

Letter to Shareholders^{2/05}



Ladies and Gentlemen!

Helvetia Patria continues on the successful course!

We managed to generate a net profit of CHF 102.4 million for the first half year, an increase by 41.4 per cent on the prior-year's period. The underwriting result improved by 41.7

per cent to reach CHF 134.3 million. All business sectors have contributed to this good outcome. As in the previous years the largest profit contribution comes from the non-life business that added CHF 89.6 million (+19.9 per cent) to the Group's result.

The life business succeeded in more than doubling its sector result in the first six months of 2005 and reports a profit contribution of CHF 44.7 million (prior year: CHF 20.1 million) – despite an increased allocation to the results-linked and non-results-linked policyholders' dividends in the amount of CHF 92.3 million (previous year: CHF 63.2 million).

The investment business posted CHF 532.1 million before deduction of interest – assigned to life- and non-life underwriting activities. This amount rose by about CHF 58.3 million on the prior-year's period. Higher ordinary income from investments as well as

the positive development of the currencies were both key to this progress. Furthermore, lower depreciation of investments has a positive impact on the stock-portfolio's result. The contribution of the overall non-underwriting account increased in the period under review from CHF 5.8 million to CHF 7.7 million.

The balance sheet total rose in the first six months of this year by 3.3 per cent to CHF 29.3 billion with the capital investments being equivalent to about 91.4 per cent (CHF 26.8 billion) of all assets. The consolidated shareholders' equity grew by 9.8 per cent and amounts to CHF 1.56 billion at mid-year. Contributing to the favourable development of the shareholders' equity were the high half-year profit of CHF 104.2 million and the additional revaluation reserves in the amount of CHF 92.7 million on the capital investments. The change in the portion of the "legal quote" of the valuation variances on the capital investments, however, affects the shareholders' equity with CHF 13.2 million. The reported return on equity improved from 12.8 per cent to 14.0 per cent on an annual basis.

On the growth path!

We succeeded in returning onto the growth path this year after the premium volume had fallen in the prior-year's period. Gross written premiums increased by 6.8 percentage points and reached CHF 3.28 billion at 30.6.2005. While the life business reported a strong growth rate of 13.3 per cent on the first half year 2004, the premium volume in the non-life business decreased by 0.6 per cent. The combined claims-/expense ratio before endowment of the equalisation reserves remains with 97.6 per cent on an unchanged good level.

Key consolidated figures of the Helvetia Patria Group in CHF million

	31.12.04	30.06.04	30.06.05
Gross written premiums	5 104.8	3 074.2	3 284.5
Income from investments	970.5	484.6	542.9
Result before taxation	204.5	100.6	140.1
Result after taxation and minority interests	158.7	73.7	104.2
Investments at market value	25 989.0	25 654.1	26 821.2
Net underwriting reserves	23 958.3	23 645.4	25 103.2
Consolidated shareholders' equity before appropriation of profit	1 417.1	1 157.1	1 556.1
Number of employees	4 717	4 759	4 606

**HELVETIA
PATRIA**



Prospects

The disastrous storm damages in Switzerland end of August and the previously underestimated catastrophic consequences of hurricane “Katrina” in the South of the United States are again proof of the fact that besides enormous human suffering also very large material damages can arise very rapidly. Those natural disasters are the real acid tests for the insurance industry. Given its large market share Helvetia Patria is directly impacted in Switzerland. Our efficient indemnity insurance department has brought fast help to our customers. As far as the financial side is concerned we are anticipating the effects (after the reinsurers’ portion) on the year-end results 2005 to remain within limits easy to cope with. Very early estimates of the charges related to hurricane “Katrina” are painting a similar picture.

These half-year financial statements are the last ones we have prepared in accordance with the accounting rules Swiss GAAP ARR. Increasing the comparability with other insurance companies as well as the transparency are the reasons for publishing the financial statements 2005 based on the internationally accepted IFRS-rules. This will cause increased profit volatility as well as changes of important positions on the balance sheet and the profit and loss account. Significant changes in the capital investments, underwriting reserves, the shareholders' equity and in the profit may be the result of revaluations and reclassifications.

We intend to inform the interested public at the beginning of next year on the quantitative effects of these changes and explain the most important positions on last year's financial statements in accordance with the IFRS rules. This will guarantee the comparability of the prior-year figures with the ones covering the business year 2005 and will point out the valuation principles we are applying as well as the reclassifications.

I am convinced that this change will enhance our share's attractiveness for investors and warmly thank you for your confidence that you are placing into Helvetia Patria.

Sincerely



Erich Walser
Chairman of the Board of Directors and CEO

Group results in CHF million

	30.06.04	30.06.05
Underwriting profit from non-life activities	74.7	89.6
Underwriting profit from life activities	20.1	44.7
Non-underwriting profit	5.8	7.7
Result capital consolidation (amortization of goodwill)	0.0	-1.9
Profit before taxation	100.6	140.1
Taxation	-26.9	-35.8
Minority interests	0.0	-0.1
Profit after taxation and minority interests	73.7	104.2

The Group Result

The overall result for the first half year 2005 has significantly increased compared to the corresponding prior-year period and reaches CHF 104.2 million (previous year: CHF 73.7 million), thus posting a growth rate of 41.4 per cent. The higher investment performance and a good actuarial course of the insurance business are the reasons for the result's clear improvement. A volume-related advance of the ordinary income is paired with a noticeably higher extraordinary investment performance. This development is the consequence of both, the positive stock market sentiment and the favourable influence of the re-strengthened Euro and US Dollar.

The result of the non-underwriting account before allocations of the interest income to the insurance business thus rises by CHF 62.4 million to CHF 507.7 million. The increase of this actuarial interest amounts to CHF 59.5 million and benefits the underwriting account of the life insurance in particular. The slightly improved non-underwriting result stands therefore at a sum of CHF 7.7 million with an increase of CHF 2 million.

Further strengthening of the shareholders' equity

The good half-year result in particular and the revaluation reserves which rose by CHF 92.7 million were the main reasons for the growth in shareholders' equity by CHF 139 million or 9.8 per cent – to CHF 1 556.1 million. Hedging measures for its protection continued in the first half of 2005. Especially the significant Euro positions in the Swiss life portfolio as well as the stock exposure were hedged in accordance with our risk management program. The overall risk capacity of the Helvetia Patria Group has again improved.

Good actuarial course in the life- and non-life business

Underwriting results are distinctly above the prior-year's period for both of the business sectors, life and non-life. The gain in the underwriting result of the life business is mainly determined by the domestic market

– with 85 per cent of the premiums in the direct business being generated in Switzerland – and is specifically the effect of the progress achieved in the actuarial course of the disability segment.

The continuously very favourable loss experience led to the clearly better result of the non-life business on the prior-year period – even against the backdrop of slightly decreasing premiums. Lower expenses for equalisation reserves were the main reason for the combined claims-/expense ratio to improve from 99.0 per cent in the corresponding prior-year period to 97.6 per cent in this year.

The severe storm damages which struck Switzerland, Germany and Austria in August will probably cause a significant increase of the gross claims ratio. Based on the first cautious estimates we are anticipating the additional net loss burden, i.e. after the reinsurance, to remain within reasonable limits. Very early estimates of the charges related to hurricane "Katrina" are painting a similar picture.

Better results in the country markets

The operating results in the individual country markets are all positive and exceed the corresponding prior-year period. The Swiss and the Spanish markets in particular are showing the positive effects of our efforts.

The Insurance Business

Growth in the Helvetia Patria Group is characterized in the life- and non-life segments by differing influences which took an exactly reverse course for this year compared to last year. The premium increase in the life business amounted to 13 per cent in local currency (previous year: -24.2 per cent) following the positive development in Switzerland, Germany and Italy. The non-life business reported a change in premium volume of -1.9 per cent in local currency (previous year: 8.1 per cent). While the weak Euro was impeding the growth during the first half year of 2004, its strength during the period under review had a positive influence (+1.3 per cent) especially on the non-life sector. The falling premium volume in the non-life business is impacted by the course of the assumed reinsurance whose premiums disproportionately decreased by 15.2 per cent. Excluding the assumed reinsurance would result in an almost unchanged premium volume of -0.3 per cent in local currency.

With the Swiss market generating a large portion of the premiums it also contributes the most to the increase in the life business. Strong growth rates are also reported in Italy and Germany. The goals set for Austria and Spain, however, were not entirely met. Overall, the unit-linked - and the group-life business experienced a clearly disproportionate advance while the traditional individual life business took a significantly disproportionate low course with a growth rate of 3 per cent due to the continuous low-interest-rate period.

The premium decline in the non-life sector stems especially from the developments in France, which is consolidating after strong years of expansion, and also in Germany and Spain. Against the backdrop of a re-starting price war mainly in the motor-vehicle business the stagnation of the premium volume in the non-life sector is the consequence of our selective and quality-focussed underwriting policy.

With a -2.7 per cent and a -7.5 per cent decrease respectively the premiums in the motor-vehicle- and transport businesses are reporting a disproportionate low development. The growth rates in local currency, however, of the property- and liability segments with + 2.3 per cent and +5.2 per cent respectively are clearly exceeding the average advance. The proportion of the

total volume of the direct non-life business, accounted for by the motor-vehicle insurance sector, has correspondingly decreased by 0.8 per cent to 34.2 per cent.

Continuously good actuarial course in the non-life business

Thanks to our strict underwriting policy and the occurrence of few major damages (as of end of June 2005) the gross claims ratio has again decreased. The gross expense ratio, however, has slightly increased due to the stagnating premiums.

Germany, Austria and Spain saw their underwriting results in the non-life sector clearly improving. The assumed reinsurance also reports a very good outcome.

Improved profitability in the life business

The life sector's profitability has further improved on the first half of the year 2004. This development – which is partially cyclical and only very indirectly controllable – made it possible to overcompensate for the negative effects stemming from the increased guaranteed interest rate in the group life business. The effects of the adjustments made to premiums, guarantees and dividends during the past two years together with the again growing premium volume in Switzerland (+ 13 per cent) are having a continuously positive influence on the result. The improved investment performance resulted in an increasing amount of the actuarial interest – assigned to the life business – which in turn allowed the allocation of CHF 92.3 million to the reserves for results-linked- and non-results-linked policyholders' dividends. The again rising premium volume led the expense ratio to fall by one percentage point.

The underwriting results in Switzerland, Germany and Italy improved while the ones in Austria and Spain remain below prior-year's figures.

The Investment Business

It was to be expected that the global economy was not able to entirely keep up the vigorous pace it followed in the previous year. Nevertheless, the current year will probably also see a solid growth rate of more than 4 per cent with the main driver being again the Asian area which is increasingly taking on the role of the global economy's engine. The growth rates in Europe are remaining on the modest side in comparison with the solid expansion course of the US economy. The inflation rate was kept on a moderate level despite the economic expansion and the strongly increased oil prices; price stability does not seem to be in jeopardy.

The economic environment together with the anew fallen interest rates offered a nurturing ground for shares. The markets took a favourable course – with the exception of the US one – and some of them achieved double-digit performances.

On the currency markets the persistent downward trend of the US Dollar took a breather despite the still immense American budget deficit. The Euro, however, that is for the investments of the Helvetia Patria Group more important, demonstrated much higher stability and changed only slightly.

Pleasing performance

For the first half year, Helvetia Patria took advantage of the positive market environment and achieved an investment performance of 3.2 per cent. Especially good news

is the fact that the ordinary investment income of CHF 464.9 million was able to increase on the prior-year period even with interest rates still falling. Causes were the re-strengthening growth of the Swiss life business, the increased dividend income and the higher direct return on real estate investments.

The extraordinary investment result in the sum of CHF 78.0 million was mainly achieved by realizing profits on shares and – also to a smaller portion – by regrouping the fixed-interest-rate portfolio. We managed beyond those realizations to raise the valuation margin on both, equity securities and bonds, and to strengthen the substance.

Continuing the cautious investment policy

Helvetia Patria will continue to adhere to its cautious investment policy in the second half of 2005 and to consistently match its investment activities with its risk capacity. The higher valuation margin allows to slightly relax the hedging level of the equity exposure and to lower the hedging costs. Our gross equity allocation runs at 6.5 per cent with the net position standing at 4.4 per cent (after the hedged price levels have been reached). The comprehensive hedging measures for the currency positions, however, will be maintained. This policy proved successful over the past months since it enables us to participate in the medium- and long-term upward potential of the stock markets without burdening the balance sheet with inordinate currency risks.

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	Realized gains/losses on investments	Change
	01.01. – 30.06.04	01.01. – 30.06.05		01.01. – 30.06.04	01.01. – 30.06.05	
Real estate	94.5	94.9	0.4 %	8.2	2.6	–68.3 %
Investments in affiliates and associated companies	0.0	0.1	100.0 %	0.0	0.3	100.0 %
Shares, other non-fixed-interest-rate securities, investment funds and derivatives	36.0	32.2	–10.6 %	57.7	14.5	–74.9 %
Fixed-interest-rate securities	248.4	260.5	4.9 %	29.6	49.9	68.6 %
Promissory loans	16.8	17.9	6.5 %	0.0	0.0	–
Mortgages	48.5	47.9	–1.2 %	–4.3	–0.8	–81.4 %
Policy loans	3.2	3.1	–3.1 %	0.0	0.0	–
Fixed-term deposits and similar	3.7	8.3	124.3 %	0.0	0.6	100.0 %
Total	451.1	464.9	3.1 %	91.2	67.1	–26.4 %

Results by country

Country market Switzerland

The economic environment in Switzerland experienced a subdued development since the beginning of the year with the interest rates remaining on a low level. Helvetia Patria focussed in this market climate on the consistent implementation of its strategy 2004–2006 centred on profit-oriented growth. We succeeded thus in increasing the premium income by 10.4 per cent to the amount of CHF 1 984.2 million in the first half year 2005. Substantially improving the underwriting result in the life business and maintaining the one in the non-life business on a high level were both also successfully achieved.

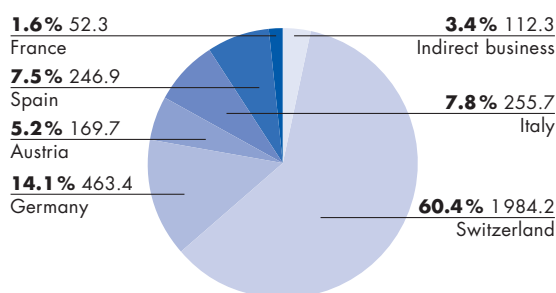
Continuous recovery in the life business

The single-premium policies in the individual life sector report an advance by 6.2 per cent on the prior-year period despite the persistently difficult market situation. An attractive range of reinvestment opportunities for funds from expiring contracts as well as the launch of new products, for example for customers above 50, have both contributed to the progress. The periodic-premium segment remained on last year's level. Product innovation, however, was there also capable of setting new impetus to the acquisition of new customers. While the tenacious low-interest-rate phase keeps the demand for traditional endowment insurance sluggish we are noticing a broader need for annuities and unit-linked policies. For the individual life segment our own sales force has proved its strength with its continuity in structuring the customer relations and in maintaining local market presence. The group life insurance sector re-took a positive course after a deliberate premium decrease in the previous years (+16.2 per cent). Higher premium income as a consequence of the first „BVG“-law-revision (LOB – Federal Law on Occupational Old-Age, Survivors' and Disability Benefits Plan) and the underwriting of more new business are the reasons for this change. The good results in the term life- and the disability insurance sectors are also reflecting our cautious underwriting policy.

Very good result in the non-life business

Premium income was higher by 1.2 per cent and reached CHF 395.5 million - despite the consistently competitive market environment – with the key drivers being the well-positioned motor-vehicle insurance and the liability insurance segment. We were luckily spared

Gross written premiums from 01.01.to 30.06.2005 in CHF million



larger loss events in the first six months of this year and expenses stayed within budget. The result of the non-life business thus also impresses by a very good combined gross claims-/expense ratio of 88.9 per cent.

Consistent strategy implementation

The second half of the year will see many of the measures that are of key significance to the current strategy period have the desired effect. Implementing a forward-looking sales- and consulting platform in our own sales forces further enhances our focus on the customer and our efficiency. Selling in the individual life sector our annuities as well as the unit-linked products (with and without guarantee), that are unique to the market, will be further accelerated. In the group life sector we are offering not only the comprehensive insurance solutions but also a new product without guarantee on the savings portion but with additional income opportunities. We will launch in the non-life area a new and comprehensive buildings- and household insurance package that optimally meets the needs of our various customer segments thanks to its modular design. The energy carrying over from the first half year and the measures prepared for the coming six months are both making us confident that we will reach the goals set for the year 2005 to a large extent despite the higher loss burden from the major storm damages end of August.

Country market Germany

A sweeping economic recovery is still not occurring in Germany. Furthermore, the premium-based competition is stepping up the pace.

These factors are having an impact on the German non-life business. After significantly increasing in the previous year the premium income in the amount of EUR 246.5 million (-1.4 per cent) experienced a slight decrease in the first half year. We are expecting, however, to attain our premium targets by the end of this year.

Improved claims ratio

The strong new business of the previous year led to rising portfolio maintenance commissions which – combined with the premium development – resulted in a slight increase of the expense ratio. The loss experience further improved on the previous year. Larger loss events have not occurred until now thus leading to an additional decline of the claims ratio. The combined gross claims-/expense ratio fell from 95.3 per cent to 93.2 per cent.

The life business' advance exceeded the market average with the increased premium income (+20.9 per cent) reflecting this development. This upturn was mainly carried by the unit-linked product family that was launched in 2003 and well accepted by the market.

Measures to improve the quality

Putting a wide range of measures of the project "Quality and Service" in place has strongly contributed to an increase of both, the degree of customer satisfaction and the support from the brokers. These achievements do not keep us from further pursuing our goal to offer highest quality in service, consulting, products and claims management. As part of this strategy the responses of a customer- and broker survey are currently being analyzed to point out additional suggestions for improvement. Our subsidiary is the first insurance company in Germany to be awarded the certificate "Committed to Excellence" by the "European Foundation for Quality Management (EFQM)".

Country market Austria

Austria will probably feel less of the impact from the expected weakening of the economy than other countries. A growth rate of 1.8 per cent is still expected but the forecast for the inflation rate was upwards revised to 2.5 per cent due to the higher crude oil prices.

The premium volume of the overall market rose last year by 6.5 per cent to about EUR 14 billion. The current year is expected to experience a slightly lower growth rate of about 5.7 per cent.

Consistent optimisation measures

For the past months the focus of our Austrian subsidiary „Der ANKER“ was being put on implementing the restructuring- and optimization measures with the goal of sustainably improving profitability and readying the

Gross written premiums in CHF million

	01.01. – 30.06.04	01.01. – 30.06.05	Change in local currency	Change
Direct business				
Switzerland Non-Life	390.9	395.5	1.2 %	1.2 %
Life	1 406.1	1 588.7	13.0 %	13.0 %
Total Switzerland	1 797.0	1 984.2	10.4 %	10.4 %
German Non-Life	381.4	382.3	-1.4 %	0.2 %
Life	66.0	81.1	20.9 %	22.9 %
Total Germany	447.4	463.4	1.9 %	3.6 %
Austria Non-Life	98.4	101.6	1.6 %	3.3 %
Life	67.5	68.1	-0.8 %	0.9 %
Total Austria	165.9	169.7	0.6 %	2.3 %
Italy Non-Life	172.5	175.7	0.2 %	1.9 %
Life	60.5	80.0	29.9 %	32.2 %
Total Italy	233.0	255.7	7.9 %	9.7 %
France Non-Life	56.0	52.3	-8.2 %	-6.6 %
Spain Non-Life	197.0	199.5	-0.4 %	1.3 %
Life	47.0	47.4	-0.8 %	0.9 %
Total Spain	244.0	246.9	-0.5 %	1.2 %
Indirect business				
Non-Life	127.9	108.5	-15.2 %	-15.2 %
Life	3.0	3.8	28.1 %	26.7 %
Total Indirect business ¹⁾	130.9	112.3	-14.2 %	-14.2 %
Group Non-Life	1 424.1	1 415.4	-1.9 %	-0.6 %
Life	1 650.1	1 869.1	13.0 %	13.3 %
Total	3 074.2	3 284.5	6.2 %	6.8 %

¹⁾ Including indirect business of units

company for the challenges of a rapidly changing environment. This was also the reason for assigning growth a lower priority. Premium income thus only rose by 0.6 per cent. The life business is posting a decrease by 0.8 per cent, caused by the still declining single-premium segment while the non-life premium volume experienced an increase by 1.6 per cent. New product lines that were met with a positive response from our own sales force and from the brokers have initiated a turnaround towards higher growth.

Lower loss frequency

The loss burden has again significantly declined thanks to our cautious underwriting- and rate policy. Especially positive is the fact that the motor-vehicle liability sector reports a downward trend also for the loss frequency (number of claims per 1 000 insured vehicles) which is a reliable indicator for the portfolio quality. With a combined gross claims-/expense ratio of 105.4 per cent further potential for future improvement is a given. Without allocations to the equalisation reserves the combined gross claims-/expense ratio stands at 98.1 per cent.

An improved underwriting result combined with a noticeably higher investment income led to a satisfactory half-year result.

Successful transport insurance business

Helvetia, Direktion für Österreich, pursues the transport insurance business as a niche policy. Once again this small business unit was very successful in the first half year. A sound underwriting policy combined with an active co-operation management resulted again in a high growth rate with the excellent portfolio quality being maintained. The half-year result is therefore a very pleasing one.

From the current perspective both Austrian business units are on the right course. After Der ANKER has completed the most important restructuring measures and introduced new product lines this company may return now to a cautious growth. A solid foundation for a good result has thus been created.

Country market Italy

Italy's economy is not in the best of health. Industrial production and private consumption are stagnating or are even declining. All sectors are showing a negative development with the exception of three: banking, insurance and energy. The deficits of the government are on the rise – in absolute figures as well as in proportion to the gross domestic product (GDP). Official sources report that the forecast of the BIP growth rate is revised downwards to zero while the Italian trade association "Confindustria" is anticipating even a negative number. The inflation rate remained stable at a rate of 1.8 per cent but an upward trend is expected for the second half of the year due to the development of the crude oil prices and the EUR/USD exchange rate trends.

The insurance industry took a pleasing course over the past year: profits increased by 43 per cent. This development, however, is also causing the consumer organizations to increasingly criticize the motor-vehicle liability insurance rates. A market growth rate of 5.4 per cent is forecasted for the current year: 6.4 per cent for the life- and 3.8 per cent for the non-life sector. The figures released up to now by the most important insurance groups, however, are painting a much more subdued picture as far as growth rates in the life- and especially in the non-life business are concerned. A stronger progress is hindered by the weak economy but also by the constant postponing of new legal provisions for the occupational and private pension systems.

Strong growth in the life sector

The life business of Helvetia Italy experienced a significantly above-market-average growth again in the first six months of this year: premium income increased by 29.9 per cent with the traditional single- and periodic premiums products still being the main drivers for this advance. The process of combining the two life insurers, Helvetia Vita and Helvetia Life, which had been initiated a couple of months ago was completed by mid-year.

Lower loss burden

The non-life business, however, shows with 0.2 per cent only weak signs of growth with the reason being the further decline of the premium income in the motor-vehicle business. The other non-life segments though experienced an increased premium volume by 8.2 per

cent – an above-market-average rate. The non-motor-vehicle business is also less volatile and exposed to fewer attempts of political pressure. Nevertheless, measures have been taken, such as customer loyalty programs and individual rate setting, to avoid further erosion of Helvetia's high-quality motor-vehicle portfolio.

The loss burden in the non-life business has further declined despite the massive strengthening of the reserves for belated claims in the motor-vehicle sector with the purpose of cushioning seasonal fluctuations. The combined gross claims-/expense ratio reached with 87.3 per cent again a very good level.

Country market Spain

The Spanish economy is flourishing. With an expansion rate of 3.4 per cent in the first quarter of 2005 it sets itself positively apart from the growth in the Euro-area. Once again, private consumption and the construction industry are the main engines of growth but with investments in machinery and equipment gaining somewhat momentum. Foreign trade, however, reports negative numbers and the trade deficit is on the rise due to the upward crude oil prices. The inflation rate of 3.3 per cent impedes the foreign trade and is high in comparison to other Euro markets.

Stagnating life business

In the motor-vehicle business the large insurance companies in particular are reducing their rates to gain market shares. The good results achieved in the motor-vehicle insurance in the past time are strengthening the competitive pressure and the pressure on the premiums. In the life insurance sector, interference in the sale of traditional savings- and investment products is felt from various sides: the strong presence of the bank assurance, the low interest rates and the alternative investment possibilities, especially in real estate. The announcement by the government to enact fiscal reforms for pension products causes a wait-and-see attitude by potential customers.

Comparing the premium volume for Helvetia Previsión with the previous year is hampered by the merger of the two companies and by its concurrent change in entry criteria for volume-intense segments. A more compre-

hensive comparison will be again possible at the end of the year. With that proviso in place it can be ascertained that the life sector is stagnating. The strong growth in the group life business is only just about able to compensate for the decline in the individual life segment.

Savings thanks to the merger

An intense competitive pressure and the related decline in the motor-vehicle insurance premiums are behind the slight decrease of the non-life insurance business by 4 per cent. Most of the other sectors are showing a pleasing development.

The loss burden in the non-life business continues to be excellent. The motor-vehicle insurance in particular posts an outstanding result with all other segments reporting a good loss burden as well. The expense ratio significantly decreased thanks to the merger of the two Spanish companies. Those cost savings and the good loss result led to an exceptional combined gross claims-/expense ratio of 86.4 per cent and thus to a correspondingly good underwriting result.

Country market France

The first half-year 2005 is characterized in France by a noticeable slow-down of the growth with the blame being put on the weak consumption by private households and on the sluggish investment activities by the companies. The latter are struggling with the high oil prices and the continuously strong Euro. There is therefore a high probability that the goal of reaching a 2 per cent growth rate of the gross domestic product (GDP) will be missed and the reduction of the unemployment rate and the budget deficit will be significantly impeded. In the insurance sector the excellent results achieved by the market participants in 2004 did not yet trigger large-scale strategic transactions. The current year, however, is expected to experience a continuous battle for market shares through internal or external growth.

Helvetia France pursued in the period under review the consolidation of the two insurance portfolios which it had acquired from the British Group "Royal & Sun Alliance" in the past year. The loss of some contracts and a required change in the co-insurances caused the premium income to fall by about 8 per cent. Neverthe-

less, we are reporting a pleasing business activity since the new business relations in particular which came about through the acquisition provided good opportunities. A selective underwriting policy combined with a consistent portfolio management allowed keeping the claims ratio at a satisfactory level and close to last year's excellent outcome. A strict cost control and the efficient financial management played their role in helping the half-year result to meet its expectations.

The reinsurance business

The changeover of our accounting from Swiss GAAP ARR to IFRS impacts the comparability of this year's period with last year's.

Considering the still interesting market environment we were still able to maintain the reinsurance portfolio in the first half-year 2005 which meets – with a net premium amount of CHF 130.9 million – the range of our expectations. The absence of major loss events to a large extent kept the half-year result in very positive territory.

The occurrence of the flood damages in Switzerland end of August as well as the ones caused by hurricane “Katrina” in the United States gives us reason to expect the rate level to remain firm in the international reinsurance market. This offers us the opportunity – where it makes sense and is possible – to further expand the broad range which is providing the basis for our portfolio.

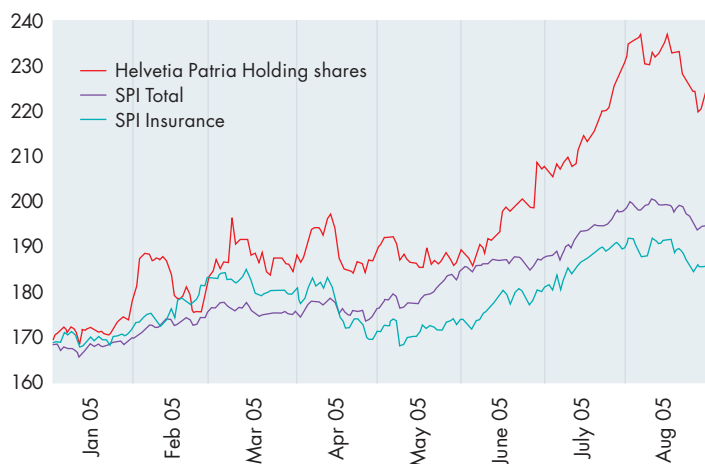
We will though continue to adhere to a selective underwriting policy.

Important Dates

- The results of the business year 2005 of Helvetia Patria Group will be published on April 5, 2006.
- The Annual Report will be available at the end of April 2006.
- The ordinary Helvetia Patria Shareholders' Meeting will take place on Friday, May 12, 2006 in St. Gallen.
- Results for the first half-year 2006 of the Helvetia Patria Group will be reported on September 7, 2006.

Our share

Share price trends from 01.01. to 31.08.2005 indexed in CHF



The financial markets managed to report a mostly positive development for the first six months of this year despite the currently rather subdued economic development and a limited economic improvement. The stock markets took advantage of it as well – with the exception of the American one. While the US Dow Jones Industrial Index declined by 4.7 per cent, the Swiss stock market experienced a pleasing course. The leading Swiss Performance Index containing all listed companies gained 12.2 per cent in the first half year and thus continued its appreciation from the previous year.

Helvetia Patria gains

The Swiss insurance shares were also able to take advantage of this positive development. The SPI Insurance Index containing all insurance companies listed on the Swiss Stock Exchange SWX gained 7.5 per cent in the period under review. The registered Helvetia Patria share followed the lead from this pleasing market environment and gained 22.4 per cent in value compared to the end of 2004. The continuous advance of our share has various reasons, such as the increased free float related to last year's capital increase and the range of new buy recommendations which had been issued by renowned banks. Those buy recommendations are proof of the confidence in our operating strength. Furthermore, we are met with noticeably greater interest, especially from institutional investors

in the Anglo-Saxon area. Last but not least, our strengthened commitment in the area of shareholder- and investor relations have contributed as well.

On June 16, 2005, the repayment of a 2 per cent convertible bond in the amount of CHF 150 million was carried out. The bond was convertible into registered shares of Helvetia Patria Holding. The full convertible bond was repaid since no conversion rights were exercised during its maturity period. The shares which were held in deposit are available again.

Stable shareholders' structure

The shareholders' structure has barely changed in the past half year. The shareholder pool - consisting of Patria Genossenschaft, Raiffeisen and Vontobel Bank – still maintains holdings of 40 per cent. Münchener Rück is a major shareholder and owns 8.2 per cent. At August 31, 2005, a total of 4 018 registered shareholders were entered in the share register. The shares are currently held by the following shareholder groups:

By private individuals	14.04 per cent
By banks and insurance companies	27.12 per cent
By institutional investors	58.73 per cent
By other investors	0.11 per cent

85.2 per cent of the shareholders are Swiss residents while 14.8 per cent are living abroad.

Helvetia Patria Holding

	31.12.04	30.06.04	30.06.05
Share price (in CHF)	169.4	221.5	207.3
Market capitalisation (in Mio CHF)	1 465.8	1 393.9	1 793.7
Profit after taxation per share (in CHF)	19.2	12.3	12.6
Equity per share (in CHF)	171.7	192.8	188.6
Ratio of market capitalisation to consolidated shareholders' equity	103 %	120 %	115 %
Number of shareholders	4 056	3 697	4 249
Securities number/Symbol	1 227 168/HEPN		

Consolidated profit and loss account

Helvetia Patria Group

Non-Life underwriting in CHF thousand	31.12.04	30.06.04	30.06.05
Net earned premiums			
Net written premiums	2 326 762	1 288 966	1 283 586
Net change in reserves for unearned premiums	-75 301	-208 195	-236 312
Net earned premium	2 251 461	1 080 771	1 047 274
Net interest income assigned to non-life activities	124 890	63 519	64 514
Net claims paid			
Claims paid, net	-1 235 217	-610 110	-618 861
Change in reserves for claims outstanding, net	-247 241	-70 994	-40 562
Net claims paid	-1 482 458	-681 104	-659 423
Change in other underwriting reserves	643	-2 562	-160
Net expenditure on results-linked and non-results-linked policyholders' dividends	-665	-324	-585
Net change in equalisation reserve	-35 263	-28 613	-15 662
Net underwriting expenses			
Gross underwriting expenses	-743 920	-368 917	-364 836
Commissions and profit share received from reinsurers	50 343	26 509	33 459
Net underwriting expenses	-693 577	-342 408	-331 377
Other underwriting expenditure	-22 184	-14 538	-15 015
Result from non-life underwriting activities	142 847	74 741	89 566

Life underwriting in CHF thousand	31.12.04	30.06.04	30.06.05
Net earned premiums			
Net written premiums	2 472 415	1 630 435	1 848 535
Net change in reserves for unearned premiums	-1 355	-343 909	-368 862
Net earned premium	2 471 060	1 286 526	1 479 673
Net interest income assigned to life activities	801 667	375 970	435 480
Funds transferred from policyholders' dividends reserve	2 494	1 241	4 530
Net benefits paid:			
Benefits paid, net	-2 670 612	-1 594 864	-1 322 740
Change in reserves for benefits outstanding, net	5 232	45 373	25 882
Net benefits paid	-2 665 380	-1 549 491	-1 296 858
Net change in actuarial reserves, net	-107 620	111 408	-337 025
Net change in other underwriting reserves	-57 170	-5 000	-5 678
Net underwriting expenses			
Gross underwriting expenses	-286 733	-140 792	-146 594
Commissions and profit share received from reinsurers	4 928	3 592	3 728
Net underwriting expenses	-281 805	-137 200	-142 866
Other net underwriting expenditure, net	-592	-121	-231
Result from life underwriting activities before policyholders' dividend distribution	162 654	83 333	137 025
Net expenditure on results-linked and non-results-linked policyholders' dividends	-124 287	-63 247	-92 296
Result from life underwriting activities	38 367	20 086	44 729

The financial statements 2004 are audited, half-year financial statements 2004 and 2005 are unaudited.

Non underwriting in CHF thousand	31.12.04	30.06.04	30.06.05
Income from real estate	191 833	94 479	94 917
Income from investments in affiliates and associated companies	11	0	50
Income from other investments			
From shares, other non-fixed-interest-rate securities and investment funds	49 977	35 981	32 194
From fixed-interest-rate securities	512 150	248 407	260 534
From promissory loans	34 260	16 805	17 864
From mortgages	97 883	48 492	47 896
From policy loans	5 936	3 170	3 075
From fixed-term deposits and similar	8 765	3 697	8 352
Income from other investments	708 971	356 552	369 915
Interest on deposits	3 149	666	1 362
Gross realized gains on investments	468 962	172 733	196 320
Gross unrealized gains on investments	73 766	43 881	61 014
Other interest income	8 735	4 301	2 451
Expenditure on investments and interest costs			
Investment administration costs	-20 966	-10 810	-10 775
Realized losses on investments, including hedging expenses	-252 357	-81 512	-129 217
Depreciation of investments	-220 680	-101 557	-50 117
Interest payments on reinsured business and other interest cost	-55 794	-27 871	-27 822
Expenditure on investments and interest costs	-549 797	-221 750	-217 931
Interest assigned to life- and non-life underwriting activities	-926 557	-439 489	-499 994
Other extraordinary profit from other business operations	53 490	0	0
Other income from ordinary business operations	53 790	2 475	1 823
Other expenditure on ordinary business operations	-59 308	-8 062	-2 217
Result from non-underwriting activities	27 045	5 786	7 710

Combined in CHF thousand	31.12.04	30.06.04	30.06.05
Result from non-life underwriting activities	142 847	74 741	89 566
Result from life underwriting activities	38 367	20 086	44 729
Result from non-underwriting activities	27 045	5 786	7 710
Result capital consolidation (amortization of goodwill)	-3 776	-32	-1 925
Result before taxation	204 483	100 581	140 080
Taxation	-45 815	-26 856	-35 726
Minority interests	56	-37	-122
Result after taxation and minority interests	158 724	73 688	104 232

The financial statements 2004 are audited, half-year financial statements 2004 and 2005 are unaudited.

Consolidated balance sheet

Helvetia Patria Group

Assets in CHF thousand	31.12.04	30.06.04	30.06.05
Intangible assets	18 719	23 395	16 847
Investments	25 989 018	25 654 150	26 821 198
Investments for unit-linked life insurance policies	700 179	636 555	775 441
Deposits from reinsurance assumed	105 104	71 182	114 989
Receivables from underwriting activities	544 349	628 965	597 203
Other receivables	143 849	123 065	152 417
Tangible fixed assets	23 998	43 711	24 105
Liquid assets	159 839	161 159	152 671
Other assets	3 517	6 369	4 219
Prepaid expenses	718 395	560 524	684 435
Total asset	28 406 967	27 909 075	29 343 525

Liabilities and shareholders' equity in CHF thousand	31.12.04	30.06.04	30.06.05
Shareholders' equity excluding minority interests	1 414 628	1 154 815	1 553 426
Minority interest in shareholders' equity	2 481	2 327	2 667
Shareholders' equity including minority interests	1 417 109	1 157 142	1 556 093
Reserve for unearned premiums, gross	650 882	1 207 749	1 357 162
Actuarial reserves, net	19 028 933	18 779 927	19 310 157
Outstanding claims reserve, net	2 733 461	2 412 808	2 718 298
Net reserve for results-linked and non-results-linked policyholders' dividends	447 011	252 492	497 550
Net equalisation reserve	346 174	311 054	380 653
Reserves for unit-linked life insurance policies	675 124	621 505	751 584
Other net underwriting reserves	76 719	59 889	87 782
Other reserves	516 130	689 225	543 582
Reinsurance deposit liabilities	179 177	179 165	183 255
Convertible bond	350 000	350 000	200 000
Other insurance liabilities	1 736 491	1 587 765	1 552 602
Other liabilities	125 620	140 865	162 354
Accrued liabilities	124 136	159 489	42 453
Total liabilities and shareholders' equity	28 406 967	27 909 075	29 343 525

The financial statements 2004 are audited, half-year financial statements 2004 and 2005 are unaudited.

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This document is also available in German, French and Italian. The German version is binding.

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