

Letter to Shareholders^{1/04}



Ladies and Gentlemen!

The Helvetia Patria Group generated a profit of CHF 92.4 million in 2003. This result is especially remarkable since a loss had to be reported for 2002 for the first time in the history of the company. The reported result significantly exceeds our expectations and reflects both, the operating strength of our Group and a better investment result. The proposal to pay out a dividend of CHF 4.00 per registered share will be submitted to the Shareholders' Meeting.

Healthy insurance business

The positive development in the premium volume is proof of the trust our customers are placing into Helvetia Patria. Premium income increased by 5 per cent and amounts to CHF 5 393 million. Life business was impacted by our deliberately cautious underwriting policy in the Swiss group insurance business since this sector continues to return unsatisfactory profitability. The non-life business saw its portfolio quality strengthened thanks to reorganization measures taken and to its combined ratio (sum of expense ratio and claims ratio) further decreased. All country markets achieved better underwriting results.

Board of Directors

Our Chairman of the Board, Hans-Rudolf Merz, was elected last December to become a Member of the Swiss Executive Federal Council. The Board of Directors decided to combine both functions in one person until a new CEO has been nominated and appointed me as its new Chairman. Continuously ensuring good corporate governance was the reason for creating the new position of the Lead Director in February 2004 who is in charge of additional control responsibilities.

Preview

The fundamentals for the insurance industry are increasingly improving and a recovery of the world-wide economy is possible. We expect for the life insurance sector a moderate but sustainable expansion of the business volume. The expected economic development will lead to an increase of the premium volume – though a more modest one – in the non-life business as well. Individual business sectors will possibly allow for further premium adjustments. Accounts protection continues to be a priority for the investments. The developments in the interest rate area as well as in the foreign exchange risks will probably pose particular challenges.

Our motivated employees, a continuous optimization of the business processes, a consistent cost control as well as our cautious underwriting policy all lead us to be convinced that an organic premium growth will continue to generate an adequate profit.

Sincerely

Erich Walser
Chairman of the Board of Directors and CEO

Key consolidated figures at 31.12.03 Helvetia Patria Group in CHF million

	31.12.02	31.12.03
Gross written premiums	5 144.9	5 392.6
Income from investments	-67.2	1 083.6
Result before taxation	-350.6	147.3
Result after taxation and minority interests	-362.0	92.4
Investments at market value	23 793.8	25 491.2
Net underwriting reserves	21 815.2	23 360.5
Consolidated shareholders' equity before appropriation of profit	1 046.5	1 153.0
Number of employees	4 825	4 788

**HELVETIA
PATRIA**



The Group Result and the Investment Business

The consolidated net profit for the past year amounts to CHF 92.4 million and thus exceeds by far our expectations. The return on equity after taxation is 8.4 per cent. The consolidated shareholders' equity increased by CHF 110 million, especially as a result of the overall outcome achieved, and reached CHF 1.15 billion. Thanks to the attained strong profitability in the year under review it was possible – in the interest of gaining more room to manoeuvre in the future and by using a strict impairment – to reduce the goodwill of Grupo Previsión in Spain and of Helvetia Life in Italy by CHF 90.8 million to currently CHF 22.5 million.

An important contribution to this good result was made by the investment business which took advantage of the significantly improved environment in the capital markets as well as of the currency development. The non-underwriting account improved by at least CHF 1.1 billion before accounting for the transfer of the interest assigned to life- and non-life underwriting activities and with omitting the extraordinary items of the year 2002.

All country units generated positive operating results.

Continuous growth

Reported in local currency, the premium volume in the direct business grew with 1.4 per cent less than in the past year (+13.1 per cent). The reinsurance sector, however, (2002 accounting period) managed to gain from the favourable market conditions and experienced a growth rate of 69.4 per cent thanks to increasing premium rates. Calculated in Swiss Francs, the premium income in the direct business reports a growth rate of 3.8 per cent – more than twice the rate as in local currency – under the influence of the significant strengthening of the Euro.

Good underwriting results

As a consequence of the again normalised investment performance the life underwriting account could be credited with CHF 790 million, i.e. CHF 290 million more than in the previous year. Taking into consideration the deliberately slowed growth in the Swiss group life business due to the prevailing conditions the underwriting account of the overall life business finished the year balanced after the previous year's loss. The measures initiated in Switzerland during the year under review and the renewed decrease of the minimum interest rate in the group business on January 1, 2004 will contribute to further improvements.

The underwriting result of the non-life business further strengthened thanks to both, the good loss experience in all country markets and the tight cost management.

Group results in CHF million

	2002	2003
Underwriting profit from non-life activities	95.8	132.1
Underwriting profit from life activities	-87.2	29.6
Non-underwriting profit	-343.1	76.4
Result capital consolidation (depreciation of goodwill)	-16.1	-90.8
Profit before taxation	-350.6	147.3
Taxation	-11.3	-54.8
Minority interests	-0.1	-0.1
Profit after taxation and minority interests	-362.0	92.4

The investment business

The past investment year was exposed to strong fluctuations. After the steep losses the stock markets had to sustain in the first quarter they experienced a recovery in the second quarter after the end of the war in Iraq. The currencies, however, are sending inconsistent messages: While the US Dollar and the British Pound were suffering heavy losses, the Euro, which is much more important to our balance sheet, fortunately gained in strength.

Reduced equity allocation

The assets under management amounted to CHF 25.5 billion at the end of the year and increased by 7.1 per cent compared to the previous year. The Group-wide integrated asset-liability approach and the assessment of the market environment prompted us to reduce the equity allocation from 4.5 per cent to 3.9 per cent and to raise the portion of the bonds to 51.8 per cent. The positions of real estate and mortgages remained about unchanged.

Higher investment income

The direct investment income grew by CHF 19 million to CHF 933 million on the previous year. The direct return of the investment portfolio was 4.1 per cent applying to the average investment portfolio at book values. We managed to noticeably advance the realized and book gains with the sum of about CHF 150 million compared to the 2002 year. The investment performance reached 4.7 per cent with regard to the average investment volume at market prices and without value changes of real estate. Total hedging costs amounted to about CHF 100 million or about 2 per cent of the assets hedged in the portfolio. This expenditure corresponds to higher valuation reserves and revalorization gains of over CHF 350 million.

The Insurance Business

Premium growth in the life business remained low in the past year due to various factors impacting it. The life sector increased by 0.7 per cent (2002: + 17.6 per cent) as a consequence of the restraint put on the Swiss group business. Taking place against the backdrop of a near zero growth of the Swiss economy and the continuously little profitable group business the growth rate in Switzerland, where more than 85 per cent of the total life premiums are generated, reached only 1.9 per cent. As a result of the slowed-down underwriting policy in the occupational benefits segment, the Swiss group life business increased only slightly. Abroad, especially in Spain, Italy and Austria, the premium growth rates remained in the negative, especially for the individual life sector, primarily as a result of the declining unit-linked business. The renewed rising demand for traditional life insurance products with interest rate guarantees and policyholders' dividends could only partially compensate for it.

Positive life result

Thanks to the investment income reaching again normal levels and as a result of the adjustments made to premiums, guarantees and dividends in Switzerland the life underwriting result improved significantly. The noticeably higher interest assigned to the life underwriting activities and the tighter cost management – the expense ratio receded again – made it both possible to use the amount of CHF 103.4 million (2002: CHF 9.9 million) for future policyholders' dividends.

Good claims year

The premium growth rate in the non-life business declined to 2.4 per cent in the last year (2002: + 6.9 per cent), especially as a result of our selective underwriting policy in the motor-vehicle segment. Overall, both claims ratios dropped -the gross and the net one. After the previous year, marked by considerable flood damages, the year under review was spared larger natural disasters. At the same time the continuous reorganization efforts showed successes in all country markets.

Establishing equalization reserves

The expense ratio already being on a low level receded further. The net combined ratio (sum of claims ratio and expense ratio) with inclusion of the equalization reserves continued to decline largely as a consequence of the lower claims burden and stands now at 98.4 per cent (2002: 99.9 per cent). The very favourable loss experience enabled us to endow the equalization reserves, which fell last year by an amount of CHF 55 million in view of the high gross claims burden, by an amount of CHF 17.4 million following the legal requirements.

◀ Investment income by asset type (without value adjustments and readjustments as recorded in the books) in CHF million

	Ordinary income	Ordinary income	Change	Realized gains/losses on investments 2002	Realized gains/losses on investments 2003	Change
	2002	2003				
Real estate	193.1	192.4	-0.4%	10.8	27.6	155.6%
Investments in affiliates and associated companies	0.4	0.4	0.0%	0.3	0.0	-100.0%
Shares, other non-fixed-interest-rate securities, investment funds and derivatives	59.0	55.5	-5.9%	-127.2	-18.7	-85.3%
Fixed-interest-rate securities	477.6	526.2	10.2%	69.8	150.5	115.6%
Promissory loans	34.6	32.8	-5.2%	0.5	10.7	2040.0%
Mortgages	120.9	108.5	-10.3%	-0.7	-1.4	100.0%
Policy loans	7.9	7.0	-11.4%	0.0	0.0	-
Fixed-term deposits and similar	20.7	10.4	-49.8%	0.0	0.0	-
Total	914.2	933.2	2.1%	-46.5	168.7	-462.8%

Results by country

Switzerland

In its domestic market Helvetia Patria increased the premium volume by 2.3 per cent and reached an amount of CHF 3 244.1 million. The premium growth rate in the life insurance sector met our expectations to a large extent. Individual life policies with single premiums even grew by 0.7 per cent and surpassed the already very high growth rate of last year while the segment for contracts with periodic premium payments saw its revenues rise (+ 1.7 per cent) as well. We found ourselves constrained, however, to adjust downwards the guarantees and the forecasts for policyholders' dividends. This decision led the growth rate to strongly level off in the second half of the year.

The non-life sector exceeded the premium volume goal by achieving a 4.1 per cent growth rate. We are pleased to report that all business sectors have contributed to this good result. The combined ratio (sum of expense ratio and claims ratio) of 97.7 per cent continued to significantly improve on the previous year (99.9 per cent).

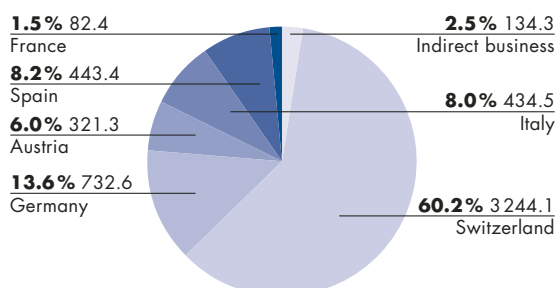
The strategic planning for the period of 2004–2006 required us to take some drastic measures in view of the weak profitability of the group life business. At January 1, 2004 the conversion rate was adjusted for the part of the occupational benefits plan exceeding the legal requirements. Premium rates for disability- and cost insurance were reset at the same time. Further promoting the individual insurance business with periodic premiums, by also introducing interesting new products, and also striving for growth in the non-life sector, particularly in the property segment, are both our goals. We will be guided, however, by our prudent underwriting policy, continuously in place.

Germany

During the past year the German insurance industry managed to stabilise despite the prevailing difficult economic environment. Our subsidiary in Germany also stood its ground successfully and increased its premium volume by 0.9 per cent generating an amount of EUR 469.6 million.

After the business year 2002 had been negatively impacted by the disastrous floods Helvetia Germany met its expectation again last year and managed to reconnect to the past years of positive development. The claims ratio decreased again to the good level of the

Gross earned premiums in 2003 in CHF million



previous years and testifies to the sound portfolio quality. With its significantly lower combined ratio (sum of claims ratio and expense ratio) of 95 per cent Helvetia ranks among the best insurance companies in a comparable market environment. The net combined ratio remained, however, almost unchanged at 100.9 per cent due to the substantially higher reinsurance expenses.

We are optimistic to continue on our earnings-oriented growth path on a high level despite the persistent crowding-out competition in the non-life business. As far as the life sector is concerned we are striving with a new product family for significant gains as well.

Austria

The premium volume of our Austrian subsidiary "Der ANKER" amounted to EUR 202.2 million (– 0.1 per cent) in the last year with periodic premium life policies making good progress. Contracts with single premium payments, however, suffered a decline.

Premium volume in the non-life business increased by 2.8 per cent and reached an amount of EUR 118.2 million. Most of the sectors reported positive news regarding the loss experience in the past year.

The core business of Helvetia Versicherungen, subsidiary for Austria, is underwriting transport insurance. The company's focus on customer- and service needs resulted again in an extraordinary premium growth during the last year.

From the current point of view the market prospects for 2004 are moderately positive. The business year 2004 will be marked for "Der ANKER" by the implementation of central strategic measures. Helvetia Österreich will continue to pursue its clearly earnings-oriented niche policy and strives to further expand its co-operation network.

Italy

Our premium income in Italy declined by –3.6 per cent due to the development in the life sector and amounted to EUR 278.6 million. Further improvements in the portfolio composition were achieved in both sectors, the life and the non-life business. The life insurance segment saw the portion of the index-linked and unit-linked insurance policies decrease in favour of traditional products with periodic premiums and single premiums thus ensuring a continuous premium growth in the future.

We intensified the focus on selected customer segments in the non-life sector and combined it with an even more prudent risk selection. The claims burden significantly improved on the previous year. The combined ratio (sum of claims ratio and expense ratio) before reinsurance decreased from 94.9 per cent to 92.4 per cent – an extraordinary good value which will be a great challenge to keep up.

Spain

The aggregate premium volume of our two Spanish subsidiaries – Helvetia CVN and Previsión Española – amounted last year to EUR 284.3 million (+ 2.6 per cent) with the non-life business increasing by 4.7 per cent and the life sector decreasing by 6.3 per cent. The operating results continued to improve on the year before as a result of the good underwriting efforts of both companies.

The merger of Helvetia CVN and Previsión Española will strengthen and further expand Helvetia Patria's market presence in Spain. The company resulting from the merger, Helvetia Previsión, will continue to make an adequate contribution to the Group's performance thanks to purposefully implementing its strategy.

Helvetia Previsión will keep focussing on private customers as well as on small and medium-size companies. Its high level of service quality will continue to distinguish it from its competitors.

France

Helvetia's position in France is that of a classic niche insurer which has a specialised know-how in the transport insurance sector. With its market share of about 6 per cent of the overall transport insurance market and of 10 per cent in the segment of "goods in transit" respectively Helvetia France ranks fourth nationally. As a result of the partnership with the Azur Group a nation-wide network of several hundreds of general agents market Helvetia products under the Azur Transports brand name.

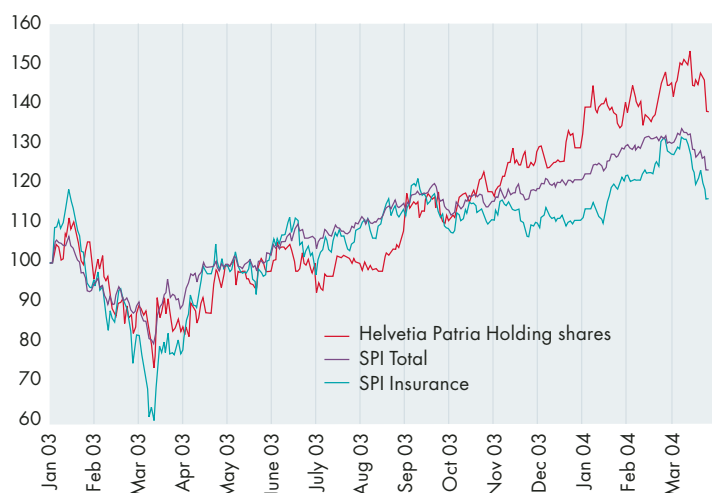
After having gone through two years of strong growth Helvetia France consolidated its sales in 2003. The premium volume decreased by 6.2 per cent but it succeeded in maintaining the gross claims ratio at 61.5 per cent. The combined ratio (sum of expense ratio and claims ratio) stands at an excellent 98.5 per cent. This positive result confirms the quality of our business activities and allows for an optimistic outlook for the current year.

Gross premiums in CHF million

		2002	2003	change in local currency	change
Direct business					
Switzerland	non-life	540.8	562.9	4.1 %	4.1 %
	life	2 630.1	2 681.2	1.9 %	1.9 %
Germany	non-life	553.1	594.5	0.9 %	7.5 %
	life	128.9	138.1	0.7 %	7.1 %
Austria	non-life	172.8	190.1	3.3 %	10.0 %
	life	128.2	131.2	–3.9 %	2.3 %
Italy	non-life	318.5	343.9	1.4 %	8.0 %
	life	104.9	90.6	–18.9 %	–13.6 %
Spain	non-life	327.2	364.8	4.7 %	11.5 %
	life	78.8	78.6	–6.3 %	–0.3 %
France	non-life	82.4	82.4	–6.2 %	0.0 %
Indirect business					
	non-life	71.9	130.7	81.6 %	81.8 %
	life	7.3	3.6	–51.1 %	–50.7 %
Total	non-life	2 066.7	2 269.3	5.2 %	9.8 %
	life	3 078.2	3 123.3	0.6 %	1.5 %
Total		5 144.9	5 392.6	2.4 %	4.8 %

Our share

Share price trends from
1.1.2003 to 31.3.2004 index-linked



2003 turned out to be a pleasing year for shares with a positive performance of 17.0 per cent in Swiss Francs of the MSCI World Index and of 22.1 per cent of the Swiss performance Index respectively. The stock exchanges, however, were exposed to intense fluctuations. The strong downturn from the past years kept its grip on the markets until mid-March. The tide turned, however, with the outbreak of the war in Iraq when the markets were taking a pointed upturn. Since the low in mid-March the stock exchanges in Switzerland recovered by more than 50 per cent.

Strong price gains

The Swiss Performance Insurance Index increased by 13.4 per cent over the last year. Comparing all other listed insurance shares with our share reveals that the gain in its value of 38.6 per cent is an above-average growth rate. The share price development is also a reflection of Helvetia Patria's operating strength which in turn makes our company also an interesting long-term investment.

Balanced shareholder structure

Although the Shareholders' Meeting has authorized the Board of Directors to increase the share capital by a maximum of 50 per cent within two years this possibility has not been used last year. The share capital remains unchanged at CHF 62.9 million (6 293 000

shares with a nominal value of CHF 10.00 per share). The number of shareholders stayed largely the same during last year. At March 31, 2004, a total of 3 709 registered shareholders were entered in the share register. The shares are currently held by the following shareholder groups:

By private individuals	11.27 per cent
By banks and insurance companies	25.73 per cent
By other institutional investors	62.91 per cent
By public authorities	0.09 per cent

The Helvetia Patria shares are traded at the Swiss Stock Exchange (SWX), which calculated a free float for our share of 44.5 per cent. The average daily trading volume in 2003 amounted to 2436 shares.

The purchase of registered shares of Helvetia Patria Holding is not subject to restrictions. Shareholders, who purchase the shares in their own name and interest, will be entered in the share register with up to a maximum of 5 per cent of the issued registered shares with voting rights.

Performance-oriented dividend policy

For years Helvetia Patria has been pursuing a policy of performance-oriented and continuous dividend payments. Past year's good operating performance and the high profitability allow again for 2003 a cash dividend to be distributed. The Board of Directors will therefore submit a resolution to the Shareholders' Meeting to pay a dividend of CHF 4.00 per share.

Helvetia Patria Holding

	31.12.02	31.12.03
Share price (in CHF)	153	212
Market capitalisation at end of year (CHF million)	962.8	1 334.1
Post-tax result per Helvetia Patria Holding share (in CHF)	-60.3	15.4
Consolidated shareholders' equity per share (in CHF)	166.3	183.2
Ratio of market capitalisation to consolidated shareholders' equity	92 %	116 %
Number of shareholders	3 761	3 722
Dividend per share (in CHF)	2.00	4.00
Securities number/Symbol	1 227 168/HEPN	

Important Dates

- The Annual Report will be available end of April 2004.
- The ordinary Shareholders' Meeting of Helvetia Patria Holding will take place on Friday, May 7, 2004 in St. Gallen.
- Results for the first half-year 2004 of the Helvetia Patria Group will be reported on September 16, 2004.
- The results of the business year 2004 will be published on April 6, 2005.

Consolidated profit and loss account for the Helvetia Patria Group

Non-Life underwriting in CHF thousand	31.12.02	31.12.03
Net earned premiums	1 810 412	1 968 196
Net interest income assigned to non-life activities	122 613	130 099
Net claims paid	-1 291 584	-1 308 992
Net change in other underwriting reserves	54	-530
Net expenditure on results-linked and non-results-linked policyholders' dividends	-1 030	-1 273
Net change in equalisation reserve	55 000	-17 425
Net underwriting expenses	-576 118	-615 247
Other net underwriting expenditure	-23 520	-22 749
Result from non-life underwriting activities	95 827	132 079

Life underwriting in CHF thousand	31.12.02	31.12.03
Net earned premiums	3 044 625	3 079 773
Net interest income assigned to life activities	500 864	790 616
Funds transferred from policyholders' dividend reserve	27 162	27 845
Net benefits paid	-1 814 784	-2 389 435
Net change in actuarial reserves	-1 529 234	-1 055 487
Net change in other underwriting reserves	25 469	-13 645
Net underwriting expenses	-330 502	-305 856
Other net underwriting expenditure	-827	-841
Result from life underwriting activities before policyholders' dividend distribution	-77 227	132 970
Net expenditure on results-linked and non-results-linked policyholders' dividends	-9 941	-103 408
Result from life underwriting activities	-87 168	29 562

Non-underwriting in CHF thousand	31.12.02	31.12.03
Income from real estate	193 117	192 350
Income from investments in affiliates and associated companies	439	404
Income from other investments	720 694	740 412
Interest on deposits	1 751	1 223
Gross realized gains on investments	382 832	358 116
Gross unrealized gains on investments	100 116	100 058
Other interest income	6 806	8 331
Expenditure on investments and interest costs	-1 552 297	-389 935
Interest assigned to life and non-life underwriting activities	-623 477	-920 715
Other extraordinary income from other business operation	410 210	0
Other income from ordinary business operations	20 198	5 804
Other expenditure on ordinary business operations	-3 524	-19 638
Result from non-underwriting activities	-343 135	76 410

Combined in CHF thousand	31.12.02	31.12.03
Result from non-life underwriting activities	95 827	132 079
Result from life underwriting activities	-87 168	29 562
Result from non-underwriting activities	-343 135	76 410
Result capital consolidation (depreciation of goodwill)	-16 158	-90 779
Result before taxation	-350 634	147 272
Taxation	-11 277	-54 756
Minority interests	-91	-120
Result after taxation and minority interests	-362 002	92 396

Consolidated balance sheet for the Helvetia Patria Group

Assets in CHF thousand	31.12.02	31.12.03
Intangible assets	116 961	22 463
Investments	23 793 814	25 491 181
Investments for unit-linked life insurance policies	514 163	607 930
Deposits from reinsurance assumed	70 132	73 846
Receivables from underwriting activities	509 348	530 452
Other receivables	164 566	147 379
Tangible fixed assets	48 390	46 887
Liquid assets	242 510	162 560
Other assets	2 988	2 760
Prepaid expenses	600 732	635 844
Total assets	26 063 604	27 721 302

Liabilities and shareholders' equity in CHF thousand	31.12.02	31.12.03
Shareholders' equity	1 046 489	1 152 996
Minority interests in shareholders' equity	1 865	2 257
Reserve for unearned premiums Net	628 386	701 182
Net actuarial reserves	17 858 935	19 005 985
Net outstanding claims reserve	2 276 694	2 484 791
Net reserves for results-linked and non-results-linked policyholders' dividends	249 153	243 859
Net equalisation reserve	242 681	280 191
Reserves for unit-linked life insurance policies	510 197	592 725
Other net underwriting reserves	49 115	51 766
Other reserves	683 346	756 193
Reinsurance deposit liabilities	173 600	184 477
Convertible bond	150 000	150 000
Other insurance liabilities	1 944 786	1 851 024
Other liabilities	151 270	108 990
Accrued liabilities	97 087	154 866
Total liabilities and shareholders' equity	26 063 604	27 721 302

St.Gallen, April 5, 2004

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