,558**
Reductions due to maturity												
Due to contract expiration	−52,894	−552,205	−95,838	−2,045,190	−8,617	−106,206	−853	−2,284	0	0	−158,202	−2,705,885
Due to death	−17,095	−70,102	−1,400	−16,859	−1,318	−15,420	−533	−6,039	−205	−2,885	−20,551	−111,304
Total reductions due to maturity	**−69,989**	**−622,307**	**−97,238**	**−2,062,049**	**−9,935**	**−121,626**	**−1,386**	**−8,323**	**−205**	**−2,885**	**−178,753**	**−2,817,189**
Premature reductions												
Due to non-redemption	−11,876	−191,059	−10,077	−202,732	−1,654	−40,012	−6,216	−130,852	−2,888	−55,752	−32,711	−620,407
Due to cancellation without payment	−32,252	−338,262	−43,842	−967,767	−12,137	−85,471	−11,832	−139,238	−1,661	−16,623	−101,724	−1,547,360
Due to redemption	−98,495	−873,101	−8,320	−231,326	−21,310	−129,472	−10,971	−199,457	0	0	−139,096	−1,433,356
Due to premium release	−8,280	−343,878	−172	−92,769	−7	−62,083	−1,128	−181,191	1,583	−183,706	−8,004	−863,627
Total premature reductions	**−150,903**	**−1,746,300**	**−62,411**	**−1,494,594**	**−35,108**	**−317,038**	**−30,147**	**−650,738**	**−2,966**	**−256,081**	**−281,535**	**−4,464,750**
As of 31.12.2007	**2,643,342**	**23,197,332**	**680,256**	**19,813,966**	**523,664**	**6,958,413**	**387,197**	**6,599,649**	**268,419**	**4,412,314**	**4,502,878**	**60,981,675**

European Embedded Value sensitivity analysis for the life insurance business

The embedded value is determined in accordance with the European Embedded Value Principles published by the CFO Forum on 6 April 2004, and will be published separately on 27 March 2008.

The embedded value consists of two components: the adjusted net assets at market value and the value of the insurance portfolio, which equals the cash value of 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 brought about by new business written during the reporting period is also determined.

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 relevant regulatory rules.

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 ability of future profits to be realised. In order to be able to make a statement on the impact of alternative interest rate curves, the embedded value as of 31 December 2007 and the increase in value resulting from new business in 2007 were calculated using an interest rate curve alternately increased and decreased by 1%. Internal sensitivities are shown in the following table:

Sensitivities of the European embedded value of the life insurance and health insurance as of 31 December 2007	Change in % of the base value
European embedded value, Austria	
Decrease in level of equity and property values −10%	−2.4%
Interest rate curve shift +1%	−0.3%
Interest rate curve shift −1%	−1,8%
Maintenance expenses +10%	2.1%
Maintenance expenses −10%	−2.2%
Lapse rate improvement 10%	0.6%
Lapse rate deterioration 10%	−0.7%
Improvement in mortality and morbidity rates for assurances +5%	0.2%
Improvement in mortality, rates for annuities +5%	0.0%
Value of new business, Austria	
Interest rate curve shift +1%	0,8%
Interest rate curve shift −1%	−5.5%
Maintenance expenses +10%	5.0%
Maintenance expenses −10%	−4.8%
Lapse rate improvement 10%	3.0%
Lapse rate deterioration 10%	−3.1%
Improvement in mortality and morbidity rates for assurances +5%	0.7%
Improvement in mortality, rates for annuities +5%	−0.1%

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 by 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 been incurred but have not yet been reported ("IBNR"). Provisions for insurance claims that have yet to be processed are based on estimates of future payments, including the claims handling expenses for these insurance claims. These estimates are made on the basis of individual cases, in accordance with facts and circumstances discoverable at the time the provision is made. These estimates reflect the well founded judgement of Group adjusters based on general practices for forming insurance provisions and a 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 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 counterbalance the expected costs of losses that have already occurred but have not yet been reported to the individual Group companies. These provisions, just like the provisions for reported insurance claims, are formed to counterbalance the expected costs (including claims handling expenses) necessary to finally settle these claims. Because at the time the provisions are formed the losses by definition are as yet unknown, the Group calculates its IBNR liabilities based on historical claims experience, adjusted by current developments in terms of claims-related factors. These provisions are based on estimates 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 relevant time and on expectations regarding legal and/or economic factors that determine the level of loss, such as case law, the inflation rate and labour costs. These provisions are regularly reviewed and revised once additional information is known and insurance claims are actually filed. The time needed to learn of these insurance claims and settle them is an important factor that must be taken into account when forming provisions. Insurance claims which 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.

More complicated insurance claims, such as bodily injury under automobile or general liability insurance, typically require longer processing times (on average four to six years, sometimes significantly longer). Also, difficult insurance claims where settlement regularly depends on the results of often protracted litigation, leads to substantially longer settlement times, especially in the liability, accident, building and professional liability insurance segments.

The ultimate costs of the claims and claims handling expenses depend on a series of variable circumstances. Between the time a claim is reported and its final settlement, changing circumstances may require that the provisions formed be revised upwards or downwards. For example, changes in the legal environment, the outcome of litigation and changes in medical costs, costs for materials for auto and house repair and hourly wage rates can have a substantial effect on the costs of insurance claims. These factors may result in actual developments differing from expectations — sometimes substantially. Loss reserve estimates are regularly reviewed and updated, using the most recent information available to management. Any changes to estimated reserves are reflected in 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, management, based on the information currently available to it, believes that the Group's provisions in the property and casualty division are adequate. 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 claims reserve

The following table shows changes to the Vienna Insurance Group's loss reserves at the end of each year indicated. The provisions reflect the amount of expected losses, based on insurance claims that occurred in the current and all previous loss years which were not paid as of the reporting date, including 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 recur 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 ceding, as necessary, a portion of the risks assumed to the international reinsurance market. Within the Vienna Insurance Group, only some risks of smaller foreign companies in the Group are reinsured. These risks are in turn ceded to reinsurers at the Group level.

in EUR '000	2007	2006	2005	2004	2003	2002
Claims reserve (incl. incurred but not reported reserve, IBNR) since the original reporting period						
In the then-current year	−2,891,967	−2,581,042	−2,296,547	−1,996,904	−1,813,101	−1,868,432
1 year later		−1,610,843	−1,446,122	−1,286,588	−1,136,817	−1,044,455
2 year later			−1,096,364	−956,844	−859,532	−778,653
3 year later				−760,423	−663,596	−601,614
4 year later					−557,073	−491,578
5 year later						−428,691
Claims payments since the original reporting period						
1 year later		−735,163	−653,791	−558,115	−515,842	−645,424
2 year later			−826,314	−713,024	−663,974	−793,153
3 year later				−829,090	−755,027	−874,083
4 year later					−840,659	−929,959
5 year later						−1,003,931

Reinsurance guidelines

The Vienna Insurance Group's reinsurance guidelines are jointly determined each year by the central reinsurance department and the member of the Management Board responsible for reinsurance while the reinsurance strategy for the next fiscal year is being developed.

The reinsurance guidelines require each company in the Group, in conjunction with the central reinsurance department, to provide reinsurance coverage that is appropriate for its local company. The reinsurance guidelines govern the following matters:

- Reinsurance is a prerequisite for providing insurance coverage. Departments may only make a binding commitment to insure a risk if sufficient reinsurance coverage from external reinsurers has already been ensured.
- Retention: It is Group policy that no more than EUR 15 million per event of loss due to natural catastrophe can be placed at risk on a PML (probable maximum loss) basis. The maximum Group-wide retention per individual loss is less than EUR 4 million.
- Selection of reinsurers — diversification. Wiener Städtische AG and its consolidated companies divide their reinsurance coverage among many different international reinsurance companies of appropriate credit quality, so as to minimize the risk growing out of a reinsurer's being unable to pay. No significant default of a reinsurer 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 a Standard & Poor's rating of "A," preferably "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, water pipes, 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 company in the Group may purchase reinsurance coverage individually from external reinsurers. If individual reinsurance contracts can only be purchased by a company in the group on uneconomical terms, the Vienna Insurance Group strives, as far as possible, to jointly place reinsurance contracts covering risks from natural catastrophes, property lines, accident, aviation and motor vehicle third-party liability under the Green Card [international motor vehicle insurance certificate] agreement. If reinsurance contracts for small companies in the Group involving a low level of risk may be purchased in the reinsurance market only on unfavourable terms, the Vienna Insurance Group itself acts as the reinsurance company. If necessary, these intercompany reinsurance contracts are, for reasons of safety, passed on by retrocession to the reinsurance market. The guidelines for Wiener Städtische AG reinsurance coverage are presented below. Retentions for all other companies in the Group are below those of Wiener Städtische AG.

Reinsurance coverage using the example of Wiener Städtische AG

- 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 cessions limit Wiener Städtische AG's maximum net loss to EUR 1.5 million. This reinsurance structure can guard against both the effects of individual large losses, for example from fire, as well as an increased loss frequency.
- Private customer business. The private customer business consists essentially of stable insurance portfolios having calculable results that are marked, above all, by a stable loss frequency. Thus, frequent claims are only reinsured for exposed segments, for example storm insurance, with a targeted use of proportional reinsurance to reduce the effects on retention. The effects on the retention of the few major claims to be expected 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 for each class of insurance.

1. INTANGIBLE ASSETS

Detail in EUR '000	31.12.2007	31.12.2006
Goodwill	422,300	339,576
Purchased insurance portfolios	30,629	49,022
Other assets	71,576	72,849
Acquired software	41,424	39,856
Other	30,152	32,993
Total	**524,505**	**461,447**

Development of goodwill in EUR '000	31.12.2007	31.12.2006
Acquisition costs	339,884	200,566
Cumulative depreciation as of 31.12. of the previous years	−308	−307
Book value as of 31.12. of the previous year	**339,576**	**200,259**
Exchange rate changes	942	1,527
Book value as of 1.1.	**340,518**	**201,786**
Additions	81,782	137,790
Book value as of 31.12.	**422,300**	**339,576**
Cumulative depreciation as of 31.12.	308	308
Acquisition costs	**422,608**	**339,884**

The goodwill changes essentially result from the acquisition of companies described in the section "Scope and methods of consolidation". "Ray Sigorta A.Ş. accounted for EUR 45,488,000 of this amount, the closely held corporation" Ukrainische Versicherungsgesellschaft KNIAZHA" EUR 6,514,000 and Bulstrad Insurance and Reinsurance Joint-Stock Company EUR 11,131,000.

Development of purchased insurance portfolio in EUR '000	31.12.2007	31.12.2006
Acquisition costs	100,086	77,366
Cumulative depreciation as of 31.12. of the previous years	−51,064	−32,741
Book value as of 31.12. of the previous year	**49,022**	**44,625**
Exchange rate changes	108	909
Book value as of 1.1.	**49,130**	**45,534**
Additions	0	2,500
Change in scope of consolidation	0	16,000
Scheduled depreciations	−18,501	−15,012
Book value as of 31.12.	**30,629**	**49,022**
Cumulative depreciation as of 31.12.	71,173	51,064
Acquisition costs	**101,802**	**100,086**

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."

Development of acquired software in EUR '000	31.12.2007	31.12.2006
Acquisition costs	97,051	81,565
Cumulative depreciation as of 31.12. of the previous years	−57,195	−46,139
Book value as of 31.12. of the previous year	**39,856**	**35,426**
Exchange rate changes	283	429
Book value as of 1.1.	**40,139**	**35,855**
Additions	13,703	14,081
Reductions	−676	−460
Change in scope of consolidation	481	791
Scheduled depreciations	−12,223	−10,411
Book value as of 31.12.	**41,424**	**39,856**
Cumulative depreciation as of 31.12.	64,931	57,195
Acquisition costs	**106,355**	**97,051**

Development of other intangible assets in EUR '000	31.12.2007	31.12.2006
Acquisition costs	46,750	44,873
Cumulative depreciation as of 31.12. of the previous years	−13,757	−8,281
Book value as of 31.12. of the previous year	**32,993**	**36,592**
Exchange rate changes	679	1,411
Book value as of 1.1.	**33,672**	**38,003**
Additions	715	422
Reductions	−1	−533
Change in scope of consolidation	836	16
Scheduled depreciations	−5,070	−4,915
Book value as of 31.12.	**30,152**	**32,993**
Cumulative depreciation as of 31.12.	18,866	13,757
Acquisition costs	**49,018**	**46,750**

Amortization of intangible assets is reported in the income statement under commissions and other acquisition costs and under administrative expenses.

2. LAND AND BUILDINGS

Development of real estate in EUR '000	Third-party leased 31.12.2007	Owner-occupied 31.12.2007	Total 31.12.2007	Total 31.12.2006
Acquisition costs	2,723,910	277,591	3,001,501	1,523,680
Cumulative depreciation as of 31.12. of the previous years	−751,630	−74,298	−825,928	−437,798
Book value as of 31.12. of the previous year	**1,972,280**	**203,293**	**2,175,573**	**1,085,882**
Exchange rate changes	1,588	228	1,816	9,479
Book value as of 1.1.	**1,973,868**	**203,521**	**2,177,389**	**1,095,361**
Reclassifications	−12,831	12,831	0	0
Additions	232,660	9,787	242,447	220,790
Reductions	−54,039	−1,399	−55,438	−38,848
Change in scope of consolidation	564,631	35,750	600,381	1,000,146
Scheduled depreciations	−73,552	−10,096	−83,648	−69,876
Impairment	−11,000	−1,406	−12,406	−32,000
Book value as of 31.12.	**2,619,737**	**248,988**	**2,868,725**	**2,175,573**
Cumulative depreciation as of 31.12.	1,037,490	95,940	1,133,430	825,928
Acquisition costs	**3,657,227**	**344,928**	**4,002,155**	**3,001,501**
thereof land	432,535	49,121	481,656	397,871
Fair value of the real estate as of 31.12.	2,860,539	340,274	3,200,813	2,447,933

Changes in the scope of consolidation result primarily from the inclusion of the non-profit housing development companies (EUR 589,534 million) and of Ray Sigorta A.Ş. (EUR 5,161 million).

Rental income from let sites and properties amount to EUR 266,723 million, whereas the **operating expenses** total EUR 71,174 million.

3. SHARES IN AFFILIATED AND ASSOCIATED COMPANIES AND OTHER PARTICIPATIONS

Development in EUR '000	31.12.2007	31.12.2006
Book value as of 31.12. of the previous year	**532,223**	**636,048**
Exchange rate changes	−49	150
Book value as of 1.1.	**532,174**	**636,198**
Additions	458,016	132,111
Reductions	−32,584	−23,984
Change in scope of consolidation	−35,770	−191,295
Depreciations	0	−23,221
Impairment	−3,622	0
Results-independent calculation of unrealised gain	47,025	540
Proportional results for the year from companies valued at equity	5,531	1,874
Book value as of 31.12.	**970,770**	**532,223**

Detail in EUR '000	31.12.2007	31.12.2006
Non-consolidated affiliated companies	43,758	26,771
Associated companies valued at equity	51,799	46,268
Other associated companies and other participations	875,213	459,184
Total	**970,770**	**532,223**

Non-consolidated affiliated companies and other associated companies are valued the same way as financial investments available for sale.

Unrealised profits and losses are as follows:

in EUR '000	Acquisition costs 31.12.2007	Acquisition costs 31.12.2006	Unrealised gains/losses 31.12.2007	Unrealised gains/losses 31.12.2006
Non-consolidated affiliated companies	43.758	26,771	0	0
Other associated companies and other participations	715.349	346,345	159,864	112,839
Total	**759,107**	**373,116**	**159,864**	**112,839**

4. PARTICIPATIONS — DETAILS

As of 31 December 2007, there were holdings 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	−6	2007
"Neue Heimat" Gemeinnützige Wohnungs- und Siedlungsgesellschaft in Oberösterreich GmbH, Linz	Austria	99.81	78,158	2007
"Schwarzatal" Gemeinnützige Wohnungs- und Siedlungsanlagen GmbH, Vienna	Austria	34.68	76,944	2007
"WIENER STÄDTISCHE OSIGURANJE" akcionarsko drustvo za osiguranje, Belgrade	Serbia	100.00	9,820	2007
Alpenländische Heimstätte Gemeinnützige Wohnungsbau- und Siedlungsgesellschaft m.b.H., Innsbruck	Austria	94.00	65,292	2007
AGRAS VIENNA INSURANCE GROUP S.A., Bucharest	Romania	92.30	3,094	2007
Andel Investment Praha s.r.o., Prague	Czech Republic	100.00	32,514	2007
ARITHMETICA Versicherungs- und Finanzmathematische Beratungs-Gesellschaft m.b.H., Vienna	Austria	100.00	374	2007
Bank Austria Creditanstalt Versicherung AG, Vienna	Austria	60.54	115,474	2007
BENEFIA Towarzystwo Ubezpieczeń Majątkowych S.A. Vienna Insurance Group, Warsaw	Poland	100.00	19,033	2007
BENEFIA Towarzystwo Ubezpieczeń na Życie S.A Vienna Insurance Group, Warsaw	Poland	100.00	6,463	2007
BML Versicherungsmakler GmbH, Vienna	Austria	100.00	232,185	2007
BULGARSKI IMOTI LIFE Insurance Company, Sofia	Bulgaria	98.35	3,782	2007
Bulgarski Imoti Non-Life Insurance Company, Sofia	Bulgaria	98.36	5,455	2007
Bulgarski Imoti Asistans EOOD, Sofia	Bulgaria	98.36	−65	2007
Business Insurance Application Consulting GmbH, Vienna	Austria	100.00	2,148	2007
Businesspark Brunn Entwicklungs GmbH, Vienna	Austria	100.00	2,033	2007
CAPITOL, a.s., Bratislava	Slovakia	100.00	1,666	2007
CENTER Hotelbetriebs GmbH, Vienna	Austria	85.00	−188	2007
Česká podnikatelská pojišťovna, a.s., Vienna Insurance Group, Prague	Czech Republic	91.72	35,281	2007
COMPENSA Holding GmbH, Coburg	Germany	100.00	19,706	2007

Affiliated companies and participations WIENER STÄDTISCHE Versicherung AG VIENNA INSURANCE GROUP	**Country of domicile**	**Interest in capital [%]**	**Equity [EUR 000]**	**Last annual financial statements**
Cosmopolitan Life Vienna Insurance Group — dionicko drustvo za osiguranje, Zagreb . .	Croatia	100.00	5,011	2007
DBR Friedrichscarrée GmbH & Co KG, Stuttgart	Germany	100.00	16,617	2007
DBR Friedrichscarrée Liegenschaften-Verwaltungs GmbH, Stuttgart.	Germany	100.00	24	2007
DBR-Liegenschaften GmbH & Co KG, Stuttgart	Germany	100.00	17,119	2007
DBR-Liegenschaften Verwaltungs GmbH, Stuttgart	Germany	100.00	23	2007
DONAU Versicherung AG Vienna Insurance Group, Vienna	Austria	89.47	110,590	2007
DVS Donau-Versicherung Vermittlungs- und Service-Gesellschaft m.b.H., Vienna	Austria	100.00	24,833	2007
Erste gemeinnützige Wohnungsgesellschaft "Heimstätte Gesellschaft m.b.H.", Vienna. . .	Austria	73.18	100,412	2007
GEMYSAG Gemeinnützige Mürz-Ybbs-Siedlungsanlagen-GmbH, Kapfenberg	Austria	34.57	60,608	2007
GESCHLOSSENE AKTIENGESELLSCHAFT JUPITER LEBENSVERSICHERUNG VIENNA INSURANCE GROUP, Kiev	Ukraine	73.00	3,048	2007
Geschlossene Aktiengesellschaft "Ukrainische Versicherungsgesellschaft KNIAZHA", Kiev	Ukraine	80.00	5,868	2007
Gesundheitspark Wien-Oberlaa Gesellschaft m.b.H., Vienna.	Austria	100.00	25,490	2007
GIWOG Gemeinnützige Industrie-Wohnungs-AG, Leonding	Austria	34.60	167,721	2007
IC Globus Insurance Company with Added Liability "Globus", Kiev	Ukraine	51.00	1,022	2007
InterRisk Lebensversicherungs-AG Vienna Insurance Group, Wiesbaden.	Germany	100.00	16,208	2007
InterRisk Versicherungs-AG Vienna Insurance Group, Wiesbaden.	Germany	100.00	25,070	2007
I.V., s.r.o., Bratislava	Slovakia	100.00	604	2007
KÁLVIN TOWER Immobilienentwicklungs- und Investitionsgesellschaft m.b.H., Budapest. . .	Hungary	100.00	1,955	2007
Kapitol pojist'ovací a financní poradenství, a.s., Brno.	Czech Republic	100.00	7,714	2007
Komunálna poist'ovňa a.s. Vienna Insurance Group, Bratislava	Slovakia	95.72	12,229	2007
KONTINUITA poist'ovňa a.s. Vienna Insurance Group, Bratislava	Slovakia	100.00	9,490	2007
KOOPERATIVA poist'ovňa a.s. Vienna Insurance Group, Bratislava.	Slovakia	100.00	145,989	2007
Kooperativa pojišt'ovna a.s., Vienna Insurance Group, Prague	Czech Republic	91.72	306,273	2007
Kvarner Vienna Insurance Group dionicko drustvo za osiguranje, Rijeka	Croatia	98.75	20,956	2007
Kvarner Wiener Städtische Nekretnine d.o.o., Rijeka	Croatia	98.75	57	2007
LVP Holding GmbH, Vienna	Austria	100.00	85,728	2007
Neue Heimat Oberösterreich Holding GmbH, Vienna.	Austria	100.00	19,799	2007
OMNIASIG VIENNA INSURANCE GROUP S.A., Bukarest	Romania	98.48	98,947	2007

Affiliated companies and participations WIENER STÄDTISCHE Versicherung AG VIENNA INSURANCE GROUP	Country of domicile	Interest in capital [%]	Equity [EUR 000]	Last annual financial statements
Omniasig Asigurari de Viata SA, Bukarest	Romania	50.01	8,123	2007
PFG Liegenschaftsbewirtschaftungs GmbH & Co KG, Vienna	Austria	95.13	79,621	2007
PFG Holding GmbH, Vienna	Austria	94.62	124,959	2007
PROGRESS Beteiligungsges.m.b.H., Vienna	Austria	60.00	9,428	2007
Projektbau GesmbH, Vienna	Austria	95.00	39,256	2007
Projektbau Holding GmbH, Vienna	Austria	95.00	41,338	2007
Royal Polska Towarzystwo Ubezpieczeń na Życie S.A. Vienna Insurance Group, Warsaw	Poland	100.00	8,483	2007
SECURIA majetkovosprávna a podielová s.r.o., Bratislava	Slovakia	100.00	5,238	2007
Senioren Residenz Fultererpark Errichtungs- und Verwaltungs GmbH, Innsbruck	Austria	100.00	−4,311	2007
Senioren Residenz Veldidenapark Errichtungs- und Verwaltungs GmbH, Innsbruck	Austria	66.70	10,972	2007
Towarzystwo Ubezpieczeń InterRisk Spolka Akcyjna, Warsaw	Poland	99.93	44,356	2007
Towarzystwo Ubezpieczeń ,,Compensa" Spolka AkcyjnaVienna Insurance Group, Warsaw	Poland	99.87	46,346	2007
Towarzystwo Ubezpieczeń Na Życie Compensa Spolka Akcyjna Vienna Insurance Group, Warsaw	Poland	100.00	31,332	2007
UNION Vienna Insurance Group Biztositó Zrt., Budapest	Hungary	100.00	33,353	2007
UNITA VIENNA INSURANCE GROUP S.A., Bucharest	Romania	100.00	26,445	2007
Vienna-Life Lebensversicherung AG Vienna Insurance Group, Bendern	Liechtenstein	100.00	9,972	2007
VLTAVA majetkovosprávní a podílová spol.s.r.o., Prague	Czech Republic	100.00	2,890	2007
WIENER STÄDTISCHE Beteiligungs GmbH, Vienna	Austria	100.00	260,398	2007
WIENER STÄDTISCHE Finanzierungsdienstleistungs GmbH, Vienna	Austria	100.00	256,427	2007
Wiener Verein Bestattungs- und Versicherungsservice Gesellschaft m.b.H., Vienna	Austria	100.00	1,531	2007
Holdings valued at equity				
AIS Servis, s.r.o., Brno	Czech Republic	70.00	1,670	2007
Benefita, a.s., Prague	Czech Republic	100.00	−285	2007
Česká Kooperativa Londýn Ltd., London	Great Britain	100.00	555	2007
CROWN-WSF spol. s.r.o., Prague	Czech Republic	30.00	6,533	2007
Gewista-Werbegesellschaft m.b.H., Vienna	Austria	33.00	41,141	2007
Global Expert, s.r.o., Pardubice	Czech Republic	100.00	571	2007
IMPERIAL-Székesfehérvár Ingatlankezelési Kft., Budapest	Hungary	25.00	13,251	2007
Kámen Ostromer, s.r.o., Ostromer	Czech Republic	100.00	318	2007
KIP, a.s., Prague	Czech Republic	86.43	3,947	2007
KOORDITA, a.s., Ostrava-Hrabova	Czech Republic	100.00	1,082	2007

Affiliated companies and participations WIENER STÄDTISCHE Versicherung AG VIENNA INSURANCE GROUP	Country of domicile	Interest in capital [%]	Equity [EUR 000]	Last annual financial statements
Medial Beteiligungs-Gesellschaft m.b.H., Vienna	Austria	29.63	13,148	2007
Melnická Zdravotní a.s., Prague	Czech Republic	70.00	51	2007
PKB Privatkliniken Beteiligungs-GmbH (Konzernabschluss), Vienna	Austria	25.00	18,671	2007
Sanatorium Astoria, a.s., Karlovy Vary	Czech Republic	86.32	2,930	2007
SHD Komes, a.s., Most	Czech Republic	46.33	15,613	2007
SURPMO a.s., Prague	Czech Republic	99.91	506	2007
TECH GATE VIENNA Wissenschafts- und Technologiepark GmbH, Vienna	Austria	60.00	33,684	2007
Unigeo, a.s., Ostrava-Hrabova	Czech Republic	100.00	5,418	2007
Non-consolidated companies				
AREALIS Liegenschaftsmanagement GmbH, Vienna	Austria	50.00	560	2006
ASIGURAREA ROMANEASCA— ASIROM S.A., Bucharest	Romania	98.46	32,609	2006
Beteiligungs- und Immobilien GmbH, Linz	Austria	25.00	10,508	2006
Beteiligungs- und Wohnungsanlagen GmbH, Linz	Austria	25.00	874	2006
CAPITOL Spolka z o.o., Warsaw	Poland	100.00	359	2006
Central Point IT-Solutions GmbH, Vienna	Austria	64,00	111	2006
DIRECT-LINE Direktvertriebs-GmbH, Vienna	Austria	100.00	144	2006
Eurocenter-Immorent d.o.o., Zagreb	Croatia	100.00	0	2006
EXPERTA Schadenregulierungs- Gesellschaft m.b.H., Vienna	Austria	100.00	669	2006
FUTURELAB Holding GmbH (Konzernbilanz), Vienna	Austria	41.64	27,318	2006
Geschlossene Aktiengesellschaft Strachowaja kompanija “MSK Life”, Moscow	Russia	25.01	1,826	2006
HORIZONT Personal-, Team- und Organisationsentwicklung GmbH, Vienna	Austria	100.00	261	2006
HUMANOCARE gemeinnützige Betriebsgesellschaft für Betreuungseinrichtungen GmbH, Vienna	Austria	100.00	292	2006
HUMANOCARE Management-Consult GmbH, Vienna	Austria	75.00	126	2006
Humanomed Krankenhaus Management Gesellschaft m.b.H., Vienna	Austria	25.00	876	2006
Joint Belarus -Austrian Insurance Company Kupala, Minsk	Belarus	94.50	708	2006
Neutorgasse 2-8 Projektverwertungs GmbH, Vienna	Austria	90.00	−1,978	2006
Österreichisches Verkehrsbüro Aktiengesellschaft, Vienna	Austria	31.58	166,159	2006
PFG Liegenschaftsbewirtschaftungs GmbH, Vienna	Austria	82.11	42	2006
Privatklinik Villach Gesellschaft m.b.H. & Co.KG, Klagenfurt	Austria	23.29	3,899	2006
Realitätenverwaltungs- und Restaurantbetriebs-Gesellschaft m.b.H., Vienna	Austria	100.00	419	2006
Renaissance Hotel Realbesitz GmbH, Vienna	Austria	100.00	3,994	2006
Ringturm Kapitalanlagegesellschaft m.b.H., Vienna	Austria	100.00	4,197	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
RISK CONSULT Sicherheits- und Risiko-Managementberatung Gesellschaft m.b.H., Vienna	Austria	51.00	474	2006
Ruster Hotel Bau- und Betriebsgesellschaft m.b.H. & Co KG, Vienna	Austria	47.86	−2,904	2006
TBIH Financial Services Group N.V., Amsterdam*	Netherlands	60.00	211,353	2006
Towarzystwo Ubezpieczeń Polski Żwiazek Motorowy Spolka Akcyjna, Warsaw	Poland	91.30	3,108	2006
VBV - Betriebliche Altersvorsorge AG, Vienna	Austria	20.96	32,947	2006
Vienna Insurance Group Polska Spolka z organiczona odpowiedzialnoscia, Warsaw	Poland	100.00	3,620	2006
Vienna International Underwriters GmbH, Vienna	Austria	100.00		founded in 2007
Wüstenrot Versicherungs-Aktiengesellschaft, Salzburg	Austria	31.60	196,161	2006
ZASO Victoria Non-Life, Minsk	Belarus	100.00	208	2006

* Through TBIH Financial Services N.V., in which it held 60% interest as of 31 December 2007, Wiener Städtische AG indirectly holds 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., Turkey: Ray Sigorta A.S.; **Not consolidated:** Bulgaria: Bulstrad Health Insurance AD; Georgia: International Insurance Company IRAO Ltd., Georgian Pension and Insurance Holding JSC, Ukraine: VAB Insurance, VAB Re-Insurance, VAB Life Insurance; Romania: Omniasig Addenda S.A.; Macedonia: Insurance Company SIGMA AD SKOPJE; Albania: SIGURIA E MADHE Sh.A.

The information required under § 265 par. 2 no. 4 of the Austrian Corporation Code (UGB) is provided in the summary of holdings in the individual financial statements.

5. LOANS AND OTHER INVESTMENTS

Loans and other investments in EUR '000	31.12.2007	31.12.2006
Loans	1,187,438	1,057,375
Other investments	670,912	544,453
Total	**1,858,350**	**1,601,828**

Development of loans in EUR '000	31.12.2007	31.12.2006
Acquisition costs	1,068,505	1,254,905
Cumulative depreciation as of 31.12. of the previous year	−11,130	−7,539
Book value as of 31.12. of the previous year	**1,057,375**	**1,247,366**
Exchange rate changes	496	1,054
Book value as of 1.1.	**1,057,871**	**1,248,420**
Additions	508,522	201,591
Reductions	−438,843	−392,717
Change in scope of consolidation	60,049	4,097
Scheduled depreciations	−135	−4,016
Impairment	−26	0
Book value as of 31.12.	**1,187,438**	**1,057,375**
Cumulative depreciation as of 31.12.	7,895	11,130
Acquisition costs	**1,195,333**	**1,068,505**

Composition of loans in EUR '000	Acquisition Costs Carried Forward 31.12.2007	 31.12.2006
Loans to non-consolidated affiliated companies	248,161	30,204
Loans to associated companies	83,421	28,647
Mortgage loans	197,801	224,353
Policy loans and prepayments	44,006	33,247
Other loans	614,049	740,924
to government borrowers	404,348	501,912
to banks	573	9,262
to other commercial borrowers	204,020	223,903
to private individuals	4,806	4,276
Other	302	1,571
Total	**1,187,438**	**1,057,375**
Fair value	**1,204,179**	**1,103,274**

The item "Other investments" primarily consists of bank deposits of EUR 627,741 million (EUR 450,319 million) and deposits on assumed reinsurance business of EUR 38,677 million (EUR 86,110 million).

Loan maturities in EUR '000	Acquisition Costs carried forward 31.12.2007	 31.12.2006
up to one year	46,373	202,599
from one to five years	429,451	345,517
from five to ten years	313,354	190,460
more than ten years	398,260	318,799
Total	**1,187,438**	**1,057,375**

6. OTHER SECURITIES

Detail in EUR '000	Held to maturity 31.12.2007	 31.12.2006	Available for sale 31.12.2007	 31.12.2006	Held for trading 31.12.2007	 31.12.2006	At fair value through profit or loss 31.12.2007	 31.12.2006
Acquisition costs	306,191	245,438	—	—	—	—	—	—
Cumulative depreciation as of 31.12. of the previous year	43	1,072	—	—	—	—	—	—
Book value as of 31.12. of the previous year	**306,234**	**246,510**	**11,760,935**	**10,306,549**	**755,275**	**491,747**	**128,300**	**73,255**
Exchange rate	9,656	15,738	40,516	62,963	13,216	669	1,785	1,984
Book value as of 1.1.	**315,890**	**262,248**	**11,801,451**	**10,369,512**	**768,491**	**492,416**	**130,085**	**75,239**
Reclassifications	0	0	0	0	0	0	−6,995	0
Additions	102,304	74,465	3,379,898	4,211,880	564,760	441,950	145,771	170,141
Reductions	−45,172	−30,479	−2,733,740	−2,810,026	−420,735	−263,600	−129,220	−142,497
Change in scope of consolidation	251	0	1,134,116	12,779	64,153	67,312	27,944	23,011
Changes in value recognised in profit or loss	0	0	0	0	4,871	17,452	−3,045	2,442
Changes in value not recognised in profit or loss	0	0	−608,114	−19,035	0	0	0	0
Impairment	0	0	−15,003	−4,175	−4,305	−255	−112	−36
Book value as of 31.12.	**373,273**	**306,234**	**12,958,608**	**11,760,935**	**977,235**	**755,275**	**164,428**	**128,300**
Cumulative depreciation as of 31.12.	−36	−43	—	—	—	—	—	—
Acquisition costs	**373,237**	**306,191**	**—**	**—**	**—**	**—**	**—**	**—**

Detail: Financial investments held to maturity	Acquisition Costs Carried Forward 31.12.2007	31.12.2006	Fair value 31.12.2007	31.12.2006
in EUR ’000				
Government bonds	198,793	165,202	197,847	172,058
Loans to business	174,100	140,842	178,271	151,266
Other securities	380	190	370	190
Total	**373,273**	**306,234**	**376,488**	**323,514**

Detail: Financial investments available for sale	Acquisition Costs Carried Forward 31.12.2007	31.12.2006	Unrealised gains and losses 31.12.2007	31.12.2006	Fair value 31.12.2007	31.12.2006
in EUR ’000						
Non-fixed interest	3,147,094	2,924,887	376,671	544,600	3,523,765	3,469,486
Equities	763,245	742,476	327,773	455,354	1,091,017	1,197,830
Investment funds	1,904,719	1,727,236	51,807	73,588	1,956,527	1,800,824
Other	479,130	455,175	−2,909	15,658	476,221	470,833
Fixed-interest	9,779,743	8,185,776	−344,900	105,672	9,434,843	8,291,449
Bonds and other securities of affiliated companies	29,135	29,135	0	0	29,135	29,135
Bonds and other securities of companies in which an ownership interest is held	251,513	176,314	3,037	6,773	254,550	183,087
Other fixed-interest securities	9,499,095	7,980,327	−347,937	98,899	9,151,158	8,079,226
Total	**12,926,837**	**11,110,663**	**31,771**	**650,272**	**12,958,608**	**11,760,935**

For financial investments available for sale, the book value corresponds to the fair value. Unrealised gains and losses represent the difference between the acquisition costs being brought forward and the fair values.

Detail Trading assets*	Fair value 31.12.2007	Fair value 31.12.2006
in EUR ’000		
Bonds	85,594	70,181
Structured bonds	930,120	743,461
Equities	32,572	16,555
Investment funds	54,881	41,050
Derivates	33,429	1,798
Other	5,067	10,530
Total	**1,141,663**	**883,575**

* Including financial property assets valued at their contribution to revenues at the present market price.

Fair value of derivative financial investments	Fair value 31.12.2007	Fair value 31.12.2006
in EUR ’000		
Options	538	−8,105
Futures	42	−393
Total	**580**	**−8,498**

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.

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

Detail EUR '000	Unit-linked 31.12.2007	Index-linked 31.12.2007	Total 31.12.2007	Total 31.12.2006
Investment funds	2,484,334	16,333	2,500,667	1,992,873
Structured bonds	0	429,420	429,420	278,785
Structured loans	0	23,668	23,668	12,372
Equities	0	23,343	23,343	14,781
Derivates (guarantee claim)	6,561	0	6,561	5,235
Bank deposits	77,560	4,766	82,326	36,532
Total	**2,568,455**	**497,530**	**3,065,985**	**2,340,578**

The balance sheet value corresponds to the fair value.

Maturities in EUR '000	31.12.2007	31.12.2006
no maturity	2,508,820	2,020,349
up to one year	67,579	12,790
from one to five years	35,655	8,746
from five to ten years	288,213	217,603
more than ten years	165,718	81,090
Total	**3,065,985**	**2,340,578**

8. REINSURERS' SHARE IN UNDERWRITING PROVISIONS

Detail in EUR '000	Property/Casualty 31.12.2007	Life 31.12.2007	Health 31.12.2007	Total 31.12.2007	Total 31.12.2006
Unearned premiums	150,997	10,542	0	161,539	126,922
Mathematical reserve	2	215,990	1,893	217,885	107,223
Provision for outstanding claims	790,359	5,532	194	796,085	719,521
Provision for profit-independent premium refunds	3,428	0	0	3,428	4,342
Provision for profit-dependent premium refunds	0	14	0	14	10
Other underwriting provisions	7,713	0	0	7,713	5,296
Total	**952,499**	**232,078**	**2,087**	**1,186,664**	**963,314**

Development in EUR '000	Book value 1.1.2007	Exchange rate	Additions	Amount used/ released	Change in scope of consolidation	Book value 31.12.2007
Unearned premiums	126,922	1,064	126,936	−112,961	19,578	161,539
Mathematical reserve	107,223	53	89,258	−55,373	76,724	217,885
Provision for outstanding claims	719,521	11,671	686,246	−635,841	14,488	796,085
Provision for profit-independent premium refunds	4,342	44	3,104	−4,062	0	3,428
Provision for profit-dependent premium refunds	10	0	4	0	0	14
Other underwriting provisions	5,296	−440	8,153	−5,296	0	7,713
Total	**963,314**	**12,392**	**913,701**	**−813,533**	**110,790**	**1,186,664**

Maturities in EUR '000	31.12.2007	31.12.2006
up to one year	664,059	580,502
from one to five years	278,052	228,851
from five to ten years	150,063	109,313
more than ten years	94,490	44,648
Total	**1,186,664**	**963,314**

9. RECEIVABLES

Detail in EUR '000	Property/Casualty 31.12.2007	Life 31.12.2007	Health 31.12.2007	Total 31.12.2007	Total 31.12.2006
Underwriting	**605,539**	**86,964**	**7,989**	**700,492**	**593,130**
Receivables from direct insurance business	533,143	85,387	7,984	626,514	498,805
with policyholders	435,162	78,045	7,419	520,626	420,888
with insurance brokers	82,968	6,395	0	89,363	57,613
with insurance companies	15,013	947	565	16,525	20,304
Receivables from reinsurance business	72,396	1,577	5	73,978	94,325
Non-underwriting					
Other receivables	154,174	333,610	12,007	499,791	390,573
Total	**759,713**	**420,574**	**19,996**	**1,200,283**	**983,703**

Detail other receivables in EUR '000	Property/Casualty 31.12.2007	Life 31.12.2007	Health 31.12.2007	Total 31.12.2007	Total 31.12.2006
Receivables from financial services and leasing	245	2,816	0	3,061	204
Proportionate interest and rent	26,761	241,752	6,346	274,859	211,823
Receivables from the revenue office	9,551	24,616	2,910	37,077	27,298
Receivables from employees	1,212	304	0	1,516	1,035
Receivables from sales/purchases of investments	680	25,927	0	26,607	32,967
Receivables from property managers	10,829	357	0	11,186	12,919
Receivables from third-party damage settlements	13,328	0	0	13,328	8,611
Receivables from loans	3,627	0	0	3,627	5,006
Outstanding interest and rent	8,324	8,172	831	17,327	2,603
Other receivables	79,617	29,666	1,920	111,203	88,107
Total	**154,174**	**333,610**	**12,007**	**499,791**	**390,573**

Maturities in EUR '000	Underwriting 31.12.2007	Non-underwriting 31.12.2007	Total 31.12.2007	Total 31.12.2006
up to one year	698,197	441,694	1,139,891	951,276
from one to five years	2,150	37,320	39,470	21,633
from five to ten years	145	10,094	10,239	9,395
more than ten years	0	10,683	10,683	1,399
Total	**700,492**	**499,791**	**1,200,283**	**983,703**

10. CASH AND CASH EQUIVALENTS

Detail in EUR '000	Property/Casualty 31.12.2007	Life 31.12.2007	Health 31.12.2007	Total 31.12.2007	Total 31.12.2006
Current account balances at banks	157,551	111,217	6,378	275,146	222,306
Cash and cheques	1,971	583	0	2,554	4,137
Total	**159,522**	**111,800**	**6,378**	**277,700**	**226,443**

The cash and cash equivalents consist of cash on hand and demand deposits.

11. DEFFERED TAXES

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 in EUR '000	Deferred tax assets 31.12.2007	Deferred tax liabilities 31.12.2007	Deferred tax assets 31.12.2006	Deferred tax liabilities 31.12.2006
Intangible assets	6,400	130	5,571	129
Investments	14,563	190,028	7,355	236,445
Receivables and other assets	13,970	8,358	6,986	4,225
Tax-free reserves	0	60,360	0	62,918
Underwriting provisions	123,605	27,953	124,200	22,589
Non-underwriting provisions	71,983	7,731	76,051	9,026
Liabilities	17,559	424	17,608	424
Total	**248,080**	**294,984**	**237,771**	**335,756**
Balance of deferred taxes		**46,904**		**97,985**

12. OTHER ASSETS

Detail in EUR '000	Property/Casualty 31.12.2007	Life 31.12.2007	Health 31.12.2007	Total 31.12.2007	Total 31.12.2006
Tangible assets and inventories	53,471	15,865	92	69,428	62,319
Advance payments for projects	777	9	0	786	207
Tax prepayments	84,603	37,106	0	121,709	87,796
Other assets	13,294	10,007	1,827	25,128	16,129
Prepaid expenses	38,926	28,517	192	67,635	57,607
Total	**191,071**	**91,504**	**2,111**	**284,686**	**224,058**

Maturities in EUR '000	31.12.2007	31.12.2006
up to one year	142,703	89,847
from one to five years	121,123	118,070
from five to ten years	8,308	6,449
more than ten years	12,552	9,692
Total	**284,686**	**224,058**

Changes in tangible assets and inventories in EUR '000	31.12.2007	31.12.2006
Acquisition costs	192,455	169,692
Cumulative depreciation as of 31.12. of the previous year	−130,136	−113,217
Book value as of 31.12. of the previous year	**62,319**	**56,475**
Exchange rate	439	1,669
Book value as of 1.1.	**62,758**	**58,144**
Additions	29,969	26,530
Reductions	−6,102	−12,346
Change in scope of consolidation	1,534	3,438
Scheduled depreciations	−18,731	−13,447
Book value as of 31.12.	**69,428**	**62,319**
Cumulative depreciation as of 31.12.	146,806	130,136
Acquisition costs	**216,234**	**192,455**

13. CONSOLIDATED SHAREHOLDERS' EQUITY

Minority Interests in EUR '000	31.12.2007	31.12.2006
Unrealised gains and losses	−3,065	2,955
Share of result for the year	18,464	12,723
Other	262,059	55,121
Total	**277,458**	**70,799**

Earnings per Share

Under 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 2007.

Earnings per Share	2007	2006
Net income	EUR 312,618,000	EUR 260,902,000
Number of shares	105,000,000	105,000,000
Earnings per share	**EUR 2.98**	**EUR 2.48**

Since there were no potential ordinary shares with dilutive effects either in 2006 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 Management Board authorized, until 23 May 2010 at the latest, to increase the capital stock of the company — in several tranches if need be — by a par value of EUR 16,982,187.89 through the issuance of 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 upon by the Management Board, with the approval of the Supervisory Board. Preference shares without voting rights may also be issued as part of this process, with rights equivalent to those of existing preference shares. The issue prices of ordinary and preference shares may differ.

By resolution of the General Shareholders' Meeting of 25 May 2007, the following dividend distributions took place during the reporting period:

Distribution in EUR	Per share 2007	Total 2007
Ordinary shares	0.82	86,100,000

Proposed Allocation of Profits

WIENER STÄDTISCHE Versicherung AG VIENNA INSURANCE GROUP concluded fiscal year 2007, under Austrian accounting rules, with an unappropriated surplus for the year of EUR 196,255,109.16. The following allocation of profits has been proposed in connection with the ordinary General Shareholders' Meeting: The 105 million shares are to receive a dividend of EUR 1.10 per share. A total of EUR 115,500,000 is to be distributed. The unappropriated surplus of EUR 80,755,109.16 for the 2007 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 in %	Fair value (EUR '000)
WIENER STÄDTISCHE Versicherung AG VIENNA INSURANCE GROUP	12.1.2005	180,000	17	First 12 years: 4.625% p.a.; thereafter variable	167,472
WIENER STÄDTISCHE Versicherung AG VIENNA INSURANCE GROUP	12.1.2005	120,000	unlimited[1]	First years: 4.25% p.a.; thereafter variable	114,900
Donau Versicherung AG VIENNA INSURANCE GROUP	10.5.2004	50,000	unlimited[2]	4.95% p.a.	50,255
Donau Versicherung AG VIENNA INSURANCE GROUP	15.4.+21.5.2004	11,500	unlimited[3]	4.95% p.a.	11,483
Donau Versicherung AG VIENNA INSURANCE GROUP	1.7.1999	3,500	unlimited[4]	4.95% p.a.	3,504
Bank Austria Creditanstalt Versicherung AG	2.1.2004	25,000	10	4.95% p.a.	25,153
Bank Austria Creditanstalt Versicherung AG	21.12.2001	6,000	unlimited[5]	First 10 years: 6% p.a.; thereafter variable	6,204
Bank Austria Creditanstalt Versicherung AG	18.12.1998	5,814	unlimited[5]	variable	5,814
Bank Austria Creditanstalt Versicherung AG	2.1.2004	25,000	10	4.95% p.a.	25,153
Bank Austria Creditanstalt Versicherung AG	21.12.2001	3,000	unlimited[5]	First 10 years: 6% p.a.; thereafter variable	3,102
Bank Austria Creditanstalt Versicherung AG	23.4.1998	3,634	unlimited[5]	variable	3,634
Kooperativa pojišt'ovna, a.s., VIENNA INSURANCE GROUP	27.10.2007	9,462	unlimited[6]	4.5% p.a.	9,462
Total		**442,910**			**426,136**

1) The right to ordinary and extraordinary cancellation by the holder is excluded. Regular cancellation by the issuer is first allowed effective 12 January 2017.

2) This may be cancelled, in whole or in part, both by the holders as well as by Donau, not before 10 May 2014, upon the giving of five years' notice and as of May 10 of each subsequent year.

3) This may be cancelled, in whole or in part, both by the holders as well as by Donau, not before 31 December 2009, upon the giving of five years' notice and as of December 31 of each subsequent year.

4) This may be cancelled, in whole or in part, both by the holders as well as by Donau, not before 1 July 2002, upon the giving of five years' notice and as of July 1 of each subsequent year.

5) This can only be cancelled subject to not less than five years' notice, unless Austrian insurance regulators agree to repayment being made early.

6) This can only be cancelled subject to not less than five years' notice.

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. However, interest is always included in costs.

15. PROVISIONS OF UNEARNED PREMIUMS

Detail in EUR '000	31.12.2007	31.12.2006
Property/casualty insurance	830,355	625,375
Life insurance	128,464	138,735
Health insurance	1,535	1,492
Total	**960,354**	**765,602**

Development	Property/Casualty 31.12.2007	Life 31.12.2007	Health 31.12.2007	Total 31.12.2007	Total 31.12.2006
in EUR '000					
Book value as of 31.12.	**625,375**	**138,735**	**1,492**	**765,602**	**627,653**
Exchange rate	5,607	1,070	0	6,677	25,001
Book value as of 1.1.	**630,982**	**139,805**	**1,492**	**772,279**	**652,654**
Additions	688,413	104,152	1,535	794,100	591,970
Amount used/released	−531,569	−124,544	−1,492	−657,605	−532,328
Change in scope of consolidation	42,529	9,051	0	51,580	53,306
Book value as of 31.12.	**830,355**	**128,464**	**1,535**	**960,354**	**765,602**

Maturities	31.12.2007	31.12.2006
in EUR '000		
up to one year	930,673	738,734
from one to five years	28,616	26,868
from five to ten years	1,065	0
Total	**960,354**	**765,602**

16. MATHEMATICAL RESERVE

Detail	31.12.2007	31.12.2006
in EUR '000		
Property/casualty insurance	127	123
Life insurance	11,799,029	9,823,170
for guaranteed policy benefits	10,460,321	8,631,362
for allocated and committed profit shares	1,338,708	1,191,808
Health insurance	703,680	654,587
Total	**12,502,836**	**10,477,880**

Total development	Property/Casualty 31.12.2007	Life 31.12.2007	Health 31.12.2007	Total 31.12.2007	Total 31.12.2006
in EUR '000					
Book value as of 31.12. of the previous year	**123**	**9,823,170**	**654,587**	**10,477,880**	**9,391,517**
Exchange rate	4	30,612	0	30,616	55,473
Book value as of 1.1.	**127**	**9,853,782**	**654,587**	**10,508,496**	**9,446,990**
Additions	25	1,978,493	49,093	2,027,611	1,907,431
Amount used/released	−25	−1,254,702	0	−1,254,727	−896,341
Change in scope of consolidation	0	1,221,456	0	1,221,456	19,800
Book value as of 31.12.	**127**	**11,799,029**	**703,680**	**12,502,836**	**10,477,880**

Maturities	31.12.2007	31.12.2006
in EUR '000		
up to one year	1,705,415	667,474
from one to five years	3,402,969	2,977,900
from five to ten years	2,700,167	3,122,203
more than ten years	4,694,285	3,710,303
Total	**12,502,836**	**10,477,880**

Life insurance mathematical reserve	31.12.2007	31.12.2006
in EUR '000		
Direct business	11,642,727	9,685,961
Policy benefits	10,304,020	8,494,153
Allocated profit shares	1,316,025	1,165,822
Committed profit shares	22,682	25,986
Indirect business	156,302	137,209
Policy benefits	156,302	137,209
Total	**11,799,029**	**9,823,170**

Health insurance mathematical reserve in EUR '000	31.12.2007	31.12.2006
Direct business	702,688	653,638
Individual policies	565,641	528,987
Group policies	137,047	124,651
Indirect business	992	949
Total	**703,680**	**654,587**

17. PROVISION FOR OUTSTANDING INSURANCE CLAIMS

Detail in EUR '000	31.12.2007	31.12.2006
Property/casualty insurance	2,866,932	2,525,041
Life insurance	98,499	76,563
Health insurance	43,520	42,651
Total	**3,008,951**	**2,644,255**

Development Property/Casualty insurance in EUR '000	31.12.2007	31.12.2006
Book value as of 31.12. of the previous year	**2,525,041**	**2,192,231**
Exchange rate	28,989	52,320
Book value as of 1.1.	**2,554,030**	**2,244,551**
Claims expenditure	2,183,031	1,948,770
Claims payments and processing expenses	−1,917,993	−1.716.440
Other changes	47,864	48,160
Book value as of 31.12.	**2,866,932**	**2,525,041**

Maturities in EUR '000	31.12.2007	31.12.2006
up to one year	1,687,251	1,560,653
from one to five years	594,026	593,341
from five to ten years	282,715	214,242
more than ten years	444,959	276,019
Total	**3,008,951**	**2,644,255**

A detailed presentation of the gross claims reserve is to be found in the section “Risk Reporting,” under the heading with the same name.

18. PROFIT INDEPENDENT AND PROFIT DEPENDENT PREMIUMS REFUND

Detail in EUR '000	31.12.2007	31.12.2006
Property/casualty insurance	28,585	22,191
of which dependent on profit	196	199
of which not dependent on profit	28,389	21,992
Life insurance	555,982	683,925
of which dependent on profit	553,965	683,925
of which not dependent on profit	17	0
Health insurance	18,321	18,401
dof which dependent on profit	3,601	3,601
of which not dependent on profit	14,720	14,800
Total	**600,888**	**724,517**
of which deferred life insurance profit participation	319,463	503,333
recognised in profit or loss	227,553	72,415
not recognised in profit or loss	91,910	430,918

Development in life insurance	31.12.2007	31.12.2006
in EUR '000		
Provision for refund of premiums		
Book value as of 31.12. of the previous year	**180,592**	**164,109**
Exchange rate	323	3,091
Book value as of 1.1.	**180,915**	**167,200**
Addition/release	134,568	109,628
Change in scope of consolidation	29,453	0
Transfer to mathematical reserve	−110,417	−96,236
Total	**234,519**	**180,592**
Deferred profit participation		
Book value as of 31.12. of the previous year	**503,333**	**545,867**
Exchange rate	−166	−5,963
Book value as of 1.1.	**503,167**	**539,904**
Change in scope of consolidation	57,482	0
Unrealised gains/losses from financial investments available for sale	−387,813	−85,909
Revaluations recognised through profit or loss	146,627	49,338
Book value as of 31.12.	**319,463**	**503,333**
PROVISION FOR REFUND OF PREMIUMS INCL. DEFERRED PROFIT PARTICIPATION	**553,982**	**683,925**

Development to health insurance	31.12.2007	31.12.2006
in EUR '000		
Provision for refund of premiums		
Book value as of 31.12. of the previous year	**18,401**	**17,531**
Book value as of 1.1.	**18,401**	**17,531**
Addition/release	−80	870
Book value as of 31.12.	**18,321**	**18,401**

Maturities	31.12.2007	31.12.2006
in EUR '000		
up to one year	403,584	503,333
from one to five years	178,991	165,635
from five to ten years	15,253	55,549
more than ten years	3,060	0
Total	**600,888**	**724,517**

19. OTHER UNDERWRITING PROVISIONS

Detail	31.12.2007	31.12.2006
in EUR '000		
Property/casualty insurance	12,668	11,848
Life insurance	5,488	3,449
Health insurance	944	870
Total	**19,100**	**16,167**

Other underwriting provisions relate chiefly to provision for anticipated lapses.

Development	Property/Casualty 31.12.2007	Life 31.12.2007	Health 31.12.2007	Total 31.12.2007	Total 31.12.2006
in EUR '000					
Book value as of 31.12. of the previous year	**11,848**	**3,449**	**870**	**16,167**	**15,239**
Exchange rate	−3	−21	0	−24	13
Book value as of 1.1.	**11,845**	**3,428**	**870**	**16,143**	**15,252**
Additions	11,330	4,724	944	16,998	7,859
Amount used/released	−10,507	−2,837	−870	−14,214	−6,976
Change in scope of consolidation	0	173	0	173	32
Book value as of 31.12.	**12,668**	**5,488**	**944**	**19,100**	**16,167**

Maturities in EUR '000	31.12.2007	31.12.2006
up to one year	18,750	16,027
from one to five years	186	140
from five to ten years	164	0
Total	**19,100**	**16,167**

20. UNDERWRITING PROVISIONS OF UNIT-LINKED AND INDEX-LINKED LIFE INSURANCE

Detail in EUR '000	31.12.2007	31.12.2006
Unit-linked life insurance	2,481,980	1,955,926
Index-linked life insurance	466,542	282,935
Total	**2,948,522**	**2,238,861**

Development in EUR '000	31.12.2007	31.12.2006
Book value as of 31.12. of the previous year	**2,238,861**	**1,729,868**
Exchange rate	8,087	2,238
Book value as of 1.1.	**2,246,948**	**1,732,106**
Additions	689,391	569,789
Amount used/released	−141,775	−63,034
Change in scope of consolidation	153,958	0
Book value as of 31.12.	**2,948,522**	**2,238,861**

Maturities in EUR '000	31.12.2007	31.12.2006
up to one year	94,853	20,687
from one to five years	352,364	293,202
from five to ten years	803,491	766,356
more than ten years	1,697,814	1,158,616
Total	**2,948,522**	**2,238,861**

21. PROVISIONS FOR PENSIONS AND SIMILAR OBLIGATIONS

Detail in EUR '000	31.12.2007	31.12.2006
Provisions for pension obligations	274,885	405,858
Provisions for post-employment obligations	129,733	120,526
Total	**404,618**	**526,384**

Development in pension obligations in EUR '000	31.12.2007	31.12.2006
Present value of the obligation (DBO) as of 31.12. of the previous year	**446,721**	**505,686**
Unrealised gains/losses	−40,863	−39,333
Book value as of 1.1.	**405,858**	**466,353**
Withdrawals for pension payments	−24,023	−20,723
Additions to provisions	33,105	32,509
Reduction in the obligation	−149,185	−78,661
Change in scope of consolidation	9,130	6,380
Book value as of 31.12.	**274,885**	**405,858**
Accumulated unrealised gains/losses	37,688	40,863
Present value of the obligation (DBO) as of 31.12.	**312,573**	**446,721**

Development in severance obligations in EUR '000	31.12.2007	31.12.2006
Book value as of 1.1.	**120,526**	**116,349**
Change in scope of consolidation	−5,144	−9,715
Additions to provisions	13,536	11,942
Withdrawals for post-employment benefit payments	815	1,950
Book value as of 31.12.	**129,733**	**120,526**

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 in EUR '000	31.12.2007	31.12.2006
Current service cost	8,158	8,041
Interest expense	24,947	24,435
Realised actuarial gains (−) or losses (+)	0	33
Total	**33,105**	**32,509**

Detail of additions to severance provisions in EUR '000	31.12.2007	31.12.2006
Current service cost	7,657	6,146
Interest expense	5,833	5,746
Realised actuarial gains (−) or losses (+)	46	50
Total	**13,536**	**11,942**

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 in EUR '000	31.12.2007	31.12.2006
Property/casualty insurance	66,729	45,120
Life insurance	54,831	27,270
Health insurance	4,469	4,469
Total	**126,029**	**76,859**

Development in EUR '000	31.12.2007	31.12.2006
Book value as of 31.12. of the previous year	**76,859**	**68,779**
Exchange rate	583	616
Book value as of 1.1.	**77,442**	**69,395**
Additions	48,261	19,894
Releases	−64	−4,733
Amount used	−12,069	−7,697
Veränderung Konsolidierungskreis	12,459	0
Book value as of 31.12.	**126,029**	**76,859**

Maturities in EUR '000	31.12.2007	31.12.2006
up to one year	126,029	76,859

23. OTHER PROVISIONS

Detail in EUR '000	Property/Casualty 31.12.2007	Life 31.12.2007	Health 31.12.2007	Total 31.12.2007	Total 31.12.2006
Provision for unused vacation entitlements	22,668	9,263	0	31,931	30,179
Provision for anniversary payments	8,839	5,551	1,928	16,318	15,578
Other personnel provisions	1,416	343	0	1,759	1,826
Provision for derivatives trading	0	90	0	90	10,296
Provisions for customer support and marketing	34,645	381	0	35,026	30,232
Provision for variable salary components	6,376	2,388	0	8,764	6,466
Provision for legal and consulting fees	1,518	1,198	27	2,743	1,770
Provisions for litigation	132	173	8	313	941
Provision for renewal commissions	0	231	0	231	145
Provision for unpaid incoming invoices	3,517	20,792	0	24,309	17,065
Other provisions	117,394	25,135	142	142,671	117,893
Total	**196,505**	**65,545**	**2,105**	**264,155**	**232,391**

Development in EUR '000	Book value 1.1.2007	Change in scope of con-solidation	Exchange rate	Amount used	Released	Rebooking	Additions	Book value 31.12.2007
Provision for unused vacation entitlements	30,179	464	146	−3,550	−25,733	0	30,425	31,931
Provision for anniversary payments	15,578	431	30	−366	−2,237	0	2,882	16,318
Other personnel provisions	1,826	0	39	−205	−1,055	0	1,154	1,759
Provision for derivatives trading	10,296	0	0	−1,140	−1,847	−6,995	76	90
Provisions for customer support and marketing	30,232	0	9	−726	−13,748	0	19,259	35,026
Provision for variable salary components	6,466	141	122	−1,005	−1,407	0	4,447	8,764
Provision for legal and consulting fees	1,770	73	4	−978	−162	−9	2,045	2,743
Provisions for litigation	941	97	3	−47	−848	0	167	313
Provision for renewal commissions	145	0	8	−70	−1	0	149	231
Provision for unpaid incoming invoices from real estate	17,065	0	123	−12,926	−1	0	20,048	24,309
Other provisions	117,893	−91	2,706	−20,495	−12,923	9	55,572	142,670
Total	**232,391**	**1,115**	**3,190**	**−41,808**	**−59,962**	**−6,995**	**136,224**	**264,155**

Maturities in EUR '000	31.12.2007	31.12.2006
up to one year	136,007	101,773
from one to five years	76,515	60,261
from five to ten years	893	0
more than ten years	50,740	70,357
Total	**264,155**	**232,391**

24. LIABILITIES

Detail in EUR '000	Property/Casualty 31.12.2007	Life 31.12.2007	Health 31.12.2007	Total 31.12.2007	Total 31.12.2006
Underwriting	**388,074**	**347,785**	**7,141**	**743,000**	**592,616**
Liabilities from direct business	293,055	115,032	6,037	414,124	396,011
with policyholders	189,055	65,467	5,777	260,299	271,707
with insurance brokers	81,381	18,166	0	99,547	86,932
with insurance companies	22,619	491	260	23,370	11,357
under financial insurance contracts	0	30,908	0	30,908	26,015
Liabilities from reinsurance business	93,886	9,826	0	103,712	85,872
Deposits on ceded reinsurance business	1,133	222,927	1,104	225,164	110,733
Non-underwriting	**217,384**	**1,513,944**	**214,346**	**1,945,674**	**1,263,823**
Liabilities to banks	138,269	558,124	122,584	818,977	483,282
Miscellaneous liabilities	79,115	955,820	91,762	1,126,697	780,541
Total	**605,458**	**1,861,729**	**221,487**	**2,688,674**	**1,856,439**

Detail of miscellaneous liabilities in EUR '000	31.12.2007	31.12.2006
Tax liabilities	52,297	42,603
Liabilities for social security	12,841	10,827
Liabilities to property managers	902	272
Liabilities to employees	13,118	12,373
Bond liabilities	2,088	2,225
Other miscellaneous liabilities	1,045,451	712,241
Total	**1,126,697**	**780,541**

Maturities in EUR '000	Underwriting 31.12.2007	Non-underwriting 31.12.2007	Total 31.12.2007	Total 31.12.2006
up to one year	712,897	205,848	918,745	879,065
from one to five years	10,625	266,938	277,563	159,990
from five to ten years	4,687	156,060	160,747	165,671
more than ten years	14,791	1,316,828	1,331,619	651,713
Total	**743,000**	**1,945,674**	**2,688,674**	**1,856,439**

Other liabilities are comprised primarily of liabilities from purchases of assets (EUR 30,568 million), financing liabilities (EUR 833,604 million), and interest on supplementary capital (EUR 4,232 million).

25. OTHER LIABILITIES

Detail in EUR '000	Property/Casualty 31.12.2007	Life 31.12.2007	Health 31.12.2007	Total 31.12.2007	Total 31.12.2006
Accrued liabilities	72,785	5,731	252	78,768	104,631
Miscellaneous other liabilities	2,916	24	0	2,940	1,532
Total	**75,701**	**5,755**	**252**	**81,708**	**106,163**

26. CONTINGENT LIABILITIES AND RECEIVABLES

Litigation

Wiener Städtische AG and its affiliated companies are involved in a number of legal disputes arising from the normal course of business. A description of certain pending and threatened legal proceedings is provided below. Unless discussed below, the management of Wiener Städtische AG does not expect legal disputes and legal proceedings to which the companies of the Vienna Insurance

Group are a party or which are being threatened against them will have a material adverse effect on the business or consolidated financial position of the Vienna Insurance Group.

Coverage-related proceedings

In its capacity as an insurance company, the Vienna Insurance Group and its affiliated companies are involved as a defendant in a number of court proceedings or have been threatened with legal actions. In addition, there are proceedings to which the companies of the Vienna Insurance Group are not a party, but whose outcome could have an effect on them due to agreements with other insurers concerning participation in losses. In the opinion of the Vienna Insurance Group, adequate provisions have been formed to all claims of the Austrian Group companies, based on the amount in dispute.

Threatened and Pending Judicial and Arbitration Proceedings

Legal action by the Association for Consumer Information (Verein für Konsumenteninformation, VKI)

In a class action suit filed in 2005, the Association for Consumer Information objected to some of the clauses contained in Wiener Städtische AG's standard contract terms (AVB) for traditional life insurance due, among other things, to a violation of the transparency requirement, and has demanded that Wiener Städtische AG omit these clauses in the future. Since that time, the suit has also been extended to Wiener Städtische AG's standard contract terms for unit-linked life insurance. The objection is aimed specifically against the following traditional life insurance provisions:

- Allocation of the full costs of writing a policy right at the start of the policy ("zillmerisation");
- Deduction of a charge against the surrender value of a policy;
- Restriction of valid declarations made by the insurer to those made in writing;
- Deemed delivery of a declaration made by the insurer to the policyholder when the declaration is sent to the last address of the policyholder known to the insurer.

With respect to unit-linked life insurance, VKI objects to the following provisions of the standard contract terms:

- The way in which the costs of the policy are allocated against the insurance premium and the manner in which these costs are presented;
- Deduction of a death risk premium from the actuarial reserve;
- Specification of a direct debit procedure as the only possible way to make premium payments;
- Charges for policy set-up costs and a processing fee in the case of policy surrender;
- Allocation of the costs of writing a policy to the start of the policy term.

In addition to Wiener Städtische AG, the other Austrian companies in the Group and most other large Austrian insurance companies have comparable clauses in their standard contract terms. VKI has also filed similar legal actions against UNION (which in the mean-time has merged with BA-CA Versicherung) and other Austrian insurance companies. Wiener Städtische AG und BA-CA Versicherung are disputing the legitimacy of VKI's action. They also consider the action to be without merit, particularly in view of the fact that the contract clauses criticized by VKI as non-transparent and/or unlawful are either specified in individual agreements or reflect statutory provisions. The claim against Wiener Städtische AG was granted in all forums (most recently on 15 November 2007). VKI waived publication of the decision. The challenged clauses were replaced with new ones — with the substantive approval of the Financial Market Authority — which are also legal from the standpoint of this judicial decision. Similarly, the claim against BA-CA Versicherung was granted in the courts of first and second instance (most recently on 12 October 2007). However, an extraordinary appeal from the appellate court's ruling was filed, and the decision of the Supreme Court of Justice is still pending. The Vienna Insurance Group has already formed provisions against the consequences of the judicial decisions which it regards as adequate given the current status of the proceedings. The management of the Vienna Insurance Group does not believe that the decisions will have a material impact on the Vienna Insurance Group's net assets, financial position or results of operations.

Off-balance sheet commitments

The following table shows the off-balance sheet commitments as at 31 December 2007, 2006 and 2005.

in million EUR	Financial year ended 31 December		
	2005	2006	2007
Liabilities and assumed liabilities	11.0	11.0	18.2
Letters of comfort	8.2	11.2	8.2
Guarantee bonds	0.2	0.2	2.2

The liabilities and assumed liabilities, as well as the letters of comfort for the individual financial years were primarily related to loans from holding companies. The guarantee bond was in relation to an operating company.

No off-balance sheet financing structures via special purpose vehicles (SPVs) or other similar corporate structures exist.

27. NET EARNED PREMIUMS

The premiums written and earned in the reporting period of 2007 and in the comparable period of 2006 are broken down by segments as follows:

Premiums written in EUR '000	Property/Casualty 2007	Life 2007	Health 2007	Total 2007
GROSS				
Direct business	3,647,516	2,930,963	306,375	6,884,854
Austria	1,474,451	1,898,439	306,375	3,679,265
Czech Repbulic	830,859	292,326	0	1,123,185
Slovakia	295,720	197,664	0	493,384
Poland	323,766	218,799	0	542,565
Romania	399,070	13,602	0	412,672
Other CEE	257,696	124,916	0	382,612
Other markets	65,954	185,217	0	251,171
Indirect business	23,652	3,203	222	27,077
Premiums written	**3,671,168**	**2,934,166**	**306,597**	**6,911,931**
CEDED TO REINSURERS	−784,132	−58,221	−982	−843,335
Premiums written — retained	**2,887,036**	**2,875,945**	**305,615**	**6,068,596**

Net earned premiums in EUR '000	Property/Casualty 2007	Life 2007	Health 2007	Total 2007
GROSS				
Direct business	3,493,890	2,945,986	306,258	6,746,134
Indirect business	22,868	3,264	222	26,354
Net earned premiums	**3,516,758**	**2,949,250**	**306,480**	**6,772,488**
CEDED TO REINSURERS	−770,005	−59,808	−982	−830,795
Net earned premiums — retained	**2,746,753**	**2,889,442**	**305,498**	**5,941,693**

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
Poland	215,707	119,340	0	335,047
Romania	213,814	12,092	0	225,906
Other CEE	117,689	80,684	0	198,373
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**

Gross premiums written — Property/casualty insurance	Gross 2007	Ceded to reinsurers 2007	Retained 2007	Gross 2006
in EUR '000				
Direct business				
Insurance for business interruption following fire	456,168	−264,900	191,268	404,634
Household insurance	183,343	−23,236	160,107	165,942
Other non-life insurance	310,727	−126,248	184,479	251,912
Motor vehicle liability insurance	1,077,546	−152,862	924,684	903,947
Other motor vehicle insurance	820,445	−50,482	769,963	599,171
Casualty insurance	244,825	−39,594	205,231	214,307
Liability insurance	235,279	−44,341	190,938	209,641
Legal expenses insurance	43,360	−349	43,011	42,158
Marine, aviation, and transport insurance	59,052	−36,626	22,426	44,103
Credit and guarantee insurance	56,979	−2,712	54,267	35,007
Other insurance	159,792	−24,358	135,434	167,989
Subtotal	3,647,516	−765,708	2,881,808	3,038,811
Indirect business				
Marine, aviation, and transport insurance	1,401	−93	1,308	1,022
Other insurance	22,251	−18,331	3,920	27,318
Subtotal	23,652	−18,424	5,228	28,340
Total	**3,671,168**	**−784,132**	**2,887,036**	**3,067,151**

A portion of the earned premiums of EUR 22,868,000 (EUR 29,937,000) from **indirect business** in the property/casualty insurance area and EUR 3,264,000 (EUR 13,586,000) in the life insurance area were included in the income statement after being deferred by one year.

Premiums written — Direct life insurance business	2007	2006
in EUR '000		
Regular premium policies	1,795,877	1,489,521
Endowment insurance, not including risk insurance	758,133	736,956
Risk insurance	171,298	132,241
Pension insurance	276,551	222,151
Unit-linked insurance	356,317	250,211
Index-linked insurance	40,096	1,866
Government-sponsored pension plans	193,482	146,096
Single premium policies	1,135,086	1,013,327
Endowment insurance, not including risk insurance	530,782	504,163
Risk insurance	34,031	27,465
Pension insurance	157,359	172,606
Unit-linked insurance	321,384	259,397
Index-linked insurance	91,530	49,696
Total direct life premiums written	**2,930,963**	**2,502,848**
of which:		
Policies with profit participation	1,724,693	1,646,190
Policies without profit participation	1,206,270	856,658
of which:		
Individual policies	2,605,864	2,290,767
Group policies	325,099	212,081

Please refer to the relevant individual financial statements for information on investments of unit- and index-linked life insurance.

Gross premiums written — Health insurance	2007	2006
in EUR '000		
Direct business	306,375	297,720
Individual policies	214,736	207,945
Group policies	91,639	89,775
Indirect business	222	180
Group policies	222	180
Total health premiums written	**306,597**	**297,900**

28. RESULT FROM SHARES IN AFFILIATED AND ASSOCIATED COMPANIES

Detail — income	Property/Casualty 2007	Life 2007	Health 2007	Total 2007
in EUR '000				
Current income	476	6,335	−164	6,647
Gains from disposal of investments	265	37	0	302
Total	**741**	**6,372**	**−164**	**6,949**

Detail — income	Current income 2007	Gains from disposal of investments 2007	Total 2007
in EUR '000			
Shares in unconsolidated affiliated companies	1,599	265	1,864
Shares in associated companies valued at equity	5,048	37	5,085
Total	**6,647**	**302**	**6,949**

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 — expenses	Property/Casualty 2007	Life 2007	Health 2007	Total 2007
in EUR '000				
Depreciation on investments	71	8	0	79

Detail — expenses	Depreciation on Investments 2007	Total 2007
in EUR '000		
Shares in unconsolidated affiliated companies	79	79

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 investments 2006	Losses from disposal of 2006	Total 2006
in EUR '000			
Shares in unconsolidated affiliated companies	21,222	4,235	25,457

The current loss from associated companies consolidated at equity not recognised in the income statement was EUR 9,000.

29. FINANCIAL RESULT

Detail — income	Property/Casualty 2007	Life 2007	Health 2007	Total 2007
in EUR '000				
Current income	145,814	821,963	30,413	998,190
Income from write-ups	10,548	25,816	2,210	38,574
Income from the disposal of investments	84,726	308,414	9,996	403,136
Total	**241,088**	**1,156,193**	**42,619**	**1,439,900**

Detail — income in EUR '000	Current income 2007	Income from write-ups 2007	Gains from the disposal of investments 2007	Total 2007
Owner-occupied land and buildings	10,983	0	3,196	14,179
Third-party leased land and buildings	204,098	0	26,899	230,997
Shares of other companies in which an ownership interest is held	12,468	0	11,034	23,502
Loans	63,460	0	17	63,477
Financial investments held to maturity	15,524	0	2,413	17,937
Fixed-interest securities	15,468	0	2,413	17,881
Other securities	56	0	0	56
Financial investments available for sale	563,948	0	329,185	893,133
Equities	41,076	0	230,397	271,473
Investment funds	61,737	0	69,039	130,776
Remaining non-fixed-interest securities	26,336	0	5,312	31,648
Fixed-interest securities of associated companies	1,061	0	0	1,061
Fixed-interest securities of participating companies	13,771	0	89	13,860
Fixed-interest securities	419,071	0	24,348	443,419
Other securities	896	0	0	896
Trading assets	19,413	32,407	18,907	70,727
Fixed-interest securities	18,052	20,078	3,297	41,427
Equities	420	5,653	4,727	10,800
Investment funds	26	922	137	1,085
Derivates	0	5,754	10,746	16,500
Other securities	915	0	0	915
Financial investments recognised at fair value through profit or loss	5,716	6,167	5,233	17,116
Fixed-interest securities	5,095	3,196	55	8,346
Equities	196	2,096	1,823	4,115
Investment funds	360	875	3,355	4,590
Other securities	65	0	0	65
Other investments	88,926	0	708	89,634
Unit-linked and index-linked life insurance	13,654	0	5,544	19,198
Total	**998,190**	**38,574**	**403,136**	**1,439,900**

Detail — income in EUR '000	Property/Casualty 2006	Life 2006	Health 2006	Total 2006
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 in EUR '000	Current income 2006	Income from write-ups 2006	Gains from the disposal of investments 2006	Total 2006
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
Fixed-interest securities	13,189	0	0	13,189
Other securities	4	0	0	4
Financial investments available for sale	457,592	0	181,010	638,602
Equities	34,716	0	115,708	150,424
Investment funds	42,603	0	46,660	89,263
Remaining non-fixed-interest securities	23,113	0	1,214	24,327
Fixed-interest securities of associated companies	842	0	32	874
Fixed-interest securities of participating companies	9,317	0	2,479	11,796
Fixed-interest securities	346,383	0	14,917	361,300
Other securities	618	0	0	618
Trading assets	14,041	28,418	7,473	49,932
Fixed-interest securities	13,080	23,546	734	37,360
Equities	216	3,451	1,655	5,322
Investment funds	4	686	214	904
Derivates	0	735	4,870	5,605
Other securities	741	0	0	741
Financial investments recognised at fair value through profit or loss	3,272	3,979	1,285	8,536
Fixed-interest securities	2,955	1,300	143	4,398
Equities	20	1,344	206	1,570
Investment funds	297	1,305	936	2,538
Other securities	0	30	0	30
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 — expenses in EUR '000	Property/Casualty 2007	Life 2007	Health 2007	Total 2007
Depreciation on investments	42,939	102,040	10,990	155,969
Exchange rate	−206	1,502	3	1,299
Losses from the disposal of investments	8,441	58,053	4,580	71,074
Interest expenses	26,086	87,814	7,834	121,734
Personnel provision	14,657	13,807	2,849	31,313
Interest on borrowings	11,429	74,007	4,985	90,421
Other expenses	16,039	75,105	2,906	94,050
Total	**93,299**	**324,514**	**26,313**	**444,126**

Detail — expenses in EUR '000	Depreciation on Investments 2007	Exchange rate changes 2007	Losses from the disposal of investments 2007	Total 2007
Owner-occupied land and buildings	11,502	0	860	12,362
Third-party leased land and buildings	84,552	0	0	84,552
Shares of other companies in which an ownership interest is held	3,543	0	46	3,589
Loans	161	−18	0	143
Financial investments held to maturity	0	102	30	132
Fixed-interest securities	0	102	30	132
Financial investments available for sale	15,003	1,902	48,865	65,770
Equities	12,003	−30	13,567	25,540
Investment funds	1,540	0	14,839	16,379
Remaining non-fixed-interest securities	210	372	4,147	4,729
Fixed-interest securities of associated companies	0	0	78	78
Fixed-interest securities of participating companies	0	83	596	679
Fixed-interest securities	1,250	1,478	15,638	18,366
Other securities	0	−1	0	−1
Trading assets	31,841	1,077	17,049	49,967
Fixed-interest securities	28,313	1,077	1,000	30,390
Equities	1,310	0	740	2,050
Investment funds	1,185	0	9	1,194
Derivates	718	0	15,092	15,810
Other securities	315	0	208	523
Financial investments recognised at fair value through profit or loss	9,324	222	2,115	11,661
Fixed-interest securities	6,961	27	1,117	8,105
Equities	1,848	116	295	2,259
Investment funds	515	79	703	1,297
Other investments	43	−1,986	1,231	−712
Unit-linked and index-linked life insurance	0	0	878	878
Total	**155,969**	**1,299**	**71,074**	**228,342**
thereof impairment	*30,952*			

Detail — expenses in EUR '000	Property/Casualty 2006	Life 2006	Health 2006	Total 2006
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 in EUR '000	Depreciation on Investments 2006	Exchange rate changes 2006	Losses from the disposal of investments 2006	Total 2006
Owner-occupied land and buildings	7,060	0	188	7,248
Third-party leased land and buildings	94,816	0	162	94,978
Shares of 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
Fixed-interest securities	0	734	0	734
Other securities	0	−2	0	−2
Financial investments available for sale	4,175	−663	38,755	42,267
Equities	3,862	0	4,341	8,203
Investment funds	309	0	7,672	7,981
Remaining non-fixed-interest securities	0	0	61	61
Fixed-interest securities of associated companies	4	0	55	59
Fixed-interest securities of participating companies	0	41	586	627
Fixed-interest securities	0	−480	22,100	21,620
Other securities	0	−224	3,940	3,716
Trading assets	11,221	1,655	6,988	19,864
Fixed-interest securities	8,261	1,631	1,604	11,496
Equities	1,030	0	1,504	2,534
Investment funds	64	24	0	88
Derivates	1,397	0	3,736	5,133
Other securities	469	0	144	613
Financial investments recognised at fair value through profit or loss	1,573	124	448	2,145
Fixed-interest securities	1,119	159	442	1,720
Equities	88	0	0	88
Investment funds	359	−35	6	330
Other securities	7	0	0	7
Other investments	310	512	63	885
Unit-linked and index-linked life insurance	0	0	1,373	1,373
Total	**125,170**	**2,349**	**48,177**	**175,696**
thereof impairment	*38,174*			

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 in EUR '000	Property/Casualty 2007	Life 2007	Health 2007	Total 2007
Other underwriting income	23,981	6,372	33	30,386
Other non-underwriting income	11,281	10,291	2	21,574
Total	**35,262**	**16,663**	**35**	**51,960**

The Other income of EUR 9,899 million results primarily from current non-underwriting income from fully consolidated non-insurance companies. An additional EUR 6,948 million results from the payment of receivables written off in prior periods.

Detail in EUR '000	Property/Casualty 2006	Life 2006	Health 2006	Total 2006
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**

31. EXPENSES FOR CLAIMS AND INSURANCE BENEFITS

Detail in EUR '000	Gross 2007	Ceded to reinsurers 2007	Retained 2007
Property/casualty insurance			
Expenses for insurance claims			
Claims and benefits	1,917,993	−386,330	1,531,663
Changes in provisions for outstanding claims	265,038	−53,785	211,253
SUBTOTAL	**2,183,031**	**−440,115**	**1,742,916**
Change in mathematical reserve	1	3	4
Change in other underwriting provisions	1,071	−64	1,007
Expenses for the refund of premiums not dependent on profit	21,432	−998	20,434
TOTAL EXPENSES	**2,205,535**	**−441,174**	**1,764,361**
Life insurance			
Expenses for insurance benefits			
Claims and benefits	1,449,787	−25,255	1,424,532
Changes in provisions for outstanding claims	14,845	−998	13,847
SUBTOTAL	**1,464,632**	**−26,253**	**1,438,379**
Change in mathematical reserve	1,299,023	−23,569	1,275,454
Change in other underwriting provisions	267	0	267
Expenses for the refund of premiums dependent to and not dependent on profit	286,140	−14	286,126
TOTAL EXPENSES	**3,050,062**	**−49,836**	**3,000,226**
Health insurance			
Expenses for insurance claims			
Claims and benefits	207,303	−899	206,404
Changes in provisions for outstanding claims	869	−42	827
SUBTOTAL	**208,172**	**−941**	**207,231**
Change in mathematical reserve	49,021	−81	48,940
Expenses for the refund of premiums not dependent on profit	10,749	0	10,749
TOTAL EXPENSES	**267,942**	**−1,022**	**266,920**
TOTAL	**5,523,539**	**−492,032**	**5,031,507**

Detail in EUR '000	Gross 2006	Ceded to reinsurers 2006	Retained 2006
Property/casualty insurance			
Expenses for insurance claims			
Claims and benefits	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 and 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 and 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**

32. OPERATING EXPENSES

Detail in EUR '000	Property/Casualty 2007	Life 2007	Health 2007	Total 2007
Commissions and other acquisition expenses	733,402	436,055	24,615	1,194,072
Commission expenses	487,347	286,327	5,588	779,262
Pro rata personnel expenses	139,473	60,254	10,301	210,028
Pro rata material costs	106,582	89,474	8,726	204,782
SUBTOTAL	**733,402**	**436,055**	**24,615**	**1,194,072**
Administrative expenses	211,838	108,192	14,193	334,223
Pro rata personnel expenses	103,449	43,713	5,727	152,889
Pro rata material costs	108,389	64,479	8,466	181,334
SUBTOTAL	**211,838**	**108,192**	**14,193**	**334,223**
Reinsurance commissions received	−170,242	−12,827	−116	−183,185
Total	**774,998**	**531,420**	**38,692**	**1,345,110**

Detail in EUR '000	Property/Casualty 2006	Life 2006	Health 2006	Total 2006
Commissions and other acquisition expenses	613,771	389,362	22,957	1,026,090
Commission expenses	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	183,152	97,405	13,241	293,798
Pro rata personnel expenses	106,869	46,693	7,283	160,845
Pro rata material costs	76,283	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**

33. OTHER EXPENSES

Detail in EUR '000	Property/Casualty 2007	Life 2007	Health 2007	Total 2007
Other underwriting expenses	106,826	42,893	995	150,714
Other non-underwriting expenses	19,219	12,408	43	31,670
Total	**126,045**	**55,301**	**1,038**	**182,384**

Other expenses consist primarily of other underwriting amounts and fees of EUR 47,623 million, value adjustments (not including investments) of EUR 35,762 million and current non-underwriting operating expenses of EUR 25,091 million.

Detail in EUR '000	Property/Casualty 2006	Life 2006	Health 2006	Total 2006
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**

34. TAX EXPENSES

Detail — tax expense in EUR '000	2007	2006
Actual taxes	73,337	42,897
Actual taxes related to other periods	7,497	653
TOTAL ACTUAL TAXES	**80,834**	**43,550**
Deferred taxes	7,591	13,096
Total	**88,425**	**56,646**

Tax reconciliation in EUR '000	2007	2006
Expected tax rate in %	25%	25%
Profit before taxes	437,296	320,967
EXPECTED TAX EXPENSE	**109,324**	**80,242**
Adjusted for tax effects due to:		
Tax-exempt income from ownership interests	−21,200	−29,234
Non-deductible expenses	19,418	20,609
income not subject to tax	−14,142	−15,054
Taxes from previous years	7,497	653
Change in tax rates	−5,763	−2,557
Adjustment for accumulated losses carried forward and other tax effects	−6,709	1,987
EFFECTIVE INCOME TAX EXPENSE	**88,425**	**56,646**
Effective tax rate in %	**20.2%**	**17.6%**

The (Austrian) income tax rate of parent company WIENER STÄDTISCHE Versicherung AG VIENNA INSURANCE GROUP is used as the Group tax rate. A loss carryforward of EUR 6,797 million was used for the first time, changing deferred taxes by EUR −1,699 million.

35. OTHER INFORMATION

Employee statistics	31.12.2007	31.12.2006
Austria	6,138	5,747
Field sales representatives	2,845	2,822
Office employees	3,293	2,925
Outside Austria	14,169	12,840
Field sales representatives	7,614	6,548
Office employees	6,555	6,292
Total	**20,307**	**18,587**

Personnel expenses in EUR '000	2007	2006
Wages and salaries	377,676	334,539
Expenses for post-employment benefits and payments to company pension plans	8,520	8,358
Expenses for retirement provisions	4,739	14,054
Mandatory social security contributions and expenses	116,614	101,182
Other social security expenses	4,328	4,477
Total	**511,877**	**462,610**
of which field sales employees	244,526	215,218
of which office employees	267,351	247,392
Expenses for severances and pensions for:		
Management Board members and senior management	4,218	8,291
remaining employees	9,041	14,121

Managing Board and Supervisory Board compensation (gross) in EUR '000	2007	2006
Management Board compensation	4,971	5,562*
Supervisory Board compensation	226	157
Compensation for former Management Board members	1,042	974
Pension expense for		
Management Board members	1,641	2,163
former Management Board members	1,042	974

* excl. special gross compensation of EUR 9 million.

The average number of employees in the **fully consolidated companies** (including cleaning personnel) was 19,271 (17,746). Of these, 9,942 (8,856) were active in sales, resulting in personnel expenses of EUR 242,378 million (EUR 214,046 million), and 9,329 (8,890) were in operations, resulting in personnel expenses of EUR 263,625 million (EUR 243,935 million).

The average number of employees in **proportionally consolidated companies** (including cleaning personnel) was 1,036 (841). Of these, 517 (514) were active in sales, resulting in personnel expenses of EUR 2,148 million (EUR 1,172 million), and 519 (327) were in operations, resulting in personnel expenses of EUR 3,726 million (EUR 3,457 million).

The Supervisory Board is composed of the following persons:

Members elected by the General Shareholders' Meeting:

President Komm.-Rat Dkfm. Klaus **Stadler**
Chairman

Komm.-Rat Dr. Karl **Skyba**
Deputy Chairman

Generalabt Propst Bernhard **Backovsky**
Peter **Haunschmidt** (until 25 May 2007)
Mag. Alois **Hochegger**
Dipl.-Eng . Guido **Klestil**
Senator Prof. Komm.-Rat Walter **Nettig**
Hofrat Dkfm Heinz **Öhler**
Mag. Reinhard **Ortner**
Dr. Johann **Sereinig**
Mag. Dr. Friedrich **Stara**

Employee representatives:
Peter **Grimm**
Heinz **Neuhauser**
Franz **Urban**
Gerd **Wiehart**
Peter **Winkler**

All members of the Supervisory Board elected by the General Shareholders' Meeting declare that they are to be regarded as independent in accordance with 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 2007 which would have required approval from the Supervisory Board.

Compensation plan for members of the Supervisory Board:

In accordance with resolutions passed by the 16th ordinary General Shareholders' Meeting of 25 May 2007, the members of the Supervisory Board elected by the General Shareholders' Meeting are entitled to receive compensation in the form of a monthly payment 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 are entitled to 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 2007.

No guarantees existed for Supervisory Board members as of 31 December 2007.

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**
General Manager
Member of the Managing Board since 1987

Mag. Robert **Lasshofer**
Deputy General Manager
Member of the Managing Board since 1999

Dr. Rudolf **Ertl**
Member of the Managing Board since 2001

Dr. Peter **Hagen**
Member of the Managing Board since 2004

Dr. Martin **Simhandl**
Member of the Managing Board since 2004

There were no loans outstanding to Managing Board members as of 31 December 2007.

No guarantees existed for Managing Board members as of 31 December 2007.

Compensation Plan for Managing Board Members:

The Managing Board of the Company manages the Vienna Insurance Group. The Managing Board is also responsible for duties relating to the operational management of Wiener Städtische AG in Austria. In some cases, responsibility may also be assumed for additional duties in affiliated or related companies.

The compensation of Managing Board members is comprised of a fixed (approximately 60%) and a variable (approximately 40%) component. The performance-linked component is mainly dependent on the profit before taxes of the Group, although the profit before tax of WIENER STÄDTISCHE AG Austria is also involved. There is a maximum limit on this performance-linked component. The Managing Board receives no performance-linked compensation if the result from ordinary operations falls below certain thresholds.

The standard employment agreement of a member of the Managing Board of WIENER STÄDTISCHE Versicherung AG VIENNA INSURANCE GROUP includes a pension equal to at most 40% of the measurement basis if the member remains in the Managing Board until the age of 65 (the measurement basis is equal to the fixed salary). 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 his or her own, 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 provisions in the Austrian Employee Act (Angestelltengesetz) in combination with relevant sector-specific provisions. 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 2007, the total expenses for severance benefits and pensions of EUR 13,259 million (2006: EUR 22,412 million) included post-employment benefit and pension expenses of EUR 4,218 million (2006: 8,291 million) for Managing Board members and senior management according to § 80 (1) of the Austrian Stock Corporation Act (AktG). In 2007, the members of the Managing Board received gross compensation for their services equal to EUR 4,971 million (2006: 5,562 million). The members of the Managing Board also received special gross compensation of EUR 9 million in 2006 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 1,042 million in 2007 (2006: EUR 974,000).

The following individuals were appointed as trustees during the fiscal year in accordance with § 22 (1) of the Austrian Insurance Supervision Act (VAG):

Mag. Oskar **Ulreich**
Substitute: Mag. Nicole **Plankenbüchler**

Starting in 2008:

Trustee — life insurance department — § 20 para. 2 line 1 VAG (as per 1 January 2008):
Mag. Oskar **Ulreich**
Substitute: Mag. Nicole **Plankenbüchler**

Trustee except for life insurance department — § 20 para. 2 line 1 VAG (as per 1 February 2008):
Mag. Wolfgang **Pechriggl**
Substitute: Mag. Michael **Hysek**

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 2007 and 31 December 2006.

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 in EUR '000	31.12.2007	31.12.2006
Receivables		
Receivables from insurance business	0	374
Other receivables	29,984	22,884
Subtotal	**29,984**	**23,258**
Liabilities		
Liabilities from insurance business	−2,338	−947
Other liabilities	−11,922	−14,100
Subtotal	**−14,260**	**−15,047**
Total	**15,724**	**8,211**
Loans to non-consolidated affiliated companies	240,016	25,359
Loans to other associated companies	79,921	25,147

37. LEASING BUSINESS

Central Point Insurance IT-Solutions GmbH is a company whose purpose is to work together with SAP Österreich GmbH and other outside partners to custom-tailor a complete EDP solution for financial service companies and a policy management programme for insurance companies that meets the needs of individual users, to link this software to these companies' EDP systems, and to grant appropriate licences of the software. The users in question are mainly companies affiliated with Wiener Städtische.

Schedule of payments due in EUR '000	
up to one year	17,533
from one to five years	121,769
more than five years	33,708

SIGNIFICANT EVENTS AFTER THE BALANCE SHEET REPORTING DATE

Polish Cigna now named InterRisk

Since 6 February 2008, the Polish non-life insurance company TUiR Cigna STU S.A. has been operating under the new company name TU InterRisk S.A. as a new, future-oriented brand in the Polish insurance market. The Vienna Insurance Group has held a majority interest in this company since March 2006.

Purchase of Ukrainska Strakhova Grupa concluded

The Vienna Insurance Group has expanded its position in the Ukrainian insurance market. The Vienna Insurance Group has acquired 62% of the share capital of Ukrainska Strakhova Grupa via TBIH Financial Services Group N.V. (TBIH). The shares were acquired from companies affiliated with UkrGasBank. Arrangements have been made for these companies to sell the remaining shares to TBIH over the next five years.

Entry into the three Baltic markets finalised

At the end of February 2008, the Vienna Insurance Group successfully finalised its entry into the three Baltic markets of Estonia, Latvia and Lithuania. After receiving official approval, the Vienna Insurance Group acquired 100% of the shares of Seesam Life Insurance SE (Seesam) from the Finnish Suomi Mutual Life Assurance Company.

Establishment of a reinsurance company headquartered in Prague

The Vienna Insurance Group announced the establishment of its own reinsurance company in 2008. The new reinsurance company will be headquartered in Prague and have equity of EUR 100 million at its disposal. The company is expected to achieve a premium volume of about EUR 300 million in the next two to three years.

Shares trading under a new business name

The shares of WIENER STÄDTISCHE Versicherung AG VIENNA INSURANCE GROUP listed in the Prime Market have been trading under the new business name Vienna Insurance Group with the securities symbol VIG since 1 February 2008.

Listing on the Prague Stock Exchange

The shares of the Vienna Insurance Group have been listed in the Main Market of the Prague Stock Exchange since 5 February 2008.

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, 12 March 2008

REPORT OF THE SUPERVISORY BOARD

The Supervisory Board reports that it has taken the opportunity to 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 Management Board, who provided exhaustive explanations and evidence relating to the management and the financial position of the Group on the basis of appropriate 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 2007. In addition, two meetings of the Audit Committee were held. The committee for decisions on urgent matters was contacted on a total of ten 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 meetings, the Supervisory Board meetings which dealt with the approval of the annual financial statements and their preparation and with the audit of the annual financial statements and consolidated financial statements, as well as the Annual General Meeting of Shareholders. In addition, in 2007 two meetings of the committee for Management Board matters were also held.

No agenda items were discussed in the Supervisory Board and committee meetings without participation by members of the Management Board. No member of the Supervisory Board attended fewer than half of the Supervisory Board meetings.

The 2007 annual financial statements and management report from the Management Board was received, reviewed and carefully examined by the Supervisory Board Audit Committee. The Supervisory Board Audit Committee also carefully reviewed the 2007 consolidated financial statements and Group management report. The proposal of the Management Board for appropriation of the profits was also debated and discussed in the course of this review. At a result of this review and discussion, a unanimous resolution was adopted to recommend to the Supervisory Board unqualified acceptance thereof. The committee chairman informed the Supervisory Board of the resolutions adopted by the committee.

The 2007 annual financial statements and management report, the 2007 consolidated financial statements and Group management report, as well as the Management Board's proposal for appropriation of the 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 Management Board, and to indicate its consent to the Management Board's proposal for appropriation of the profits.

The 2007 annual financial statements have therefore been approved in accordance with § 125 (2) of the Austrian Stock Corporation Act.

The Supervisory Board further informs the General Meeting of Shareholders that the 2007 annual financial statements and management report, and the 2007 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 ultimate findings of the audit provided no basis for any qualifications to be raised. The Supervisory Board in turn declares that it has nothing to add to the auditor's report.

The Supervisory Board therefore proposes to the Annual General meeting of Shareholders

that it decide on the appropriation of profits in accordance with the proposal of the Management Board and give its discharge to the actions of the Management Board and of the Supervisory Board.

Vienna, March 2008

The Supervisory Board:

KR Dkfm. Klaus Stadler
(Chairman)

INDEPENDENT AUDITOR'S REPORT

We have audited the consolidated financial statements of

WIENER STÄDTISCHE Versicherung AG
VIENNA INSURANCE GROUP, Vienna,

for the **financial year from 1 January to 31 December 2007.** Those financial statements comprise the balance sheet as at 31 December 2007, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with laws and regulations applicable in Austria and Austrian Standards on Auditing and International Standards on Auditing, issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluation of the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Audit opinion

Our audit did not give rise to any objections. Based on the results of our audit in our opinion the consolidated financial statements present fairly, in all material respects, the financial position of the group as of 31 December 2007 and of its financial performance and its cash flows for the financial year from 1 January 2007 to 31 December 2007 in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU.

Report on other Legal requirements

Law and regulation applicable in Austria require us to perform audit procedures whether the group management report is consistent with the consolidated financial statements and whether the other disclosures made in the group management report do not give rise to misconception of the position of the group.

In our opinion, the Group Management Report is consistent with the consolidated financial statements.

KPMG Austria GmbH
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

Mag. Michael Schlenk	**Mag. Thomas Smrekar**
Wirtschaftsprüfer	**Wirtschaftsprüfer**

Vienna, 12 March 2008

CONSOLIDATED BALANCE SHEET AS OF 31 DECEMBER 2006

ASSETS in EUR '000	Notes	31.12.2006	31.12.2005
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 in EUR '000	Notes	31.12.2006	31.12.2005
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 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**	**57,8402,059,332**	
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 2.9 55 million.

In the fiscal year 2006 the shareholders' equity of associated companies did not change according to IAS 28.39.

Minority Interests in EUR '000	31.12.2006	31.12.2005
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**

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

in EUR '000	Notes	2006	2005
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
Administrative 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 DECEMBER 2006

in EUR '000	2006	2005
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 in EUR '000	Property/Casualty 31.12.2006	Property/Casualty 31.12.2005	Life 31.12.2006	Life 31.12.2005	Health 31.12.2006	Health 31.12.2005	Total 31.12.2006	Total 31.12.2005
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 in EUR '000	Property/Casualty 31.12.2006	Property/Casualty 31.12.2005	Life 31.12.2006	Life 31.12.2005	Health 31.12.2006	Health 31.12.2005	Total 31.12.2006	Total 31.12.2005
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 in EUR '000	Property/Casualty 2006	Property/Casualty 2005	Life 2006	Life 2005	Health 2006	Health 2005	Total 2006	Total 2005
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 in EUR '000	Austria 2006	Austria 2005	Czech Republic 2006	Czech Republic 2005	Slovakia 2006	Slovakia 2005
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

in EUR '000	Other CEE 2006	Other CEE 2005	Other markets 2006	Other markets 2005	Total 2006	Total 2005
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 not included in the consolidated financial statements and were therefore deconsolidated.

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%.

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 GesmbH, 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.", Vienna	99.45	1.1.2006

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

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.

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 carryforwards

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 F-89 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
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

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.

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.

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

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.

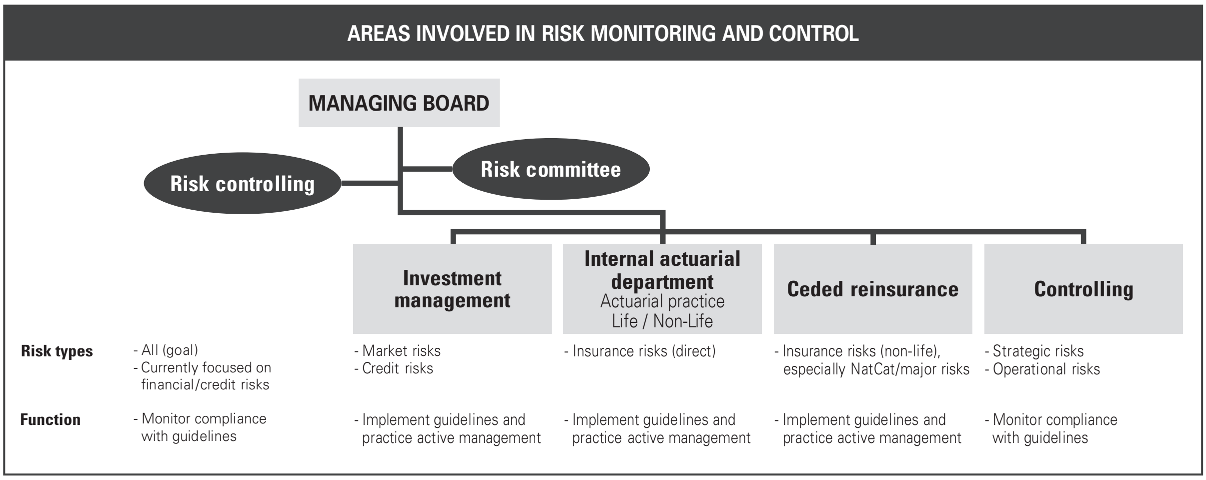
Effective risk and opportunities management requires ERM (Enterprise Risk Management) and a risk policy and risk strategy set by management. ERM enables managers to deal effectively with uncertainty and the risks and opportunities it involves, and strengthens their ability to create value. Taking all 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.



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 Health	Life	Property/ Casualty	Total income	31.12.2005 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 31.12.2006	Acquisition Costs Carried Forward 31.12.2005	Fair value 31.12.2006	Fair value 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) in EUR '000	Fair value 31.12.2006	Fair value 31.12.2005
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) in EUR '000	Fair value 31.12.2006	Fair value 31.12.2005
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) in EUR '000	Fair value 31.12.2006	Fair value 31.12.2005
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 % of the real estate portfolio	31.12.2005 % 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.

	Endowment insurance (not including risk insurance)		Risk insurance		Pension insurance		Unit-linked and index-linked insurance		Government-sponsored future pension plans		Total	
Change in holdings	**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 be 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%
Maintenance expenses +10%	−2.2%
Maintenance 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%
Maintenance expenses +10%	−7.5%
Maintenance 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.

in EUR '000	2006	2005	2004	2003	2002	2001
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 in EUR '000	31.12.2006	31.12.2005
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 in EUR '000	31.12.2006	31.12.2005
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 portfolio	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 in EUR '000	Third-party leased 31.12.2006	Owner-occupied 31.12.2006	Total 31.12.2006	Total 31.12.2005
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 in EUR '000	31.12.2006	31.12.2005
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**

Unrealised profits and losses are as follows:

Detail in EUR '000	31.12.2006	31.12.2005
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.

in EUR '000	Acquisition costs 31.12.2006	Unrealised profits/losses 31.12.2006	Acquisition costs 31.12.2005	Unrealised profits/losses 31.12.2005
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 pojist'ovna, 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

Affiliated companies and participations **WIENER STÄDTISCHE VERSICHERUNG AG** **VIENNA INSURANCE GROUP**	Country of domicile	Interest in capital (%)	Equity (EUR '000)	Last annual financial statements
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 pojist'ovací a financní poradenství, a.s., Brünn	Czech Republic	100.00	6,634	2006
Komunálna poist'ovňa, a.s., Bratislava	Slovakia	95.06	11,980	2006
KONTINUITA poist'ovňa, a.s., Bratislava	Slovakia	100.00	9,252	2006
KOOPERATIVA poist'ovňa, a.s., Bratislava	Slovakia	100.00	116,536	2006
Kooperativa pojišt'ovna, 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

Affiliated companies and participations WIENER STÄDTISCHE VERSICHERUNG AG VIENNA INSURANCE GROUP	Country of domicile	Interest in capital (%)	Equity (EUR '000)	Last annual financial statements
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
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	

Affiliated companies and participations WIENER STÄDTISCHE VERSICHERUNG AG VIENNA INSURANCE GROUP	Country of domicile	Interest in capital (%)	Equity (EUR '000)	Last annual financial statements
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

* 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

The information required under § 265 (2) (4) of the Austrian Corporation Code (UGB) is provided in the participation overview in the individual financial statements.

5. LOANS AND OTHER INVESTMENTS

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

Development of loans in EUR '000	31.12.2006	31.12.2005
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**

	Acquisition Costs Carried Forward	
Composition of loans in EUR '000	31.12.2006	31.12.2005
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).

	Acquisition Costs carried forward	
Loan maturities in EUR '000	31.12.2006	31.12.2005
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 in EUR '000	Fair value 31.12.2006	Fair value 31.12.2005
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 in EUR '000	Fair value 31.12.2006	Fair value 31.12.2005
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 in EUR '000	Acquisition Costs Carried Forward 31.12.2006	Fair value 31.12.2006	Acquisition Costs Carried Forward 31.12.2005	Fair value 31.12.2005
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 in EUR '000	Unit-linked 31.12.2006	Index-linked 31.12.2006	Total 31.12.2006	Total 31.12.2005
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 in EUR '000	31.12.2006	31.12.2005
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

in EUR '000	Property/ Casualty 31.12.2006	Life 31.12.2006	Health 31.12.2006	Total 31.12.2006	Total 31.12.2005
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 in EUR '000	Book value 1.1.2006	Exchange rate	Additions	Amount used/ released	Change in scope of consolidation	Book value 31.12.2006
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 in EUR '000	31.12.2006	31.12.2005
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 in EUR '000	Property/ Casualty 31.12.2006	Life 31.12.2006	Health 31.12.2006	Total 31.12.2006	Total 31.12.2005
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 in EUR '000	Property/ Casualty 31.12.2006	Life 31.12.2006	Health 31.12.2006	Total 31.12.2006	Total 31.12.2005
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 in EUR '000	Underwriting 31.12.2006	Non-underwriting 31.12.2006	Total 31.12.2006	Total 31.12.2005
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 in EUR '000	Property/ Casualty 31.12.2006	Life 31.12.2006	Health 31.12.2006	Total 31.12.2006	Total 31.12.2005
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 in EUR '000	Deferred tax assets 31.12.2006	Deferred tax liabilities 31.12.2006	Deferred tax assets 31.12.2005	Deferred tax liabilities 31.12.2005
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 in EUR '000	Property/ Casualty 31.12.2006	Life 31.12.2006	Health 31.12.2006	Total 31.12.2006	Total 31.12.2005
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 in EUR '000	31.12.2006	31.12.2005
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 in EUR '000	31.12.2006	31.12.2005
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	Shareholders' equity before minority interest	Minority Interests	Shareholders' 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	Shareholders' equity before minority interest	Minority Interests	Shareholders' 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 in EUR '000	31.12.2006	31.12.2005
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 in EUR	Per share 1.1.-31.12.2006	Total 1.1.-31.12.2006
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 five 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 five 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 five 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

in EUR '000	31.12.2006	31.12.2005
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 in EUR '000	31.12.2006	31.12.2005
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 in EUR '000	31.12.2006	31.12.2005
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 in EUR '000	31.12.2006	31.12.2005
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 in EUR '000	31.12.2006	31.12.2005
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 in EUR '000	31.12.2006	31.12.2005
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 in EUR '000	31.12.2006	31.12.2005
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 in EUR '000	31.12.2006	31.12.2005
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 in EUR '000	31.12.2006	31.12.2005
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 in EUR '000	31.12.2006	31.12.2005
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 in EUR '000	31.12.2006	31.12.2005
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 in EUR '000	31.12.2006	31.12.2005
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 in EUR '000	31.12.2006	31.12.2005
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 in EUR '000	1.1.-31.12.2006	1.1.-31.12.2005
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 in EUR '000	1.1.-31.12.2006	1.1.-31.12.2005
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 in EUR '000	31.12.2006	31.12.2005
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 in EUR '000	31.12.2006	31.12.2005
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 in EUR '000	31.12.2006	31.12.2005
up to one year	76,859	68,779
Total	**76,859**	**68,779**

23. OTHER PROVISIONS

Detail in EUR '000	Property/Casualty 31.12.2006	Life 31.12.2006	Health 31.12.2006	Total 31.12.2006	Total 31.12.2005
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 in EUR '000	Book value 1.1.	Change in scope of consol.	Exchange rate	Amount used	Released	Additions	Book value 31.12.
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 in EUR '000	31.12.2006	31.12.2005
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 in EUR '000	Property/Casualty 31.12.2006	Life 31.12.2006	Health 31.12.2006	Total 31.12.2006	Total 31.12.2005
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 in EUR '000	31.12.2006	31.12.2005
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 in EUR '000	Underwriting 31.12.2006	Non-underwriting 31.12.2006	Total 31.12.2006	Total 31.12.2005
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 in EUR '000	Property/Casualty 31.12.2006	Life 31.12.2006	Health 31.12.2006	Total 31.12.2006	Total 31.12.2005
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 Geschäfts-center 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 273,000 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 in EUR '000	2006	2005
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 in EUR '000	2006	2005
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 in EUR '000	Property/Casualty 2006	Life 2006	Health 2006	Total 2006
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 in EUR '000	Current income 2006	Gains from disposal of investments 2006	Total 2006
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 in EUR '000	Property/Casualty 2005	Life 2005	Health 2005	Total 2005
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 in EUR '000	Current income 2005	Other 2005	Total 2005
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 in EUR '000	Property/Casualty 2006	Life 2006	Health 2006	Total 2006
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 in EUR '000	Depreciation on investments 2006	Losses from disposal of investments 2006	Total 2006
Shares in unconsolidated affiliated companies	21,222	4,235	25,457
Total	**21,222**	**4,235**	**25,457**

Detail — expenses in EUR '000	Property/Casualty 2005	Life 2005	Health 2005	Total 2005
Depreciation on investments	8	0	0	8
Losses from disposal of investments	666	3	0	669
Total	**674**	**3**	**0**	**677**

Detail — expenses in EUR '000	Depreciation on investments 2005	Losses from disposal of investments 2005	Total 2005
Shares in unconsolidated affiliated companies	8	669	677
Total	**8**	**669**	**677**

29. RESULT FROM OTHER INVESTMENTS

Detail — income in EUR '000	Property/Casualty 2006	Life 2006	Health 2006	Total 2006
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 in EUR '000	Current income 2006	Income from write-ups 2006	Gains from the disposal of investments 2006	Total 2006
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 in EUR '000	Property/Casualty 2005	Life 2005	Health 2005	Total 2005
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 in EUR '000	Current income 2005	Income from write-ups 2005	Gains from the disposal of investments 2005	Total 2005
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 in EUR '000	Property/Casualty 2006	Life 2006	Health 2006	Total 2006
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 in EUR '000	Depreciation on investments 2006	Exchange rate changes 2006	Losses from the disposal of investments 2006	Total 2006
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 in EUR '000	Property/Casualty 2005	Life 2005	Health 2005	Total 2005
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 in EUR '000	Depreciation on investments 2005	Exchange rate changes 2005	Losses from the disposal of investments 2005	Total 2005
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 in EUR '000	Property/Casualty 2006	Life 2006	Health 2006	Total 2006
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 in EUR '000	Property/Casualty 2005	Life 2005	Health 2005	Total 2005
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 in EUR '000	Gross 2006	Ceded to reinsurers 2006	Retained 2006
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 in EUR '000	Gross 2005	Ceded to reinsurers 2005	Retained 2005
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**

Detail	Gross 2005	Ceded to reinsurers 2005	Retained 2005
in EUR '000			
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 in EUR '000	Property/Casualty 2006	Life 2006	Health 2006	Total 2006
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 in EUR '000	Property/Casualty 2005	Life 2005	Health 2005	Total 2005
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 in EUR '000	2006	2005
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 in EUR '000	2006	2005
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 in EUR '000	2006	2005
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) in EUR '000	2006	2005
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 in EUR '000	31.12.2006	31.12.2005
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

The Supervisory Board:

KR Dkfm. Klaus Stadler
(Chairman)

CONSOLIDATED BALANCE SHEET AS OF 31 DECEMBER 2005

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

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

CONSOLIDATED BALANCE SHEET AS OF 31 DECEMBER 2005

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

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

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

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

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

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

SEGMENT REPORTING

CONSOLIDATED BALANCE SHEET BY PRIMARY SEGMENTS (LINES OF BUSINESS)

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

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

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

SEGMENT REPORTING

INCOME STATEMENT BY SEGMENT

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR FISCAL YEAR 2005

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Significant accounting policies

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

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

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

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

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

Scope and methods of consolidation

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

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

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

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

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

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

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

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

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.

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

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

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

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

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

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

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

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

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

Classification of insurance policies

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

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

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

a) the profit from a certain portfolio of contracts or a certain type of contract, or

b) the realised and/or unrealised investment income from a certain portfolio of assets held by the insurance company, or

c) the profit or loss of the company, the investment fund, or business unit (e.g. balance sheet unit), holding the contract

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

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

Recognition and accounting methods for insurance contracts

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

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

Adequacy test for liabilities arising from insurance contracts

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

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

Foreign currency translation

Transactions in foreign currency

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

Foreign currency translation of individual financial statements

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

Impairment

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

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

Estimates

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

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

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

Accounting policies for specific items in the annual financial statements

Intangible assets

Goodwill

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

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

Present value of insurance in force

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

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

Other intangible assets

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

No intangible assets were created by the Group companies themselves.

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

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

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

Capital assets

General information on the accounting and valuation of capital assets

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

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

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

Land and buildings

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

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

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

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

	Useful life in years	
	from	to
Buildings	20	50

Shares in affiliated and associated companies

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

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

Financial instruments

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

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

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

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

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

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

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

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

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

Capital assets of unit- and index-linked life insurance

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

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

Reinsurers' share of underwriting provisions

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

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

Receivables

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

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

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

Other assets

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

Taxes

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

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

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

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

Underwriting provisions

Unearned premiums

According to the current revision of IFRS 4, figures included in annual financial statements prepared in accordance with national requirements may be used in the presentation of figures relating to insurance contracts in the consolidated financial statements. In Austria, a cost discount of 15% is used when calculating unearned premiums in the property and accident insurance area (10% for motor vehicle liability insurance), corresponding to EUR 28,256 million (EUR 25,139 million). No acquisition costs in excess of this figure are capitalised. For foreign companies, a portion of acquisition costs calculated according to the ratio of earned premiums to written premiums is recognised in the property/casualty insurance area. To ensure uniform presentation within the Group, these capitalised acquisition costs are also shown in the consolidated financial statements as a reduction in unearned premiums. In the life insurance area, acquisition costs are calculated using the rates set out in the business plans and included by zillmerisation when calculating the actuarial reserve. Negative actuarial reserves are set to zero for Austrian companies. For foreign companies, negative actuarial reserves are included and netted with actuarial reserves. No additional acquisition costs are capitalised. In general, no capitalisation of acquisition costs is performed for health insurance.

Actuarial reserve

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

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

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

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

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

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

Reserve for outstanding claims

According to national insurance law and regulations (the Austrian Commercial Code and Insurance Supervision Act (VAG)), Wiener Städtische AG and its operating subsidiaries are required to form reserves for outstanding insurance claims for each business segment. These reserves are calculated for payment obligations from insurance claims which have occurred up to the balance sheet reporting date but whose basis or size has not yet been established, as well as all related claims handling costs expected to be incurred after the balance sheet reporting date, and as a rule are formed at the individual policy level. These policy-level reserves are marked up by a flat-rate allowance for unexpected additional losses. Except for the reserves for pension obligations, no discounting is performed. Insurance losses that have occurred up to the balance sheet reporting date but were not known at the time that the balance sheet was prepared are included in the reserve (incurred but not reported reserves, “IBNR”). Separate reserves for claims handling expenses are formed for internally incurred costs attributable to claims handling. Collectible recourse claims are deducted from the reserve. Where necessary, actuarial estimation methods are used to calculate the reserves. The methods are applied consistently, with both the methods and calculation parameters tested continually for adequacy and adjusted if necessary. The reserves are affected by economic factors, such as the inflation rate, and by legal and regulatory developments which are subject to change over time. The current revision of IFRS 4 provides for reserves formed in accordance with applicable national requirements to be carried over into the consolidated financial statements.

Reserve for profit-independent premium refunds

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

Reserve for profit-dependent premium refunds

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

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

Other underwriting reserves

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

Underwriting provisions of unit- and index-linked life insurance

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

Reserve for pensions and similar obligations

Pension obligations

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

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

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

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

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

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

Post-employment obligations

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

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

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

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

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

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

Other non-underwriting reserves

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

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

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

(Subordinated) liabilities

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

Earned premiums

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

Expenses for insurance claims

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

Operating expenses

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

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

RISK REPORT

Capital assets

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

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

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

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

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

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

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

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

Other securities

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

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

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

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

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

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

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

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

Bonds

Bonds represented approximately 50% of total capital assets in the Wiener Städtische Group securities portfolio on 31 December 2005. When investment fund bond holdings are included, bonds represent approximately 60% of total capital assets. Wiener Städtische actively manages its bond portfolio using estimates of changes in interest rates, spreads, and creditworthiness, taking into account limits on investments related to individual issuers, creditworthiness, maturity, countries, currencies and issue volume. Investments in fixed-interest securities are almost always currency congruent, that is, they are made in the same currency as the obligations to policyholders. Wiener Städtische is currently not planning any investment strategy changes related to its bond portfolio.

According to the Group's investment guidelines for Austria, bond investments are made almost exclusively in investment grade bonds with a Standard & Poor's rating of AAA to BBB. Investments in non-investment grade bonds are only made in individual cases and in accordance with decisions to this effect by the Management Board. The goal is to achieve the greatest possible diversification among individual issuers, to avoid accumulation risks, to ensure good average creditworthiness, to control foreign currency effects, and to make the majority of investments in middle to long-term maturities.

Equities

The Wiener Städtische Group portfolio of directly held equities had a book value of EUR 943 million on 31 December 2005, and a book value of EUR 824 million on 31 December 2004. On 31 December 2005, Wiener Städtische's direct equity investments represented approximately 6% of the book value of the total investment portfolio, with total equity investment equal to approximately 8% if indirect equity investments through funds are included. In accordance with the investment guidelines for Austria, management is performed using the "top-down" approach, subject to the constraint that diversification is used to minimize the market price risk of the equities. Diversification ratios are used for markets or regions, sectors or industries, capitalisation (large, medium and small caps), cycle (value, growth), and valuation allocations (fundamental or quantitative models). The total equity component is very small in Group companies in the CEE-countries. To date, equities have not represented a strategic asset class in this region. Equity investments in the CEE-region are primarily made through investment funds managed by third-parties.

Risk diversification within the Wiener Städtische Group equity portfolio is achieved by geographic diversification. In addition to investments in solid international blue-chip securities, the portfolio also contains a variety of liquid share packets of listed Austrian companies, such as AT&S, Boehler-Uddeholm, OMV, Voest Alpine and Wienerberger. The subsidiaries in the CEE-region are constrained by very restrictive investment rules, so that equities play no — or just a secondary — role in their portfolios.

Loans/Lendings

Wiener Städtische Group loans had a book value of EUR 1,247.4 million on 31 December 2005, and a book value of EUR 1,506.1 million on 31 December 2004. Investments in loans and credits used to create long-term positions for the insurance business are made only in mortgage loans and instruments of first-class credit quality, particularly those from public institutions and non-profit housing development companies, and in mortgage loans. Investments in loans and credits have much less importance in the CEE region. Loans in this region are made almost exclusively to the Group's own real estate subsidiaries. The loan portfolio is declining in overall importance compared to Wiener Städtische's total investment portfolio. This is due to the fact that loan bid invitations have become less important to the Austrian federal government and local authorities. Public institutions are instead increasingly using bond issues to raise needed financing. A further reason for the decline in the loan portfolio is the continual drop in money market rates in recent years. Due to low interest rates, borrowers have preferred issuing money market products over traditional loans.

A portfolio analysis and analysis of residual maturity for the Wiener Städtische Group loan portfolio are provided in note 5, "Loans and other capital assets", in the appendix.

Land and buildings

The Wiener Städtische Group real estate portfolio had a book value of EUR 1,085.9 million on 31 December 2005 (market value of EUR 1,337.0 million), and a book value of EUR 1,131.5 million on 31 December 2004 (market value of EUR 1,355.1 million).

The real estate portfolio is used primarily to create highly inflation-resistant long-term positions for the insurance business, and to create silent reserves. The real estate portfolio has historically represented approximately 10% of the total investment portfolio of the Wiener Städtische Group. To date, real estate has not represented a strategic asset class for companies in the CEE countries. The share of capital assets represented by the total real estate portfolio is to be reduced in the future.

The following table shows Wiener Städtische Group real estate investments as of 31 December 2005 and 31 December 2004, broken down according to location and type of use of the various real estate holdings:

Type of real estate use	31.12.2005 % of the real estate portfolio	31.12.2004 % of the real estate portfolio
Austria	**86**	**83**
Used by the Group	8	7
Used by outside parties	78	76
Other countries	**14**	**17**
Used by the Group	10	13
Used by outside parties	4	4

Ownership interests

The Wiener Städtische Group portfolio of ownership interests had a book value of EUR 636.1 million on 31 December 2005, and a book value of EUR 626.7 million on 31 December 2004. The ratio of ownership interests to the book value of the total investment portfolio was therefore approx. 4% on 31 December 2005.

The Wiener Städtische Group focuses primarily on long-term interests in insurance companies, or in companies whose activities are closely related to the insurance field. Reflecting greater concentration on the core business, the tendency over the last few years has been towards a reduction of purely financial interests outside of the insurance portfolio. To date, the Wiener Städtische Group has held only a few financial interests in the CEE-region, primarily serving to support insurance business operations.

Market risk

The Wiener Städtische Group subdivides market risk into interest rate, equity, currency, real estate, and ownership interest risks. The interest rate and equity parameters are of primary relevance to the Wiener Städtische Group in terms of market risk. Currency prices are less important at present. The Wiener Städtische Group uses fair value assessments, value-at-risk (“VaR”), sensitivity analyses, and stress tests to monitor market risks.

The composition of capital assets is aimed at providing cover for insured risks appropriate for the insurance business and the durations of the liabilities of the Wiener Städtische Group.

Interest-rate and equity risk

In the Wiener Städtische Group’s investment concept, the bond segment serves primarily to ensure stable earnings over the long term. Derivatives are used to reduce investment risk. Appropriate investment guidelines govern the use of derivatives for bonds that are managed by third parties, for example investment funds.

The equity segment serves to increase earnings over the long term, provides diversification and compensates for long-term erosion in value due to inflation. The Wiener Städtische Group assesses stock risk by considering diversification within the overall portfolio and the correlation to other securities with downside risk.

The market price risk affecting results is controlled by calculating at regular intervals the Value-at-Risk (“VaR”) based on the “Investment and Risk Strategy — Securities” guidelines for price-sensitive securities and by squaring it with the limit relative to the risk budget. The VaR is determined based on a daily variance/co-variance calculation. The Wiener Städtische Group statistically estimates the variances and co-variances from market data over a 12-month period.

The Wiener Städtische Group uses 99% as a confidence level. The holding period is between 20 and 60 days. Each stock’s average risk contribution is somewhat smaller than its risk yield contribution. The foreign-currency risk contribution is within a few percentage points of the overall risk.

The following table shows the Austrian group's Value-at-Risk of the securities available for sale:

Value-at-Risk — Austrian group companies (in millions EUR)	31.12.2005
20-day holding period	182
60-day holding period	257
Risk budget	553
Utilisation of the risk budget, based on 60 days	46%
Total risk capacity	759
60-day VaR as % of risk capacity	34%

Capital market scenario analysis for life insurance

The analysis is carried out annually for all Austrian group companies involved in life insurance in order to check the risk capacity of the investments. The following table shows the "stress parameters" and the coverage of the solvency requirement for each scenario for 31 December 2005:

Reduction in market value	Scenario 1	Scenario 2	Scenario 3	Scenario 4	Scenario 5	Scenario 6
of stocks	−35%	−35%	−20%	−20%	0%	0%
of bonds	−10%	0%	−5%	0%	−10%	−5%
of real estate	−10%	−10%	−10%	−10%	−10%	−10%
Market value of assets minus liabilities (not including equity) minus solvency requirement (EUR millions)	744	1,030	1,074	1,217	1,179	1,322
Solvency requirement coverage	8%	11%	11%	13%	13%	14%

In Scenario 1, the market value of all asset classes drops significantly at the same time. The likelihood of such an extreme scenario happening is very low. Even so, the coverage of solvency requirements is very positive even in this scenario. The scenario analysis shows that the Wiener Städtische Group in Austria significantly exceeds the statutory solvency requirements even in the event of a considerable and simultaneous decline in securities and real-estate market values.

Life insurance

The following table shows the development of endowment (excluding risk insurance), risk, pension, and fund and index-related insurance, and of the premium-supported future provision and the total.

	Endowment (excluding risk insurance)		Risk insurance		Pension insurance		Fund and index-related insurance		Premium-supported future provision		Total	
Development	No. contracts	Ins. sum	No. contracts	Ins. sum	No. contracts	Ins. sum	No. contracts	Ins. sum	No. contracts	Ins. sum	No. contracts	Ins. sum
No. of contracts/Insured sum in EUR '000												
As of 1.1.2005	2,525,337	10,209,266	609,538	2,604,772	456,110	752,585	136,065	1,103,482	95,334	44,881	3,822,384	14,714,986
2005 additions												
New business	256,594	1,476,933	123,182	1,384,067	94,486	190,068	34,575	365,576	42,268	1,605	551,105	3,418,249
Premium increases	1,345	42,028	30	3,377	0	14,631	70	4,771	0	66	1,445	64,873
Total additions	**257,939**	**1,518,961**	**123,212**	**1,387,444**	**94,486**	**204,699**	**34,645**	**370,347**	**42,268**	**1,671**	**552,550**	**3,483,122**
2005 changes												
Changes in additions	32,513	316,568	19,633	2,223	7,191	4,155	16,641	1,685	2,672	38	78,650	324,669
Changes in reductions	−29,213	−9,362	−20,458	−2,618	−5,235	−1,890	−16,745	−1,478	−3,010	−40	−74,661	−15,388
Total changes	**3,300**	**307,206**	**−825**	**−395**	**1,956**	**2,265**	**−104**	**207**	**−338**	**−2**	**3,989**	**309,281**
Reductions due to maturity												
because of contract expiration	−55,952	−24,316	−58,912	−570,109	−4,975	−9,463	−210	−1,441	0	0	−120,049	−605,329
because of death	−16,697	−5,244	−621	−2,214	−1,159	−1,842	−264	−546	−62	−1	−18,803	−9,847
Total reductions due to maturity	**−72,649**	**−29,560**	**−59,533**	**−572,323**	**−6,134**	**−11,305**	**−474**	**−1,987**	**−62**	**−1**	**−138,852**	**−615,176**
Premature reductions												
because of non-redemption	−17,770	−130,793	−5,892	−25,055	−1,968	−9,618	−1,414	−5,184	−1,600	−29	−28,644	−170,679
because of cancellation without performance	−43,421	−216,787	−28,994	−120,695	−28,416	−31,133	−4,031	−51,211	−88	−357	−104,950	−420,183
because of redemption	−94,329	−394,912	−12,019	−30,299	−12,627	−18,208	−5,439	−35,074	−79	−1	−124,493	−478,494
because of premium release	−1,236	−25,143	−7	−13,132	−193	−4,189	−1,246	−6,933	−832	−1,113	−3,514	−50,510
Total premature reductions	**−156,756**	**−767,635**	**−46,912**	**−189,181**	**−43,204**	**−63,148**	**−12,130**	**−98,402**	**−2,599**	**−1,500**	**−261,601**	**−1,119,866**
As of 31.12.2005	**2,557,171**	**11,238,238**	**625,480**	**3,230,317**	**503,214**	**885,096**	**158,002**	**1,373,647**	**134,603**	**45,049**	**3,978,470**	**16,772,347**

Embedded value sensitivity analysis for the life and health insurance business*

The embedded value analysis is a cash-flow analysis of life and health insurance.

The embedded value consists of two components: the adjusted net assets at market value and the value of the insurance portfolio, which equals the cash value of the after-tax profit eligible for distribution minus the capital commitment cost to the solvency capital. Thus, embedded value is an actuarial quantification of the company value, assuming the continuition of current business activities (going concern), but which explicitly excludes the value of future business activities. In addition to the embedded value the increase in value induced by the new business recorded during the reporting period is calculated.

The estimated trend of future profits is based on "best estimate" assumptions, e.g. a realistic appraisal of economic and operational conditions based on future expectations and historical data, whereby future risk is taken into account by the use of the risk discount rate and an explicit calculation of capital commitment costs.

In order to calculate the embedded value, numerous assumptions are made about future business, operational and economic conditions, as well as other factors, some of which lie outside of the control of the Wiener Städtische Group. Although the Wiener Städtische Group considers these assumptions reasonable, future developments may differ from expectations. Thus, the publication of the embedded value is no guarantee that the expected future profits underlying this value will be realised.

Based on historical and current practice, the shareholder margin from the net interest profit is set at 0.5% of the mathematical after-tax reserve (plus all risk gains), minus current profit sharing and all cost gains. There are still explicit restrictions on profit sharing in effect for certain small, mainly regulated, parts of the portfolio; these restrictions are taken into account when calculating shareholder earnings. Based on current practice, no profit sharing is assumed for the Austrian health insurance business that exceeds the amount of premium reimbursement when the obligation to perform is released. For the other sectors and markets, the amount of profit sharing assumed is based on local practice and the regulatory rules in each instance.

The projections of future profits are based on realistic assumptions for proceeds from capital, inflation, costs, taxes, cancellations, mortality, illness and other key figures, such as the development of health-care costs and future increases in contributions.

The proper risk discount rate of an investor or shareholder depends on their individual requirements, tax situation and an appraisal of the risks involved in realising future gains. In order to make a statement on the impact of alternative risk discount rates, the embedded value as of 30 September 2005 was calculated as well as the increase in value resulting from new business in the first three quarters of 2005 with a risk discount rate increased and reduced in each instance by 1%. The table below shows the sensitivities.

* The embedded value calculation was checked by Tillinghast.

Sensitivities to the Life/Health embedded value as of 30 September 2005	in % of base value
Austria/Germany	
Risk discount rate +1%	93%
Risk discount rate −1%	109%
Interest margin +0.1%	104%
Interest margin −0.1%	96%
Interest increase +0.5%	101%
Interest decline −0.5%	99%
Decline in stock price −20%	96%
Solvency capital (100% EU minimum)	101%
Administrative costs +10%	97%
Administrative costs −10%	103%
Cancellations +20%	99%
Cancellations −20%	101%
Mortality/illness +10%	99%
Mortality/illness −10%	101%
Central and Eastern Europe	
Risk discount rate +1%	95%
Risk discount rate −1%	105%
Interest margin +0.1%	n.a.
Interest margin −0.1%	n.a.
Interest increase +0.5%	116%
Interest decline −0.5%	83%
Decline in stock price −20%	96%
Solvency capital (100% EU minimum)	100%
Administrative costs +10%	94%
Administrative costs −10%	106%
Cancellations +20%	99%
Cancellations −20%	101%
Mortality/illness +10%	96%
Mortality/illness −10%	104%

Property and casualty insurance provisions

General information

If claims of or against insurance holders are made, all amounts that a company in the Wiener Städtische Group's property and casualty segment pays or expects to have to pay to the claimant are termed losses and the costs of investigating, adjusting and processing these insurance claims are called "claim expenses". Within the framework of its property and casualty insurance policies, Wiener Städtische has formed provisions according to segment, extent of cover and year for each Group company to pay for losses and claim expenses due to insurance claims.

In accordance with HGB and IFRS rules, no specific provisions are formed for losses and claim expenses before the event causing a loss takes place. Losses and claim expenses can be divided into two categories: provisions for known but not yet processed insurance claims and provisions for insurance claims that have occurred but have not yet been reported ("IBNR").

Provisions for insurance claims that still have to be processed are based on estimates of future payments, including the claim expenses of these insurance claims. These estimates are made on individual bases, according to recognisable facts and circumstances at the time the provision is made. The estimates reflect the well founded judgement of the Group adjuster based on general practices for forming insurance provisions and knowledge of the nature and value of each type of claim. These provisions are adjusted regularly during normal processing and represent the expected eventual costs necessary to finally settle all pending reported insurance claims, taking into account inflation and other company and economic factors that could affect the amount of provisions that are required. Historical developments in the distribution model and claims payments, the level of reported and not yet processed insurance claims and the nature of the extent of cover are also taken into account. In addition, court decisions and economic conditions can also affect the estimate of provisions and the eventual level of claims.

IBNR provisions are formed to offset the expected costs of losses that have already occurred but have not yet been reported. These provisions, exactly like the provisions for reported insurance claims, are formed to offset the expected costs (including the claim expenses) that are necessary to finally settle these claims. Because at the time the provisions were formed the losses by definition are as yet unknown, the Group calculates the IBNR liabilities based on historical claims experience, adjusted by current developments in terms of claims-related factors. These provisions are based on estimates that were made using actuarial and statistical forecasts of the expected costs to finally settle these insurance claims. The analyses are based on the facts and circumstances known at the time and on expectations of the trend of legal and/or economic factors affecting the level of loss, such as case law, the rate of inflation and labour costs. These provisions are regularly reviewed and revised as soon as additional information is known and insurance claims are actually reported.

The time required to learn about these insurance claims and to settle them is an important factor that must be taken into account when forming provisions. Insurance claims that are easy to settle, such as property damage in automobile insurance, are reported within a few days or weeks and are normally settled within a year.

Complicated insurance claims, such as bodily injury in automobile or general liability insurance typically requires longer settlement times (on average four to six years, sometimes significantly longer). Also, difficult insurance claims where settlement regularly depends on the results of often protracted litigation, leads to substantially longer settlement times, especially in the liability, accident, building and professional liability insurance segments. The ultimate costs of the claims and claim expenses depend on a series of variable circumstances. Between the time a claim is reported and final settlement, changing circumstances require that the provisions that were formed be revised upwards or downwards. For example, changes in the law, the outcome of litigation and changes in medical costs, costs for materials for auto and house repair and hourly wage rates can have a substantial effect on the costs of insurance claims. These factors may result in the actual trend differing from expectations — sometimes substantially. The estimates of loss provisions are reviewed and updated using the most recent information available to the management. Any changes to the estimate of provisions are reflected in the operating results. The Wiener Städtische Group's conservative policy toward provisions is documented not least by the fact that the handling of the loss provision has regularly resulted in profits on loss reserves.

Based on the Group's internal procedures, the management comes to the conclusion with the information currently available, that the Group's provisions in the property and casualty division are appropriate. However, forming loss provisions is by nature an uncertain process; therefore, no guarantee can be given that in the end losses will not differ from the Group's initial estimates.

Development of the gross-loss provision

The following table shows the development of the Wiener Städtische Group's loss provision at the end of each year indicated. The provisions reflect the amount of expected losses from the direct business, based on insurance claims that occurred in the current and all previous years of loss occurrence which were not paid as of the reporting date, including the IBNR.

Evaluating the information contained in this table because each amount contains the effects of all changes from the previous periods. The circumstances and trends that in the past affected liability could possibly reoccur in the future and therefore no conclusions can be drawn from the information given in this table.

in EUR '000	2005	2004	2003	2002	2001	2000
Loss provision in the current year	1,831,925.20	1,573,947.34	1,381,109.59	1,474,293.22	1,107,320.61	1,067,420.22
1 year later		973,714.58	838,243.53	773,345.70	654,648.25	600,686.98
2 years later			590,179.53	527,853.22	459,769.72	411,505.89
3 years later				400,567.06	330,233.24	317,869.85
4 years later					263,095.92	239,291.41
5 years later						197,756.49
Claims payments		462,247.56	932,689.91	1,800,806.41	1,629,547.94	1,991,313.63
1 year later		462,247.56	424,872.99	534,128.25	344,648.32	335,038.03
2 years later			507,816.92	614,539.20	403,205.39	391,041.84
3 years later				652,138.96	427,662.21	405,658.19
4 years later					454,032.02	422,796.90
5 years later						436,778.67

Reinsurance

The Wiener Städtische Group has limited its liability arising from the insurance business by passing on — to the extent required — some of the assumed risks to the international reinsurance market. Within the Wiener Städtische Group only some of the risks of smaller foreign Group companies are reinsured; these risks are in turn passed on at the Group level to reinsurers.

Reinsurance guidelines

The Wiener Städtische Group's reinsurance guidelines are jointly determined each year by the central reinsurance department and the member of the management board responsible for reinsurance during the development of the reinsurance strategy for the next fiscal year.

The reinsurance guidelines require each Group company to provide, in conjunction with the central reinsurance department, reinsurance coverage that is appropriate for its local company. The reinsurance guidelines govern the following issues:

- Reinsurance is a prerequisite for the provision of insurance coverage. Departments may only make a binding commitment to insure a risk if sufficient reinsurance coverage has already been assured by external reinsurers.
- Retention. It is a Group-wide policy that no more than EUR 11 million per natural catastrophe can be placed in risk on a PML (probable maximum loss) basis. The maximum Group-wide retention per individual loss is less than EUR 3 million.
- Selection of reinsurers — diversification. Wiener Städtische AG and its Group companies divide their reinsurance coverage among many different international reinsurance companies having appropriate creditworthiness so as to minimize the growing risk of a reinsurer being unable to pay. In the history of the Wiener Städtische Group, no reinsurer has ever significantly fallen short.
- Selection of reinsurers — rating. For business segments where claims take a long time to be settled, especially for auto liability and general liability, Wiener Städtische uses as reinsurers companies with outstanding ratings (at least Standard & Poor's "A" rating, preferably a rating of "AA" or higher), which in all likelihood will continue to exist over the long term. Even for business segments with claims that are settled quickly (for example, natural catastrophes, fire, technology, transportation, storm, burglary, household, piped water, auto collision), where the number of reinsurers is greater, the preferred rating is Standard & Poor's "A" or higher. Only in a few cases — and for limited periods of time — are reinsurers with lower ratings accepted.
- Design of the reinsurance program. If economically justified, any Group company can purchase reinsurance coverage individually from external reinsurers. If individual reinsurance contracts can only be purchased by a Group company at uneconomical terms, the Wiener Städtische Group will try to jointly place, as far as is possible, reinsurance contracts to cover risks from covering natural catastrophes, property lines, accident, aviation and auto liability pursuant to the Green Card [international motor insurance certificate] agreement. Reinsurance contracts of smaller Group companies, which contain less risk, can be purchased at unfavourable terms in the reinsurance market only if the Wiener Städtische Group itself acts as the reinsurance company. If necessary, these intragroup reinsurance contracts are passed on as retrocession in the reinsurance market for safety reasons. The guidelines for Wiener Städtische AG reinsurance cover are presented below. Retentions for all other Group companies lie below those of Wiener Städtische AG.

Reinsurance cover

- Wiener Städtische AG covers damages caused by natural disasters such as storms, hail, floods and earthquakes. Its reinsurance coverage limits its retention for payments for losses caused by natural disasters to EUR 4.4 million.
- Corporate customer business. In the corporate customer business, predominantly proportional reinsurance contributions are limited to a maximum net loss for Wiener Städtische AG of EUR 1.5 million. This reinsurance structure can insure both the effects of certain major losses, for example as a result of fire, and an increased frequency of claims.

- Private customer activities. Private customer activities consist of essentially stable insurance portfolios having calculable results that are marked, above all, by a stable frequency of claims. Thus, frequent claims are only reinsured by exposed segments, for example storm insurance, with a targeted use of proportional reinsurance to reduce the effects on retention. The effects of fewer than expected major claims on retention are insured by non-proportional reinsurance. Even in this business segment, the maximum net loss of Wiener Städtische AG is between EUR 1.0 and 2.0 million, according to the sector.

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

1. INTANGIBLE ASSETS

The **detail** of intangible assets:

Detail in EUR '000	31.12.2005	31.12.2004
Goodwill	200,259	27,377
Purchased insurance portfolios	44,625	31,872
Other assets	72,018	56,293
Software	35,426	26,449
Other	36,592	29,844
Total	**316,902**	**115,542**

Goodwill developed as follows during the reporting period:

Development of goodwill in EUR '000	31.12.2005	31.12.2004
Acquisition costs	27,583	1,254
Cumulative depreciation 31.12. of the previous year	−206	−207
Book value as of 31.12. of the previous year	**27,377**	**1,047**
Exchange rate	1,291	−6
Book value as of 1.1.	**28,668**	**1,041**
Additions	171,591	26,336
Book value as of 31.12.	**200,259**	**27,377**
Cumulative depreciation 31.12.	307	206
Acquisition costs	**200,566**	**27,583**

The goodwill changes essentially result from the acquisition of subsidiaries described in the section "Scope and methods of consolidation."

Development of the present value of insurance in force in EUR '000	31.12.2005	31.12.2004
Acquisition costs	50,665	14,298
Cumulative depreciation 31.12. of the previous year	−18,793	−3,130
Book value as of 31.12. of the previous year	**31,872**	**11,168**
Exchange rate	1,222	750
Book value as of 1.1.	**33,094**	**11,918**
Additions	25,714	35,617
scheduled depreciations	−14,183	−15,663
Book value as of 31.12.	**44,625**	**31,872**
Cumulative depreciation 31.12.	32,741	18,793
Acquisition costs	**77,366**	**50,665**

The purchased insurance portfolio results from the acquisition of existing portfolios and the securities acquired as part of the acquisition of the insurance companies described in the section "Scope and methods of consolidation."

Acquired software developed as follows in the reported period:

Development of acquired software in EUR '000	31.12.2005	31.12.2004
Acquisition costs	61,642	51,496
Cumulative depreciation 31.12. of the previous year	−35,193	−30,058
Book value as of 31.12. of the previous year	**26,449**	**21,438**
Exchange rate	339	1,193
Book value as of 1.1.	**26,788**	**22,631**
Additions	18,609	10,728
Change in scope of consolidation	3,599	0
Reductions	−6,048	−1,775
Scheduled depreciations	−7,522	−5,135
Book value as of 31.12	**35,426**	**26,449**
Cumulative depreciation 31.12.	46,139	35,193
Acquisition costs	**81,565**	**61,642**

2. LAND AND BUILDINGS

Development of real estate in EUR '000	used by third parties 31.12.2005	for own use 31.12.2005	Total 31.12.2005	Total 31.12.2004
Acquisition costs	1,253,766	214,946	1,468,712	1,472,200
Cumulative depreciation 31.12. of the previous years	−272,387	−64,831	−337,218	−285,629
Book value as of 31.12. of the previous year	**981,379**	**150,115**	**1,131,494**	**1,186,571**
Exchange rate	−49	5,750	5,701	7,201
Book value as of 1.1.	**981,330**	**155,865**	**1,137,195**	**1,193,772**
Change in scope of consolidation	69,609	18,213	87,822	0
Additions	37,857	26,957	64,814	74,819
Reductions	−87,219	−2,497	−89,716	−85,508
Scheduled depreciations	−26,484	−13,175	−39,659	−38,397
Exceptional depreciation	−74,521	−53	−74,574	−13,192
Book value as of 31.12.	**900,572**	**185,310**	**1,085,882**	**1,131,494**
Cumulative depreciation 31.12.	361,188	76,610	437,798	337,218
Acquisition costs	**1,261,760**	**261,920**	**1,523,680**	**1,468,712**
thereof land	198,648	22,692	221,340	215,910
The real estate's current market value as of 31.12.	1,064,613	272,346	1,336,959	1,335,077

The additions due to changes in the scope of consolidation essentially result from Hotel Andel Praha a.s., Prague (EUR 68,707 million) and OMNIASIG Insurance-Reinsurance Company, Bucharest (EUR 15,203 million).

3. SHARES IN COMPANIES

Development in EUR '000	31.12.2005	31.12.2004
Book value as of 1.1.	626,669	588,814
Exchange rate	2,165	1,716
Additions	57,262	72,638
Reductions	−63,725	−62,314
results-independent calculation of unrealised profit	7,819	32,639
Proportional results for the year from companies valued at equity	5,858	3,047
Depreciation	0	−9,871
Book value as of 31.12	**636,048**	**626,669**

Detail in EUR '000	31.12.2005	31.12.2004
Non-consolidated affiliated companies	261,901	276,435
Associated companies valued at equity	44,394	28,301
Other associated companies	329,753	321,933
Total	**636,048**	**626,669**

Non-consolidated affiliated companies and other associated companies are valued the same way as securities available for sale.

Unrealised profits and losses are as follows:

in EUR '000	Acquisition costs 31.12.2005	Unrealised profit/losses 31.12.2005	Acquisition costs 31.12.2004	Unrealised profit/losses 31.12.2004
Non-consolidated affiliated companies	66,378	195,523	79,627	196,808
Other associated companies	217,457	112,296	215,390	106,543
Total	**283,835**	**307,819**	**295,017**	**303,351**

4. PARTICIPATIONS

On 31 December 2005 there were participations in the following companies:

Affiliated companies and participations Wiener Städtische AG	Country	Share of capital (%)	Equity (EUR '000)	Most recent annual financial statements
Fully consolidated companies				
"Grüner Baum" Errichtungs- und Verwaltungsges. m.b.H., Innsbruck	Austria	100.00	−7	2005
"WIENER STÄDTISCHE OSIGURANJE" akcionarsko drustvo za osiguranje, Belgrade	Serbia and Montenegro	100.00	10,989	2005
AGRAS-Grupul Wiener Städtische S.A., Bucharest	Romania	74,45	4,729	2005
Altstadt Hotelbetriebs GmbH, Vienna	Austria	100.00	2,923	2005
Andel Investment Praha s.r.o., Prague	Czech Republic	100.00	−117	2005
ARITHMETICA Versicherungs- und Finanzmathematische Beratungs-Gesellschaft m.b.H., Vienna	Austria	100.00	399	2005
Bank Austria Creditanstalt Versicherung AG, Vienna	Austria	90.00	30,220	2005
BENEFIA Towarzystwo Ubezpieczen Majatkowych Spolka Akcyjna, Warsaw	Poland	100.00	16,167	2005
BENEFIA Towarzystwo Ubezpieczen na Życie Spolka Akcyjna, Warsaw	Poland	100.00	5,977	2005
BML Versicherungsmakler GmbH, Vienna	Austria	100.00	230,682	2005
BULGARSKI IMOTI LIFE AG Insurance Company, Sofia	Bulgaria	98.35	3,709	2005
Bulgarski Imoti Non-Life AG Insurance Company, Sofia	Bulgaria	98.36	5,247	2005
Business Insurance Application Consulting GmbH, Vienna	Austria	100.00	1,937	2005
Businesspark Brunn Entwicklungs GmbH, Vienna	Austria	100.00	2,128	2005
CAPITOL, a.s., Bratislava	Slovakia	100.00	3,084	2005
Celetná 25, s.r.o., Prague	Czech Republic	100.00	9,529	2005
CENTER Hotelbetriebs GmbH, Vienna	Austria	82.66	80	2005
Česká podnikatelská pojišťovna, a.s., Prague	Czech Republic	87.67	28,468	2005
COMPENSA Holding GmbH, Coburg	Germany	100.00	20,389	2005

Affiliated companies and participations Wiener Städtische AG	Country	Share of capital (%)	Equity (EUR '000)	Most recent annual financial statements
Cosmopolitan Life dionicko drustvo za osiguranje, Zagreb	Croatia	73.00	3,403	2005
DBR Friedrichscarrée GmbH & Co KG, Stuttgart	Germany	100.00	15,973	2005
DBR Friedrichscarrée Liegenschaften-Verwaltungs GmbH, Stuttgart	Germany	100.00	25	2005
DBR-Liegenschaften GmbH & Co KG, Stuttgart	Germany	100.00	16,069	2005
DBR-Liegenschaften Verwaltungs GmbH, Stuttgart	Germany	100.00	24	2005
DONAU Allgemeine Versicherungs-Aktiengesellschaft, Vienna	Austria	89.47	90,545	2005
DVS Donau-Versicherung Vermittlungs- und Service-Gesellschaft m.b.H., Vienna	Austria	100.00	25,910	2005
Gesundheitspark Wien-Oberlaa Gesellschaft m.b.H., Vienna	Austria	100.00	24,427	2005
Hotel Andel Praha a.s., Prague	Czech Republic	100.00	1,931	2005
InterRisk Lebensversicherungs-Aktiengesellschaft, Wiesbaden	Germany	100.00	14,038	2005
InterRisk Versicherungs-Aktiengesellschaft, Wiesbaden	Germany	100.00	25,960	2005
I.V., s.r.o., Bratislava	Slovakia	100.00	628	2005
KÁLVIN TOWER Immobilienentwicklungs- und Investitionsgesellschaft m.b.H., Budapest	Hungary	100.00	1,455	2005
Kapitol pojist'ovací a financní poradenství, a.s., Brno	Czech Republic	100.00	6,630	2005
Komunálna poist'ovňa, a.s., Bratislava	Slovakia	95.14	11,186	2005
KONTINUITA poist'ovňa, a.s., Bratislava	Slovakia	100.00	8,297	2005
KOOPERATIVA poist'ovňa, a.s., Bratislava	Slovakia	100.00	65,938	2005
Kooperativa pojišt'ovna, a.s., Prague	Czech Republic	87.67	243,743	2005
Kvarner Wiener Städtische osiguranje d.d., Rijeka	Croatia	98.21	18,151	2005
LVP Holding GmbH, Vienna	Austria	100.00	107,653	2005
Neue Heimat Oberösterreich Holding GmbH, Vienna	Austria	100.00	19,802	2005
Omniasig Insurance-Reinsurance Company, Bucharest	Romania	70.56	6,310	2005
Omniasig Life Insurance, Bucharest	Romania	35.28	2,745	2005
PFG Liegenschaftsbewirtschaftungs GmbH & Co KG, Vienna	Austria	85.13	83,439	2005
PROGRESS Beteiligungsges.m.b.H., Vienna	Austria	60.00	8,330	2005
Projektbau GesmbH, Vienna	Austria	89.50	311	2005
Royal Polska Towarzystwo Ubezpiencen na Zycie S.A., Warsaw	Poland	95.00	2,787	2005
SECURIA majetkovosprávna a podielová s.r.o., Bratislava	Slovakia	100.00	3,927	2005
Senioren Residenz Fultererpark Errichtungs- und Verwaltungs GmbH, Innsbruck	Austria	100.00	−3,856	2005
Senioren Residenz Veldidenapark Errichtungs- und Verwaltungs GmbH, Innsbruck	Austria	66.70	11,771	2005

Affiliated companies and participations Wiener Städtische AG	Country	Share of capital (%)	Equity (EUR '000)	Most recent annual financial statements
St. Magdalen Projektentwicklungs- und Verwertungsgesellschaft m.b.H., Vienna	Austria	89.00	5,133	2005
Towarzystwo Ubezpieczen "Compensa" Spolka Akcyjna, Warsaw	Poland	99.86	31,826	2005
Towarzystwo Ubezpieczen Na Zycie Compensa Spolka Akcyjna, Warsaw	Poland	100.00	20,105	2005
UNION Biztosító Rt., Budapest	Hungary	100.00	20,549	2005
UNITA S.A., Bucharest	Romania	100.00	14,041	2005
Vienna-Life Lebensversicherung Aktiengesellschaft, Schaan	Liechtenstein	100.00	9,620	2005
VLTAVA majetkovosprání a podílová spol.s.r.o., Prague	Czech Republic	100.00	2,659	2005
WIENER STÄDTISCHE Beteiligungs GmbH, Vienna	Austria	100.00	258,546	2005
WIENER STÄDTISCHE Finazierungsdienstleistungs GmbH, Vienna	Austria	100.00	254,990	2005
Wiener Verein Bestattungs- und Versicherungsservice Gesellschaft m.b.H., Vienna	Austria	100.00	1,490	2005
Proportional consolidated companies				
Union Versicherungs-Aktiengesellschaft, Vienna	Austria	45.00	74,812	2005
Equity consolidated companies				
Benefita, a.s., Prague	Czech Republic	100.00	−119	2005
Ceská Kooperativa Londýn Ltd., London	Great Britain	100.00	589	2005
COUNTRY INN VIC Hotelerrichtungs- und Betriebsgesellschaft m.b.H, Vienna	Austria	50.00	−3,504	2005
CROWN-WSF spol. s.r.o., Prague	Czech Republic	30.00	6,210	2005
Gewista-Werbegesellschaft m.b.H., Vienna	Austria	33.00	27,218	2005
Global Expert, s.r.o., Pardubice	Czech Republic	100.00	86	2005
IMPERIAL-Székesfehérvár Ingatlankezelési Kft., Budapest	Hungary	25.00	11,237	2005
Kámen Ostromer, s.r.o., Ostromer	Czech Republic	100.00	186	2005
KIP, a.s., Prague	Czech Republic	86.43	3,687	2005
Medial Beteiligungs-Gesellschaft m.b.H., Vienna	Austria	29.63	22,104	2005
PKB Privatkliniken Beteiligungs-GmbH (consolidated financial statements), Vienna	Austria	25.00	19,305	2005
Sanatorium Astoria, a.s., Karlovy Vary	Czech Republic	86.32	2,308	2005
SHD Komes, a.s., Most	Czech Republic	46.33	15,111	2005
SURPMO a.s., Prague	Czech Republic	98.54	220	2005
TECH GATE VIENNA Wissenschafts- und Technologiepart GmbH, Vienna	Austria	60.00	36,358	2005
Unigeo, a.s., Ostrava-Hrabova	Czech Republic	90.92	5,348	2005
Non-consolidated companies				
"Heimstätte Gesellschaft m.b.H." (first non-profit housing company), Vienna	Austria	99.45	62,849	2004
"Neue Heimat", Gemeinnützige Wohnungs- und Siedlungsgesellschaft in Oberösterreich GmbH, Linz	Austria	99.81	65,056	2004

Affiliated companies and participations Wiener Städtische AG	Country	Share of capital (%)	Equity (EUR '000)	Most recent annual financial statements
Alpenländische Heimstätte Gemeinnützige Wohnungsbau- und Siedlungsgesellschaft m.b.H., Innsbruck	Austria	94.00	82,629	2004
AREALIS Liegenschaftsmanagement GmbH, Vienna	Austria	50.00	Founded 2005	
CAPITOL Spolka z o.o., Warsaw	Poland	100.00	−32	2004
Close Joint Company Ukrainian Insurance Company "Kniazha", Kiev	Ukraine	50.01	1,743	2004
DIRECT-LINE Direktvertriebs-GmbH, Vienna	Austria	100.00	192	2005
Eurocenter-Immorent d.o.o., Zagreb	Croatia	100.00	0	2004
EXPERTA Schadenregulierungs-Gesellschaft m.b.H., Vienna	Austria	100.00	649	2005
FUTURELAB Holding GmbH (consolidated balance sheet), Vienna	Austria	50.00	3,895	2004
HORIZONT Personal-, Team- und Organisationsentwicklung GmbH, Vienna	Austria	100.00	153	2005
HUMANOCARE gemeinnützige Betriebsgesellschaft für Betreuungseinrichtungen GmbH, Vienna	Austria	100.00	38	2004
HUMANOCARE Management-Consult GmbH, Vienna	Austria	75.00	201	2004
Humanomed Krankenhaus Management Gesellschaft m.b.H., Vienna	Austria	25.00	678	2004
Insurance Company Globus, Kiev	Ukraine	51.00	1,303	2004
Insurance Financial Services GmbH, Vienna	Austria	49.00	263	2004
Joint Belarus-Austrian Insurance Company Kupala, Minsk	Belarus	90.97	536	2004
Joint Stock Company Insurance Company "JUPITER", Kiev	Ukraine	73.00	1,852	2004
Neutorgasse 2-8 Projektverwertungs GmbH, Vienna	Austria	90.00	−187	2004
ÖBV-DIREKT Versicherungsservice GmbH in Liqu., Vienna	Austria	33.33	450	2004
Österreichisches Verkehrsbüro Aktiengesellschaft, Vienna	Austria	31.58	96,804	2004
PFG Liegenschaftsbewirtschaftungs GmbH, Vienna	Austria	76.93	41	2005
Privatklinik Villach Gesellschaft m.b.H. & Co.KG, Klagenfurt	Austria	23.29	1,871	2004
Realitätenverwaltungs- und Restaurantbetriebs-Gesellschaft m.b.H., Vienna	Austria	100.00	419	2005
Renaissance Hotel Realbesitz GmbH, Vienna	Austria	67.00	6,093	2005
Ringturm Kapitalanlagegesellschaft m.b.H., Vienna	Austria	91.00	3,016	2005
RISK CONSULT Sicherheits- und Risiko-Managementberatung Gesellschaft m.b.H., Vienna	Austria	51.00	272	2004
Ruster Hotel Bau- und Betriebsgesellschaft m.b.H. & Co KG, Vienna	Austria	47.86	−3,171	2004

Affiliated companies and participations Wiener Städtische AG	Country	Share of capital (%)	Equity (EUR '000)	Most recent annual financial statements
VBV-Pensionskasse Aktiengesellschaft, Vienna	Austria	20.96	46,265	2004
Wüstenrot Versicherungs-Aktiengesellschaft, Salzburg	Austria	31.60	162,305	2005
ZASO Victoria Non-Life, Minsk	Belarus	100.00	245	2005

The information required under § 265 (2) (4) of the Austrian Commercial Code is provided in the Participation overview in the individual financial statements.

5. LOANS AND OTHER CAPITAL ASSETS

Loans and other capital assets in EUR '000	31.12.2005	31.12.2004
Loans	1,247,366	1,506,091
Other capital assets	1,075,312	556,216
Total	**2,322,678**	**2,062,307**

Changes in EUR '000	31.12.2005	31.12.2004
Acquisition costs	2,071,236	2,037,639
Cumulative depreciation as of 31.12 of the previous years	−8,929	−8,929
Book value as of 31.12 of year of the previous year	**2,062,307**	**2,028,710**
Additions	11,762,336	12,695,105
Change in scope of consolidation	12,892	0
Disposals	−11,521,774	−12,671,362
Currency gains and losses recognised as income or expenses	6,917	9,854
Book value as of 31.12	**2,322,678**	**2,062,307**
Cumulative depreciation as of 31.12	8,929	8,929
Acquisition costs	**2,331,607**	**2,071,236**

	Acquisition costs carried forward	
Detail in EUR '000	31.12.2005	31.12.2004
Loans to non-consolidated affiliated companies	21,602	26,185
Loans to associated companies	29,073	31,433
Mortgage Loans	247,412	317,271
Policy loans and prepayments	26,283	27,600
Other loans	922,996	1,103,602
to government borrowers	769,301	901,987
to banks	9,223	9,452
to other commercial borrowers	59,768	76,416
to private individuals	6,635	10,291
other	78,069	105,456
Total	**1,247,366**	**1,506,091**
Market value	**1.330,900**	**1,617,213**

The item "Other capital assets" essentially consists of bank deposits in the amount of EUR 985,981 million (EUR 475,819 million) and deposit receivables against reinsurers in the amount of EUR 77,706 million (EUR 74,535 million).

Maturities	Acquisition costs carried forward	
	31.12.2005	31.12.2004
in EUR '000		
Up to one year	109,762	59,600
From one to five years	434,872	569,000
From five to ten years	276,167	377,700
More than ten years	426,565	499,791
Total	**1,247,366**	**1,506,091**
Market value	**1,330,900**	**1,617,213**

6. OTHER SECURITIES

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

Detail	Financial instruments held to maturity		Financial instruments available for sale		Trading portfolio		Fair Value Option	
	31.12.2005	31.12.2004	31.12.2005	31.12.2004	31.12.2005	31.12.2004	31.12.2005	31.12.2004
in EUR '000								
As of 31.12 of preceding year	173,799	128,832	8,049,194	6,699,667	324,679	313,127	0	0
Additions	89,434	95,018	4,347,597	3,772,455	192,544	173,374	128,444	0
Disposals	−25,264	−66,251	−2,530,274	−2,774,623	−58,401	−178,306	−56,234	0
Currency gains and losses recognised as income and expenses	4,771	9,449	37,579	25,920	4,884	3,455	−355	0
Change in valuation recognised as income	3,770	6,768	0	0	28,041	13,029	1,400	0
Change in valuation not affecting income	0	0	405,178	336,948	0	0	0	0
Impairment	0	−17	−2,725	−11,173	0	0	0	0
Status as of 31.12.	**246,510**	**173,799**	**10,306,549**	**8,049,194**	**491,747**	**324,679**	**73,255**	**0**

The Group received a total of EUR 2,592.855 million from the sale of available-for-sale financial instruments in 2005, realising a gain of EUR 85,151 million and a loss of EUR 22,570 million. Sales from the trading portfolio resulted in realised gains of EUR 40,173 million and realised losses of EUR 3,080 million in 2005.

Financial instruments held to maturity may be shown as follows:

Held to Maturity	Acquisition Costs Carried Forward		Fair Value	
	31.12.2005	31.12.2004	31.12.2005	31.12.2004
in EUR '000				
Government loans	143,973	103,410	155,202	108,562
Loans to business	102,537	70,389	109,714	75,753
Total	**246,510**	**173,799**	**264,916**	**184,315**

Financial instruments available for sale may be shown as follows:

Available for Sale	Amortized acquisition costs		Unrealised Gains		Unrealised Losses		Fair Value	
	31.12.05	31.12.04	31.12.05	31.12.04	31.12.05	31.12.04	31.12.05	31.12.04
in EUR '000								
Non fixed-income	3,048,018	2,063,616	362,804	263,580	−5,806	−61,139	3,405.016	2,266,057
Shares	671,680	635,001	270,713	207,669	−2,487	−22,104	939,906	820,566
Unit funds	1,987,688	1,137,792	68,222	40,145	−2,830	−39,035	2,053,080	1,138,902
Other	388,650	290,823	23,869	15,766	−489	0	412,030	306,589
Fixed income	6,544,854	5,624,170	378,877	163,859	−22,198	−4,892	6,901,533	5,783,137
Bonds and other securities of affiliated companies	29,135	22,035	0	0	0	0	29,135	22,035
Bonds and other securities of ownership interests	172,828	167,970	17,319	268	−31	0	190,116	168,238
Other fixed-income securities	6,342,891	5,434,165	361,558	163,591	−22,167	−4,892	6,682,282	5,592,864
Total	**9,592,872**	**7,687,786**	**741,681**	**427,439**	**−28,004**	**−66,031**	**10,306,549**	**8,049,194**

For financial instruments available for sale, the balance sheet value corresponds to the fair value. Unrealised profits and losses represent the difference between the acquisition costs being brought forward and the fair values.

The **trading portfolio** consists of the following:

Trading in EUR '000	Fair Value 31.12.2005	Fair Value 31.12.2004
Structured bonds	475,791	307,229
Shares	1,289	17,450
Unit funds	1,970	0
Derivatives	−2,879	0
Other	15,576	0
Total	**491,747**	**324,679**

This entirely relates to short-term investments.

Fair values of derivatives (Trading) in EUR '000	Fair Value 31.12.2005
Options	−2,813
Futures	−66
Total	**−2,879**

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

Financial instruments for which the Fair Value Option was utilised:

Fair Value Option in EUR '000	Amortized acquisition costs 31.12.2005	Fair Value 31.12.2005
Bonds	38,236	39,791
Structured loans	29,010	29,614
Shares	2,394	1,445
Unit funds	2,357	2,405
Total	**71,997**	**73,255**

7. CAPITAL ASSETS OF UNIT- AND INDEX-LINKED LIFE INSURANCE

Detail in EUR '000	Unit-linked 31.12.2005	Index-linked 31.12.2005	Total 31.12.2005	Total 31.12.2004
Unit funds	1,504,895	6,393	1,511,288	980,906
Structured bonds	0	209,064	209,064	114,724
Structured loans	0	2,990	2,990	4,665
Shares	0	21,498	21,498	9,513
Derivatives (Guarantee claim)	4,589	0	4,589	4,694
Bank deposits	3,404	9,238	12,642	5,126
Totals	**1,512,888**	**249,183**	**1,762,071**	**1,119,628**

The balance sheet value corresponds to the fair value.

8. REINSURERS' SHARE OF UNDERWRITING PROVISIONS

in EUR '000	Property/ Casualty 31.12.2005	Life 31.12.2005	Health 31.12.2005	Total 31.12.2005	Total 31.12.2004
Unearned premiums	101,830	5,640	0	107,470	63,648
Actuarial reserve	50	92,842	1,710	94,602	89,169
Reserve for outstanding claims	625,203	5,424	143	630,770	519,499
Reserve for profit-independent premium refunds	5,635	0	0	5,635	5,743
Reserve for profit-dependent premium refunds	0	10	0	10	15
Other underwriting provisions	1,573	0	0	1,573	1,796
Total	**734,291**	**103,916**	**1,853**	**840,060**	**679,870**

Changes in EUR '000	Book Value 1.1.2005	Changes in Consol. Scope	Currency differences	Allocation of reserves	Amount used/ released	Book Value 31.12.2005
Actuarial reserve	89,169	993	85	17,909	−13,554	**94,602**
Reserve for outstanding claims	519,499	15,811	12,918	221,513	−138,971	**630,770**
Reserve for profit-independent premium refunds	5,743	0	64	1,765	−1,937	**5,635**
Reserve for profit-dependent premium refunds	15	0	0	0	−5	**10**
Other underwriting provisions	1,796	0	−3	1,394	−1,614	**1,573**

9. RECEIVABLES

Detail in EUR '000	Property/Casualty 31.12.2005	Life 31.12.2005	Health 31.12.2005	Total 31.12.2005	Total 31.12.2004
Receivables from the direct insurance business	329,251	70,933	5,136	405,320	290,117
from policyholders	272,565	65,825	4,976	343,366	242,409
from insurance intermediaries	51,860	4,979	0	56,839	40,100
from insurance companies	4,826	129	160	5,115	7,608
Receivables from the reinsurance business	70,707	2,250	0	72,957	81,705
Other receivables	180,477	186,664	11,435	378,576	344,424
Total	**580,435**	**259,847**	**16,571**	**856,853**	**716,246**

Detail other receivables in EUR '000	Property/Casualty 31.12.2005	Life 31.12.2005	Health 31.12.2005	Total 31.12.2005	Total 31.12.2004
Proportionate interest and rent	15,299	171,133	6,855	193,287	174,572
Receivables from Tax Office	2,725	5,942	0	8,667	10,423
Receivables from employees	653	174	0	827	0
Receivables from sales of capital assets	67,400	0	0	67,400	60,731
Receivables from property management	10,985	38	24	11,047	10,533
Receivables from third-party damage settlements	6,195	0	0	6,195	3,559
Receivables from loans	2,158	19	0	2,177	6,772
Outstanding loans and rents	1,101	986	410	2,497	2,903
Other receivables	73,961	8,372	4,146	86,479	74,931
Total	**180,477**	**186,664**	**11,435**	**378,576**	**344,424**

All receivables have a maturity date of less than one year.

10. CASH AND CASH EQUIVALENTS

Detail in EUR '000	Property/Casualty 31.12.2005	Life 31.12.2005	Health 31.12.2005	Total 31.12.2005	Total 31.12.2004
Current bank deposits	212,854	72,051	1,784	286,689	177,485
Cash and checks	3,299	359	0	3,658	15,936
Total	**216,153**	**72,410**	**1,784**	**290,347**	**193,421**

11. TAX DEFERRALS

The deferred tax credits and liabilities indicated relate to the amounts of temporary differences in balance sheet items listed in the following Table. (The differences were already valued using applicable tax rates.) It should be noted that deferred taxes, as far as allowable, are settled at the taxpayer level, and accordingly differing balances are shown either as assets or liabilities on the balance sheet.

Detail in EUR '000	Deferred tax credits 31.12.2005	Deferred tax liabilities 31.12.2005	Deferred tax credits 31.12.2004	Deferred tax liabilities 31.12.2004
Intangible assets	5,120	130	4,041	0
Capital assets	7,399	255,958	6,757	168,987
Receivables	1,425	1,066	593	183
Other assets and adjustment for carried-over losses	4,606	3,689	590	732
Untaxed reserves	0	63,150	0	64,792
Underwriting provisions	128,566	22,531	46,945	11,151
Non underwriting provisions	84,776	14,611	67,827	5,145
Payables	9,205	378	7,784	17
Other liabilities	8,330	20	14,370	0
Total	**249,427**	**361,533**	**148,907**	**251,007**
Balance deferred taxes		**112,106**		**102,100**

12. OTHER ASSETS

Detail in EUR '000	Property/Casualty 31.12.2005	Life 31.12.2005	Health 31.12.2005	Total 31.12.2005	Total 31.12.2004
Fixed assets and inventories	43,321	13,154	0	56,475	57,642
Project downpayments	82	21	0	103	55,957
Prepaid taxes	63,824	5,671	0	69,495	53,531
Other assets	7,120	10,109	562	17,791	15,948
Prepaid expenses	46,919	9,923	0	56,842	47,569
Total	**161,266**	**38,878**	**562**	**200,706**	**230,647**

13. CONSOLIDATED SHAREHOLDERS' EQUITY

Transition to Group shareholders' equity in fiscal years 2004 and 2005

in EUR '000	Share Capital	Capital Reserves	Profit Reserves	Unrealised Gains and Losses	Currency Conversion and Other Reserves	Shareholders' Equity before Minority Share Interest	Minority Interests	Shareholders' Equity
Status as of 1 January 2004	**89,655**	**150,000**	**218,656**	**175,290**	**14,297**	**647,898**	**34,407**	**682,305**
Exchange rate	0	0	0	0	3,107	3,107	1,092	4,199
Changes in amount of shareholding	0	0	3,640	0	0	3,640	31,451	35,091
Unrealised gains and losses on financial instruments available for sale	0	0	0	92,765	0	92,765	1,153	93,918
Profit for the period	0	0	120,952	0	0	120,952	600	121,552
Dividend payment	0	0	−19,634	0	0	−19,634	−3,653	−23,287
Status as of 31 December 2004	**89,655**	**150,000**	**323,614**	**268,055**	**17,404**	**848,728**	**65,050**	**913,778**

in EUR '000	Share Capital	Capital Reserves	Profit Reserves	Unrealised Gains and Losses	Currency Conversion and Other Reserves	Shareholders' Equity before Minority Share Interest	Minority Interests	Shareholders' Equity
Status as of 1 January 2005	**89,655**	**150,000**	**323,614**	**268,055**	**17,404**	**848,728**	**65,050**	**913,778**
Exchange rate	0	0	0	0	7,348	7,348	1,099	8,447
Changes in amount of shareholding	0	0	−33,995	0	0	−33,995	−10,606	−44,601
Capital Increase	19,354	885,029	0	0	0	904,383	0	904,383
Unrealised gains and losses on financial instruments available for sale	0	0	0	117,857	0	117,857	3,595	121,452
Profit for the period	0	0	196,977	0	0	196,977	1,760	198,737
Dividend payment	0	0	−39,806	0	0	−39,806	−3,058	−42,864
Status as of 31 December 2005	**109,009**	**1,035,029**	**446,790**	**385,912**	**24,752**	**2,001,492**	**57,840**	**2,059,332**

Unrealised gains and losses as of 31 December 2005 are equal to a gross amount of EUR 1,021,496 million less deferred taxes in the amount of EUR 123,898 million, less deferred profit participation of EUR 506,767 million, less minority interests in the amount of EUR 4,919 million.

Minority Interests in EUR '000	31.12.2005	31.12.2004
Unrealised gains and losses	4,919	1,153
Share of profit for the year	1,760	600
Other	51,161	63,297
Total	**57,840**	**65,050**

Earnings per Share

At the beginning of the reporting period, there was a total of 86,357,600 shares outstanding of which 9,450,000 were preference shares with no voting rights and 76,907,000 were ordinary shares. By resolution of the General Shareholders' Meeting on 24.5.2005, the preference shares were converted into ordinary shares. The conversion was retroactively taken into account, under IAS 33.64, in the reporting period and in the comparable period of the prior year. Consequent upon the capital increase on December 2005, the number of shares was increased by 18,642,400 to 105,000,000.

	1.1.-31.12.2005	1.1.-31.12.2004
Profit for the year	EUR 198,737,000	EUR 121,552,000
Number of shares	105,000,000	86,357,600
Before capital increase	86,357,600	
Capital increase	18,642,400	
Earnings per share	**EUR 2.27**	**EUR 1.41**

Since there were no potential ordinary shares either in 2004 nor in the current reporting period, the undiluted earnings per share correspond to the diluted earnings per share.

Consolidated shareholders' equity

A capital increase in the share capital of Wiener Städtische AG took place during the reporting period, with 18,642,400 new shares issued at a subscription and offer price of EUR 49.00 per new share. This capital increase, which made use of authorised capital, resulted in 18,642,400 shares being issued, which increased the company's previous share capital of EUR 89,655,022.06 by EUR 19,354,229.20. The capital increase was entered in the commercial register on 20 December 2005, thereby becoming effective on this date. According to the commercial register entry, the share capital of Wiener Städtische Allgemeine Versicherung AG is equal to EUR 109,009,251.26. It is divided into 105,000,000 no-par value ordinary bearer shares with voting rights, each share representing an equal portion of share capital. The Board of Management is authorized until 23 May 2010 at the latest, to increase the capital stock of the company — in several tranches if need be — by a nominal amount of EUR 16,982,187.89 by issuing 16,357,600 no-par value ordinary bearer or registered shares against cash contributions or contributions in kind. The content of the share rights as well as the other terms and conditions of the share issue shall be decided by the Board of Management with approval of the Supervisory Board. Preferred shares without voting rights that have equivalent rights to already existing preferred shares may be issued in this process. The issue prices of ordinary and preferred shares may differ.

By resolution of the General Shareholders' Meeting of 24.05.2005, the following dividend distributions took place:

Distribution in EUR	Per Share 1.1.-31.12.2005	Total 1.1.-31.12.2005
Ordinary shares	0.45	34,608,150
Preference shares	0.55	5,197,500
Total	**—**	**39,805,650**

Proposed Allocation of Profits

Wiener Städtische Allgemeine Versicherung Aktiengesellschaft concluded fiscal year 2005, under Austrian accounting rules, with a balance sheet profit of EUR 135,997,562.33. The following allocation of profits has been proposed in connection with the General Shareholders' Meeting: The 105 million shares are to receive a dividend of EUR 0.66 per share. A total of EUR 69,300,000 is to be distributed. The balance-sheet profit for the 2005 fiscal year remaining after distribution of dividends, in the amount of EUR 66,697,562.33, is to be carried forward to the next accounting period.

14. SUBORDINATED LIABILITIES

Subordinated liabilities involve supplementary capital loans of the following companies in the Group:

Issuing Company	Date Issued	Outstanding Volume (in EUR '000)	Maturity in Years	Interest Rate in %	Fair Value
Wiener Städtische Allgemeine Versicherung AG	12.1.2005	180,000	17	First 12 years: 4.625% p.a.; then variable	180,360
Wiener Städtische Allgemeine Versicherung AG	12.1.2005	120,000	unlimited[1)]	First year 4.25% p.a.; then variable	116,700
Donau Allgemeine Versicherungsaktiengesellschaft	10.5.2004	50,000	unlimited[2)]	4.95% p.a.	50,000
Donau Allgemeine Versicherungsaktiengesellschaft	15.4.+21.5.2004	11,500	unlimited[3)]	4.95% p.a.	11,500
Donau Allgemeine Versicherungsaktiengesellschaft	1.7.1999	3,500	unlimited[4)]	4.95% p.a.	3,500
Union Versicherungsaktiengesellschaft	2.1.2004	11,250	10	4.95% p.a.	11,250
Union Versicherungsaktiengesellschaft	21.12.2001	2,700	unlimited[5)]	First 10 years: 6% p.a.; then variable	2,700
Union Versicherungsaktiengesellschaft	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.	25,000
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**			**410,260**

1) The right to ordinary and extraordinary cancellation by the holder is excluded. Regular cancellation by the issuer is first allowed effective 12 January 2017.

2) This may be cancelled, in whole or in part, both by the holders as well as by Donau, not sooner than 10 May 2014, upon giving five years' notice and as of 10 May of each subsequent year.

3) This may be cancelled, in whole or in part, both by the holders as well as by Donau, not sooner than 31 December 2009, upon giving five years' notice and as of 31 December of each subsequent year.

4) This may be cancelled, in whole or in part, both by the holders as well as by Donau, not sooner than 1 July 2002, upon giving five years' notice and as of 1 July of each subsequent year.

5) This can only be terminated subject to not less than five years' notice, unless the Austrian insurance regulatory authorities agree to redemption being made prematurely.

The amounts for Union Versicherungsaktiengesellschaft are shown proportionate.

Interest on supplementary capital loans may be employed for disbursements only insofar as the interest is covered by the company's domestic profit for the year.

15. PROVISIONS OF UNEARNED PREMIUMS

in EUR '000	31.12.2005	31.12.2004
Property/Casualty insurance	491,414	323,624
Life insurance	134,870	118,094
Health insurance	1,369	1,211
Total	**627,653**	**442,929**

16. ACTUARIAL RESERVE

Detail in EUR '000	31.12.2005	31.12.2004
Property/Casualty insurance	185	64
Life insurance		
for guaranteed policy payments	7,573,975	6,760,096
for allocated and promised profit sharing	1,208,104	1,078,295
Health insurance	609,253	566,029
Total	**9,391,517**	**8,404,484**

The **average interest rate** on the actuarial reserve for life and health insurance may be seen as follows:

Interest rates in %	31.12.2005	31.12.2004
Life insurance	3.27	3.26
Health insurance	3	3

Actuarial Reserve Life Insurance in EUR '000	31.12.2005	31.12.2004
Direct business		
Policy payments	7,455,970	6,642,520
Allocated profit sharing	1,181,963	1,054,963
Promised profit sharing	26,141	23,332
Indirect business		
Policy payments	118,005	117,576
Total	**8,782,079**	**7,838,391**

Health Insurance Actuarial Reserve in EUR '000	31.12.2005	31.12.2004
Direct business		
Individual insurance	492,417	458,484
Group insurance	115,958	106,979
Indirect business	878	566
Total	**609,253**	**566,029**

17. RESERVE FOR OUTSTANDING CLAIMS

Detail in EUR '000	31.12.2005	31.12.2004
Property/Casualty insurance	2,192,231	1,837,657
Life insurance	73,319	54,165
Health insurance	41,722	41,633
Total	**2,307,272**	**1,933,455**

Changes to Reserve for outstanding claims in Property/Casualty Insurance in EUR '000	31.12.2005	31.12.2004
Book value as of 31 Dec. of preceding year	1,837,657	1,755,341
Claim expenses	1,686,628	1,292,594
Loss payments and claim processing expenses	−1,344,293	−1,210,446
Currency conversion	306	168
Other changes	11,933	0
Book Value as of 31 Dec. 2005	**2,192,231**	**1,837,657**

A detailed presentation of the gross loss reserve is to be found in the section "Risk Overview," under the heading with the same name.

18. RESERVE FOR REFUND OF PREMIUMS

Detail in EUR '000	31.12.2005	31.12.2004
Property/Casualty insurance	17,104	18,103
Life insurance	709,976	460,827
Health insurance	17,531	17,846
Total	**744,611**	**496,776**
including accrued profit sharing: Life insurance	497,092	285,543

Changes (Life Insurance) in EUR '000	31.12.2005	31.12.2004
Reserve for return of premiums — Status as of 1.1.	175,284	176,634
Rate difference	625	576
Amounts added / released	113,416	75,489
Transfer to actuarial reserve	−76,441	−77,415
Total	**212,884**	**175,284**
Deferred profit sharing — Status as of 1.1.	285,543	57,015
Rate difference	480	328
Unrealised gains/losses from securities available for sale	203,922	209,201
Revaluations recognised as income or expenses	7,147	18,999
Book Value 31.12.	**709,976**	**460,827**

19. OTHER UNDERWRITING PROVISIONS

Detail in EUR '000	31.12.2005	31.12.2004
Property/Casualty insurance	12,009	9,850
Life insurance	2,633	2,323
Health insurance	597	554
Total	**15,239**	**12,727**

Other underwriting provisions relate chiefly to provision for anticipated lapses.

20. UNDERWRITING PROVISIONS OF UNIT-LINKED AND INDEX-LINKED LIFE INSURANCE

Detail in EUR '000	31.12.2005	31.12.2004
Unit-linked life insurance policies	1,515,223	968,531
Index-linked life insurance policies	214,645	150,689
Total	**1,729,868**	**1,119,220**

21. PROVISIONS FOR PENSIONS AND SIMILAR OBLIGATIONS

Detail in EUR '000	31.12.2005	31.12.2004
Provisions for pension	466,353	509,102
Provisions for post-employment benefit	116,349	115,369
Total	**582,702**	**624,471**

Development of pension liabilities in EUR '000	31.12.2005	31.12.2004
Present value of the liability (DBO) 1.1.	520,144	506,160
Unrealised profits / losses	−11,042	0
Provision as of 1.1.	**509,102**	**506,160**
Withdrawal for pension payments	−25,768	−26,118
Expenses	29,189	29,060
Decrease of obligation	−46,170	0
Provision as of 31.12.	**466,353**	**509,102**
Accumulated unrealised profits / losses	39,333	11,042
Present value of the liability (DBO) as of 31.12.	**505,686**	**520,144**

Development of post-employment benefit liabilities in EUR '000	31.12.2005	31.12.2004
Book value as of 1.1.	115,369	124,225
Change in scope of consolidation	26	0
Withdrawal for post-employment benefit payments	−10,409	−19,880
Allocation to the provision	11,363	11,024
Book value as of 31.12.	**116,349**	**115,369**

The following amounts are included in the income statements for the period under review and the comparative period from the previous year:

Detail of pension expense in EUR '000	1.1.-31.12.2005	1.1.-31.12.2004
Current service cost	7,065	6,884
Interest expense	22,811	22,176
Realised underwriting gains (-) or losses (+)	−687	0
Total	**29,189**	**29,060**

Detail of post-employment benefit expense in EUR '000	1.1.-31.12.2005	1.1.-31.12.2004
Current service cost	5,900	5,607
Interest expense	5,463	5,417
Total	**11,363**	**11,024**

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 capital assets.

22. OTHER PROVISIONS

Detail in EUR '000	Property/Casualty 31.12.2005	Life 31.12.2005	Health 31.12.2005	Total 31.12.2005	Total 31.12.2004
Provision for vacation balances	26,294	1,110	0	27,404	25,389
Provision for anniversary payments	8,500	4,523	925	13,948	13,618
Other personnel provisions	1,568	192	0	1,760	296
Provisions for customer support and marketing	25,834	484	0	26,318	2,193
Provision for variable salary components	4,503	1,607	0	6,110	11,105
Provision for legal and consulting fees	1,508	223	0	1,731	1,479
Provision for premium adjustment from reinsurance contracts	241	0	0	241	2,419
Provision for portfolio maintenance commission	0	568	0	568	0
Provision for open purchase invoices	1,524	11,604	0	13,128	9,199
Other provisions	106,227	22,470	0	128,697	105,872
Total	**176,199**	**42,781**	**925**	**219,905**	**171,570**

Development in EUR '000	Book value 1.1.	Change in scope of con-solidation	Change from F/X	Use	Release	Reclassi-fications	Allo-cations	Book value 31.12.
Provision for vacation balances	25,389	64	61	−25,124	−49	0	27,063	27,404
Provision for anniversary payments	13,618	0	0	−930	0	0	1,260	13,948
Other personnel provisions	296	0	31	−101	−105	0	1,639	1,760
Provisions for customer support and marketing	2,193	104	0	−1,182	−506	21,542	4,167	26,318
Provision for variable salary components	11,105	246	0	−5,720	0	0	479	6,110
Provision for legal and consulting fees	1,479	0	0	−1,621	−322	2	2,193	1,731
Provision for premium adjustment from reinsurance contracts	2,419	0	0	0	−2,191	0	13	241
Provision for portfolio maintenance commissions	0	418	0	0	−34	0	184	568
Provision for open purchase invoices from real estate	9,199	0	49	−3,255	−4	0	7,139	13,128
Other provisions	105,872	136	3,351	−16,711	−9,063	−21,544	66,656	128,697
Total	**171,570**	**968**	**3,492**	**−54,644**	**−12,274**	**0**	**110,793**	**219,905**

Maturity in EUR '000	31.12.2005	31.12.2004
Up to one year	207,653	170,091
More than one year	12,252	1,479
Total	**219,905**	**171,570**

23. LIABILITIES

Detail in EUR '000	Property/Casualty 31.12.2005	Life 31.12.2005	Health 31.12.2005	Total 31.12.2005	Total 31.12.2004
Liabilities from direct business					
to policyholders	201,228	88,514	4,639	294,381	272,779
to insurance brokers	67,658	13,281	0	80,939	56,806
to insurance companies	8,660	70	252	8,982	6,143
from finance insurance agreements	0	50,947	0	50,947	84,643
Accounts payable on reinsurance business	77,091	6,443	0	83,534	81,243
Deposit receivables from business ceded to reinsurance	803	96,559	961	98,323	90,581
Liabilities to banks	47,118	6,964	89,816	143,898	149,940
Other liabilities	124,236	64,166	125,325	313,727	197,021
Total	**526,794**	**326,944**	**220,993**	**1,074,731**	**939,156**

Detail: Other liabilities in EUR '000	31.12.2005	31.12.2004
Tax liabilities	37,926	73,651
Liabilities for social security	10,316	9,393
Liabilities to property managers	276	17,265
Liabilities to employees	12,584	6,068
Bond liabilities	5,867	46,154
Other liabilities	246,758	44,490
Total	**313,727**	**197,021**

Maturity in EUR '000	31.12.2005	31.12.2004
Up to one year	795,953	613,992
Between one and five years	149,270	175,224
More than five years	129,508	149,940
Total	**1,074,731**	**939,156**

Other liabilities primarily comprise liabilities from purchases of assets (EUR 59,000 million), cash pooling in the Group (EUR 21,222 million), liabilities to affiliated, non-consolidated companies (EUR 38,157 million) and interest on supplemental capital.

24. OTHER LIABILITIES

Detail in EUR '000	Property/Casualty 31.12.2005	Life 31.12.2005	Health 31.12.2005	Total 31.12.2005	Total 31.12.2004
Deferred income	63,270	14,924	90	78,284	51,745
Other liabilities	4,344	65	0	4,409	7,805
Total	**67,614**	**14,989**	**90**	**82,693**	**59,550**

25. CONTINGENT LIABILITIES AND RECEIVABLES

Ligitation

Litigation regarding coverage

In their capacity as insurance companies, the companies of the Wiener Städtische Group are involved in a number of court proceedings as defendants or have been threatened with ligitation. In addition, there are proceedings in which the companies of the Wiener Städtische Group are not involved as parties; however, they may be affected by the outcome of such lawsuits due to agreements with other insurers concerning participation in claims. In the opinion of Wiener Städtische, provisions in proportion to the amount in dispute have been established for all claims. In none of the proceedings does the retention after reinsurance amount to more than EUR 150,000.

Other threatened and pending court and arbitration proceedings

Legal action by the Association for Consumer Information (Verein für Konsumenteninformation, VKI)

In a class action suit, the Association for Consumer Information has objected to some of the clauses contained in Wiener Städtische AG's standard contract terms (AVB) for traditional life insurance due to a violation of transparency requirements and has demanded that Wiener Städtische AG waive these clauses in the future. In the meantime, the suit has also been extended to Wiener Städtische AG's standard contract terms for unit-linked life insurance.

Not only Wiener Städtische AG but also other Austrian corporate Groups and most other large Austrian insurance companies use comparable clauses in their standard contract terms. VKI has also filed suits with similar content against UNION and other Austrian insurance companies. Wiener Städtische AG contests VKI's standing to bring the lawsuit. Moreover, it considers the content of the suit to be unfounded, particularly in view of the fact that the contract clauses criticised by VKI as non-transparent or contrary to law are either made more specific by individual agreements or reflect provisions of law. No reliable information can be provided at the present time concerning the possible outcome of these proceedings.

Kärntner Belegärzteverein — anti-trust proceedings

The Kärntner Belegärzteverein (BAV) has filed an action with the Vienna Higher Regional Court (as anti-trust court) against Wiener Städtische AG and other Austrian insurance companies and various private clinics for alleged abuse of their dominant positions in the market and has petitioned that they be enjoined from certain actions and that they be found to have formed a prohibited cartel.

Wiener Städtische AG considers BAV's suit to be unfounded because the procedures under objection are common practice throughout the Austrian market and, therefore, there is no abuse. At the present time, it is not possible to provide any reliable information concerning the possible outcome of the proceedings.

Guarantees

The following explanatory notes are provided concerning the contingent liabilities not shown on the balance sheet: Letters of comfort exist for Businesspark Brunn Entwicklungs GmbH in the amount of EUR 799,000 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 joint and several guarantee for loans taken out by COUNTRY INN VIC Hotelerrichtungs- und Betriebsgesellschaft m.b.H. up to a total amount of EUR 10,850 million. The company has also provided guarantees for employee loan repayments to the employees' savings and loan fund of "Wiener Städtische Allgemeine Versicherung Aktiengesellschaft" reg.Gen.m.b.H. in the amount of EUR 161,000. There is a letter of comfort in the amount of EUR 7,410 million in favour of Central Point IT-Solutions GmbH.

26. EARNED PREMIUMS

The premiums written and earned in the reporting period of 2005 and in the comparable period of 2004 are broken down by segments as follows:

Premiums written in EUR '000	Property/Casualty 2005	Life 2005	Health 2005	Total 2005
TOTAL ACCOUNT				
Direct business				
Austria	1,337,220	1,525,888	287,832	3,150,940
Czech Republic	669,420	218,963	0	888,383
Slovakia	225,675	105,266	0	330,941
Remaining CEE-markets	259,690	75,795	0	335,485
Other markets	58,589	218,553	0	277,142
Indirect business	12,725	11,964	255	24,944
Premiums written	2,563,319	2,156,429	288,087	5,007,835
REINSURERS' SHARE	−696,397	−34,929	−873	−732,199
Premiums written, retention	**1,866,922**	**2,121,500**	**287,214**	**4,275,636**

Earned premiums in EUR '000	Property/Casualty 2005	Life 2005	Health 2005	Total 2005
TOTAL ACCOUNT				
Direct business	2,498,110	2,142,631	287,628	4,928,369
Indirect business	11,679	11,651	255	23,585
Earned premiums	2,509,789	2,154,282	287,883	4,951,954
REINSURERS' SHARE	−674,955	−35,255	−873	−711,083
Earned premiums, retention	**1,834,834**	**2,119,027**	**287,010**	**4,240,871**

Premiums written in EUR '000	Property/Casualty 2004	Life 2004	Health 2004	Total 2004
TOTAL ACCOUNT				
Direct business				
Austria	1,234,342	1,219,670	279,327	2,733,339
Czech Republic	530,759	171,241	0	702,000
Slovakia	204,338	81,960	0	286,298
Remaining CEE-markets	136,859	53,703	0	190,562
Other markets	55,303	102,824	0	158,127
Indirect business	17,477	12,987	588	31,052
Premiums written	2,179,078	1,642,385	279,915	4,101,378
REINSURERS' SHARE	−605,600	−35,437	−5,774	−646,811
Premiums written, retention	**1,573,478**	**1,606,948**	**274,141**	**3,454,567**

Earned premiums in EUR '000	Property/Casualty 2004	Life 2004	Health 2004	Total 2004
TOTAL ACCOUNT				
Direct business	2,158,056	1,625,419	279,122	4,062,597
Indirect business	17,449	12,955	588	30,992
Earned premiums	2,175,505	1,638,374	279,710	4,093,589
REINSURERS' SHARE	−605,347	−35,134	−5,774	−646,255
Earned premiums, retention	**1,570,158**	**1,603,240**	**273,936**	**3,447,334**

Premiums written, total account Property/Casualty insurance	Total account 2005	Reinsurers' share 2005	Retention 2005	Total account 2004
in EUR '000				
Direct business				
Fire and business interruption due to fire	339,467	−235,322	104,145	284,449
Household insurance	147,217	−16,286	130,931	131,007
Other non-life insurance	257,731	−99,305	158,426	281,784
Motor vehicle liability insurance	750,528	−168,234	582,294	621,928
Other motor vehicle insurance	481,621	−59,163	422,458	365,979
Casualty insurance	190,751	−33,734	157,017	134,126
Liability insurance	186,018	−23,988	162,030	162,895
Legal expenses insurance	39,957	−98	39,859	38,777
Marine, aviation and transit insurance	38,323	−21,525	16,798	36,711
Credit and guarantee insurance	11,440	−5,543	5,897	154
Other insurances	107,541	−19,999	87,542	103,791
Subtotal	2,550,594	−683,197	1,867,397	2,161,601
Indirect business				
Marine, aviation and transit insurance	463	0	463	613
Other insurance	12,262	−13,200	−938	16,864
Subtotal	12,725	−13,200	−475	17,477
Total	**2,563,319**	**−696,397**	**1,866,922**	**2,179,078**

Premiums written — direct business, life insurance	2005	2004
in EUR '000		
thereof		
Individual insurance policies	2,034,293	1,565,823
Group insurance policies	110,172	63,575
thereof		
Policies with a single premium	847,231	521,915
Policies with regular premiums	1,297,234	1,107,483
thereof		
Policies with profit participation	1,477,766	1,169,189
Policies without profit participation	136,805	65,597
Unit-linked life insurance policies	486,106	354,483
Index-linked life insurance policies	43,788	40,129

Premiums written — total account, health insurance	2005	2004
in EUR '000		
Direct business		
Individual insurance policies	201,299	194,430
Group insurance policies	86,533	84,897
Indirect business		
Group insurance	255	588

27. INCOME FROM CAPITAL ASSETS OF AFFILIATED COMPANIES AND ASSOCIATES

Detail income	Property/Casualty 2005	Life 2005	Health 2005	Total 2005
in EUR '000				
Current income	2,909	4,883	−216	7,576
Other	4,668	0	0	4,668
Total	**7,577**	**4,883**	**−216**	**12,244**

Detail income	Property/Casualty 2004	Life 2004	Health 2004	Total 2004
in EUR '000				
Current income	2,675	0	235	2,910
Total	**2,675**	**0**	**235**	**2,910**

Detail — expenses in EUR '000	Property/Casualty 2005	Life 2005	Health 2005	Total 2005
Depreciation of capital assets	8	0	0	8
Loss from the disposal of capital assets	666	3	0	669
Total	**674**	**3**	**0**	**677**

Detail — expenses in EUR '000	Property/Casualty 2004	Life 2004	Health 2004	Total 2004
Loss from the disposal of capital assets	417	0	0	417
Other expenses	53	0	0	53
Total	**470**	**0**	**0**	**470**

28. INCOME FROM OTHER CAPITAL ASSETS

Detail — income in EUR '000	Property/Casualty 2005	Life 2005	Health 2005	Total 2005
Current income	96,149	502,407	32,400	630,956
Income from write-ups	4,885	27,429	223	32,537
Income from the disposal of capital assets	50,043	108,778	5,833	164,654
Total	**151,077**	**638,614**	**38,456**	**828,147**

Detail — income in EUR '000	Property/Casualty 2004	Life 2004	Health 2004	Total 2004
Current income	114,112	442,755	35,954	592,821
Income from write-ups	5,131	12,647	0	17,778
Income from the disposal of capital assets	20,406	50,363	3,965	74,734
Total	**139,649**	**505,765**	**39,919**	**685,333**

Detail — expenses in EUR '000	Property/Casualty 2005	Life 2005	Health 2005	Total 2005
Depreciation of capital assets	76,677	39,468	4,803	120,948
Exchange rate differences	−181	947	52	818
Realised capital losses	5,593	18,471	3,001	27,065
Interest expenses	24,980	26,437	5,098	56,515
Personnel provision	13,991	11,615	2,668	28,274
Interest on borrowed capital	10,989	14,822	2,430	28,241
Other expenses	7,488	19,495	1,958	28,941
Total	**114,557**	**104,818**	**14,912**	**234,287**

Detail — expenses in EUR '000	Property/Casualty 2004	Life 2004	Health 2004	Total 2004
Depreciation of capital assets	61,285	34,238	9,442	104,965
Realised capital losses	28,436	22,130	3,096	53,662
Interest expenses	19,948	17,149	6,671	43,768
Personnel provision	15,953	8,877	3,551	28,381
Interest on borrowed capital	3,995	8,272	3,120	15,387
Other expenses	15,680	18,525	2,310	36,515
Total	**125,349**	**92,042**	**21,519**	**238,910**

29. OTHER INCOME

Detail in EUR '000	Property/Casualty 2005	Life 2005	Health 2005	Total 2005
Other underwriting income	17,166	6,754	34	23,954
Other non-underwriting income	14,952	7,355	3	22,310
Total	**32,118**	**14,109**	**37**	**46,264**

Other income amounting to EUR 9.899 million results primarily from current non-underwriting income of fully consolidated non-insurance companies. Additionally EUR 6.948 million result from cleared receivables written off in prior periods.

Detail in EUR '000	Property/Casualty 2004	Life 2004	Health 2004	Total 2004
Other underwriting income	17,012	3,483	28	20,523
Other non-underwriting income	9,201	4,600	25	13,826
Total	**26,213**	**8,083**	**53**	**34,349**

30. INSURANCE BENEFITS

Detail in EUR '000	Total Account 2005	Reinsurers' Share 2005	Retention 2005
Property/Casualty Insurance			
Expenditures for claims			
Payments for claims	1,344,293	−290,414	1,053,879
Provisions for outstanding insurance claims	175,448	−58,703	116,745
TOTAL	**1,519,741**	**−349,117**	**1,170,624**
Change in actuarial reserve	−57	41	−16
Change in other underwriting provisions	943	433	1,376
Expenditures for return of premiums, both related and unrelated to results	8,617	−1,539	7,078
TOTAL AMOUNT OF BENEFITS	**1,529,244**	**−350,182**	**1,179,062**
Life Insurance			
Expenditures for claims			
Payments for claims	913,694	−16,975	896,719
Provisions for outstanding insurance claims	14,077	−761	13,316
TOTAL	**927,771**	**−17,736**	**910,035**
Change in actuarial reserve	1,160,860	209	1,161,069
Change in other underwriting provisions	8,188	0	8,188
Expenditures for return of premiums, both related and unrelated to results	107,207	−10	107,197
TOTAL AMOUNT OF BENEFITS	**2,204,026**	**−17,537**	**2,186,489**
Health Insurance			
Expenditures for claims			
Payments for claims	198,952	−530	198,422
Provisions for outstanding insurance claims	82	104	186
TOTAL	**199,034**	**−426**	**198,608**
Change in actuarial reserve	43,531	−235	43,296
Expenditures for return of premiums, both related and unrelated to results	10,956	0	10,956
TOTAL AMOUNT OF BENEFITS	**253,521**	**−661**	**252,860**
TOTAL	**3,986,791**	**−368,380**	**3,618,411**

Detail in EUR '000	Total Account 2004	Reinsurers' Share 2004	Retention 2004
Property/Casualty Insurance			
Expenditures for claims			
Payments for claims	1,210,446	−277,366	933,080
Provisions for outstanding insurance claims	82,316	46	82,362
TOTAL	**1,292,762**	**−277,320**	**1,015,442**
Change in actuarial reserve	53	0	53
Change in other underwriting provisions	3,344	−460	2,884
Expenditures for return of premiums, both related and unrelated to results	18,062	−1,941	16,121
TOTAL AMOUNT OF BENEFITS	**1,314,221**	**−279,721**	**1,034,500**
Life Insurance			
Expenditures for claims			
Payments for claims	753,491	−13,141	740,350
Provisions for outstanding insurance claims	7,660	1,097	8,757
TOTAL	**761,151**	**−12,044**	**749,107**
Change in actuarial reserve	766,677	−9,656	757,021
Change in other underwriting provisions	6,242	0	6,242
Expenditures for return of premiums, both related and unrelated to results	92,165	−15	92,150
TOTAL AMOUNT OF BENEFITS	**1,626,235**	**−21,715**	**1,604,520**
Health Insurance			
Expenditures for claims			
Payments for claims	198,553	−11,252	187,301
Provisions for outstanding insurance claims	463	−43	420
TOTAL	**199,016**	**−11,295**	**187,721**
Change in actuarial reserve	40,723	−229	40,494
Expenditures for return of premiums, both related and unrelated to results	11,010	0	11,010
TOTAL AMOUNT OF BENEFITS	**250,749**	**−11,524**	**239,225**
TOTAL	**3,191,205**	**−312,960**	**2,878,245**

31. OPERATING EXPENSES

Detail in EUR '000	Property/Casualty 2005	Life 2005	Health 2005	Total 2005
Acquisition costs				
Commissions expenditures	299,567	184,403	5,726	489,696
Proportional personnel costs	98,896	47,873	9,680	156,449
Proportional material costs	69,098	76,083	7,249	152,430
SUB TOTAL	**467,561**	**308,359**	**22,655**	**798,575**
Operating expenses				
Proportional personnel costs	100,352	49,259	7,384	156,995
Proportional material costs	70,112	34,416	5,159	109,687
SUB TOTAL	**170,464**	**83,675**	**12,543**	**266,682**
Received reinsurance commissions	−157,016	−16,332	−119	−173,467
Total	**481,009**	**375,702**	**35,079**	**891,790**

Detail in EUR '000	Property/Casualty 2004	Life 2004	Health 2004	Total 2004
Acquisition costs				
Indirect commissions expenditures	264,376	159,198	5,798	429,372
Proportional personnel costs	83,567	57,914	9,766	151,247
Proportional material costs	60,571	41,656	7,025	109,252
SUB TOTAL	**408,514**	**258,768**	**22,589**	**689,871**
Operating expenses				
Proportional personnel costs	87,056	40,046	7,228	134,330
Proportional material costs	65,674	30,209	5,452	101,335
SUB TOTAL	**152,730**	**70,255**	**12,680**	**235,665**
Received reinsurance commissions	−131,040	−22,770	−194	−154,004
Total	**430,204**	**306,253**	**35,075**	**771,532**

32. OTHER EXPENSES

Detail in EUR '000	Property/Casualty 2005	Life 2005	Health 2005	Total 2005
Other underwriting expenditures	87,737	29,462	981	118,180
Other non-underwriting expenditures	17,094	6,751	0	23,845
Total	**104,831**	**36,213**	**981**	**142,025**

The other expenditures essentially stem from other underwriting amounts and fees totalling EUR 47,623 million, adjustments of value (excluding investments) totalling EUR 35,762 million and current non-underwriting operating expenditures totalling EUR 25,091 million.

Detail in EUR '000	Property/Casualty 2004	Life 2004	Health 2004	Total 2004
Other underwriting expenditures	76,026	32,037	1,582	109,645
Other non-underwriting expenditures	9,595	5,620	0	15,215
Total	**85,621**	**37,657**	**1,582**	**124,860**

33. TAX EXPENSES

Tax Expenses — Detail in EUR '000	2005	2004
Accrued taxes	67,105	34,969
Accrued taxes relating to other periods	−4,740	1,480
TOTAL ACCRUED TAXES	**62,365**	**36,449**
Deferred taxes	−20,765	−2,093
Total	**41,599**	**34,356**

Carry-Over Calculation in EUR '000	2005	2004
Expected tax expenses in %	25%	34%
Profit before taxes	240,336	155,908
EXPECTED TAX EXPENSES	**60,084**	**53,009**
Tax expenses adjusted for:		
Tax-free investment profits	−29,637	−26,931
Non-deductible expenses	25,544	25,912
Other tax-free profits	−19,266	−20,625
Taxes from previous years	−4,740	1,480
Changes in tax rates	1,532	−1,333
Adjustment for carried-over losses and other taxation effects	8,082	2,844
EFFECTIVE INCOME TAX EXPENSES	**41,599**	**34,356**
Effective tax rate %	**17%**	**22%**

The (Austrian) income tax rate of parent company Wiener Städtische Allgemeine Versicherung AG is used as the company tax rate. This expected company tax rate changed due to an income tax rate reduction in 2005 from 34% to 25%. Since the change to the Austrian corporate income tax had already been adopted by 31 December 2004, the deferred taxes of the Austrian Group companies had already been calculated up to 31 December 2004 using the reduced tax rate of 25%.

Likewise, a change in the tax rate from 26% to 24% also occurred in the Czech Republic as of 1 January 2006. Therefore the deferred taxes were already evaluated with the new income tax rate.

34. OTHER INFORMATION

Employee Statistics	31.12.2005	31.12.2004
Austria	5,366	5,534
Sales representatives	2,725	2,692
Office employees	2,641	2,842
Outside Austria	10,980	7,692
Sales representatives	4,982	3,007
Office employees	5,998	4,685
Total	**16,346**	**13,226**

Personnel Costs in EUR '000	2005	2004
Wages and salaries	263,600	252,418
Expenditures for post-employment benefits	5,881	9,484
Expenditures for pensions and payments to occupational employee pension funds	9,837	10,054
Mandatory social security contributions and expenditures	84,783	82,169
Other social security expenditures	4,000	3,799
Total	**368,101**	**357,924**
thereof sales representatives	171,760	151,516
thereof office employees	196,341	206,408
Expenditures for post-employment benefit payments and pensions for:		
board members and senior management	2,732	3,126
remaining employees	12,986	16,412

Salaries of the Managing Board and Supervisory Board in EUR '000	2005	2004
Management board salaries	5,036	4,155
Remuneration to supervisory board members	133	87
Remuneration to former members of the management board and supervisory board	1,016	2,055
Pension expenditures for		
management board members	1,347	5,133
former management board members	810	2,011

In the **fully consolidated enterprises** the average number of employees (including cleaning personnel) amounted to 16,230 (12,356). Of this figure, 7,690 (5,682) were in sales operations resulting in personnel costs of EUR 171,401 million (EUR 151,226 million) and 8,540 (6,674) were active in operations resulting in personnel costs of EUR 193,964 million (EUR 199,406 million).

In the **proportional-consolidated enterprises** the average number of the employees (including cleaning personnel) was 116 (870). Of this 17 (17) were active in sales resulting in personnel costs of EUR 359,000 (EUR 290,000) and 99 (853) were in operations resulting in personnel costs of EUR 2,377 million (EUR 7,002 million).

35. OTHER INFORMATION

The Supervisory Board is comprised of the following individuals:

Members elected by the General Shareholders' Meeting:

(The years in brackets indicate the year that the individual was first appointed and the end of the current appointment)

President Komm.-Rat Dkfm. Klaus **Stadler** (1992/2010)
Chairman

Komm.-Rat Dr. Karl **Skyba** (1992/2010)
Deputy Chairman

Generalabt Propst Bernhard **Backovsky** (2002/2010)
Peter **Haunschmidt** (2002/2010)
Mag. Alois **Hochegger** (starting 24 May 2005/2010)
Dipl.-Ing. Guido **Klestil** (1992/2010)
Dkfm. Helmut **Mayr** (until 24 May 2005)
Prof. Komm.-Rat Walter **Nettig** (1992/2010)
Hofrat Dkfm. Heinz **Öhler** (2002/2010)
Komm.-Rat Wolfgang **Radlegger** (until 24 May 2005)
Dr. Johann **Sereinig** (1992/2010)
Mag. Dr. Friedrich **Stara** (2002/2010)

Employee representatives:
Peter **Grimm**
Dietfried **Kreiner** (until 24 May 2005)
Heinz **Neuhauser**
Franz **Urban**
Gerd **Wiehart**
Peter **Winkler** (starting 24 May 2005)
Fritz **Zickbauer** (until 24 May 2005)

All members of the Supervisory Board elected by the General Shareholders' Meeting declare that they are to be considered independent according to the criteria laid down by the Supervisory Board. No member of the Supervisory Board is a shareholder with an ownership interest greater than 10% or represents the interests of such a shareholder.

No agreements were concluded with members of the Supervisory Board in 2005 which would have required approval from the Supervisory Board.

Compensation plan for members of the Supervisory Board:

In accordance with resolutions passed by the 14th ordinary General Shareholders' Meeting of 24 May 2005, the members of the Supervisory Board elected by the General Shareholders' Meeting receive their compensation in the form of monthly payments paid in advance. Members of the Supervisory Board who withdraw during the course of a month receive full compensation for the month in question. In addition to this compensation, Supervisory Board members receive an attendance allowance for participating in Supervisory Board meetings and Supervisory Board committee meetings (paid after participation in the meeting).

The compensation received by the Supervisory Board members in 2005 for their service to the Company was EUR 133,000 (2004: EUR 87,000).

No loans were granted to Supervisory Board members in 2005.

No guarantees existed for Supervisory Board members on 31 December 2005.

Committee members:

Committee for decisions on urgent issues concerning the Company (Working Committee)

Komm.-Rat Dkfm. Klaus **Stadler**
1^{st} substitute: Dr. Johann **Sereinig**
2^{nd} substitute: Mag. Alois **Hochegger**

Komm.-Rat Dr. Karl **Skyba**
1^{st} substitute: Dipl.-Ing. Guido **Klestil**
2^{nd} substitute: Hofrat Dkfm. Heinz **Öhler**

Franz **Urban**
1^{st} substitute: Heinz **Neuhauser**
2^{nd} substitute: Peter **Grimm**

Auditing Committee (Accounts Committee)

Komm.-Rat Dkfm. Klaus **Stadler**
1^{st} substitute: Dr. Johann **Sereinig**
2^{nd} substitute: Mag. Alois **Hochegger**

Komm.-Rat Dr. Karl **Skyba**
1^{st} substitute: Dipl.-Ing. Guido **Klestil**
2^{nd} substitute: Hofrat Dkfm. Heinz **Öhler**

Franz **Urban**
1^{st} substitute: Heinz **Neuhauser**
2^{nd} substitute: Peter **Grimm**

Strategy Committee

Komm.-Rat Dkfm. Klaus **Stadler**
1^{st} substitute: Dr. Johann **Sereinig**
2^{nd} substitute: Mag. Alois **Hochegger**

Komm.-Rat Dr. Karl **Skyba**
1^{st} substitute Dipl.-Ing. Guido **Klestil**
2^{nd} substitute: Hofrat Dkfm. Heinz **Öhler**

Franz **Urban**
1^{st} substitute Heinz **Neuhauser**
2^{nd} substitute: Peter **Grimm**

Personnel Committee (Committee for management board issues)

Komm.-Rat Dkfm. Klaus **Stadler**
Komm.-Rat Dr. Karl **Skyba**

The following Supervisory Board members held supervisory board positions or comparable positions in domestic or foreign listed companies in 2005:

Dipl.-Ing. Guido **Klestil**	Austriamicrosystems AG
Prof.Komm.-Rat Walter **Nettig**	Imperial Hotels Austria AG
Hofrat Dkfm. Heinz **Öhler**	Bank für Tirol und Vorarlberg AG
Komm.-Rat Dr. Karl **Skyba**	Flughafen Wien AG

The Management Board is comprised of the following individuals:

Chairman:
Dr. Günter **Geyer**
Managing Director, Chairman of the Management Board
Member of the Management Board since 1988

Members:
Dkfm. Karl **Fink**
Deputy Managing Director
Member of the Management Board since 1987

Mag. Christian **Brandstetter**
Member of the Management Board since 2003

Dr. Rudolf **Ertl**
Member of the Management Board since 2001

Dr. Peter **Hagen**
Member of the Management Board since 2004

Ing. Mag. Robert **Lasshofer**
Member of the Management Board since 1999

Dr. Martin **Simhandl**
Member of the Management Board since 2004

There were no loans outstanding to Management Board members on 31 December 2005.

No guarantees existed for Management Board members on 31 December 2005.

Compensation plan for Management Board members:

The earnings of Management Board members are comprised of a fixed and a variable component. The variable component is exclusively performance-based, and can reach up to around 60% of the fixed component.

Profit participation is essentially measured in terms of the result from ordinary activities, both of the Company and the Group. There is a maximum limit on profit participation. The Management Board does not participate in profits if the result from ordinary operations falls below certain thresholds.

The standard employment agreement of a Wiener Städtische AG Management Board member includes a pension plan obligation which can equal at most 40% of the measurement basis if the member remains in the Management Board until the age of 65 (the measurement basis is essentially equal to the fixed salary). The rules for Management Board members with many years of prior employment differ in part. If a member has many years of prior employment, pension obligations may equal up to at most 55% of the measurement basis. A pension is received only if a Management Board member's position is not extended through no fault of the member, or the Management Board member retires due to illness or age.

The Management Board agreements of Wiener Städtische AG make provision for a post-employment benefit claim, which is essentially structured according to the model of the old post-employment benefit provision in the Austrian Employee Act (Angestelltengesetz) in combination with relevant sector-specific arrangements. Under these provisions, depending on the period of service, Management Board members can receive two to twelve months' compensation, with an increase of 50% if the member retires or withdraws after a long-term illness. A member who withdraws of his or her own volition before retirement is possible, or withdraws due to a fault of his or her own, is not entitled to post-employment benefits.

In 2005, the total expenses for post-employment benefits and pensions of EUR 15,718 million (2004: EUR 19,538 million) included post-employment benefit and pension expenses of EUR 2,732 million (2004: EUR 3,126 million) for Management Board members and executives according to § 80 (1) of the Austrian Stock Corporation Act (AktG).

In 2005, the members of the Management Board received compensation equal to EUR 5,036 million (2004: EUR 4,155 million) for their services. The total earnings paid to former members of the

Management Board (including surviving dependents) was EUR 1,016 million in 2005 (2004: EUR 2,055 million).

The following individuals were appointed as trustees during the fiscal year in accordance with § 22 (1) of the Austrian Insurance Supervision Act (VAG):

Robert **Freitag**

Substitute:
Dr. Bernd **Fletzberger** (starting 2 July 2005)
Ernestine **Graßberger** (until 30 June 2005)

36. RELATIONSHIPS WITH ASSOCIATED COMPANIES AND PERSONS

Associated companies and Persons

Associated companies represent on the one hand the related companies, joint ventures listed in point 4 and associated companies. In addition, the executive committees and supervisory boards of Wiener Städtische Allgemeine Versicherung Aktiengesellschaft and those closely linked to them qualify as associates. Wiener Städtische Wechselseitige Versicherungsanstalt-Vermögensverwaltung holds the majority of the voting rights in Wiener Städtische Allgemeine Versicherung Aktiengesellschaft. This controlling stake means that it is also an associated company.

In the reporting periods no loans or guarantees were granted to the members of the management board and the supervisory board.

Likewise, no loans or guarantees existed as of 31 December 2005 and 31 December 2004.

Transactions with Associated companies

Wiener Städtische Wechselseitige Versicherungsanstalt-Vermögensverwaltung, on the part of the company, makes available office premises. Other services (e.g. bookkeeping operations) are furnished on the part of the company.

Internal reinsurance relations, to a subordinated extent, as well as financial dealings in the real estate property area and accounting operations (bookkeeping, personnel recruiting, data processing etc.) exist with consolidated companies.

It is mainly financial and accounting operations that exist with non-consolidated connected and associated companies.

Open entries at the end of the period under review in EUR '000	31.12.2005
Accounts receivable	
Accounts receivable from insurance operations	1,556
Other accounts receivable	24,582
Sub Total	**26,138**
Accounts payable	
Accounts payable from insurance operations	−3,409
Other accounts payable	−28,849
Sub Total	**−32,258**
Total	**−6,120**
Loans to affiliated companies which are not to be consolidated	63,598
Loans to other associated companies	3,922

EVENTS AFTER THE BALANCE SHEET REPORTING DATE

Receipt of essential official approvals for a 40% ownership interest in Kardan Financial Services B.V. (KFS) was the final formality in Wiener Städtische AG's entry into the Dutch financial group. KFS is a holding company with a majority interest in TBIH Financial Services Group NV, which owns financial services companies in Central and Eastern Europe.

This allows the Vienna Insurance Group to further expand its position in the Central and Eastern European insurance markets of Bulgaria, Croatia and the Ukraine, and to actively begin business operations in Russia and Georgia. This ownership interest also opens up new business opportunities in the area of pension funds in Bulgaria, Croatia, Serbia and Montenegro, Russia, the Ukraine and Georgia. In addition, new distribution channels also become available for the Vienna Insurance Group's insurance products, including in the Leasing and Asset Management areas. All in all, this enables the Vienna Insurance Group to establish new customer relationships and expand its insurance business.

Wiener Städtische has received the green light from the Polish supervisory and cartel authorities and the Austrian cartel authority for its acquisition of a majority interest in the Polish company Towarzystwo Ubezpieczén i Reasekuracji CIGNA STU S.A. This finalises Wiener Städtische's acquisition of a total interest of approx. 63% in the Warsaw-based non-life insurer.

REPRESENTATION OF THE EFFECTS OF THE CONVERSION TO THE IFRS ACCOUNTING STANDARDS

As concerns principles of company accounting, this consolidated financial statements has been drawn up for the first time according to the principles of the IFRS in order to provide a basis for comparison with the results drawn up for the period ending 31 December 2005, which will appear according to IFRS for the first time. The consolidated financial statements for 31 December 2004 was provided according to Austrian commercial law and insurance law principles.

The stated balance and evaluation principles were used uniformly for the balance-sheet reporting date of 31 December 2004 and for the transition date of the group to IFRS, on 1 January 2004.

The following representations show how the conversion of Austrian commercial law and Insurance law principles to IFRS affected the represented asset -, finance - and earnings status. A representation of the effect on the cash flow is not included as no company capital flow calculation had to be provided according to Austrian standards.

Additionally it is marked by the fact that, according to IFRS, no obligatory classification scheme for the elements of a yearly - or interim statement is given. This concerns in particular the representation of the balance and the profit and loss calculation.

Carry-Over of equity capital

The carry-overs of equity capital on the reporting dates of 31 December 2004 and 1 January 2004 are as follows:

in EUR '000	31.12.2004	1.1.2004
Equity capital in the company report according to Austrian standards	**445,102**	**333,411**
Changes to the scope of consolidation	−4,342	−35,935
Inclusion and valuation of capital investments	668,681	475,584
Benefits for employees	−209,167	−211,998
Underwriting provisions	−63,625	11,939
Deferred taxes	−182,121	−178,492
Tax-free reserves	259,050	276,796
Other changes	200	11,000
Equity capital according to IFRS	**913,778**	**682,305**

Changes to the scope of consolidation

In accordance with the conditions of IAS 27, in an IFRS report, one company was partially-consolidated and two enterprises were fully consolidated. These had been classed only as at equity in the previous reports drawn up according to Austrian standards.

In accordance with the regulation of SIC 12 shares in special funds are to be fully consolidated, if the special fund is controlled by the reporting company, or if it is liable for the majority of the risks and chances of the special fund.

Accordingly, since Wiener Städtische holds the majority stakes in special funds, these special funds have been fully consolidated.

The other changes concern shares held in Wüstenrot Versicherungs- AG, which had previously been classed as at equity, and which in the IFRS report have been classed as securities available for sale. As a result of the changes to the scope of consolidation the following changes of equity capital occurred:

in EUR '000	31.12.2004	1.1.2004
Inclusion of additional subsidiaries	−22,321	−25,710
Consolidation of Special Funds	35,429	6,560
Other Changes	−17,450	−16,785
Equity capital according to IFRS	**−4,342**	**−35,935**

Inclusion and valuation of capital investments

According to Austrian regulations, financial instruments are to be evaluated either by the strict minimum value principle (shares and other non-securities at fixed interest) or by the average minimum value principle (debenture bonds and other securities and lendings at fixed interest). Derivative financial instruments are valued at initial costs. The initial costs then form the value upper limit. A majority of derivative financial instruments were treated according to Austrian regulations as "off balance sheet" transactions (in particular Swaps and Forward rate agreements). According to Austrian regulations, shareholdings are valued at the initial costs or the lower value which can be determined. If the value can be determined in accordance with IAS 39, then this value is used.

According to the principles of the IFRS, active financial instruments (financial assets) can be valued either by the current value or by the updated initial costs.

Benefits for employees

Pension reserves and similar obligations, as well as other long-term obligations to employees are evaluated in the IFRS conclusion according to the regulations of IAS 19. IAS 19 prescribes the use of the Projected Unit Credit Method as well as the application of certain evaluation parameters (calculation of interest, salary and pension increases, number of deaths and fluctuation), including the way these parameters are derived. Statistical profits and losses can be distributed by application of the corridor method.

According to commercial law, a different method can also be used, which was applied in the case of Wiener Städtische. In the consolidated financial statements drawn up according to commercial law, other evaluation parameters (in particular calculation of interest and salary and pension increases) were selected. Statistical profits and losses were fully recorded immediately in the consolidated financial statements subject to commercial law.

in EUR '000	31.12.2004	1.1.2004
Pension reserve	176,630	177,653
Post-employment benefits reserve	32,326	33,770
Anniversary pay reserve	211	575
Total	**209,167**	**211,998**

Underwriting reserves

In consolidated financial statements under commercial law, the property/casualty insurance equalisation reserve and catastrophe reserve were included. Under IFRS, these equalisation and catastrophe reserves are not included. In life insurance, deferred profit sharing at a proportion of 80% across the company, is taken into account on all differences in value, as long as the respective company awards insurance contracts with discretionary profit participation clauses.

The adjustments led to the following change in equity capital:

Underwriting reserves in EUR '000	31.12.2004	1.1.2004
Equalisation reserve	218,986	148,727
Catastrophe reserve	2,932	419
Reserves for deferred profit-sharing	−285,543	−137,207
Total	**63,625**	**11,939**

Tax-free reserves

In the consolidated financial statements subject to commercial law of 31 December 2004 and of 31 December 2003 tax-free reserves of EUR 259.1 million were posted (31 December 2003: EUR 276.8 million).

These tax-free reserves are classed as equity capital under IFRS. Appropriate reserves for deferred taxes have also been set aside.

Deferred taxes

According to Austrian regulations, deferred taxes are calculated on a fiscal assessment basis on the basis of a comparison of the pre-tax results drawn up according to commercial law. Accordingly, in the event of first-time consolidation, no deferred taxes based on the difference between book value and current value, consolidation are taken into consideration concerning the purchase price allocation. Active deferred taxes on carried-over losses are not included.

According to IFRS, deferred taxes are calculated according to the balance sheet liability method for all temporary differences between the estimated values of net assets and debts in the IFRS company conclusion and the taxable values given by the individual company. In addition, any probable tax benefit that could be realised from existing carried-over losses are included in the calculation. Exceptions to this deferral calculation are non-tax-deductible company assets and any temporary differences linked to shareholdings. Active tax deferrals are not set, if it is not likely that the tax benefits can be realised.

From the different method of calculation of deferred taxes and new valuations as a result of IFRS the following changes of equity capital resulted:

in EUR '000	31.12.2004	1.1.2004
Change of active deferred taxes	72,610	50,982
Change of passive deferred taxes	109,511	127,510
Total	**182,121**	**178,492**

Other changes

The other changes concern, in particular according to IAS 37, restructuring items which are not included due to a lack of a relevant obligation in consolidated financial statements according to IFRS.

Carrying-over of the results

Converting the annual surplus of the profit and loss calculation for fiscal year 2004, posted according to commercial law, to a calculation of profit and loss according to IFRS is as follows:

in EUR '000	HGB	IFRS
Net earned premiums	3,540,876	3,447,334
Result of capital assets	487,953	446,423
Other income	30,244	34,349
Expenditures for claims	−3,009,383	−2,878,246
Operating expenses	−795,788	−771,532
Other expenditures	−129,995	−124,860
Income from shareholdings in associated companies	2,085	2,440
Pre-tax profit	**125,992**	**155,908**
Taxes	−42,106	−34,356
Post-tax profit	**83,886**	**121,552**

The reasons for the revaluations are, on the one hand, the development of the differences in equity capital; those in the context of the carry-over of equity capital have already been described. This however occurs only to that extent, when the revaluations as a result of IFRS have not had a direct effect on equity capital.

Additionally the following should be considered: The currency conversion takes place according to IFRS in the profit and loss calculation on the basis of the monthly average rate.

In the consolidated financial statements subject to commercial law the reporting date was used.

According to IFRS, premiums and benefits for financial insurance contracts are not taken from the profit and loss calculation. Instead premiums are, independent of results, taken directly from an increase in the appropriate liabilities and benefits as a reduction in liabilities.

The Managing Board:

Dr. Günter Geyer **Dkfm. Karl Fink**

Mag. Christian Brandstetter **Dr. Rudolf Ertl** **Dr. Peter Hagen**

Ing. Mag. Robert Lasshofer **Dr. Martin Simhandl**

Vienna, 7 April 2006

AUDITOR'S REPORT

We have audited the consolidated financial statements of

WIENER STÄDTISCHE Allgemeine Versicherung Aktiengesellschaft, Wien,

for the fiscal year from 1 January to 31 December 2005. The Company's management is responsible for the preparation and the content of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and for the preparation of the management report for the group in accordance with Austrian regulations. Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to state whether the management report for the group is in accordance with the consolidated financial statements.

We conducted our audit in accordance with laws and regulations applicable in Austria and Austrian Standards on Auditing and International Standards on Auditing (ISAs). Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement and whether we can state that the management report for the group is in accordance with the consolidated financial statements. In determining the audit procedures we considered our knowledge of the business, the economic and legal environment of the group as well as the expected occurrence of errors. An audit involves procedures to obtain evidence about amounts and other disclosures in the consolidated financial statements on a sample basis. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit did not give rise to any objections. In our opinion, which is based on the results of our audit, the consolidated financial statements are in accordance with legal requirements [as well as with the articles of association] and present fairly, in all material respects, the financial position of the group as of 31 December 2005, and of the results of its operations and its cash flows for the fiscal year from 1 January to 31 December 2005 in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU. The management report for the group is in accordance with the consolidated financial statements.

KPMG Wirtschaftsprüfungs- und Steuerberatungs GmbH

Mag. Michael Schlenk **ppa. Friedrich Unterkircher**
Wirtschaftsprüfer und Steuerberater

Vienna, 7 April 2006

GLOSSARY

Acquisition costs

The amount paid in currency or currency equivalent in the acquisition of an asset, or the current fair value of another form of payment at the time of acquisition.

Acquisition expenses ratio

The acquisition expenses ratio is calculated based on the expenses arising in particular from commissions for the issuing of the insurance in relation to the gross earned premiums.

Actuarial reserves

The actuarial reserves represent the value calculated according to mathematical principles of the obligations of the insurance company and include the already allocated and promised profit shares and a provision for administrative costs less the total present value of premiums to be received in the future. These reserves are created for life insurance, health insurance, and accident insurance when it operates in the same fashion as life insurance.

In principle, the reserves are calculated using the parameters underlying the premium calculations. The appointed actuary has to verify that the selected parameters are sufficiently cautious. In accordance with the regulations of the VAG, the amount of the reserves must ensure that the claims of the policy holders can be fulfilled at all times.

Life insurance. In the life insurance business in Austria, acquisition costs are calculated using the rates set out in the business plans and included by zillmerization when calculating the actuarial reserve. This approach results in the capitalization and premium-proportionate write offs of these acquisition costs. To the extent that the acquisition costs exceed the amount of the actuarial reserves before deduction of acquisition costs, these asset items are to be written off. If the reserves before deduction via zillmerization increase, these write-offs are to be reversed. As a result, the amount is recovered within the first three years of an insurance contract. For the most part, an increase in actuarial reserves results from the premiums. An increase in premiums automatically leads to an increase in the actuarial reserves, whereby a major part of the premiums are to be assigned to the actuarial reserves. For insurance payments, the actuarial reserves provide sufficient provisioning. Therefore, the insurance payment amount primarily has the effect of reducing the actuarial reserves. A change in the actuarial reserves is due to a premium increase as well as to the development of the insurance benefits paid out.

Health insurance. In health insurance, the actuarial reserves are calculated on the basis of the applicable mathematical principles. The principles are applied with an adequate amount of caution and are verified by the appointed actuary. For the most part, the actuarial reserves consist of reserves for the increasing healthcare costs associated with the increasing age of the policy holder.

Administrative expense ratio

The administrative expense ratio is the ratio of other operating expenses to gross earned premiums.

Amortized costs

Actualization of historic acquisition costs reduced by the associated depreciation amounts.

Assets under management

The total of investments, assessed at the current fair value, which the Group manages and for the investment performance of which the Group is responsible.

Aviation insurance

Aviation insurance has three branches: aviation liability, aviation hull and aviation passenger accident. These classes cover damages by and to the aircraft. In addition, passengers and crew are covered.

Banker's blanket bond

The Banker's Bond is tailored insurance coverage that Wiener Städtische AG offers to banks. It covers internal and external fraud.

Capital consolidation

The acquisition costs are offset against the pro rata share of the equity capital of the subsidiary.

Cash flow statement

Presents the changes in cash and cash equivalents during a fiscal year, broken down into the three areas:

ordinary operations,

investing activities, and

financing activities.

Certificated liabilities

Debt instruments (bonds etc.) and other liabilities for which negotiable certificates have been issued.

Claim settlement costs

Expenses, that are causally related to the settlement of the claim, but which can not be directly allocated.

Closing Date

The closing date is expected to occur on or about May 13, 2008.

Contingent liabilities

Liabilities that are not recognized as they have a low probability of occurrence, for example cross-liabilities due to letters of intent.

Corridor method

In this method for pension plans, the actuarial profits/losses are not immediately recognized. The accrued profits/losses will duly be amortized after they have left the corridor, starting in the following year. The corridor is 10% of the present value of the earned pension claims or the assets of the pension fund, whichever is greater.

Cost-of-sales method

Insurance company expenses are allocated – and reported under the corresponding items – according to causation to the functional areas of claims settlement, policy writing, operations, asset management and expenses for benefits to third parties.

Current service cost

The net expense incurred in conjunction with a defined benefit pension plan, less the beneficiary's contributions to the pension plan, if applicable.

Damage frequency

The number of damage events relative to the number of insured risks.

Default risk

Default risk is the risk that one party to a transaction will fail to discharge an obligation and cause the other party to incur a financial loss.

Defined benefit plan

In this type of pension plan, the company promises the beneficiary a certain entitlement to benefits. The contribution to be paid is orientated towards the age of the beneficiary and the amount of the benefit commitment.

Defined-contribution pension plans

Pension plans, in which contributions to the pension are paid to a separate entity, whereby there is no risk entered into with regard to the amount of the pension. At the time they are paid, these contributions are recorded as an expense.

Derivative financial instruments (derivatives)

Financial contracts whose value depends on the price of an underlying asset. Derivatives can be classified systematically according to the nature of the underlying asset (interest rates, share prices, currency rates, or commodity prices). Options, futures, forward transactions and swaps are important examples of derivative financial instruments.

Direct business

Insurance transaction with an immediate legal relationship between the insurer and policyholder.

Earned premiums

The earned premiums correspond to the portion of premiums written taking into account any changes due to deferred premiums.

Earnings per share (basic/diluted)

The ratio of annual consolidated net income divided by the average number of shares outstanding. The diluted earnings per share include subscription rights that have been exercised or that could still be exercised in calculating the number of shares and the net income. The subscription rights stem from the issuance of bonds with conversion privileges (options, rights) and stock purchase options.

EDP

Electronic data processing.

Embedded Value

The embedded value of an insurance company is an estimate of the value of both its net assets and the income stream expected from insurance policies already in force. It does not include the value of policies that the company will sell in the future. In the case of the Vienna Insurance Group, it comprises the sum of the total of the Group's Net Asset Values of all insurance segments plus the present value of all expected future surpluses for the life and health insurance segment at the valuation date. The present value of all future surpluses is calculated taking into account reserve releases. The Adjusted Net Asset Value is calculated as an indicator of the funds of an insurance company belonging to the shareholder. The Value in Force is calculated to indicate the potential profits that shareholders will receive in the future.

Equity method

Shares in non-consolidated affiliated companies, joint undertakings (joint ventures) and associated companies are recognized using this method.

As a rule, the valuation recognized 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 recognized accordingly.

In ongoing valuations, this value recognized is adjusted by the proportional share of changes to equity, with an allocation to consolidated net income of the share in net income and a deduction of the disbursed profit distributions.

Expense ratio

The ratio of premium writing expenses and other operating expenses divided by the gross earned premiums. The expense ratio therefore consists of a premium writing expense ratio and an administrative expense ratio.

Expenses for insurance claims

The expenses for insurance claims consist of payments for insurance claims, payments for claims investigation, claims settlement, and claims prevention, and from the change in the associated reserves.

Expenses for insurance claims, increase in reserves calculated according to mathematical principles

The expenses for insurance claims consist of – to be shown separately – the payments for insurance claims and the changes in reserves for insurance claims not yet settled. It also includes the expenses for claims investigation, claims prevention and claims settlement, and is reduced by amounts collected from recourse claims and income from the realization of objects, for which compensation has been paid.

Expenses for investments and interest expenses, under investment income transferred to the underwriting (technical) account

The investment and interest expenses consist of expenses for asset management, depreciation on investments, interest expenses, losses on the disposal of investments and other investment expenses.

Expenses for profit-dependent premium provisions and/or policyholder profit participation

Generally, the expenses for profit-dependent premium refunds (policyholder profit participation) consist only of the allocation to provisions for profit-dependent premium refunds. The expense amount depends on the profit in the respective segment.

Expenses for profit-independent premium refunds

The expenses for profit-independent premium refunds consist of premium refunds to policyholders that have been contractually stipulated in the individual insurance contracts and are usually dependent on the claims rate of the insurance contract.

Fair Value

The amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction.

FAS, Financial Accounting Standards

In the U.S., the "Financial Accounting Standards" (accounting rules), provide the details of the US GAAP (Generally Accepted Accounting Principles).

Fronting transactions

Fronting transactions are transactions that are 100% reinsured.

Fund-linked and index-linked life insurance

Insurance policies whereby the capital investment is made at the policyholder's risk. In this area, the investments are valued at fair value and the underwriting reserves are recorded at the value of the investment.

Goodwill

Difference between the acquisition price of the subsidiary and it's pro rata equity capital, valued at the fair value of all of the balance sheet assets and liabilities at the time of the acquisition. As a rule, minority interests are valued at their depreciated historical costs. Goodwill is constantly monitored with regard to its value retention and is, if necessary, written off.

Gross/net

In insurance terminology, "gross/net" means before or after the deduction of reinsurance. ("For own account" is also used for "net"). In connection with income from investments, the term "net" is used when related expenses have already been deducted from income (e.g., write-downs and losses from disposals). Therefore, (net) income from investments shows the profit or loss from these interests.

Gross premiums written

Gross premiums written in the direct insurance business consist of the written premium without including the insurance- and fire protection tax plus fringe payments of the policy holder minus the premium cancellations of the respective fiscal year. In the indirect business the written premiums represent the premiums invoiced by preinsurers. In the coinsurance business the prescribed gross premiums written represent the amount allocated to each of the coinsurers.

Hedge transaction

The use of special financial contracts, in particular derivatives, to reduce losses which might arise due to unfavorable market fluctuations.

IAS

International Accounting Standards (international accounting principles).

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).

Indirect business

Insurance business where the company acts as a reinsurer.

Insurance payments (net)

Expenses (after deducting reinsurance) for insurance claims.

Investment income and interest income

Income from investments and other interest income consists of income from equity holdings (thereof: in associated companies), income from land and buildings, income from other investments, income from write-ups, gains from the disposal of investments, and other income from investments and interest income.

Investments for the account of and at the risk of life insurance policyholders

Primarily consists of investments of the fund-linked and index-linked life insurance policies. The insurance policyholders are entitled to the income generated by these investments; they must also, however, bear any losses incurred.

Joint Global Coordinators

Erste Bank der oesterreichischen Sparkassen AG, J.P. Morgan Securities Ltd. and Merrill Lynch International are the Joint Global Coordinators for the Offering.

Loss frequency

Number of losses in relation to the number of insured risks.

Loss ratio

The percentage ratio of expenses for insurance claims to gross earned premiums. The calculation is based on the expenses for insurance claims in the income statement w the claims settlement costs.

Market value

The amount obtainable from the sale of an investment in an active market.

Minority interests in equity

Shares in the equity of associated companies that are not held by Group companies.

Net combined ratio

When the total of all items in the income statement that contribute to the result before taxes, except for investment profits and the value of gross earned premiums, is divided by gross earned premiums, the result is called the combined ratio. If the ratio is less than 100%, the company is earning a profit from the underwriting part of the business. This ratio is only calculated for property and accident insurance. As the reinsurance amounts are included in the calculation, the result is the net combined ratio. The net combined ratio was determined under IFRS as of September 30, 2005 and September 30, 2004 and was calculated in accordance with the German Commercial Code (HGB) as of December 31, 2004 and December 31, 2003.

Net earned premiums

Earned premiums earned less the reinsurance portion.

Operating expenses

Operating expenses for retained insurance business are broken down into policy writing expenses, other operating expenses, less reinsurance commissions and profit commissions for reinsurance cessions.

Expenses for claims investigations, loss prevention, and claims processing (claims handling expenses) or for making insurance payments (claim settlement costs) are shown in the expenses for insurance claims item.

Options

Derivative financial instruments that 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 predetermined price. In contrast, the seller of an option is obligated to deliver or purchase the asset and receives a premium for providing the option.

OTC derivatives

Derivative financial instruments that are not standardized and are not traded on an exchange, rather they are individually (OTC = over the counter) negotiated between the two parties to the transaction.

Other underwriting expenses

Other underwriting expenses mainly consist of pension expenses for pensioners, fire protection expenses (less refund amounts paid to policyholders), deposit interest expenses and losses on the disposal of moveable machinery and equipment.

Other underwriting income

Other underwriting income includes such items as refunds of fire protection tax by reinsurers and gains on the disposal of movable machinery and equipment.

Overall account

Calculated amounts prior to the deduction of reinsurance amounts – is usually referred to as “gross” and contains direct as well as indirect business.

Premiums written/earned

Premiums written represent all premium revenues in the relevant period under review. Premiums earned represent that part of the premiums written used to provide insurance coverage in that period. In the case of life insurance products where the policyholder carries the investment risk (e.g., variable annuities), only that part of the premiums used to cover the risk insured and costs involved is treated as premium income, to the extent that such contracts are not insurance contracts within the meaning of IFRS and are excluded from profit distribution.

Provisions of unearned premiums

The portion of premiums written that is to be recognized as income in future years. As a rule, the calculation is performed – individually and precisely to the day – for every insurance contract.

Recognized premiums written/earned premiums

The recognized premiums written correspond to the portion of the premiums written pertaining to the respective fiscal year. The portions thereof that pertain to the insurance coverage for the fiscal year are the earned premiums. Of the contributions for life insurance products where the customer takes on the investment risk, such as fund-linked life insurance, only those calculated portions are recorded as premiums received that cover the risks and the costs, to the extent that these contracts are not insurance policies within the meaning of IFRS 4 and are also excluded from profit participation.

Reinsurance

Reinsurance refers to an insurance company insuring a portion of its risk with another insurance company.

Result from ordinary operations

The profit/loss for the year before taxes from activities that a company undertakes as part of its ordinary business. It does not include extraordinary items, such as income or expenses pertaining to events or transactions that clearly differ from the company's ordinary activities and cannot be assumed to recur frequently or regularly.

Retention

Calculated amounts minus deductions for the reinsurers' share – is also referred to as "net".

Return on Equity (RoE)

Calculated as follows: Profit before taxes as a percentage of average equity, calculated as of the beginning and the end of the year.

Securities\available-for-sale

Securities available-for-sale includes 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 recognized at market value as of the balance sheet reporting date. The difference between the market value and the amortized cost (unrealized gains and losses) is recognized directly in equity.

Securities held to maturity

Held-to-maturity securities include debt securities that are intended to be held to maturity, and can be held to maturity. They are recognized "at amortized cost".

Segment reporting

Presentation of the consolidated financial statements according to the property and accident insurance, life insurance, and health insurance areas as primary segments, and by regions as secondary segments.

Shares of minority shareholders in profit for year

Shares in the profit/loss for the year that are allocated not to the Group, but to shareholders holding interests in associated companies outside of the Group.

Swaps

Agreements between two contracting parties regarding an exchange of payment flows over a specified period of time. Important examples are currency swaps (whereby payment flows and principal amounts in different currencies are exchanged) and interest-rate swaps (generally the exchange of fixed interest payments against floating-rate interest payments in the same currency).

Technical insurance

The Vienna Insurance Group offers coverage related to building construction assembly and operation of machines and electronic equipment, i.e. assembly insurance, machinery/business interruption insurance, construction industry insurance and computer insurance.

Underwriting costs

Underwriting costs in the insurance business are divided into costs for the selling of insurance, extraordinary expenses less reinsurance commissions and profits from reinsurance.

The costs for the determination of the extent of damages, damage prevention and claims management (costs associated with regulating damages) are entered as expenses for insurance cases.

Unearned premiums

Accounted premiums, which are to be included in the income statements in future years. The calculation is generally made for each individual insurance contract on a daily basis.

Transit insurance

Transit insurance covers goods during transport. Traditionally, film insurance (i.e. insurance of film companies, which includes film liability and film cancellation insurance) is also treated as part of transit insurance.

Unrealized gains on investments as set forth in item C under assets

The unrealized gains on investments refers to the current value gains on the valuation of investments for fund-linked life insurance.

Unrecognized past service cost

Present value of pension increases pertaining to past periods of service for which pension accruals have not yet been formed.

Unrecognized profits/losses

Actuarial profits/losses (gains/losses) from defined benefit pension plans that have not yet been recognized, see also Corridor Method.

Value at risk (VaR)

Value at Risk (VaR) is the maximum loss not exceeded with a given probability defined as the confidence level, over a given period of time.

Zillmerization

Zillmerization relates to the valuation of a life insurer by an actuary. Even if profitable business is written, the value of the company may worsen (when viewed from a regulatory basis) because of what is called new business strain. Zillmerization is one method of adjusting the valuation calculations to ease this initial valuation strain. See also “Actuarial reserves”.

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11th April 2008

Wiener Städtische Versicherung AG
Vienna Insurance Group
Schottenring 30
1010 Wien
Austria

Dear Dr. Geyer,

Review of Group Embedded Value of Wiener Städtische Versicherung AG Vienna Insurance Group as at 31 December 2007

We have reviewed the Statements of Group Embedded Value (the "Statements") of Wiener Staedtische Versicherung AG Vienna Insurance Group ("VIG") as set out in Part H of the prospectus prepared in connection with the capital raising activities of VIG, dated 21st April 2008 (the "Prospectus") under the heading "Embedded Value of Wiener Staedtische Versicherung AG Vienna Insurance Group 2007". These Statements comprise:

- the European Embedded Values of the life and health businesses in Austria and Germany as at 31 December 2006 and 31 December 2007 together with the value of new business generated and the analysis of movement in the embedded value during the year 2007;
- the European Embedded Values of some of the life businesses in the Czech Republic and the Slovakia and the Traditional Embedded Value of some of the life businesses in Hungary and Poland as at 31 December 2006 and 31 December 2007 together with the value of new business generated and the analysis of movement in the embedded value during the year 2007;
- the Surplus in Claims Reserves for the majority of the P&C companies in Austria, Germany, the Czech Republic, Slovakia, Hungary and Poland at 31 December 2007.

Some companies, as listed in the Statements, that have been acquired by VIG within the past few years have been excluded from the scope of our review. These companies have been included in the Group Embedded Value on the basis of the values shown in VIG's IFRS accounts.

The scope of our review covered the methodology adopted together with the assumptions and calculations made by VIG in its Group Embedded Value.

These Statements of Group Embedded Value and the assumptions underlying them are the sole responsibility of the Board of Directors of VIG. They have been prepared by VIG on the basis of VIG's methodology as described in the Statements.

Our review was conducted in accordance with generally accepted actuarial practices and processes. It comprised a combination of such reasonableness checks, analytical review and checks of clerical accuracy as we considered necessary to provide reasonable assurance that the Statements have been compiled free of significant error. However, we have relied without verification upon the completeness and accuracy of data and information supplied by VIG, including the value of net assets as disclosed in the audited local statutory accounts and the IFRS accounts of VIG and the subsidiaries of VIG.

The calculation of the Group Embedded Values necessarily makes numerous assumptions with respect to economic conditions, operating conditions, taxes, and other matters, many of which are beyond VIG's control. Although the assumptions used represent estimates which the Directors believe are together reasonable, actual experience in future may vary from that assumed in the calculation of the embedded value results and any such variations may be material. Deviations from assumed experience are normal and are to be expected. Group Embedded Value does not purport to be a market valuation and should not be interpreted in that manner since it does not purport to encompass all of the many factors that may bear upon a market value.

In our opinion,

- the methodology and assumptions used are appropriate, and in respect of the Austrian, German, Czech and Slovakian life and health insurance businesses are compliant with the European Embedded Value Principles set out by the CFO Forum in May 2004 (the "CFO Forum Principles") and the additional guidance on disclosure published in November 2005;
- the assumptions made by VIG are reasonable; and
- VIG's Group Embedded Value have been properly compiled on the basis of the methodology and assumptions chosen by VIG, and in respect of the Austrian, German, Czech and Slovakian life and health insurance companies are compliant with the CFO Forum Principles.

This report is made solely to VIG's Directors as a body. Save for any responsibility arising under Commission Regulation (EC) No 809/2004 (the "Prospectus Directive Regulation") to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in accordance with this report or our statement, required by and given solely for the purposes of complying with Annex I item 23.1 of the Prospectus Directive Regulation, consenting to its inclusion in the prospectus.

For the purposes of the Prospectus Directive Regulation, we are responsible for this report as part of the Prospectus and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Prospectus in compliance with Annex I item 1.2 of the Prospectus Directive Regulation.

Yours sincerely,

B&W Deloitte GmbH

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GROUP EMBEDDED VALUE OF WIENER STÄDTISCHE VERSICHERUNG AG VIENNA INSURANCE GROUP 2007

Introduction

The Wiener Städtische Versicherung AG Vienna Insurance Group (VIG) last disclosed its Group Embedded Value (GEV) results in April 2007 for the year 2006. The disclosure included the European Embedded Value (EEV) or the Traditional Embedded Value for the long standing Life and Health (L&H) businesses and the Adjusted Net Asset Value (ANAV) for the Property & Casualty (P&C) businesses in Austria, Germany, the Czech Republic, Slovakia, Hungary and Poland. In accordance with VIG's goal of continually extending the scope of the GEV reporting the TEV for Life business and the ANAV for the P&C business of Compensa in Poland has been included in the GEV for the first time. The ANAV for the P&C business of Compensa includes the IFRS equity of Compensa Holding. Previously the GEV only included the IFRS equity of these Polish operations.

VIG has a successful track record of, and continues to, expanding dynamically in Central and Eastern Europe (CEE). The integration of the acquired businesses in VIG, and the resultant restructuring, is in many cases still ongoing. Therefore, the companies listed in the table below have been included in the GEV on the basis of their IFRS equity and it has not yet been possible to determine the EEV or the ANAV.

Table 1

Country	Company	EV calculated	VIG member since
Czech Republic	Kooperativa	yes	1993
	CPP	no	2005
Slovakia	Kooperativa	yes	1990
	Komunalna	no	2001
	Kontinuita	no	2003
Hungary	Union	yes	1996
Poland	Compensa	yes	1998(*)
	Compensa Life	yes	1999(*)
	Benefia	no	2005
	Royal Polska	no	2005
	InterRisk (former Cigna)	no	2006
	TU PZM	no	2007

(*) Year of entry into the Polish Insurance Market with HEROS and Vienna Life which have been merged into Compensa and Compensa Life in 2001

The restatement of the 2006 GEV results excludes the IFRS equity and includes the TEV and the ANAV of the Compensa companies in Poland.

VIG has chosen a bottom-up, market consistent methodology in setting the economic assumptions for the EEV calculations. The EEV results include an explicit allowance for the Cost of Non-Market Risks (CoNMR).

The directors of VIG acknowledge their responsibility for the preparation of the supplementary information. B&W Deloitte GmbH, Cologne, has been retained to review VIG's GEV calculation. The scope and the results of its independent review are set out on page H-1.

The GEV disclosure should not be viewed as a substitute for VIG's primary financial statements.

Summary of results

The GEV includes the following components:

- ANAV – for the P&C business only this component is included
- Value of In-Force (VIF) after Time Value of Financial Options and Guarantees (FOG)
- Cost of Capital and Non-Market Risks (CoCNMR)

The FOG and the Cost of Non-Market Risk have only been explicitly determined for the EEV businesses. Unless otherwise stated the ANAV is shown after Cost of Capital and the VIF is shown after FOG and Cost of Non-Market Risk.

All the values shown in this disclosure are after tax and exclude minority interests unless otherwise stated. The results are generally shown separately for the Austrian and German (A/G) and the CEE countries.

Group Embedded Value

The following table shows the GEV results for the year ending December 31, 2007 and the restated GEV results for the year ending December 31, 2006.

Table 2	Life & Health		Property & Casualty		Total		
	2007	2006	2007	2006	2007	2006	
			(in EUR million)				+%
Austria/Germany							
ANAV	735.4	1,053.1	617.5	832.4	1,352.9	1,885.5	-28.2%
VIF	1,384.5	1,214.1	n/a	n/a	1,384.5	1,214.1	14.0%
—FOG	-31.6	-32.6	n/a	n/a	-31.6	-32.6	-3.1%
—CoCNMR	-75.7	-62.7	n/a	n/a	-75.7	-62.7	20.7%
Subtotal A/G	2,012.6	2,171.9	617.5	832.4	2,630.1	3,004.3	-12.5%
CEE							
ANAV	148.2	109.0	1,374.2	833.6	1,522.4	942.6	61.5%
VIF	429.1	358.8	n/a	n/a	429.1	358.8	19.6%
—FOG	-17.5	-34.3	n/a	n/a	-17.5	-34.3	-49.0%
—CoCNMR	-13.1	-12.6	n/a	n/a	-13.1	-12.6	4.0%
Subtotal CEE	546.7	420.9	1,374.2	833.6	1,920.9	1,254.5	53.1%
Total	2,559.3	2,592.8	1,991.7	1,666.0	4,551.0	4,258.8	6.9%

In addition to the ANAV shown above for the P&C companies, the VIF has been calculated for personal lines segments of Wiener Städtische AG and Donau Versicherung AG sold through VIG's employed sales force. Internal analyses show that the development of the in force portfolio for the personal lines segments is reasonably predictable and can be compared to the run-off of an existing life insurance portfolio. This VIF, excluding any value arising from new business sold in the future to new policyholders, amounts to EUR 602.3 million as at December 31, 2007 (EUR 576.9 million as at December 31, 2006). The development of the VIF is one of the key performance indicators used internally to manage this business. Owing to the lack of comparable figures from peer companies, the VIF for the P&C business has been excluded from the GEV shown above.

Return on GEV by segment

The return on GEV allows for transfers between segments and regions.

Table 3	Life & Health		Property & Casualty		Total	
	(in EUR million)	(in %)	(in EUR million)	(in %)	(in EUR million)	(in %)
Austria / Germany						
EV Dec 31, 2007	2,012.7		617.5		2,630.2	
EV Dec 31, 2006 Reported	2,159.1		832.4		2,991.5	
EV Dec 31, 2006 Restated	2,171.9		832.4		3,004.3	
+ Dividends	33.3		52.8		86.1	
+/−Transfers	298.5		225.9		524.4	
Return on EV	172.6	9.4%	63.8	11.5%	236.4	9.9%
CEE						
EV Dec 31, 2007	546.7		1,374.2		1,920.9	
EV Dec 31, 2006 Reported	369.9		833.6		1,203.5	
EV Dec 31, 2006 Restated	420.9		833.6		1,254.5	
+ Dividends	-1.1		0.7		-0.4	
+/−Transfers			-382.9		-382.9	
Return on EV	124.7	29.5%	158.4	13.0%	283.1	17.3%
Return on Total GEV	297.3	13.1%	222.2	12.6%	519.5	12.9%

The return on GEV in 2007 has been driven by the following economic and operating factors:

Higher interest rates compared to 2006 have a negative impact on the bond portfolio and lead to a reduction in the ANAV, but the VIF of the business with profit participation increases due to the shareholder participation in the higher returns.

The Surplus in Claims Reserves (SCR) for the P&C businesses has increased as additional data, particularly in CEE, have allowed a more robust quantification of the best estimate reserves and also due to the prudent reserves set up under IFRS in respect of the profitable 2007 business. The reported combined ratio has decreased from 96.9% in 2006 to 95.5% in 2007.

Further positive effects include the profitable L&H new business in both A/G and CEE, and the expense reductions in CEE due to the ongoing efficiency program. Modeling changes, in particular further improvements to the grouping of liability data in A/G and the inclusion of a higher degree of specification in the projection models for CEE, especially in Slovakia, also had a positive impact. The Health business continues to produce excellent technical results due to the claims management system that was introduced in 2004/2005.

The NBV is calculated as the VIF for the new business sold in 2007 less the new business strain, the cost of capital and, in case of the Austrian, German, Czech and Slovakian companies, the cost of non-market risks. The L&H companies in Austria do not defer acquisition costs in the local statutory accounts or in VIG's consolidated IFRS accounts and therefore the new business strain for the Austrian business also includes the acquisition expenses.

The NBV has only been calculated for the L&H business and the following table shows the results for 2007 and 2006:

Table 4	2007	2006	+/− %
Austria/Germany			
NBV (in EUR million)	63.1	50.9	+24.0%
APE (in EUR million)	205.1	225.1	
APE-Ratio (in %)	30.7%	22.6%	
PVNBP (in EUR million)	1,906.3	1,982.6	
PVNBP-Ratio (in %)	3.3%	2.6%	
CEE			
NBV (in EUR million)	45.0	30.7	+46.6%
APE (in EUR million)	71.0	45.4	
APE-Ratio (in %)	63.3%	67.5%	
PVNBP (in EUR million)	409.7	262.4	
PVNBP-Ratio (in %)	11.0%	11.7%	
NBV-Total (in EUR million)	108.1	81.6	+32.5%
APE-Total (in EUR million)	276.1	270.5	
APE-Ratio Total (in %)	39.1%	30.9%	
PVNBP-Total (in EUR million)	2,316.0	2,245.0	
PVNBP-Ratio Total (in %)	4.7%	3.6%	

Methodology

The shareholders' interest in the covered business is represented by the GEV. The GEV is the total of the adjusted net asset value and the value of the covered in force business less FOG and CoCNMR. Calculations are performed separately for each business and are based on the cash flows of that business after allowing for both external and intra-Group reinsurance.

Covered business

The GEV results cover:

- the life insurance, savings, pensions and annuity, disability and health insurance business written by the majority of VIG's L&H companies in Austria, Germany, the Czech Republic and Slovakia on an EEV basis;
- the life insurance, savings, pensions and annuity and disability business written by Union (Hungary) and by Compensa Life (Poland) on a TEV basis;
- the majority of the P&C businesses in Austria, Germany, the Czech Republic, Slovakia, Hungary and Poland.

The businesses listed in table 1, which are not reported with a separate EV, have been included in the GEV on the basis of their IFRS equity as shown in published IFRS accounts of VIG.

Where one part of the covered business has an interest in another part of the covered business, the ANAV of that business excludes the book value of the dependent business.

Adjusted Net Asset Value

The ANAV is defined as:

- the shareholders' funds under the local accounting bases including the profit for the reporting year 2007;
- plus the "untaxed reserves" after tax – these reserves are available to cover the solvency requirements and are not required to cover the liabilities on the basis of best estimate assumptions;
- plus the shareholders' share of the unrealized capital gains after tax to the extent that these are not included in the calculation of the VIF for the life businesses;

- plus the surplus in the claims reserves after tax (only for the P&C businesses);
- less goodwill and other intangible items after tax in respect of the companies for which the EEV, TEV or SCR has been calculated;
- less the difference between the market and nominal value of the subordinated debt.

VIG is a composite insurance group and the assets are split between the operating segments (i.e. P&C, Life and Health) on the basis of the statutory balance sheets. In Austria it is possible to transfer assets between the segments on the basis of their book values.

In 2006 all VIG's insurance subsidiaries had been allocated to the P&C segment. In 2007 BACA-Versicherung and Donau have been reallocated to the Life segment equity (i.e. not in the policyholder fund).

The unrealized capital gains for the P&C segment have been fully allocated to the shareholders and have been included after tax in the ANAV. For the Life segment the unrealized capital gains have been included in the calculation of the VIF to the extent that they were required to support the policyholder's profit participation. The balance has been included in the ANAV after allowing for the Minimum Profit Participation Rules. The unrealized capital gains for the Health segment have been divided 75%:25% between the ANAV and VIF.

For the P&C businesses, the SCR is the amount by which the claims reserves (including the claims equalization reserves) in the local statutory balance sheets exceed a given actuarial best estimate of the required reserve. The best estimate reserve has been defined as the mean of the eventual payments that will be made in respect of outstanding claims from the in force portfolio, whether currently reported or not. Carrying an accounted reserve with a surplus means that the accounted reserve includes a margin above the expected value of the eventual claims payments. This margin allows for a degree of adverse claims settlement outcome without exhausting the reserve. Future claims payments are not discounted in the calculation of the SCR.

The SCR in Slovakia allows for a part of VIG's expected future share of the IBNR claims arising from motor liability portfolio of the former national monopoly insurer. In line with local legislation, that requires one third of the "SPK" best estimate liability to be included in the reserves at the end of 2008, one-third of the best estimate liability has been included in the estimation of the SCR. It has been assumed that margins in future motor insurance premiums will be sufficient to finance the balance of the liability.

The ANAV (EUR 883.6 million at December 31, 2007 and EUR 1,162.1 million at December 31, 2006) for the L&H companies is split into Required Capital (EUR 563.4 million at December 31, 2007 and EUR 470.4 million at December 31, 2006) and Free Surplus (EUR 320.2 million at December 31, 2007 and EUR 691.7 million at December 31, 2006). Consistent with the capital requirements determined by Standard & Poors for an A rating, the total Required Capital is defined as 150% of the statutory solvency margin for all companies that have applied EEV methodology and 100% of the statutory solvency margin for all other companies. A part of the total Required Capital can be covered by subordinated debt. The Free Surplus is the ANAV in excess of the total Required Capital covered by the shareholders' funds.

Value of In-Force and Financial Options and Guarantees

The VIF calculated for the L&H companies is the value of the projected net of tax distributable profits arising from the in force business. It does not include profits from future new business.

The EEV and the TEV for the life businesses allow for the local minimum legal requirements for profit sharing. The EEV for the Austrian health insurance business does not allow for the minimum profit sharing rules that were introduced by the Austrian Supervisory Authority (FMA) in 2007 because these rules are not applicable to VIG's health insurance portfolio.

The VIF for the Austrian, German, Czech and Slovakian life companies is determined by projecting cash flows under the assumption that the future investment returns on all assets are equal to the rates implied by the risk-free interest curve at the valuation date. The other assumptions (including expenses, surrender rates, mortality and morbidity rates, shareholder participation rates and tax rates) are set on a best estimate basis that reflects each business' recent experience and expected future trends. Where appropriate, the projection models allow for management actions and policyholder behaviors, i.e. some assumptions (e.g. the asset allocation or surrender rates) vary depending on the future economic conditions. The resulting statutory shareholder profits are discounted at the risk-free interest rates and this is defined as the "certainty equivalent" VIF. This value takes account of the intrinsic value of financial options and guarantees.

The VIF for the health insurance company (which does not have long-term interest guarantees or significant financial options in the products), the Hungarian and the Polish life company is determined by projecting cash flows using best estimate investment return assumptions. The resulting projected shareholder profits are discounted at risk discount rates that include a margin to cover aggregate risks (including the FOG and CoNMR).

The FOG are valued explicitly for the Austrian, German, Czech and Slovakian life business as the difference between the "stochastic" VIF and the "certainty equivalent" VIF. The "stochastic" VIF is defined as the average – over one thousand economic scenarios – of the discounted value of the projected after-tax statutory shareholder profits. The economic scenarios represent possible future outcomes for capital market variables such as interest rates, equity returns and inflation. The economic scenarios and the corresponding scenario-specific discount rates are market consistent, i.e. they are calibrated to the market prices of a range of capital market instruments at the valuation date.

Cost of Capital and Non-Market Risks

The Required Capital for the Austrian, German, Czech and Slovakian life companies, that have determined the EEV, has been defined as 100% of the statutory solvency margin to cover the Cost of Capital and a further 50% of the statutory solvency margin to cover the Cost of Non-Market Risks. For the purpose of determining the CoCNMR it has been assumed that the statutory solvency margin is covered by subordinated debt (to the extent that subordinated debt actually exists) up to the legal maximum allowable for the statutory solvency margin. The balance of the statutory solvency margin is covered by shareholder funds.

The CoCNMR for the EEV businesses have been calculated as the present value at the risk free interest rates of the frictional costs on the total Required Capital. The frictional costs on the proportion of the total Required Capital covered by the shareholders' funds have been defined as the corporation tax on the future investment returns and investment expenses. The frictional costs on the proportion of the total Required Capital covered by subordinated debt have been defined as the after tax difference between the coupon on the subordinated debt and the assumed future investment returns on the assets.

The Cost of Capital for the TEV businesses have been calculated as the present value of the difference between the risk discount rate and the after-tax investment return to shareholder applied to the proportion of the total Required Capital covered by the shareholders' funds.

The same definitions for the Cost of Capital and the Cost of Non-Market Risks have been applied for the in force business and also the new business.

New Business Value

The NBV represents the value generated by new business sold during the reporting period. New business premiums are defined as premiums arising from sales of new contracts during the period and renewals of contracts. New business includes policies where a new contract is signed or underwriting is carried out. Renewal premiums include contractual renewals and changes to health insurance premiums due to medical inflation.

Assumptions

Economic assumptions

Table 5 Yield curve	Austria / Germany 2007	Austria / Germany 2006
1 year	3.88%	3.87%
5 years	4.13%	3.91%
10 years	4.44%	4.02%
15 years	4.65%	4.10%
20 years	4.66%	4.11%
25 years	4.68%	4.11%

The yields shown are risk-free euro-zone spot rates

Table 6	Austria / Germany 2007	Austria / Germany 2006
Interest rate volatility(*)	14.64%	14.25%
Equity volatility	27.32%	22.31%
Medical inflation	2.00%	2.00%
Tax rate Austria	25.00%	25.00%
Tax rate Germany	40.00%	40.00%

(*) 5 into 5 implied swaption volatility

Table 7 Yield curve	Czech Republic 2007	Czech Republic 2006
1 year	4.32%	2.94%
5 years	4.43%	3.41%
10 years	4.72%	3.87%
15 years	5.11%	4.18%
20 years	5.27%	4.24%
25 years	5.45%	4.33%

The yields shown are risk-free spot rates

Table 8	Czech Republic 2007	Czech Republic 2006
Interest rate volatility(*)	14.16%	15.89%
Equity volatility	25.02%	24.73%
Tax rate (2007)	24.00%	24.00%
Tax rate (2008)	21.00%	—
Tax rate (2009)	20.00%	—
Tax rate (2010+)	19.00%	—
Currency rate (CZK for 1 EUR)	26.63	27.49

(*) 5 into 5 implied swaption volatility

Table 9 Yield curve	Slovakia 2007	Slovakia 2006
1 year	3.88%	4.88%
5 years	4.13%	4.19%
10 years	4.44%	4.19%
15 years	4.65%	4.19%
20 years	4.66%	4.19%
25 years	4.68%	4.19%

The yields shown are risk-free euro-zone spot rates due to the planned inclusion of Slovakia into the euro-zone

Table 10	Slovakia 2007	Slovakia 2006
Interest rate volatility(*)	14.16%	15.89%
Equity volatility	25.02%	24.73%
Tax Rate	19.00%	19.00%
Currency rate (SKK for 1 EUR)	33.58	34.44

(*) 5 into 5 implied swaption volatility

Table 11	Hungary 2007	Hungary 2006
Average reinvestment rate	7.63%	7.55%
10 year government bonds	6.90%	6.71%
Risk discount rates	9.89%	10.50%
Tax rate	20.00%	20.00%
Currency rate (HUF for 1 EUR)	253.73	251.77

Table 12	Poland 2007	Poland 2006
Average reinvestment rate	6.01%	5.40%
10 year government bonds	5.93%	5.23%
Risk discount rates	9.93%	9.23%
Tax rate	19.00%	19.00%
Currency rate (PLN for 1 EUR)	3.59	3.83

Operating assumptions

Shareholder returns for with-profit business are determined in accordance with local legal minimum profit participation rules and are consistent with company practice.

The assumed profit sharing for the Austrian Health insurance company, in accordance with current practice, has been limited to the “no claims bonus”. The minimum profit participation rules published by the FMA in 2007 are not applicable for VIG’s Austrian Health insurance business.

Other actuarial assumptions such as mortality and morbidity rates, surrender and annuity take-up rates have been included on a best estimate basis. These assumptions are reviewed regularly and adjusted to reflect historical experience and expected trends.

Expense assumptions have been based on the companies’ recent experience without anticipating future expense improvements. No expenses have been excluded as one-off expenses and all the expenses within VIG, including corporate center expenses, have been allocated to the operating segments L&H or P&C. The assumed expense inflation rate for the Austrian Health insurance business in 2007 is 2%. The stochastic calculations use inflation rates that are consistent with the capital market scenarios.

Analysis of change

The following table shows the analysis of change in the EEV and TEV for the L&H business.

Table 13	A/G EEV ANAV	A/G EEV VIF	A/G EEV EEV	CEE EEV/TEV ANAV	CEE EEV/TEV VIF	CEE EEV/TEV EEV
			(in EUR million)			
Value as of Dec 31, 2006 reported	1,007.0	1,152.1	2,159.1	86.3	283.6	369.9
Value as of Dec 31, 2006 restated	1,011.3	1,160.6	2,171.9	100.6	320.3	420.9
Dividends paid and Transfers	-304.6	0.0	-304.6	1.1	0.0	1.1
Roll forward	152.8	-60.1	92.7	39.5	-21.3	18.2
Operating Returns						
Changes in operating assumptions	2.4	63.4	65.8	-1.8	-3.3	-5.1
Operating variance	9.5	10.0	19.5	3.5	9.0	12.5
Economic Returns						
Investment performance and changes in economic assumptions	-91.1	76.2	-14.9	0.7	26.8	27.5
Others	-42.0	-38.8	-80.8	15.5	11.1	26.6
New Business Value	-53.4	116.4	63.0	-19.6	64.6	45.0
Value as of Dec 31, 2007	684.9	1,327.7	2,012.6	139.5	407.2	546.7

The restatement changes in A/G mainly result from the merger between UNION and BACA-Versicherung due to slightly changing minorities and synergy effects as well as modeling improvements for the Health insurance business. The restatement changes in CEE are caused to a significant extent by the inclusion of the TEV instead of the IFRS equity for Polish Life insurance business.

The dividends paid and transfers comprise the dividends amounting EUR 33.3 million paid from the L&H segments to shareholders and capital transfers of EUR 271.3 million to P&C entities in CEE.

The operating returns are mainly driven by changes to the assumed persistency rates and the outperformance of most assumptions is reflected in the positive operating variances.

The economic returns are driven by higher interest rates and higher risk spreads on non government bonds and higher equity volatility. The resultant reduction in the ANAV is compensated by an increase of the VIF. In reaction to higher equity volatility rates the equity exposure throughout the group was reduced in 2007.

The “Others”-line of the analysis of change is mainly due to the establishment of reserves following a decision by the Austrian supreme court concerning general policy terms and their consequences for the provision of minimum surrender values. In CEE this line includes the effects of exchange rate movements.

The New Business Value has increased due to higher interest rates and a reduction of single premium business in favor of higher regular premiums.

Sensitivity Analysis

EEV

The following table shows the sensitivity of the EEV or the TEV as at December 31, 2007 to changing various assumptions.

Table 14		A/G (in EUR million)	(As % of Base)	CEE EEV/TEV (in EUR million)	(As % of Base)
Base Value		2,012.6	100.0%	546.7	100.0%
Change in Yield Curve	1%	2,044.2	101.6%	552.4	101.0%
Change in Yield Curve	-1%	1,922.8	95.5%	525.7	96.2%
Equity and Property Prices	-10%	1,957.6	97.3%	543.6	99.4%
Interest volatility(*)	10%	2,004.7	99.6%	544.7	99.6%
Equity volatility(*)	10%	2,009.3	99.8%	544.4	99.6%
Administration Expenses	10%	1,963.1	97.5%	526.6	96.3%
Administration Expenses	-10%	2,061.4	102.4%	564.0	103.2%
Lapses	-10%	2,027.6	100.7%	562.1	102.8%
Lapses	10%	1,997.1	99.2%	530.1	97.0%
Mortality for assurances	-5%	2,017.1	100.2%	551.8	100.9%
Mortality for annuity	-5%	2,012.2	100.0%	544.9	99.7%

(*) These sensitivities have not been calculated for the TEV.

NBV

The following table shows the sensitivity of the New Business Value for 2007 to changing various assumptions.

Table 15		A/G (in EUR million)	(As % of Base)	CEE EEV/TEV (in EUR million)	(As % of Base)
Base Value		63.1	100.0%	45.0	100.0%
Change in Yield Curve	1%	62.8	99.6%	43.4	96.5%
Change in Yield Curve	-1%	59.6	94.6%	47.7	106.1%
Interest volatility(*)	10%	62.1	98.5%	45.0	100.1%
Equity volatility(*)	10%	62.3	98.8%	45.0	100.0%
Administration Expenses	10%	59.2	93.9%	42.9	95.3%
Administration Expenses	-10%	66.6	105.6%	47.3	105.0%
Lapses	-10%	65.7	104.1%	49.3	109.6%
Lapses	10%	60.7	96.2%	41.1	91.3%
Mortality for assurances	-5%	63.5	100.7%	46.6	103.5%
Mortality for annuity	-5%	63.0	99.9%	45.0	100.0%

(*) These sensitivities have not been calculated for the TEV.

Reconciliation of IFRS equity to the Adjusted Net Asset Value

The following table shows the reconciliation of the IFRS equity to the ANAV as shown in the GEV.

Table 16	2007	2006
	(in EUR million)	
Consolidated IFRS equity	2,615.6	2,283.2
Minorities	-277.5	-70.8
Intangible assets	-513.2	-461.4
Sub Total	1,824.9	1,751.0
Add back goodwill for non-GEV companies	399.1	320.7
Differences in capital consolidation	-13.6	118.2
Differences in valuation of capital assets	248.0	224.5
P&C Surplus in Claims Reserves	416.9	371.6
Other differences	0.0	23.5
Total differences	1,050.4	1,058.5
Adjusted Net Asset Value	2,875.3	2,809.5

The reconciliation shown above begins by deducting the minority interests from the consolidated IFRS equity. The deduction for intangible assets has increased from 2006 to 2007 due to the additional goodwill in respect of the companies acquired in 2007.

The ANAV, EEV or TEV have only been calculated for VIG's selected insurance business in Austria, Germany, the Czech Republic, Slovakia, Hungary and Poland. All the other companies in the Group have been included in the GEV on the basis of their IFRS equity and therefore their goodwill and other intangible assets have to be added back to the ANAV, see "– *Introduction*".

VIG has adopted a prudent interpretation of IAS 39 and has chosen to value property assets and certain loans on the basis of the adjusted purchase price instead of the market value. The differences between the market values and the values shown in consolidated IFRS balance sheet are included in the "differences in valuation of capital assets".

The P&C reserves in the consolidated IFRS balance sheet are the same as the statutory reserves. The difference between the accounted reserves and the best estimate reserves is shown as the Surplus in Claims Reserves.

All values within this reconciliation are shown net of deferred tax in respect of all segments, and also net of deferred profit participation in respect of the Life segment.

The difference between the IAS 19 reserves in respect of the defined benefit pension schemes and the statutory reserves, as shown in the notes to the IFRS accounts, has not been added back to the ANAV (i.e. the ANAV allows for the pension scheme deficit on the basis of IAS 19).

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11th April 2008

Wiener Städtische Versicherung AG
Vienna Insurance Group
Schottenring 30
1010 Wien
Austria

Dear Dr. Geyer,

Review of the traditional embedded value results of Sparkassen Versicherung AG

We have been retained by Wiener Städtische Versicherung AG Vienna Insurance Group (VIG) to review the Statements of traditional embedded value of the Sparkassen Versicherung AG (SVAG) and its life insurance subsidiaries in the Czech Republic, Slovakia and Hungary as set out in Part H of the prospectus prepared in connection with the capital raising activities of VIG, dated 21st April 2008 (the "Prospectus") under the heading "Embedded Value of the Target Companies". The non-life insurance businesses of SVAG in Austria and the Czech Republic, and the Erste Bank der österreichischen Sparkassen AG (Erste Bank) insurance companies in Croatia and Romania have been excluded from the scope of our review.

The values shown in the Statements, including the traditional embedded values and the value of new business, are on the basis of 100% shareholdings. No allowance has been made for either the minority interests following the transaction or the VIG shareholdings in some of the SVAG companies prior to the transaction. The pre and post transaction VIG shareholdings in the Erste Bank insurance subsidiaries are shown in Appendix A of the Statements.

The scope of our review covered the methodology adopted together with the assumptions and calculations made by SVAG in estimating the embedded value results.

The embedded value methodology is the sole responsibility of the Board of Directors of VIG. The embedded value results have been prepared by SVAG on the basis of VIG's methodology as described in the Statements. The assumptions have been set by SVAG and agreed with VIG. The methodology applied includes deterministic assumptions regarding future asset returns. Under the traditional embedded value methodology adopted no explicit allowance has been made for the volatility of future asset returns – instead the time value of options and guarantees has been allowed for implicitly using a single risk discount rate. This approach is not consistent with the EEV Principles developed by the CFO Forum.

Our review was conducted in accordance with generally accepted actuarial practices and processes. It comprised a combination of such reasonableness checks, analytical review and checks of clerical accuracy as we considered necessary to provide reasonable assurance that the Statements have been compiled free of significant error. However, we have relied without verification upon the completeness and accuracy of data and information supplied by SVAG on behalf of VIG, including the value of net assets as disclosed in the audited local statutory accounts of SVAG and its subsidiaries.

The calculation of the embedded value necessarily makes numerous assumptions with respect to economic conditions, operating conditions, taxes, and other matters, many of which are beyond the control of VIG. Although the assumptions used represent estimates which the Directors of VIG believe are together reasonable, actual experience in future may vary from that assumed in the calculation of the embedded value results and any such variations may be material. Deviations from assumed experience are normal and are to be expected. The embedded value does not purport to be a market valuation and should not be interpreted in that manner since it does not purport to encompass all of the many factors that may bear upon a market value.

In our opinion,

- the assumptions made by SVAG are reasonable with respect to available experience data from SVAG and its subsidiaries in the Czech Republic, Slovakia and Hungary and our experience of the markets in which these companies operate; and
- embedded value results have been properly compiled on the basis of the methodology chosen by VIG and the assumptions set by SVAG.

This report is made solely to VIG's Directors as a body. Save for any responsibility arising under Commission Regulation (EC) No 809/2004 (the "Prospectus Directive Regulation") to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in accordance with this report or our statement, required by and given solely for the purposes of complying with Annex I item 23.1 of the Prospectus Directive Regulation, consenting to its inclusion in the prospectus.

For the purposes of the Prospectus Directive Regulation, we are responsible for this report as part of the Prospectus and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Prospectus in compliance with Annex I item 1.2 of the Prospectus Directive Regulation.

Yours sincerely,

B&W Deloitte GmbH

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Embedded Value of the Target Companies

Supplementary information on the "traditional" embedded value of Sparkassen Versicherung AG and selected life insurance subsidiaries

1. Introduction

The Sparkassen Versicherung AG (SVAG) in Austria implemented a deterministic and stochastic cash flow projection model for asset liability management in 2007. This model has been used to determine the "traditional" embedded value (TEV) for the life insurance business of SVAG in Austria based on deterministic, best estimate assumptions. The subsidiaries of SVAG in the Czech Republic, Slovakia and Hungary included in the scope of this supplementary information have not previously calculated TEVs. New cash flow projection models have been developed to determine the TEVs for these companies.

The TEV has not been determined for the accident insurance business of SVAG, but the adjusted net asset value (ANAV) of this business has been included in the adjusted net asset value of SVAG. The TEVs have also not been determined for the SVAG and Erste Bank der österreichischen Sparkassen AG (Erste Bank) life insurance subsidiaries in Croatia and Romania. The net asset values of the life and property & casualty insurance subsidiaries in Croatia and Romania have been included in the overall ANAV based on the values shown in the IFRS accounts.

The values shown in the disclosure are on the basis of 100% shareholdings. No allowance has been made for either the minority interests following the transaction or the VIG shareholdings in some of the SV companies prior to the transaction. The pre and post transaction VIG shareholdings in the Erste Bank insurance subsidiaries are shown in Appendix A.

The directors of VIG acknowledge their responsibility for setting the TEV methodology. The embedded value results have been prepared by SVAG on the basis of VIG's methodology as described below. The assumptions have been set by SVAG and agreed with VIG. The methodology applied includes deterministic assumptions regarding future asset returns. Under the methodology adopted no explicit allowance has been made for the volatility of future asset returns – instead the time value of policyholder options and guarantees has been allowed for implicitly using a single risk discount rate. This approach is not consistent with the EEV Principles developed by the CFO Forum.

The calculation of the embedded value necessarily makes numerous assumptions with respect to economic conditions, operating conditions, taxes, and other matters, many of which are beyond the control of VIG. Although the assumptions used represent estimates which the directors of VIG believe are together reasonable, actual experience in future may vary from that assumed in the calculation of the embedded value results and any such variations may be material. Deviations from assumed experience are normal and are to be expected. The TEV does not purport to be a market valuation and should not be interpreted in that manner since it does not purport to encompass all of the many factors that may bear upon a market value.

2. Summary of results

The TEV includes the following components:

- Adjusted Net Asset Value
- Value of In-Force (VIF)
- Cost of Capital (CoC)

2.1 Summary of results

The following table shows the TEV results for the years ending December 31, 2007 and December 31, 2006.

Table 1	December 31, 2007	December 31, 2006
	(in EUR million)	
Traditional Embedded Value		
ANAV	250.3	235.1
VIF before Coc	319.7	308.4
CoC	-55.4	-56.8
Sub-total TEV	514.6	486.7
ANAV for Croatia and Romania	42.0	32.8
Total TEV	556.6	519.6

The risk discount rates used to determine the values in table 1 are shown in tables 3a and 3b. The appropriate risk discount rate for a particular investor or shareholder depends on the specific return expectations, tax situation and assessment of the risks associated in realizing the projected future profits. The sensitivities of the TEV results to increasing or reducing the risk discount rates are shown in Table 4.

2.2 New Business Value

The new business value (NBV) is calculated as the VIF for the new business sold in 2007 less the new business strain in 2007 and the cost of capital.

Table 2	100% basis (in EUR million)
2007 New Business Value	
Value of New Business	36.1
Annual premium equivalent (APE)	152.3
VNB/APE	23.7%
Present value of new business premiums (PVNBP)	1,214.0
VNB/PVNBP	3.0%

3. Methodology

The TEV represents the shareholders' interest in the existing business. Calculations have been performed separately for each business and are based on the cash flows of that business.

3.1 Adjusted Net Asset Value

The ANAV is defined as:

- the shareholders' funds under the local accounting bases;
- plus the "untaxed reserves" after tax for SVAG in Austria – these reserves are available to cover the solvency requirements and are not required to cover the liabilities on the basis of the best estimate assumptions;
- plus the shareholders' share of the unrealized capital gains not included in the calculation of the VIF after tax and after appropriate allowance for policyholder profit sharing;
- less intangible items after tax;
- less the book value of any subsidiaries for which the TEV has been calculated or the ANAV has been shown separately.

SVAG is a composite insurance group and the assets are split between the operating segments (i.e. life insurance and accident insurance) on the basis of the statutory balance sheets.

The ANAV for the companies in Croatia and Romania is shown separately. This has been determined on the basis of the shareholder equity of these companies as shown in the IFRS accounts.

3.2 Value of In-Force

The VIF is the value of the projected net of tax distributable profits arising from the in force business discounted at the risk discount rate. It does not include profits from future new business.

3.3 Cost of Capital

The required capital has been defined as 100% of the statutory solvency margin. A sensitivity calculation in which the level of required capital was increased to 110% of the statutory solvency margin is shown in Table 4.

For the purpose of determining the CoC for SVAG in Austria a part of the required capital is assumed to be covered by the unallocated future profit sharing reserve. The remaining required capital is cover by subordinated debt and shareholder funds. The coverage of the required capital by subordinated debt is limited to the maximum allowed under the EU solvency margin directive and also limited to the actual level of subordinated debt. The required capital for the life insurance subsidiaries in the Czech Republic, Slovakia and Hungary is fully covered by shareholder funds.

The CoC is based on the proportions of shareholder funds and subordinated debt actually held to cover the required capital. It has been calculated as:

- the present value of the difference between the risk discount rate and the after-tax investment return applied to the proportion of the total required capital covered by shareholders' funds plus
- the present value of the difference between the cost of the subordinated debt after tax and the after-tax investment return applied to the proportion of the total required capital covered by subordinated debt.

The same definitions for the CoC have been applied for the in force business and the new business.

3.4 New Business Value

The NBV represents the value generated by new business sold during 2007. New business premiums are defined as premiums arising from sales of new contracts and ah-hoc premium increases to existing contracts. New business includes policies where a new contract is signed or underwriting is carried out. Renewal premiums include contractual renewals and also premium indexations that are reasonably predictable.

4. Assumption

4.1 Economic assumptions

The return on fixed interest assets has been assumed to be equal to the 10-year swap rate. In deriving the equity and property returns the risk premiums in tables 3a and 3b have been applied to the 10-year interest rates.

Table 3a

Key economic assumptions as at 31 Dec 2007	Austria	Czech republic	Slovakia	Hungary
Risk discount rates	6.94%	8.55%	8.71%	10.90%
10-year interest rates	4.44%	4.55%	4.71%	6.90%
10-year swap interest rates	4.84%	4.85%	5.01%	7.20%
Expense inflation(*)	2.00%	3.20%	3.70%	3.10%
Equity risk premium	3.00%	3.00%	3.00%	3.00%
Property risk premium	1.00%	1.00%	1.00%	1.00%
Tax rates	25%	21% (2008)	19%	20%
Tax rates	—	20% (2009)	—	+2.3%(**)
Tax rates	—	19% (2010+)	—	—

(*) Expense inflation is calendar year dependent for Czech Republic, Slovakia and Hungary. Figures in the table above reflect long term assumptions.

(**) Industry tax and innovation fee.

Table 3b

Key economic assumptions as at 31 Dec 2006	Austria	Czech republic	Slovakia	Hungary
Risk discount rates	6.67%	7.74%	8.24%	10.77%
10-year interest rates	4.17%	3.74%	4.24%	6.77%
10-year swap interest rates	4.29%	4.04%	4.54%	7.07%
Expense inflation(*)	2.00%	2.80%	3.30%	3.10%
Equity risk premium	3.00%	3.00%	3.00%	3.00%
Property risk premium	1.00%	1.00%	1.00%	1.00%
Tax rates	25%	24% (2007)	19%	20%
Tax rates	—	21% (2008)	—	+2.3%(**)
Tax rates	—	20% (2009)	—	—
Tax rates	—	19% (2010+)	—	—

(*) Expense inflation is calendar year dependent for Czech Republic, Slovakia and Hungary. Figures in the table above reflect long term assumptions.

(**) Industry tax and innovation fee.

4.2 Operating assumptions

Shareholder returns for with-profit business allow for locally applicable legislation regarding minimum policyholder profit sharing. In the case of SVAG in Austria, the profit sharing rates for with profits business are based on an 85:15 split of the gross surplus between policyholders and shareholders, and set at a level consistent with management expectations on the basis of the economic assumptions in tables 3a and 3b. There is no profit sharing on unit linked and risk business. In the Czech Republic the profit sharing rates are assumed to be equal to 85% of the excess of investment return over the technical guaranteed rate. In Slovakia the profit sharing rates are equal to 60% of the excess of investment return over the technical guaranteed rate. In Hungary the profit sharing rates are assumed to be equal to 80% of the excess of the investment return over the technical guaranteed rate for traditional products.

Expense assumptions have been based on the companies' recent experience without anticipating future expense synergies or integration costs due to the transaction. No expenses have been excluded as one-off expenses.

The trail commissions from fund managers in respect of unit linked business are assumed to continue at the current levels.

Other assumptions such as mortality and morbidity rates, surrender and annuity take-up rates have been included on the basis of management's best estimates. Where there was insufficient company experience data to derive the assumptions, the management has used available market experience.

5. Sensitivity Analysis

The following table shows the sensitivity of the TEV as at December 31, 2007 and the New Business Value for 2007 to changes in the various assumptions. The sensitivities have not been calculated for the insurance subsidiaries in Romania and Croatia. The ANAV of Romania and Croatia are excluded from the table below.

Table 4 Sensitivities	Embedded value December 31, 2007 (in EUR million)	(% change)	Value of new business 2007 (in EUR million)	(% change)
Central Value	**514.6**	—	**36.1**	—
Change due:				
1% increase in risk discount rate	483.2	-6.1%	30.9	-14.3%
1% reduction in risk discount rate	562.0	9.2%	42.2	16.8%
110% solvency cover only	508.9	-1.1%	35.5	-1.8%
10% decrease in level of equity and property values	501.3	-2.6%	n/a	n/a
1% increase in investment returns	518.1	0.7%	38.7	7.3%
1% decrease in investment returns	502.5	-2.3%	33.0	-8.5%
10% increase in maintenance expenses	501.8	-2.5%	32.8	-9.2%
10% reduction in maintenance expenses	527.5	2.5%	39.4	9.2%
10% decrease in lapse rates	519.5	0.9%	37.5	3.9%
10% increase in lapse rates	509.9	-0.9%	34.8	-3.7%
5% decrease in mortality and morbidity for assurances	523.6	1.8%	38.3	5.9%
5% decrease in mortality for annuities	514.2	-0.1%	36.1	0.0%

The key assumption changes represented by each of these sensitivities are as follows:

- 1% increase in risk discount rate (e.g. a risk discount rate of 6.94% increases to 7.94%)
- 1% decrease in risk discount rate (e.g. a risk discount rate of 6.94% decreases to 5.94%)
- Cost of capital on 110% solvency cover (i.e. the cost of capital is increased by 10%)
- 10% decrease in level of equity and property values
- 1% increase in all investment returns (e.g. 5% increases to 6%) allowing for the corresponding change in the market value of existing fixed interest assets;
- 1% decrease in all investment returns (e.g. 5% decreases to 4%) allowing for the corresponding change in the market value of existing fixed interest assets;
- 10% increase in maintenance expenses (e.g. a base assumption of EUR 40 p.a. increases to EUR 44 p.a.)
- 10% reduction in maintenance expenses (e.g. a base assumption of EUR 40 p.a. decreases to EUR 36 p.a.)
- 10% decrease in lapse rates (e.g. a base assumption of 4% decreases to 3.6%)
- 10% increase in lapse rates (e.g. a base assumption of 4% increases to 4.4%)
- 5% decrease in mortality and morbidity for non annuity products, including the loss ratio for riders in the central European countries (e.g. if the base mortality is 100% of a particular mortality rate, this decreases to 95%)
- 5% decrease in mortality for annuities including the loss ratio for riders in the central European countries (e.g. if the base mortality is 100% of a particular mortality rate, this decreases to 95%)

In each sensitivity calculation all other assumptions are generally unchanged unless they are directly linked to the assumption that has been changed. For example, the investment return -1% sensitivity includes a corresponding reduction to the profit sharing rates.

Appendix A — Shareholder structure

The following tables show the shareholder structure of the target insurance companies before and after the transaction.

Proposed shareholder structure prior to the transaction

	Insurance subsidiary in						
Shareholder	AUT	CZ	SK	HU(*)	CR	RO life	RO non-life
Erste Bank	90.00%	—	33.33%	—	—	—	—
SVAG	—	44.75%	33.33%	95.00%	74.00%	—	—
Local Erste Bank	—	55.25%	33.33%	5.00%	26.00%	93.40%	87.90%
VIG	10.00%	—	—	—	—	—	—
Other	—	—	—	—	—	6.60%	12.10%

(*) It has been assumed that prior to the transaction 5% of the Hungarian Subsidiary will be transferred to the local Erste Bank.

As at 31 December 2007 SVAG holds 100% of HU.

Shareholder structure after the transaction

	Insurance subsidiary in						
Shareholder	AUT	CZ	SK	HU	CR	RO life	RO non-life
Erste Bank	5.00%	—	—	—	—	—	—
SVAG	—	44.75%	33.33%	95.00%	74.00%	—	—
Local Erste Bank	—	5.00%	5.00%	5.00%	5.00%	5.00%	—
VIG	95.00%	50.25%	61.67%	—	21.00%	88.40%	87.90%
Other	—	—	—	—	—	6.60%	12.10%

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Sources for Market Data

- Annual Report Erste Bank AG for the fiscal year ended December 31, 2007
- Association of Hungarian Insurance Companies — Magyar Biztosítók Szövetsége (MABISZ)
- Austrian Insurance Association (*Der Verband der Versicherungsunternehmen Österreichs*) (VVO) -
- Austrian National Bank — Österreichische Nationalbank (OeNB)
- Bank Austria Creditanstalt CEE Quarterly 04/2007, Czech Central Bank, Czech Statistics Office
- Bank Austria Creditanstalt CEE Quarterly 04/2007, Polish Central Bank, Central Statistics Office Poland
- Bank Austria Creditanstalt CEE Quarterly 04/2007, Romanian Central Bank, Central Statistics Office Romania
- Bank Austria Creditanstalt CEE Quarterly 04/2007, Slovak Central Bank, Statistics Office Slovakia
- Bildungsakademie der Österreichischen Versicherungswirtschaft ("BÖV")
- Bulgarian Insurance Association
- Bulgarian Insurance Association
- Croatian Agency for Supervision of Financial Services — Hrvatska Agencija za Nadzor Financijkih Usluga (HANFA)
- Croatian Financial Regulatory Agency
- Curatorship for Transportation Safety
- Czech Insurance Association
- Czech Insurance Association — Česká asociace pojišťoven (CAP)
- Czech National Bank
- Financial Market Authority Austria
- Polish Insurance Supervisory Authority — Komisja Nadzoru Finansowego (KNF)
- Romania — Insurance Profile, March 2008 issue — 1/2008 (18)
- Romania — Insurance Profile, May 2006 issue — 2/2006 (11)
- Romania — Insurance Profile, November 2007 issue
- Slovak Financial Market Office
- Swiss Re sigma No. 4/2007
- Swiss Re sigma No. 4/2007
- The Slovak Insurance Association — Slovenská associácia poisťovní (SLASPO)
- Vienna Stock Exchange
- VVO-Europa-News 3-4/2007

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The following translation of the original summary is a separate document attached to the Prospectus. It does not form part of the Prospectus itself and has not been approved by the FMA. Further, the FMA did not review its consistency with the original summary.

Die nachfolgende Übersetzung der ursprünglichen Zusammenfassung ist ein eigenständiges Dokument, das zu dem Prospekt hinzugefügt wurde. Es stellt keinen Teil des Prospekts dar und ist nicht von der FMA gebilligt worden. Weiters hat die FMA nicht die Übereinstimmung mit der ursprünglichen Zusammenfassung geprüft.

ZUSAMMENFASSUNG DES PROSPEKTS

Diese Zusammenfassung ist eine kurze, allgemeine Zusammenfassung der wesentlichen Inhalte des Prospekts. Sie sollte nur als Einleitung zum Prospekt verstanden werden und ersetzt nicht die Lektüre des gesamten Prospekts.

Ein Anleger sollte jede Entscheidung zur Anlage in die betreffenden Wertpapiere auf die Prüfung des gesamten Prospekts stützen und alle im Prospekt dargestellten Informationen und Risikofaktoren gründlich abwägen.

Wenn im Hinblick auf die in diesem Prospekt enthaltenen Informationen vor Gericht Ansprüche geltend gemacht werden, könnte der als Kläger auftretende Anleger in Anwendung der nationalen Rechtsvorschriften des entsprechenden Mitgliedstaats des Europäischen Wirtschaftsraums (EWR) die Kosten für die Übersetzung dieses Prospekts vor Prozessbeginn zu tragen haben. Sollte ein derartiges Verfahren vor einem Gericht in Österreich oder der Tschechischen Republik eingeleitet werden, ist eine Übersetzung des Prospekts ins Deutsche/Tschechische erforderlich und der als Kläger auftretende Anleger hat anfänglich die Kosten hierfür zu tragen. Nach Abschluss des Verfahrens trägt die Partei die Kosten, die ihr vom Gericht auferlegt werden.

Diejenigen Personen, die die Zusammenfassung einschließlich einer Übersetzung davon vorgelegt und deren Meldung beantragt haben, können haftbar gemacht werden, jedoch nur für den Fall, dass die Zusammenfassung irreführend, unrichtig oder widersprüchlich ist, wenn sie zusammen mit den anderen Teilen des Prospekts gelesen wird. Sämtliche Finanzdaten sind geprüft, soweit nichts gegenteiliges angegeben ist.

Unternehmensprofil

Mit rund 17 Millionen Kunden ist die Vienna Insurance Group nach den Bruttoprämien, die sich 2007 auf 6.911,9 Mio. EUR beliefen (2006: 5.881,50 Mio. EUR), unter den größten internationalen Versicherungsgruppen in der CEE Region (Quelle: Interne Analyse auf Basis der vorläufigen Daten für die ersten drei Quartale 2007 des der nationalen Versicherungsverbände und der Versicherungsaufsicht (VVO)). Sie betreibt das Lebens- und Nichtlebensversicherungsgeschäft in Österreich und 22 anderen Ländern, in erster Linie in der Region Mittel- und Osteuropa (CEE). In der Region Zentral- und Osteuropa ist die Gruppe in Albanien, Weißrussland, Bulgarien, Kroatien, Estland, Georgien, Ungarn, Lettland, Litauen, Mazedonien, Polen, Rumänien, Russland, Serbien, der Slowakei, Slowenien (durch eine Zweigniederlassung der Wiener Städtische AG), der Tschechischen Republik, der Türkei und der Ukraine tätig. Die Vienna Insurance Group betreibt unabhängige Gesellschaften in Deutschland und Liechtenstein und ist auch in Italien über eine Zweigniederlassung der Wiener Städtische AG tätig.

Neben ihrer soliden Position in ihrem Heimmarkt Österreich, expandiert die Vienna Insurance Group vor allem in die aufstrebenden Märkte der CEE-Region. Das Versicherungsgeschäft außerhalb Österreichs gewinnt für die Gruppe zunehmend an Bedeutung (Anteil der gesamten außerhalb Österreichs generierten Bruttoprämien: 2007 – 46,5%; 2006 – 41,6%; 2005 – 36,7%). Auf Basis ihrer eigenen Analysen der lokalen Daten von nationalen Versicherungsbehörden kommt die Vienna Insurance Group zu dem Schluss, dass sie auf Grundlage der gebuchten Bruttoprämien der westlichen, öffentlich gehandelten Versicherungsgesellschaften, die in der Kernregion Zentral- und Osteuropa (außer Serbien) tätig sind, mit einem Marktanteil von rund 12,1% die zweitgrößte Versicherungsgruppe ist. Auf Grundlage derselben Analyse geht die Vienna Insurance Group davon aus, dass keine andere westliche, börsennotierte Versicherungsgruppe einen höheren Prozentsatz ihrer Konzernprämien aus Geschäften in den Ländern der CEE-Region generiert.

Im Vertrieb verfolgt die Vienna Insurance Group eine Multi-Brand-Strategie. Zu den wichtigsten Marken, unter denen die Vienna Insurance Group tätig ist, zählen in Österreich ,,Wiener Städtische" und ,,DONAU" , in der Tschechischen Republik ,,Kooperativa" und ,,CPP", in der Slowakei ,,Kooperativa", ,,Komunálna" und ,,Kontinuita", in Polen ,,Compensa", ,,BENEFIA", ,,Royal Polska" und ,,PZM" und in Rumänien ,,Omniasig", ,,Unita", ,,Asirom" und ,,Agras". In den verbleibenden Ländern der Region Mittel- und Osteuropa, in denen sie tätig ist, verfolgt die Vienna Insurance Group ebenfalls eine Multi-Brand-Strategie.

Die Geschäftstätigkeiten der Vienna Insurance Group umfassen drei Kerngeschäfte: Schaden-/Unfallversicherung, Kranken- und Lebensversicherungen.

In der Schaden-/Unfallversicherung bietet die Vienna Insurance Group unter verschiedenen Marken Produkte für Privatpersonen, Privathaushalte, Klein-, Mittel- und Großunternehmen. Den Privat- und Gewerbekunden bietet die Vienna Insurance Group zunehmend Produkte, die mehrere Versicherungszweige umfassen, so dass die Kunden nach einem Baukastensystem zwischen verschiedenen Produktvarianten wählen können. Für Firmenkunden bietet die Vienna Insurance Group Versicherungslösungen an, die auf die Bedürfnisse von Großkunden ausgerichtet sind.

Krankenversicherungsprodukte werden in relevantem Umfang nur von der Wiener Städtische AG in Österreich vertrieben. Die private Krankenversicherung bietet vor allem Zusatzleistungen zur staatlich geförderten Sozialversicherung.

In der Lebensversicherung offeriert die Vienna Insurance Group eine Vielfalt an Risiko- (wie zum Beispiel Risiko-Lebensversicherungsprodukte), Spar- und Rentenversicherungsprodukte (Kapitalbildende Lebensversicherung und verschiedene Formen von anteils- und indexgebundenen Produkten). Es besteht ein Trend zu anteils- und indexgebundenen Produkten und in Österreich zu staatlich geförderten prämienbegünstigten Zukunftsvorsorge.

Strategie

Für eine Diskussion der Risiken im Zusammenhang mit den angestrebten strategischen Zielen der Vienna Insurance Group sollte das Kapitel ,,*Risikofaktoren*" gelesen werden.

Das übergeordnete Ziel der Vienna Insurance Group ist eine langfristige und kontinuierliche Prämien- und Gewinnsteigerung. Auf dieser Grundlage bauen die zwei Kernstrategien der Vienna Insurance Group auf. Die erste Kernstrategie ist die weitere Stärkung ihrer soliden Position in Österreich, wo die Versicherungsdichte, vor allem im Lebensversicherungsbereich, unter dem Durchschnitt der westeuropäischen Länder liegt. Insbesondere aus der Umstellung des Sozialversicherungssystems und dem damit verbundenen Ausbau der Privatversicherung werden für die kommenden Jahre neue Geschäftsmöglichkeiten erwartet. Für den Ausbau setzt die Vienna Insurance Group vor allem auf ihre gut etablierten Vertriebskanäle und plant, diese zum Nutzen der Kunden kontinuierlich zu erweitern. Die zweite Kernstrategie ist die gezielte Expansion in die dynamischen Wachstumsmärkte der CEE-Region. In ihren Kernmärkten dieser Region verfolgt die Vienna Insurance Group das Ziel, mindestens zu den drei größten Versicherungsgesellschaften des jeweiligen Landes zu gehören. Für den weiteren Ausbau ihrer Aktivitäten in der CEE-Region setzt die Vienna Insurance Group auf intensive Marktbeobachtung unter starker Einbindung ihrer bestehenden Tochtergesellschaften und deren lokalen Kontakten. Die Grundlage für das Wachstum der Gruppe in der CEE-Region liegt in der derzeitigen Unterversorgung der Region mit qualitativ hochwertigen Versicherungsleistungen. Die dynamische wirtschaftliche Entwicklung führt zu einem Bedarf an Versicherungsdienstleistungen sowohl im Firmenkunden- als auch im Privatkundenbereich. Die beiden Kernstrategien werden in der Vienna Insurance Group durch folgende Managementprinzipien untermauert:

- *Global denken – lokal handeln.* Ziel der Gruppe ist es, die lokalen Erfahrungen der Mitarbeiter mit den Qualitätsstandards der Gruppe zu kombinieren. Neu akquirierte Unternehmen werden mit den bestehenden, bereits lokal etablierten und bei den Kunden bekannten Markennamen weitergeführt.

- *Lokale Verankerung.* Die Leitung der einzelnen Unternehmen der Gruppe erfolgt überwiegend durch ein lokales Management, das mit dem in den einzelnen Ländern vorherrschenden Marktumfeld aus langjähriger Erfahrung kennt.

- *Unterstützung durch die Zentrale.* Die Gruppe unterstützt die lokalen Unternehmen in wesentlichen Geschäftsbereichen, um so Synergieeffekte zu erzielen und für die gesamte Gruppe ein Risikomanagement sicherzustellen, das u.a. die mit Rückversicherungen und Veranlagungen einhergehenden Risiken einschränkt.

- *Diversifizierung.* Durch die geografische Diversifikation der Gruppe und ihre Tätigkeit in derzeit 23 Ländern sollten Risiken aus einer Verschlechterung des Versicherungsumfeldes in einzelnen Ländern gering gehalten werden.

Die Vienna Insurance Group setzt sich außerdem mittel- und kurzfristige Finanzziele. Für den Planungshorizont 2008 bis 2011 lauten die wichtigsten dieser Ziele wie folgt:

- Gebuchte Bruttoprämien im Wert von mehr als 12 Mrd. EUR in 2011;

- Gewinn vor Steuern von rund 1,05 Mrd. EUR in 2011;
- Beibehaltung der Netto Combined Ratio bei der Schaden-/Unfallversicherung von insgesamt unter 100%;
- Kapitalrendite vor Steuern (Return on Equity, RoE) von ungefähr 20% in 2011; und
- Dividendenauszahlungsquote von mindestens 30%.

Alle Finanzziele wurden unter Annahme des Erwerbs der Zielunternehmen und der Veräußerung von UNITA und einer wesentlichen Beteiligung an der BA-CA Versicherung festgelegt. Es handelt sich hierbei um Finanzziele und nicht um Prognosen, Voraussagen oder Garantien. Die Vienna Insurance Group geht angesichts der gegenwärtigen Marktlage davon aus, dass diese Zielgrößen angemessen sind. Die Vienna Insurance Group kann jedoch nicht garantieren, dass sie diese Ziele erreichen kann. Viele Faktoren, auf die Vienna Insurance Group keinen Einfluss hat, können die Realisierung dieser Ziele verhindern. Für eine Beschreibung dieser Faktoren siehe ,,*Allgemeine Informationen – Zukunftsgerichtete Aussagen*".

Am 26. März 2008 haben Gesellschaften der Vienna Insurance Group und der Erste Bank Gruppe eine Reihe von Verträgen unterfertigt, die die Rahmenbedingungen für den Erwerb der Versicherungsaktivitäten der Erste Bank Gruppe in Österreich, der Tschechischen Republik, Slowakei, Kroatien, Ungarn und Rumänien sowie für die künftige Zusammenarbeit zwischen der Vienna Insurance Group und der Erste Bank Gruppe im Bereich des Vertriebs der Produkte der jeweils anderen Seite, festlegen. Für eine detaillierte Beschreibung der Erwerbe und der Vertriebszusammenarbeit siehe ,,*Erwerb der Zielgesellschaften und langfristige Generalvertriebsvereinbarung*".

Risiken

Die Vienna Insurance Group ist einer Reihe von Risiken ausgesetzt. Das Kapitel ,,*Risikofaktoren*" enthält eine Beschreibung der Risiken, die die Vienna Insurance Group als besonders kritisch betrachtet. Zu diesen Risiken gehören:

Geschäftliche Risiken

- Die Übernahme von Versicherungsrisiken ist von Natur aus ein riskantes Geschäft. Ein Versagen des Risikomanagements der Vienna Insurance Group, diese Risiken richtig einzuschätzen, kann sich negativ auf das Betriebsergebnis der Vienna Insurance Group auswirken.
- Die Vienna Insurance Group ist einer Reihe von Marktrisiken ausgesetzt. Zinsschwankungen können die Finanz- und Ertragslage der Vienna Insurance Group negativ beeinflussen.
- Marktrisiken können den Wert des Aktienportfolios verringern und die Finanz- und Ertragslage der Vienna Insurance Group nachteilig beeinflussen.
- Die Vienna Insurance Group ist dem Risiko ausgesetzt, dass ein Geschäftspartner zahlungsunfähig wird.
- Transaktionen der Vienna Insurance Group in anderen Währungen als dem Euro und ihre Tätigkeit außerhalb der Euro-Zone bringen Währungsrisiken mit sich.
- Eine Bonitätsverschlechterung kann das Geschäft der Vienna Insurance Group in erheblichem Maße negativ beeinflussen.
- Die tatsächliche Entwicklung der Lebens- und Krankenversicherungsgeschäfte könnte von den bei der Berechnung der versicherungstechnischen Rückstellungen, des Werts (Embedded Value) der Versicherungsbestände und der Verträge mit garantierten Mindestzinsen getroffenen versicherungsmathematischen und anderen Annahmen abweichen.
- Eine fehlerhafte Schätzung der schadensbegründenden Tatsachen kann zu einer falschen Festsetzung der Prämie und zu ungenügenden Schadensrückstellungen führen.
- Änderungen steuerrechtlicher Rahmenbedingungen können die Nachfrage nach bestimmten Versicherungsprodukten verringern.
- Wirtschaftliche und politische Entwicklungen in Zentral- und Osteuropa, die Präsenz neuer Konkurrenten auf den regionalen Märkten und das Versagen, geeignete Akquisitionsziele zu identifizieren, können die Wachstumschancen der Vienna Insurance Group negativ beeinflussen.

- Die Rechtssysteme und Schutzmaßnahmen sind in bestimmten CEE Ländern noch nicht voll ausgereift. Wesentliche Gesetzesänderungen sind jederzeit möglich.
- Ungewissheit bei Akquisitionen kann das zukünftige Wachstum der Vienna Insurance Group negativ beeinflussen.
- Ungefähr 53,5% der gezeichneten Bruttoprämien der Gruppe wurden im Geschäftsjahr 2007 auf dem österreichischen Versicherungsmarkt erwirtschaftet. Im Vergleich zur Region Mittel- und Osteuropa ist die Versicherungsdichte in Österreich hoch und es herrscht dort starker Wettbewerb.
- Klimaveränderungen können erhebliche Verluste verursachen.
- Jeder Rückgang im Rückversicherungsangebot, jeder Anstieg der Rückversicherungskosten, insbesondere in Folge von Umweltkatastrophen und Terrorismus, und/oder die Zahlungsunfähigkeit oder die nicht zeitgerechte Zahlung von Rückversicherern kann die Ertragslage der Vienna Insurance Group in erheblichem Maße nachteilig beeinflussen.
- Absatzrisiken im Zusammenhang mit kriminellen Machenschaften können der Vienna Insurance Group schaden.
- Die Vienna Insurance Group hängt in hohem Maße von komplexen IT-Systemen ab, die durch interne und externe Umstände erheblich beeinträchtigt werden können.
- Ein Wechsel des Managements könnte zu einem Verlust von Know-how führen.
- Die Vienna Insurance Group kann nicht zusichern, dass die selbst gestellten finanziellen Ziele erreicht werden können.
- Die aufsichtsrechtlichen Rahmenbedingungen für die Vienna Insurance Group können sich ändern; die Nichteinhaltung aufsichtsrechtlicher Vorschriften kann zur Verhängung von Zwangsmaßnahmen und zu anderen negativen Auswirkungen führen.

Mit der Akquisition der Zielunternehmen einhergehende Risiken

- Schwierigkeiten im Zusammenhang mit der geplanten Akquisition und Integration der Zielunternehmen könnten die Geschäfte und das Betriebsergebnis der Vienna Insurance Group verschlechtern.
- Da der Kaufpreis der Zielunternehmen den Buchwert ihrer Nettovermögen überschreitet, wird die geplante Akquisition der Zielunternehmen einen wesentlichen Goodwill schaffen, der periodischen Wertminderungstests unterworfen sein wird.
- Die Vienna Insurance Group hat die Richtigkeit der Information über die Zielunternehmen, die im Prospekt enthalten sind, nicht unabhängig verifizieren lassen.
- Die Akquisition der Zielunternehmen und die in diesem Zusammenhang abgeschlossene Vertriebsvereinbarung unterliegt der Genehmigung durch die Wettbewerbsbehörden. Wenn eine Genehmigung erteilt wird, könnte sie an Bedingungen geknüpft sein. Dies könnte die durch die Fusion erwarteten Synergieeffekte und Geschäftschancen verringern oder zu einem Verlust des Marktanteils der Vienna Insurance Group führen.
- Durch eine misslungene Akquisition der Zielunternehmen würde die wirtschaftliche Grundlage für die Kapitalerhöhung zum Teil entfallen, was zu finanziellen Nachteilen für die Vienna Insurance Group führen könnte.

Mit dem kontrollierenden Aktionär einhergehende Risiken

- Bei den Hauptversammlungen der Wiener Städtische AG werden die Stimmen der übrigen Aktionäre nicht ausreichen, um sich gegen den WST-Versicherungsverein durchzusetzen.
- Die Solvenzkennzahlen der Vienna Insurance Group werden aufgrund österreichischer gesetzlicher Vorschriften auf der Ebene des WST-Versicherungsvereins gemessen.
- Der Verkauf seitens des WST-Versicherungsvereins einer beträchtlichen Anzahl von Aktien der Wiener Städtische AG nach diesem Angebot könnte sich nachteilig auf den Kurs der Aktien der Wiener Städtische AG auswirken.

Mit dem Angebot einhergehende Risiken

- Der Aktienkurs der Wiener Städtische AG könnte sich als volatil erweisen.

- Sollten es die bisherigen Aktionäre verpassen, ihre Bezugsrechte bis zum 7. Mai 2008 auszuüben, verfallen die Bezugsrechte vollständig ohne Entschädigung und die Aktionäre müssen eine Verwässerung ihres prozentualen Aktienbesitzes hinnehmen.
- Die Aktien von Anlegern, die außerhalb von Österreich und der Tschechischen Republik ansässig sind, können verwässert werden, wenn sie bei zukünftigen Kapitalerhöhungen ihre Vorkaufsrechte nicht ausüben können.
- Wertschwankungen des Euro wirken sich auf den Wert der Aktien aus, wenn sie in andere Währungen umgetauscht werden.
- Eine Handelsunterbrechung mit den Aktien könnte den Aktienkurs nachteilig beeinflussen.
- Anleger können u.U. Verluste nicht wieder hereinholen, die sie durch die versicherungstechnischen Schätzungen für den Wert der Vienna Insurance Group und der im Prospekt aufgeführten Zielunternehmen erleiden.

Zusammenfassung des Angebots

Das Angebot: . . . . Das Angebot umfasst das Bezugsrechtsangebot an bestehende Aktionäre und das Globalangebot.

Das Bezugsrechtsangebot: . . . . Die Wiener Städtische AG macht ein Angebot zum Bezug von bis zu 23.000.000 neuen Aktien zum Bezugs- und Angebotspreis und zwar im Verhältnis von 3 neuen Aktien für je 14 Bezugsrechten. Bezugsrechte werden an keiner Börse gehandelt werden. Bezugsrechte, die nicht im Bezugszeitraum ausgeübt werden, verfallen.

Bezugsrechtsausübung durch WST-Versicherungsverein: . . . . . Der WST-Versicherungsverein hat sich verpflichtet, seine Bezugsrechte für zumindest 16.000.000 neue Aktien voll auszuüben.

Das Globalangebot: . . . . Die neuen Aktien, für die im Rahmen des Bezugsrechtsangebots kein Bezugsrecht ausgeübt wird (einschließlich der neuen Aktien, für die keine Bezugsrechte zugewiesen werden aufgrund der Bezugsquote (*Spitzenausgleich*)) (die ,,Restaktien”), werden im Rahmen des Globalangebots angeboten. Das Globalangebot setzt sich zusammen aus (i) einem öffentlichen Angebot der Aktien an Privatanleger und institutionelle Investoren in der Republik Österreich und der Tschechischen Republik, (ii) einem Angebot in den Vereinigten Staaten von Amerika an ,,qualifizierte institutionelle Käufer” (,,QIBs”) gemäß Regel 144A des U.S. Securities Act (die ,,US-Platzierung”) und (iii) einem Angebot an qualifizierte institutionelle Anleger außerhalb der Republik Österreich und der Tschechischen Republik und außerhalb der Vereinigten Staaten auf Basis von Regulation S des Securities Act.

Vorzugszuweisung an Privatanleger: . . . . Im Zusammenhang mit dem öffentlichen Angebot in Österreich und in der Tschechischen Republik haben Kaufaufträge von Privatanlegern, die bei Erste Bank der österreichischen Sparkassen AG (mit Ausnahme der Bank Austria AG), ecetra Central European e-Finance AG (brokerjet.at), Česká spořitelna, a.s. und brokerjet České spořitelny, a.s. (brokerjet.cz), eingehen, Anspruch auf eine Vorzugszuweisung von bis zu 350 Aktien. Der Zeitraum, in dem die Vorzugszuweisung für Privatanleger stattfindet, kann jederzeit beendet werden.

Mitarbeiterbeteiligungsplan: . . . . . . Im Rahmen des Globalangebots wird den berechtigten Mitarbeitern (wie unten definiert) das Recht zum Bezug von insgesamt bis zu 1.000.000 Restaktien (die ,,Mitarbeiteraktien”)

	zum Mitarbeiterangebotspreis überlassen und zwar bis zu 250 Aktien pro berechtigtem Mitarbeiter. ,,Berechtigte Mitarbeiter" sind Personen, die am Stichtag 30. April 2008 in einem ungekündigten Geschäftsführer-, Vorstandsanstellungs- oder Dienstverhältnis zum Emittenten oder einem Versicherungsunternehmen stehen, das am 31. Dezember 2007 eine voll konsolidierte Tochtergesellschaft des Emittenten mit Sitz in einem EU-Mitgliedsland war, wenn das Geschäftsführer- oder Dienstverhältnis spätestens am 31. Dezember 2006 begonnen hat und seither ununterbrochen aufrecht war, sowie Personen, die sich im Kündigungsstadium wegen Inanspruchnahme einer Pension befinden.
Die Angebotsaktien:	Bis zu 23.000.000 neue Aktien und bis zu 1.000.000 Greenshoe Aktien (soweit die Joint Global Coordinators ihr Recht zum Kauf von Verkäuferaktien ausüben).
Die Bezugs- und Angebotsfrist: . . .	Die Bezugsfrist, während der die Inhaber von Bezugsrechten neue Aktien zeichnen können, erstreckt sich vom 22. April 2008 bis zum 7. Mai 2008. Die Angebotsfrist, in der Anleger die im Globalangebot angebotenen Restaktien und Angebotsaktien kaufen können, erstreckt sich vom 22. April 2008 bis zum 7. Mai 2008. Der Zeitraum, in dem die berechtigten Mitarbeiter Mitarbeiteraktien erwerben können, erstreckt sich vom 22. April 2008 bis zum 30. April 2008 (die ,,Mitarbeiterbeteiligungsangebotsfrist"). Die Angebotsfrist und die Mitarbeiterbeteiligungsangebotsfrist kann jederzeit gekürzt, vorzeitig beendet oder verlängert werden. Die Bezugsfrist kann jederzeit vorzeitig beendet oder verlängert werden.
Bezugs- und Angebotspreis:	Der Bezugs- und Angebotspreis der neuen Aktien und Greenshoeaktien wird vom Emittenten, dem WST-Versicherungsverein und den Joint Global Coordinators nach Abschluss des Bookbuilding, wenn angebracht, und unter Berücksichtigung des Kurses der Aktien an der Wiener Börse und der Prager Börse vor dem Zeitpunkt der Festlegung des Angebotspreises und anderer Faktoren bestimmt, darunter das Ziel, die Erlöse des Angebots zu maximieren. Der Bezugs- und Angebotspreis wird den maximalen Angebotspreis von 54,00 EUR pro angebotene Aktie nicht überschreiten.
Mitarbeiterangebotspreis:	Der Mitarbeiterangebotspreis, zu dem berechtigte Mitarbeiter Mitarbeiteraktien erwerben können, entspricht dem Bezugs- und Angebotspreis, abzüglich einem Abschlag von 20%.
Bezugsrechte:	14 Bezugsrechte berechtigen zum Bezug von 3 neuen Aktien.
Bezugsrechtsausübung:	Die Inhaber von Bezugsrechten können diese Rechte während der Bezugsfrist, die vom 22. April 2008 bis zum 7. Mai 2008 läuft, gegen Einreichung des Kupons Nr. 16 zum Bezugspreis ausüben. Inhaber von Bezugsrechten, die von einer Depotbank, welches Mitglied der Oesterreichischen Kontrollbank AG ist, oder über ein Kreditinstitut gehalten werden, das an Euroclear oder Clearstream Luxemburg oder UNIVYC teilnimmt, können ihre Bezugsrechte nur ausüben, indem sie diese Depotbank oder dieses Kreditinstitut anweisen, die neuen Aktien für sie zu beziehen. Den Inhabern von Bezugsrechten wird geraten, sich bei ihrer Depotbank darüber zu informieren, bis zu welchem Zeitpunkt sie die Ausübung von Bezugsrechten gestattet. Dieser Zeitraum kann vor dem 7.

	Mai 2008 ablaufen. Die Bezugsrechte können jederzeit gekündigt und der Bezugszeitraum jederzeit verlängert werden.
Notierung:	Die 105.000.000 bestehenden Aktien der Wiener Städtische AG notieren im amtlichen Handel an der Wiener Börse im Segment Prime Market und unter dem Börsekürzel ,,VIG". Die Aktien sind im Börsenindex ATX aufgeführt, der die an der Wiener Börse gehandelten Aktien mit dem höchsten Handelsvolumen und der höchsten Marktkapitalisierung verfolgt. Außerdem werden die bestehenden Aktien der Wiener Städtische AG seit dem 5. Februar 2008 im SPAD-Segment am Hauptmarkt (*Hlavní trh*) der Prager Börse notiert. Die Wiener Städtische AG wird am 21. April 2008 die Zulassung der neuen Aktien zum amtlichen Handel an der Wiener Börse und am Hauptmarkt der Prager Börse beantragen. Die Aufnahme des Börsenhandels mit den neuen Aktien ist für den 9. Mai 2008 im Segment Prime Market der Wiener Börse und im Segment SPAD der Prager Börse vorgesehen.
Lock-up:	Sowohl die Wiener Städtische AG als auch der WST-Versicherungsverein haben im Übernahmevertrag mit den Joint Global Coordinators vereinbart, vor 180 Tagen nach dem Valutatag ohne die vorherige ausdrückliche schriftliche Zustimmung der Joint Global Coordinators (i) weder Aktien der Wiener Städtische AG noch andere Wertpapiere, die den Aktien der Wiener Städtische AG im Wesentlichen ähnlich sind (einschließlich von Wertpapieren, die in Aktien umgewandelt, umgetauscht oder dafür ausgeübt werden können, oder das Recht zum Umtausch in Aktien verleihen) direkt oder indirekt auszugeben, anzubieten, zu verleihen, zu verpfänden oder anderweitig zu veräußern oder zu übertragen oder (ii) einen Swap-Vertrag oder irgendeinen anderen Vertrag abzuschließen, durch den die wirtschaftlichen Folgen des Eigentums an Aktien der Wiener Städtische AG ganz oder teilweise übertragen werden, unabhängig davon, ob eine solche Transaktion beschrieben in Klausel (i) oder (ii) oben durch Lieferung von Aktien oder dieser anderen Wertpapiere abzuwickeln ist. Innerhalb des oben erwähnten Zeitraums erklären sich die Wiener Städtische AG und der WST-Versicherungsverein bereit, keine der oben beschriebenen Transaktionen anzukündigen. Die oben erwähnten Einschränkungen gelten nicht (i) im Hinblick auf die Gesellschaft, für die neuen Aktien und die Mitarbeiteraktien und (ii) im Hinblick auf den WST-Versicherungsverein, für die Verkäuferaktien, soweit die Joint Global Coordinators diese Verkäuferaktien erwerben, in jedem Fall im Zusammenhang mit dem Angebot. Die oben beschriebenen Einschränkungen sind auch auf solche Aktien nicht anwendbar, die von Wiener Städtische AG an die eigenen Mitarbeiter oder an Mitarbeiter von eigenen Tochterunternehmen nach Maßgabe eines Mitarbeiterbeteiligungsprogramms ausgegeben werden sollen, sowie auf bestimmte Verpfändungen von Aktien durch WST-Versicherungsverein, sofern sich der Pfandgläubiger verpflichtet, das Pfand nicht während der oben beschrieben Lock-up Periode zu verwerten.
Greenshoe Option:	Im Hinblick auf eine eventuelle Mehrzuteilung werden bis zu 1.000.000 zusätzliche Aktien der Wiener Städtische AG zum Bezugs- und Angebotspreis (abzüglich der vereinbarten Provision). Die Joint Global Coordinators können diese Option

	beginnend mit der Festlegung des Bezugs- und Angebotspreises und bis zum 30. Kalendertag nach Zuteilung der Neuen Aktien ausüben.
Verwendung des Emissionserlöses:	Unter Annahme, dass sämtliche Aktien verkauft werden, eines endgültigen Bezugs- und Angebotspreises von 47.65 EUR (basierend auf dem Schlusskurs der Altaktien der Wiener Städtische AG an der Wiener Börse zum 18. April 2008, angepasst für die Dividende in Höhe von 1,10 EUR je Aktie, die am 28. April 2008 zur Zahlung fällig ist) und unter der Annahme, dass sämtliche 1,000,000 Mitarbeiteraktien von berechtigten Arbeitnehmern zum Arbeitnehmerangebotspreis verkauft werden, wird sich der Nettoemmissionserlös aus dem Verkauf der neuen Aktien auf 1.050,5 Mio. EUR belaufen, dies nach Abzug der Provision für die Joint Global Coordinators einschließlich einer Erfolgsprämie und die von der Wiener Städtische AG zu tragenden geschätzten Angebotskosten und der Kapitalertragssteuer. Die Wiener Städtische AG wird aus dem Verkauf der Greenshoeaktien keinen Erlös erzielen. Die Wiener Städtische AG beabsichtigt, den Nettoemissionserlös für die Finanzierung eines Teils des Kaufpreises der Zielunternehmen sowie die Finanzierung weiterer Akquisitionen in der CEE-Region, insbesondere in Polen, der Ukraine, in Ungarn und in Folge der Türkei, zu verwenden.
Stimmrechte:	Jede Aktie gewährt eine Stimme.
Dividendenberechtigung:	Die Angebotsaktien verleihen Anspruch auf Dividenden ab dem 1. Januar 2008.
Zahlung und Lieferung der angebotenen Aktien:	Die Zahlung und Lieferung der Angebotsaktien erfolgt voraussichtlich am oder um den 13. Mai 2008. Die Angebotsaktien werden durch ein oder mehrere Globalzertifikate verbrieft und voraussichtlich durch Bucheintragung bei der Oesterreichische Kontrollbank AG und Hinterlegung bei den Depositären für Clearstream Luxembourg, Euroclear oder UNIVYC am oder um den 13. Mai 2008 eingeliefert. Die Käufer von Angebotsaktien haben keinen Anspruch auf die Zustellung von Aktienzertifikaten.
Wertpapierkennnummern:	ISIN der angebotenen Aktien: AT0000908504
ISIN der Bezugsrechte:	AT0000A092Y9

Ausgewählte Finanzdaten der Vienna Insurance Group

Die nachstehende Tabelle zeigt wesentliche Positionen der Gewinn- und Verlustrechnung und Bilanz der Vienna Insurance Group für die Geschäftsjahre vom 31. Dezember 2005 bis zum 31. Dezember 2007. Diese historischen Finanzdaten sind in Verbindung mit den an anderer Stelle in diesem Prospekt enthaltenen Konzernabschlüssen einschließlich des jeweiligen Anhangs und der ,,*Darstellung und Analyse der Ertrags-, Vermögens- und Finanzlage*" zu lesen:

	Geschäftsjahr zum 31. Dezember		
	2007	2006	2005
		(geprüft) (in Mio. EUR)	
Prämieneinnahmen, netto	5.941,7	5.038,7	4.240,9
Finanzergebnis	995,8	711,4	593,9
Aufwendungen für Versicherungsfälle	-5.031,5	-4.213,3	-3.618,4
Betriebsaufwand	-1.345,1	-1.136,4	-891,8
Gewinn vor Steuern	437,3	321,0	240,3
Kapitalanlagen	20.171,4	17.260,4	15.162,7
Eigenkapital	2.615,6	2.283,2	2.059,3
Versicherungstechnische Rückstellungen	17.092,1	14.628,4	13.086,3
Summe Aktiva/Passiva	26.745,1	22.483,5	19.441,4

Ausgewählte als Hinweis dargestellte Finanzangaben der Zielunternehmen

In der nachstehenden Tabelle finden sich wichtige Zahlen aus der Gewinn- und Verlustrechnung der einzelnen Zielunternehmen. Zur Veranschaulichung werden die Zielunternehmen auch in Summe dargestellt. Die Anleger sollten sich jedoch bewusst sein, dass die Summendarstellung keine konsolidierten Zahlen für die Zielunternehmen wiedergibt. Diese Daten wurden nicht geprüft, sondern basieren auf der IFRS-Berichterstattung, die für die geprüften Konzernabschlüsse der Erste Bank AG verwendet wird. Die ausgewählten Finanzinformationen in diesem Prospekt stellen keine Pro-forma-Finanzinformationen gemäß der Richtlinie der Kommission (EC) 809/2004 vom 29. April 2004 dar. Die Vienna Insurance Group stellt diese Informationen lediglich zur Veranschaulichung zur Verfügung. Die erläuternden Angaben sind auf einer Summenbasis dargestellt. Einige Angaben können daher doppelt addiert worden sein. Diese Angaben enthalten auch nicht den Kaufpreis für die Zielunternehmen und das langjährige Vertriebsabkommen. Die als Hinweis dargestellten Daten wurden zusammengefasst und können zweimal erfasst worden sein. Ferner spiegeln sie nicht die Auswirkungen des Kaufpreises wider, die für die Zielunternehmen und im Rahmen des langfristigen allgemeinen Vertriebsvertrags zu zahlen ist (siehe ,,*Akquisition der Zielunternehmen und langfristige allgemeine Vertriebsvereinbarung — Darstellung der Zielunternehmen*").

	Zwölfmonatszeitraum zum 31. Dezember 2007							
	s-Versicherung	Pojišťovna České spořitelna (Tschechische Republik)	Erste Biztosító (Ungarn)	Poist'ovňa Slovenskej sporitel'ne (Slowakei)	Erste Sparkassen osiguranje (Kroatien)	BCR Asigurari (Rumänien)	BCR Asigurari de Viata (Rumänien)	Gesamt
				(nicht geprüft) (in Mio. EUR)				
Gewinn- und Verlustrechnung								
Gebuchte Bruttoprämien Leben	791,7	231,0	36,0	24,8	8,9	—	23,0	1.115,4
Total gebuchte Bruttoprämien	808,5	232,9	36,0	24,8	8,9	155,2	23,0	1.289,3
Prämieneinnahmen, netto	789,2	233,0	35,5	24,6	8,8	101,2	16,0	1.208,3
Finanzergebnis	278,2	15,9	0,5	5,2	0,7	2,6	1,2	304,3
Gewinn vor Steuern	13,1	17,6	0,9	3,6	-0,4	4,8	1,7	41,3
Gewinn	12,0	13,3	0,5	2,9	-0,4	4,7	1,5	34,5

The following translation of the original summary is a separate document attached to the Prospectus. It does not form part of the Prospectus itself and has not been approved by the FMA. Further, the FMA did not review its consistency with the original summary.

Následující překlad shrnutí prospektu je zvláštní dokument, který tvoří přílohu prospektu. Překlad není součástí prospektu, ani nebyl schválen FMA. FMA rovněž neprověřil, zda překlad shrnutí souhlasí s jeho originálem.

SHRNUTÍ PROSPEKTU

Toto shrnutí představuje stručný a všeobecný přehled podstatného obsahu Prospektu. Mělo by být považováno pouze za úvod k Prospektu a nenahrazuje přečtení celého Prospektu.

Jakékoli rozhodnutí investora investovat do Nabídkových akcií by mělo být založeno na Prospektu jako celku. Investoři by měli důkladně zvážit veškeré informace a rizikové faktory uvedené v Prospektu.

V případě, že bude podána žaloba týkající se informací obsažených v tomto Prospektu, mohl by být žalobce na základě uplatnění právních předpisů příslušného členského státu Evropského hospodářského prostoru (EHP) povinen nést náklady na překlad tohoto Prospektu před zahájením soudního řízení. Jestliže bude taková žaloba podána u soudu v Rakousku / České republice, bude požadován německý / český překlad Prospektu a náklady překladu bude muset nést nejprve žalobce a v konečném důsledku pak strana, která nebude mít v soudním řízení úspěch.

Všechny osoby, které sestavily Shrnutí Prospektu včetně jeho překladu a požádaly o jeho uveřejnění mají soukromoprávní odpovědnost, avšak pouze v případě, pokud je Shrnutí zavádějící, nepřesné nebo nekonzistentní při společném výkladu s ostatními částmi Prospektu.

Pokud není uvedeno jinak, veškeré finanční údaje obsažené v této části byly auditovány.

Základní údaje o společnosti

Vienna Insurance Group patří s přibližně 17 milióny zákazníků a předepsaným pojistným ve výši 6.911,9 miliónů EUR v roce 2007 (2006: 5.881,5 miliónů EUR) mezi největší mezinárodní pojišťovací skupiny působící ve střední a východní Evropě. (Zdroj: Interní analýza vypracovaná na základě údajů národních pojišťovacích institucí a dohledových orgánů za první tři čtvrtletí 2007). Vienna Insurance Group nabízí životní a neživotní pojištění v Rakousku a dalších 22 zemích, převážně ve střední a východní Evropě. V zemích střední a východní Evropy je Skupina zastoupena v Albánii, Bělorusku, Bulharsku, Chorvatsku, Estonsku, Gruzii, Maďarsku, Lotyšsku, Litvě, Makedonii, Polsku, Rumunsku, Rusku, Srbsku, na Slovensku, ve Slovinsku (prostřednictvím pobočky Wiener Städtische AG), v České republice, Turecku a na Ukrajině. Vienna Insurance Group má samostatné společnosti v Německu a Lichtenštejnsku a je také zastoupena v Itálii prostřednictvím pobočky Wiener Städtische AG.

Kromě své pevné pozice na domácím rakouském trhu se Skupina Vienna Insurance Group rozrůstá hlavně do rozvíjejících se trhů zemí střední a východní Evropy. Pojišťovací činnost mimo území Rakouska nabývá pro Skupinu stále větší důležitosti (podíl z celkového předepsaného pojistného mimo území Rakouska: 2007 – 46,5%; 2006 – 41,6%; 2005 – 36,7%). Na základě své interní analýzy statistických údajů národních pojišťovacích institucí se Vienna Insurance Group domnívá, že s tržním podílem ve výši přibližně 12,1% je druhou největší pojišťovací skupinou podle předepsaného pojistného mezi západními veřejně obchodovanými pojišťovacími společnostmi aktivními na Klíčových trzích střední a východní Evropy (s výjimkou Srbska). Na základě stejné analýzy se Vienna Insurance Group domnívá, že žádná jiná západní veřejně obchodovaná pojišťovací skupina negeneruje vyšší procento svého pojistného z aktivit v zemích střední a východní Evropy.

V oblasti prodeje a distribuce pěstuje Vienna Insurance Group strategii více značek. Nejdůležitější značky, pod kterými Vienna Insurance Group svou činnost provozuje, jsou ,,Wiener Städtische“ a ,,DONAU“ v Rakousku, ,,Kooperativa“ a ,,ČPP“ v České republice, ,,Kooperativa“, ,,Komunálna“ a ,,Kontinuita“ na Slovensku, ,,Compensa“, ,,BENEFIA“, ,,Royal Polska“ a ,,PZM“ v Polsku a ,,Omnia-sig“, ,,Unita“, ,,Asirom“ a ,,Agras“ v Rumunsku. Vienna Insurance Group pěstuje politiku více značek i ve zbývajících zemích střední a východní Evropy, ve kterých působí.

Obchodní činnost Vienna Insurance Group sestává ze tří klíčových segmentů: majetkové a úrazové pojištění, zdravotní pojištění a životní pojištění.

V segmentu majetkového a úrazového pojištění nabízí Vienna Insurance Group produkty pro soukromé osoby, domácnosti a malé, střední a velké podniky pod různými značkami. Pro soukromé a komerční zákazníky nabízí Vienna Insurance Group stále více produktů, které zahrnují několik tříd pojištění, takže si zákazník může vybrat mezi různými verzemi produktů v modulárním systému. Pro podnikovou klientelu Vienna Insurance Group nabízí na míru přizpůsobená pojistná řešení.

Produkty zdravotního pojištění významnějším způsobem prodává pouze Wiener Städtische AG v Rakousku. Soukromé zdravotní pojištění převážně doplňuje rakouským státem organizované sociální pojištění.

V segmentu životního pojištění Vienna Insurance Group nabízí celou řadu pojištění rizik (např. klasické produkty životního pojištění), spořící a penzijní produkty (důchodové pojištění, kapitálové pojištění a různé formy investičních životních pojistných produktů). Trendem jsou investiční životní pojistné produkty (unit-linked a index-linked) a v Rakousku státem dotovaný program soukromého penzijního pojištění.

Strategie

Rizika spojená se strategickými cíli Vienna Insurance Group jsou uvedena v části *,,Rizikové faktory".*

Primárním cílem Vienna Insurance Group je dosáhnout dlouhodobého stabilního růstu pojistného a zisku. Na základě tohoto cíle má Vienna Insurance Group dvě klíčové strategie. První klíčovou strategií je nadále si udržovat svou solidní pozici v Rakousku, kde je propojištěnost pod průměrem západoevropských zemí, obzvláště v oblasti životního pojištění. Očekává se, že zejména reorganizace systému sociálního pojištění a související rozvoj soukromého pojištění otevřou v nadcházejících letech nové obchodní příležitosti. Za tímto účelem se Vienna Insurance Group převážně spoléhá na své zavedené distribuční kanály a plánuje jejich průběžné rozšiřování ku prospěchu zákazníka. Druhou klíčovou strategií je selektivní expanze na dynamicky rostoucí trhy střední a východní Evropy. Na Klíčových trzích střední a východní Evropy se Vienna Insurance Group chce umístit alespoň mezi třemi největšími pojišťovnami na trhu každé země. Pro další rozvoj činnosti ve střední a východní Evropě se Vienna Insurance Group spoléhá na intenzivní proces sledování trhu, ve kterém její stávající dceřiné společnosti a jejich místní kontakty hrají základní roli. Růst Skupiny v regionu střední a východní Evropy je založen na současné nedostatečné nabídce vysoce kvalitních pojišťovacích služeb v regionu. Dynamický ekonomický rozvoj regionu si vyžaduje pojišťovací služby v podnikovém i soukromém sektoru. Níže uvedené principy managementu podtrhují dvě klíčové strategie Vienna Insurance Group:

- *Globálně myslet – lokálně jednat.* Cílem Skupiny je kombinovat místní zkušenosti zaměstnanců s kvalitativními standardy Skupiny. Nově získané společnosti nadále fungují pod svým stávajícím zavedeným jménem a značkou, kterou zákazníci znají.
- *Místní kořeny.* Vedení jednotlivých společností ve Skupině je převážně v rukou místního managementu, který zná tržní prostředí jednotlivých zemí na základě mnoha let zkušeností.
- *Podpora z centrály.* Skupina podporuje místní subjekty v klíčových obchodních oblastech s cílem vytvoření synergických efektů a zajištění hromadného řízení rizik z důvodu omezení rizik ve vztahu k zajištění, investicím, atd.
- *Diverzifikace.* Geografickou diverzifikací a působením ve 23 zemích chce Skupina minimalizovat riziko související se zhoršením pojišťovacího prostředí v jednotlivých zemích.

Kromě toho si Vienna Insurance Group stanovila střednědobé a krátkodobé finanční cíle. K nejdůležitějším z těchto cílů pro plánovací období 2008 – 2011 patří:

- Více než 12 miliard EUR předepsaného pojistného v roce 2011;
- Zisk před zdaněním v roce 2011 přibližně 1,05 miliardy EUR;
- Udržování čistého kombinovaného podílu majetkového a úrazového pojištění pod úrovní 100%;
- Rentabilita vlastního kapitálu (RoE) před zdaněním v roce 2011 přibližně 20%; a
- Podíl vyplacených dividend alespoň 30%.

Všechny finanční cíle byly stanoveny na základě předpokladu akvizice Cílových společností, prodeje UNITA a významného podílu v Bank Austria Creditanstalt Versicherung. Jedná se o finanční cíle, nikoli předpovědi, prognózy nebo záruky. Vienna Insurance Group věří, že tyto cíle jsou v současných tržních podmínkách přiměřené. Vienna Insurance Group však splnění těchto cílů nemůže zaručit. Mnohé faktory, které Vienna Insurance Group nemůže ovlivnit, mohou mít negativní dopad na její schopnost dosáhnout těchto cílů. Popis těchto faktorů je uveden v části nazvané *,,Všeobecné informace – výhledová prohlášení".*

Dne 26. března 2008 uzavřely společnosti Vienna Insurance Group a Erste Bank Group sadu smluv obsahujících rámec pro akvizici pojišťovacích aktivit Erste Bank Group v Rakousku, Chorvatsku, České republice, Maďarsku, Rumunsku a na Slovensku a dále ujednání o budoucí vzájemné distribuci produktů mezi Vienna Insurance Group a Erste Bank Group. Podrobný popis akvizic a distribučního ujednání viz "*Akvizice Cílových společností a Dlouhodobá rámcová distribuční smlouva*".

Rizika

Vienna Insurance Group je vystavena celé řadě rizik. Popis konkrétních rizik, které Vienna Insurance Group považuje za obzvláště důležitá, je uveden v části nazvané *,,Rizikové faktory".* Mezi tato rizika patří:

Rizika vztahující se k podnikání

- Pojišťovací činnost je svou povahou podnikáním s vysokou mírou rizika. Pokud se managementu Vienna Insurance Group nepodaří správně vyhodnotit tato rizika, může to mít významný negativní dopad na provozní výsledky Vienna Insurance Group
- Vienna Insurance Group je vystavena tržním rizikům. Výkyvy úrokových sazeb mohou mít negativní dopady na zisk Vienna Insurance Group
- Tržní rizika mohou snížit hodnotu majetkového portfolia a negativně ovlivnit finanční situaci a výnosy Vienna Insurance Group
- Vienna Insurance Group je vystavena riziku neplnění ze strany svých klientů a obchodních partnerů
- Transakce Vienna Insurance Group v měnách jiných než euro a její aktivity mimo oblast euro s sebou přinášejí měnová rizika
- Snížení ratingu by mohlo mít významný negativní dopad na obchodní činnost Vienna Insurance Group
- Skutečné výsledky by se mohly lišit od pojistně-matematických a dalších předpokladů použitých při výpočtu pojistně-matematických rezerv v sektorech životního a zdravotního pojištění, Implicitní hodnoty (Embedded Value) a smluv se zaručenými minimálními úrokovými sazbami
- Nesprávný odhad skutečností způsobujících ztráty může vést k nastavení nesprávných částek pojistného a vytvoření neadekvátních rezerv na ztráty
- Změny příslušných daňových zákonů mohou snížit poptávku po některých pojistných produktech
- Ekonomický a politický vývoj ve střední a východní Evropě, vstup nových konkurentů na trhy v této oblasti a neschopnost identifikovat vhodné akviziční cíle mohou negativně ovlivnit perspektivy růstu Vienna Insurance Group
- Právní systémy a procesní záruky nejsou v některých zemích střední a východní Evropy dosud plně rozvinuty a kdykoliv může dojít k podstatným změnám právních přepisů
- Nejistota ve vztahu k akvizicím může negativně ovlivnit budoucí růst Vienna Insurance Group
- Přibližně 53,5% předepsaného pojistného Skupiny pochází ve finančním roce 2007 z rakouského pojišťovacího trhu. Propojištěnost v Rakousku je vysoká ve srovnání se střední a východní Evropou a Vienna Insurance Group zde čelí silné konkurenci
- Změny klimatu mohou způsobit významné ztráty
- Pokles dostupnosti zajištění, zvýšení ceny zajištění, obzvláště v důsledku ekologických katastrof a terorismu a/nebo platební neschopnost nebo pozdní platby ze strany zajišťovatelů by mohly mít významný negativní dopad na zisky Vienna Insurance Group
- Rizika při prodeji související s trestnou činností by mohla vést ke škodám na straně Vienna Insurance Group
- Vienna Insurance Group do velké míry závisí na podpoře složitých systémů IT, které by mohly být významně poškozeny interními a externími faktory

- Změna složení managementu by mohla vést ke ztrátě know-how
- Vienna Insurance Group nemůže poskytnout žádné ujištění, že bude schopna dodržet své stanovené finanční cíle
- Může dojít ke změně regulatorních podmínek pro Vienna Insurance Group; nedodržování regulatorních požadavků by mohlo vést k uvalení sankcí nebo jiným negativním dopadům

Rizika vztahující se k akvizicím Cílových společností

- Potíže v souvislosti s plánovanou akvizicí a integrací Cílových společností by mohly mít významné negativní dopady na obchodní činnost Vienna Insurance Group a její provozní výsledky
- Protože kupní cena Cílových společností přesahuje účetní hodnotu jejich čistých aktiv, plánovaná akvizice Cílových společností vytvoří velký goodwill, který bude podléhat pravidelnému snížení hodnoty
- Vienna Insurance Group neověřovala nezávisle přesnost informací o Cílových společnostech, které jsou uvedeny v tomto Prospektu
- Akvizice Cílových společností a distribuční smlouva uzavřená v souvislosti s akvizicí podléhají schválení příslušných orgánů. V případě udělení může schválení podléhat určitým podmínkám. To by mohlo vést ke snížení synergických efektů a obchodních příležitostí v souvislosti s fúzí nebo ke ztrátě tržních podílů Vienna Insurance Group
- Pokud by se akvizice Cílových společností neuskutečnila, odpadl by částečně ekonomický důvod ke zvýšení kapitálu, což by Vienna Insurance Group mohlo přinést finanční nevýhody

Rizika související s ovládajícím akcionářem

- Na valné hromadě akcionářů Wiener Städtische AG nebudou stačit hlasy ostatních akcionářů pro přehlasování WST-Versicherungsverein
- Podle rakouských předpisů se míra solventnosti Vienna Insurance Group měří na úrovni WST-Versicherungsverein
- Prodej významného počtu akcií Wiener Städtische AG na trhu ze strany WST-Versicherungsverein po této Nabídce by mohl mít negativní dopad na cenu akcií Wiener Städtische AG

Rizika vyplývající z Nabídky

- Cena akcií Wiener Städtische AG se může být volatilní
- Jestliže stávající akcionáři neuplatní svá Upisovací práva do 7. května 2008, Upisovací práva propadnou bez náhrady a dojde ke zředění vlastnictví akcionářů
- Investoři sídlící v zemích jiných než Rakousko a Česká republika mohou být postiženi zředěním podílů, nebudou-li moci uplatnit svá předkupní práva při budoucích zvýšeních kapitálu
- Výkyvy v hodnotě eura se dotknou hodnoty Akcií při přepočtu do jiných měn
- Pozastavení obchodování s Akciemi by mohlo negativně ovlivnit cenu Akcií
- Investoři nemusí být schopni úspěšně se domoci náhrady škody založený na pojistně-matematických názorech ve vztahu k implicitní hodnotě Vienna Insurance Group a Cílových společností zahrnutých v Prospektu

Souhrn Nabídky

Nabídka:	Nabídka zahrnuje Nabídku práv stávajícím akcionářům a Globální nabídku.
Nabídka práv:	Wiener Städtische AG provádí Nabídku práv až k 23.000.000 Novým akciím za Upisovací a Nabídkovou cenu v poměru 3 Nové akcie za každých 14 Upisovacích práv. Upisovací práva nebudou obchodována na žádném trhu. Upisovací práva neuplatněná během Upisovacího období ztratí platnost.

Uplatnění Upisovacích práv ze strany WST-Versicherungsverein:	WST-Versicherungsverein se zavázala uplatnit Upisovací práva nejméně k 16.000.000 Nových akcií.
Globální nabídka:	Nové akcie, k nimž nebudou uplatněna Upisovací práva v Nabídce práv (včetně Nových akcií, ke kterým nebudou přidělena žádná Upisovací práva vzhledem k Upisovacímu poměru (Spitzenausgleich)) ("Zbytkové akcie"), budou nabídnuty v Globální nabídce. Globální nabídka zahrnuje (i) veřejnou nabídku drobným a institucionálním investorům v Rakousku a v České republice (ii) soukromé umístění ve Spojených státech u kvalifikovaných institucionálních kupujících podle Pravidla 144A amerického Zákona o cenných papírech („umístění v USA") a (iii) soukromé umístění (private placement) kvalifikovaným institucionálním investorům mimo Rakousko a Českou republiku a mimo Spojené státy podle Pravidla S amerického Zákona o cenných papírech.
Preferenční alokace drobným investorům:	V souvislosti s veřejnou nabídkou v Rakousku a v České republice budou mít objednávky drobných investorů, předložené Erste Bank der oesterreichischen Sparkassen AG, některé z rakouských spořitelen (Sparkasse) (s výjimkou Bank Austria AG), ecetra Central European e-Finance AG (brokerjet .at), České Spořitelně, a.s. a brokerjetu České spořitelny a.s. (brokerjet.cz) nárok na preferenční alokaci až do výše 350 akcií. Období, ve kterém se bude provádět přednostní alokace pro drobné investory, může být kdykoliv ukončeno.
Program účasti zaměstnanců:	V rámci Globální nabídky bude Oprávněným zaměstnancům (viz definice níže) nabídnuto právo upsat v souhrnu až 1.000.000 Zbytkových akcií („Zaměstnanecké akcie") ve výši maximálně 250 Zaměstnaneckých akcií na Oprávněného zaměstnance za Zaměstnaneckou nabídkovou cenu. Oprávněnými zaměstnanci jsou: všichni zaměstnanci, a ředitelé, kteří byli zaměstnání (bez přerušení) od 31. prosince 2006, a členové představenstva Emitenta nebo kterékoliv ze společností, které byly plně konsolidovanými dceřinými pojišťovnami Emitenta v některém ze států Evropské Unie k 31. prosinci 2007 a k 30. dubnu 2008 jejich zaměstnanecký poměr trval, nebo zaměstnanci, jejichž pracovní poměr je ukončován z důvodu odchodu do důchodu.
Nabídkové akcie:	Až 23.000.000 Nových akcií (včetně Zaměstnaneckých akcií) a až 1.000.000 Nadalokačních (Greenshoe) akcií podle nadalokační opce Společných globálních koordinátorů.
Upisovací a Nabídkové období: . . .	Upisovací období, v průběhu kterého mohou držitelé Upisovacích práv upsat Nové akcie potrvá od 22. dubna 2008 do 7. května 2008. Nabídkové-období, v průběhu kterého mohou investoři koupit Zbytkové akcie v Globální nabídce potrvá od 22. dubna 2008 do 7. května 2008. Období, ve kterém mohou Oprávnění zaměstnanci koupit Zaměstnanecké akcie, potrvá od 22. dubna 2008 do 30. dubna 2008 („Zaměstnanecké nabídkové období"). Nabídkové období a Zaměstnanecké nabídkové období může být kdykoli zkráceno, ukončeno nebo prodlouženo. Upisovací období může být kdykoli ukončeno nebo prodlouženo.

Upisovací a Nabídková cena:	Upisovací cena a Nabídková cena za Nové akcie a Nadalokační (Greenshoe) akcie bude stanovena Emitentem po konzultaci se Společnými globálními koordinátory po uzávěrce procesu upisování primární emise (bookbuilding), přičemž se vezme v úvahu cena Akcií na Vídeňské burze cenných papírů a Burze cenných papírů Praha před okamžikem stanovení Upisovací a Nabídkové ceny a další faktory, včetně cíle maximalizace výnosů z Nabídky. Upisovací a Nabídková cena nepřekročí Maximální Upisovací a Nabídkovou cenu 54,00 EUR za jednu Novou akcii.
Zaměstnanecká nabídková cena: . .	Zaměstnanecká nabídková cena, za kterou si budou Oprávnění zaměstnanci moci zakoupit Zaměstnanecké akcie, bude odpovídat Upisovací a Nabídkové ceně po odečtení slevy ve výši 20%.
Upisovací práva:	14 Upisovacích práv dává právo upsat 3 Nové akcie.
Uplatnění Upisovacích práv:	Upisovací práva mohou být uplatněna za Upisovací a Nabídkovou cenu držiteli Upisovacích práv v průběhu Upisovacího období, které potrvá od 22. dubna 2008 do 7. května 2008 po předložení kupónu č. 16. Držitelé Upisovacích práv držených prostřednictvím depozitní banky, která je členem Oesterreichische Kontrollbank Aktiengesellschaft nebo prostřednictvím finanční instituce, která je účastníkem systémů Euroclear nebo Clearstream, Luxembourg nebo UNIVYC, musejí uplatnit svá Upisovací práva tak, že podají pokyn této bance nebo finanční instituci k upsání Nových akcií v jejich zastoupení. Držitelům Upisovacích práv se doporučuje, aby se informovali u své depozitní banky, do kterého data bude depozitní banka přijímat uplatnění upisovacích práv. Toto období může skončit dříve než 7. května 2008. Nabídka Upisovacích práv může být ukončena kdykoliv a Upisovací období může být kdykoliv prodlouženo.
Kotace:	105.000.000 stávajících akcií Wiener Städtische AG je kotováno na Oficiálním trhu (Amtlicher Handel) Vídeňské burzy cenných papírů v segmentu Primárního trhu pod symbolem ,,VIG". Akcie jsou součástí ATX, burzovního indexu obsahujícího akcie s nejvyšším objemem obchodování a nejvyšší kapitalizací na Vídeňské burze cenných papírů. Stávající akcie jsou od 5. února 2008 také kotovány na hlavním trhu Burzy cenných papírů Praha v segmentu SPAD. Wiener Städtische AG požádá o kotaci Nových akcií na Oficiálním trhu Vídeňské burzy cenných papírů a na hlavním trhu Burzy cenných papírů Praha 21. dubna 2008. Očekává se, že s Novými akciemi se začne obchodovat v segmentu Primárního trhu Vídeňské burzy cenných papírů a v segmentu SPAD Burzy cenných papírů Praha 9. května 2008.
Blokace:	Wiener Städtische AG a WST-Versicherungsverein se dohodly se Společnými globálními koordinátory v Kupní smlouvě, že v období 180 dnů následujících po datu Uzávěrky nebudou bez výslovného předchozího písemného souhlasu Společných globálních koordinátorů: (i) přímo nebo nepřímo vydávat, nabízet, půjčovat, zastavovat nebo jinak převádět nebo se zbavovat nebo převádět přímo nebo nepřímo Akcie Wiener Städtische AG nebo jiné cenné papíry, které jsou v podstatě shodné (včetně cenných papírů převoditelných na Akcie nebo uplatnitelných či vyměnitelných za Akcie, nebo které

představují právo převodu na Akcie), nebo (ii) neuzavřou žádnou swapovou nebo jinou dohodu, která převádí, úplně nebo částečně, jakékoli ekonomické důsledky vlastnictví Akcií Wiener Städtische AG, jestliže taková transakce popsaná v bodě (i) nebo (ii) výše má být uhrazena dodávkou akcií nebo takových jiných cenných papírů. V rámci výše uvedeného období Wiener Städtische AG a WST-Versicherungsverein také souhlasí, že neoznámí žádnou z výše uvedených transakcí. Výše uvedená omezení se netýkají (i) Wiener Städtische AG ve vztahu k Novým akciím a Zaměstnaneckým akciím a (ii) WST-Versicherungsverein ve vztahu k Akciím prodávajícího v míře, v níž Společní globální koordinátoři uplatní svou nadalokační opci, v obou těchto případech ve spojitosti s Nabídkou. Výše uvedená omezení se rovněž netýkají Akcií vydaných Wiener Städtische AG, jejich zaměstnancům nebo zaměstnancům jejich dceřinných společností podle jakéhokoliv programu zaměstnaneckých akcií a určitých zástav akcií ze strany WST-Versicherungsverein za předpokladu, že zástavní věřitel souhlasí s nerealizací takové zástavy během blokačního období tak, jak je specifikováno výše.

Nadalokační opce: . . . . WST-Versicherungsverein poskytne Společným globálním koordinátorům právo koupit až 1.000.000 dalších Akcií za Upisovací a Nabídkovou cenu (minus sjednané provize) na pokrytí případních nadalokací, pokud takové budou. Společní globální koordinátoři mohou uplatnit nadalokační opci v průběhu období začínajícího oznámením Upisovací a Nabídkové ceny a končícího třicátý den po alokaci Nových akcií.

Použití výnosů: . . . . Za předpokladu, že bude prodáno všech 23.000.000 Nových akcií a konečná Upisovací a Nabídková cena bude 47,65 EUR (založeno na uzavírací ceně Existujících akcií Wiener Städtische AG na Vídeňské burze cenných papírů dne 18. dubna 2008, upravené o dividendu 1,10 EUR na Akcii, která bude vyplacena 28. dubna 2008) a dále za předpokladu, že Oprávnění zaměstnanci zakoupí nejvýše 1.000.000 Nových akcií za Zaměstnaneckou nabídkovou cenu, očekává Wiener Städtische AG, že obdrží čisté výnosy ve výši 1.050,5 miliónu EUR z prodeje Nových akcií po odečtení upisovací odměny včetně případné úspěšnostní prémie a dalších nákladů této nabídky, včetně kapitálové daně, které uhradí Wiener Städtische AG. Wiener Städtische AG neobdrží žádné výnosy z prodeje Nadalokačních (Greenshoe) akcií.

Wiener Städtische AG hodlá použít čisté výnosy z Nabídky na financování části kupní ceny Cílových společností a dále na financování dalších akvizic v oblasti střední a východní Evropy, konkrétně v Polsku, na Ukrajině, v Maďarsku a případě v Turecku.

Hlasovací práva: . . . . Každá akcie dává držiteli jeden hlas.

Nárok na dividendy: . . . . Nabídkové akcie nesou nárok na dividendy k 1. lednu 2008.

Splacení a dodání Nabídkových akcií: . . . . Splacení a dodání Nabídkových akcií se očekává kolem 13. května 2008. Nabídkové akcie jsou zastoupeny jedním nebo více globálními certifikáty a očekává se, že budou k dispozici v zaknihované podobě prostřednictvím provozoven Oesterreichische Kontrollbank AG a pro uložení u depozitářů pro Clearstream Luxembourg nebo Euroclear System nebo

	UNIVYC cca 13. května 2008. Kupující Nabídkových akcií nebudou mít nárok na obdržení listinných akcií (certifikátů).
Identifikační čísla cenných papírů:	ISIN Nabídkových akcií: AT0000908504
ISIN Upisovacích práv:	AT0000A092Y9

Vybrané finanční údaje Vienna Insurance Group

Níže uvedené tabulky uvádějí klíčové položky výkazu zisku a ztrát a rozvahy Vienna Insurance Group za finanční roky končící 31. prosince 2005 – 2007, resp. k 31. prosinci 2007. Tyto historické finanční údaje by měly být posuzovány společně s konsolidovanými účetními závěrkami včetně příloh k účetním závěrkám, které jsou uvedeny v Prospektu, a s jeho částí pod názvem ,,*Diskuse vedení (management discussion) a analýza finančních podmínek a výsledků činnosti*".

	Finanční rok končící 31. prosince		
	2007	**2006**	**2005**
	(auditované údaje) (v mil. EUR)		
Čisté zasloužené pojistné	5 941,7	5 038,7	4 240,9
Finanční hospodářský výsledek.	995,8	711,4	593,9
Náklady na pojistné nároky	-5 031,5	-4 213,3	-3 618,4
Provozní náklady.	-1 345,1	-1 136,4	-891,8
Zisk před zdaněním	437,3	321,0	240,3
Investice	20 171,4	17 260,4	15 162,7
Vlastní jmění.	2 615,6	2 283,2	2 059,3
Pojistně-matematické rezervy	17 092,1	14 628,4	13 086,3
Aktiva/pasiva celkem	26 745,1	22 483,5	19 441,4

Vybrané informativní finanční údaje Cílových společností

Níže uvedená tabulka uvádí údaje výkazu zisku a ztrát jednotlivých Cílových společností. Pro informativní účely tato tabulka rovněž uvádí celkové údaje ohledně Cílových společností, ačkoli by investoři měli vzít v úvahu, že společná prezentace nepředstavuje konsolidované údaje Cílových společností. Tyto údaje nebyly auditovány, jsou však založeny na výkazech IFRS použitých pro auditovanou konsolidovanou účetní závěrku Erste Bank AG. Tyto vybrané finanční údaje v Prospektu nepředstavují předběžné finanční informace ve smyslu Nařízení Komise (EC) 809/2004 z 29. dubna 2004. Vienna Insurance Group tyto informace poskytuje pouze pro informativní účely. Informativní finanční informace se poskytují na kombinovaném základě, v němž je možná přítomnost prvku dvojího započtení a který neodráží dopady kupní ceny, jež musí být zaplacena za Cílové společnosti a ve vztahu k dlouhodobé rámcové distribuční smlouvě (Viz ,,*Akvizice Cílových společností a Dlouhodobá rámcová distribuční smlouva — popis Cílových společností*“).

	Dvanáct měsíců končících 31. prosince 2007							
	s-Versicherung	Pojišťovna České spořitelny (Česká republika)	Erste Biztosító (Maďarsko)	Poisťovňa Slovenskej sporiteľne (Slovensko)	Erste Sparkassen osiguranje (Chorvatsko)	BCR Asigurari (Rumunsko)	BCR Asigurari de Viata (Rumunsko)	Celkem
	(neauditované údaje) (v mil. EUR)							
Účet zisků a ztrát								
Celkové předepsané pojistné životního pojištění	791,7	231,0	36,0	24,8	8,9	—	23,0	1.115,4
Celkové předepsané pojistné	808,5	232,9	36,0	24,8	8,9	155,2	23,0	1.289,3
Čisté zasloužené pojistné	789,2	233,0	35,5	24,6	8,8	101,2	16,0	1.208,3
Čistý příjem z investic	278,2	15,9	0,5	5,2	0,7	2,6	1,2	304,3
Zisk před zdaněním	13,1	17,6	0,9	3,6	-0,4	4,8	1,7	41,3
Čistý zisk	12,0	13,3	0,5	2,9	-0,4	4,7	1,5	34,5

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ISSUER

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Vienna Insurance Group

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1010 Vienna
Austria

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