Letter to Shareholders 1.06

HELVETIA PATRIA

Dear Shareholder

The Helvetia Patria Group performed very well last year, recording a substantial increase in profits, a controlled growth in business volume and a significantly higher share price. We benefited from a favourable market environment and attractive financial markets. In addition, however, we also made importance progress in underwriting business and investments.

Best results since the Group's inception

Last year we posted a net profit of CHF 301.9 million: our best ever result and an increase of CHF 79.3 million or 35.6 per cent over the very good prior-year figure. All business units and areas contributed to this excellent outcome. In compliance with IFRS, we are publishing for the first time the full results of our most important country markets. Accordingly, Switzerland accounted for CHF 220.4 million or 52.5 per cent of combined profit before tax, followed by Spain with CHF 62.6 million or 14.9 per cent, and Germany with CHF 31.7 million or 7.5 per cent.

Non-life business once more delivered the largest contribution to earnings, accounting for CHF 262.5 million (+ 80.2 per cent) of the Group's combined profit before tax. Segment profit in life business was down slightly by CHF 7.5 million or –5.1 per cent to CHF 139.9 million. Thanks to the positive trend in international financial markets the investment performance was once again excellent with a return of 5.5 per cent.

Dividend increase

In the year under review shareholders' equity rose by CHF 0.44 billion or 21.6 per cent to CHF 2.48 billion, while return on equity improved from 12.7 per cent to an excellent 13.4 per cent, thereby exceeding for the second consecutive year our long-term strategic target of a 10 per cent return on equity.
Based on this favourable Group result, we are proposing a dividend increase of 63.6 per cent or CHF 3.50 to CHF 9.00 per share to the Annual General Meeting of Shareholders.

Powering into the future

In a marketplace of interchangeable products, brand image is today becoming an increasingly important success factor for insurers. It is therefore essential to continually strengthen market position through a cohesive, modern and convincing brand identity.
For this reason Helvetia Patria now plans to adopt a single-name brand, "helvetia". From mid-September 2006 to the end of June 2007 all business units will be equipped with the new brand image. The decision to adopt a "single brand" is a further consistent step in our successful business strategy and will strengthen our brand identity, not only with regard to our positioning but also in the way we differentiate ourselves from our competitors. "helvetia" represents an easy-to-understand, distinctly identifiable brand that instils confidence and trust, and will ensure recognition throughout Europe. Our customers can associate more easily with this brand and immediately recognize the core values and services behind the "helvetia" name. Our Group is now better equipped for the future.

Sincerely

Erich Walser
Chairman of the Board of Directors and CEO

At a glance

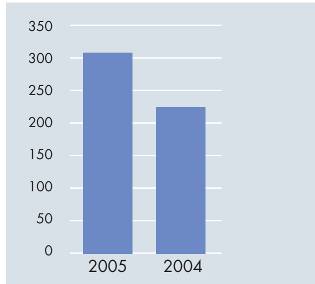
Helvetia Patria Holding share data	2005	2004	Change
Earnings per share undiluted, in CHF	36.2	35.9	0.7 %
Earnings per share dilute, in CHF	36.2	34.4	5.1 %
Consolidated equity per share in CHF	290.0	247.3	17.3 %
Year-end price of Helvetia Patria registered share, in CHF	278.0	169.4	64.1 %
Market capitalization based on year-end price, in CHF millions	2 405.5	1 465.8	64.1%
Price/earnings ratio	8	5	
Dividend per share[1] in CHF	9.00	5.50	63.6 %
Number of shares issued	8 652 875	8 652 875	

[1]based on proposal to Annual General Meeting of Shareholders

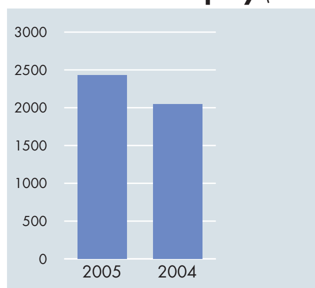
Key figures	2005	2004	Change
Income statement in CHF millions			
Gross premiums written	5 176.8	4 862.9	6.5 %
– of which non-life	2 386.6	2 371.6	0.6 %
– of which life	2 790.2	2 491.3	12.0 %
Income from investments	1 301.5	971.1	34.0 %
Profit before tax	420.2	300.0	40.1 %
– of which profit from life activities	139.9	147.4	– 5.1 %
– of which profit from non-life activities	262.5	145.7	80.2 %
– of which profit from other activities	17.8	6.9	158.0 %
Group profit after tax for the period	301.9	222.6	35.6 %
Balance sheet in CHF millions			
Investments	27 783.2	26 065.6	6.6 %
Provisions for insurance and investment contracts (net)	23 969.9	22 707.9	5.6 %
Consolidated shareholders' equity	2 480.8	2 040.7	21.6 %
Return on equity	13.4 %	12.7 %	

Key figures	2005	2004
Non-life in CHF millions		
Coverage in per cent	149.1 %	146.0 %
Claims ratio (net) in per cent	62.0 %	64.2 %
Expense ratio (net) in per cent	32.0 %	33.6 %
Combined claims/expense ratio (net) in per cent	94.0 %	97.8 %
Life in CHF millions		
Expense ratio (net) in per cent	9.7 %	10.4 %
Investments in CHF millions		
Direct return in per cent	3.2 %	3.3 %
Investment performance in per cent	5.5 %	4.8 %

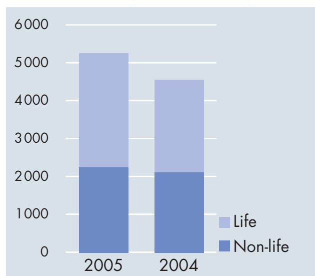
Profit (in CHF millions)



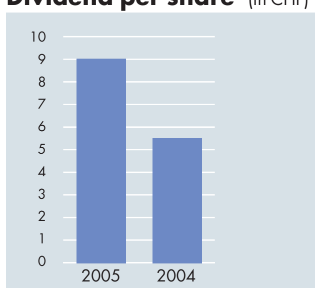
Shareholders' equity (in CHF millions)



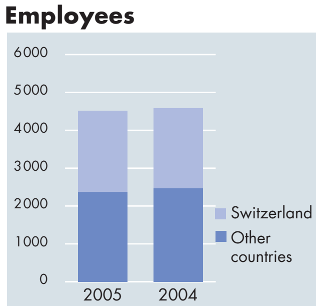
Premiums (in CHF millions)



Dividend per share[1] (in CHF)



Employees



Group results

The Helvetia Patria Group can look back on another excellent year in which it recorded a profit of CHF 301.9 million after tax, an increase of CHF 79.3 million or 35.6 per cent. This is attributable on the one hand to the extremely sharp rise in investment income, and on the other hand to further improvements in life and non-life underwriting. At 13.4 per cent compared to the previous year's 12.7 per cent, return on shareholders' equity is high, exceeding not only the targets defined for 2005, but also the long-term strategic target of 10 per cent, which realistically assumes significantly lower income from investments.

Insurance business

In contrast to 2004, which saw a decline in the premium volume due to developments in Swiss life insurance business, total premiums once more grew by 6.5 per cent (6.3 per cent in original currency), boosted primarily by accelerated growth in the life segment, where volume was up by 12.0 per cent in line with expectations. The performance in non-life business fell slightly short of expectations, growing by a modest 0.6 per cent (0.5 per cent in original currency). The proportion of total life premiums accounted for by foreign direct life business rose from 19.5 to 22.0 per cent, while the proportion accounted for by foreign non-life business remained virtually unchanged at 66.1 per cent (2004: 66.9 per cent). Switzerland, Germany, Italy and Spain were the main contributors to growth in life business. Overall, the key drivers were the group life segment and fund products.

With the exception of Switzerland, motor-vehicle insurance business declined in all country units in which it is conducted. This is due to a softening of the markets in this line of business, which signals the beginning of another insurance cycle.
The poorer performance in transport business is the result of developments in Germany and France. Fortunately, the decline in motor vehicle business was offset by growth in property and liability insurance where earnings are more stable. This latter development was visible across all country units (with the exception of property insurance business in Switzerland), which contracted as a proportion of total direct non-life business from 34.0 per cent to 33.0 per cent, while the share accounted for by property insurance rose by one percentage point to 39.9 per cent.

Marked improvement in underwriting performance

In the year under review non-life business produced a very good underwriting performance both on a gross and net claims basis. In gross terms the claims ratio rose year-on-year by only 0.7 percentage points to 64.3 per cent, despite severe weather-related damage in Switzerland. This was achieved thanks to the relatively low level of losses in most other country units, as well as positive underwriting performance in Switzerland during the other months of 2005. The net claims ratio improved from 64.2 per cent to 62.0 per cent thanks to our multi-level re-insurance policy, with re-insurers absorbing the lion's share of claims for damage caused by the August floods. Against the backdrop of a declining expense ratio, the net combined claims/expense ratio fell from 97.8 per cent to 94.0 per cent. Boosted by the improvement in investment performance, non-life profit before tax rose from CHF 145.7 million to CHF 262.5 million.

Life business saw a slight decline in pre-tax earnings due to various factors. Investment income improved significantly from CHF 814.0 million to CHF 1086.3 million. This positive trend, to which favourable external conditions also contributed, coupled with better claims development and a declining expense ratio, has been used to increase provisions locally for future policyholder dividends. Provisions set aside for policyholder dividends thus rose by over CHF 200 million. This is consistent with a long-term, forward-looking profit-sharing concept for policyholders even in periods where stock market performance is less than euphoric.

Gross combined non-life claims/expense ratio by region in per cent

	Switzerland		Germany		Italy		Spain	
	2005	2004	2005	2004	2005	2004	2005	2004
Gross claims ratio	77.4	76.3	56.4	55.7	65.4	69.0	55.1	58.0
Gross expense ratio	28.3	29.7	33.7	32.8	29.2	27.9	32.1	37.9
Combined claims/expense ratio	105.7	106.0	90.1	88.5	94.6	96.9	87.2	95.9

Gross premiums, non-life, in CHF millions

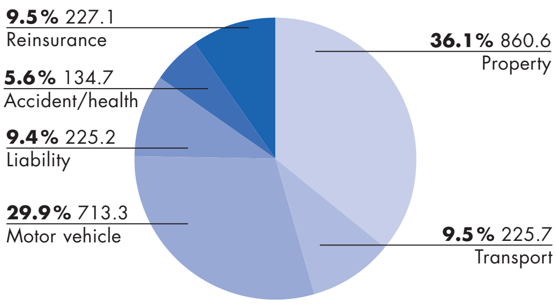
	Gross premiums		Change in %	Change in % (currency adjusted)
	2005	2004		
Property	860.6	839.8	2.5	2.3
Transport	225.7	234.5	–3.8	–4.0
Motor vehicle	713.3	734.3	–2.9	–3.0
Liability	225.2	217.8	3.4	3.2
Accident/health	134.7	135.1	–0.3	–0.5
Reinsurance non-life	227.1	210.1	8.1	8.1
Gross premiums, non-life	2386.6	2371.6	0.6	0.5

Gross premiums, life, in CHF millions

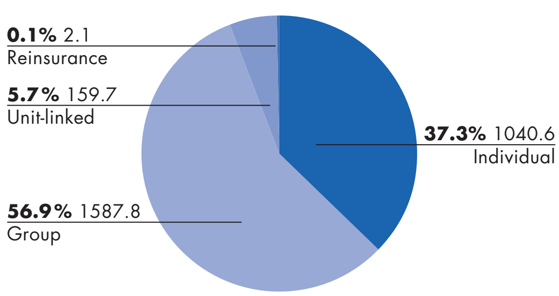
Individual insurance	1040.6	975.2	6.7	6.6
Group insurance	1587.8	1398.3	13.5	13.5
Unit-linked life insurance	159.7	112.5	42.0	41.7
Reinsurance, life	2.1	5.3	–59.7	–59.7
Gross premiums, life	2790.2	2491.3	12.0	11.9

Total gross premiums	5176.8	4862.9	6.5	6.3

Gross premiums, non-life, in CHF millions



Gross premiums, life, in CHF millions



Investment business

In 2005 the volume of investments rose by CHF 1717.6 million. This increase of 6.6 per cent is accounted for on the one hand by outstanding stock market performance, which under IFRS is directly reflected in the value of securities holdings measured at fair value; and on the other hand by an inflow of new funds from the insurance business, which, in line with our investment strategy, were primarily invested in long-term fixed-income securities. The maturity gap between life insurance liabilities and the investment portfolio was reduced according to plan. To avoid additional currency risks, new investments were largely made in the same currencies as the insurance business.

Interest and dividend income in CHF millions

	2005	2004
Interest on fixed-income securities	430.3	428.3
Dividends on shares, alternative investments	52.9	47.8
Loans	177.1	176.5
Money market instruments	15.4	7.6
Other investments	0.0	0.0
Interest and dividend income	675.7	660.2

Gains and losses on financial investments in CHF millions

	2005	2004
Fixed-income securities	113.9	51.4
Equities	164.0	71.7
Investment funds	139.4	37.6
Alternative investments	107.1	4.3
Loans	3.1	6.7
Mortgages	0.2	– 0.3
Derivatives	– 22.0	2.0
Other investments	0.8	– 2.1
Increase in impairment loss on financial investments	– 3.3	– 7.2
Decrease in impairment loss on financial investments	3.7	3.6
Total gains and losses on financial investments (net)	506.9	167.7

The investment structure changed only minimally from the previous year. Fixed-income securities rose to an allocation of 51.0 per cent. At 6.4 per cent, the equity allocation also increased again for the first time in many months. This was offset by a slight decline in mortgages and real estate.

Very good performance

Thanks to the favourable sentiment in the international financial markets, the portfolio achieved a marked improvement in investment performance year-on-year from 4.8 to 5.5 per cent. Despite growth in investment volumes, direct returns were roughly on a par with the previous-year level. The ongoing phase of low interest rates resulted in a slight drop in direct return from 3.3 per cent to 3.2 per cent. Against this backdrop, long-term stable rental income from the real estate portfolio as well as mortgage interest rates (which, in contrast to bonds, showed attractive gains) proved to be valuable, secure generators of regular investment income.

Net gains and losses on financial investments trebled compared to 2004. Of this figure, more than 80.0 per cent was accounted for by equities, investment funds and alternative investments, and 66.0 per cent by financial investments at fair value through profit or loss. This illustrates the dependency of investment income on stock market developments as well its greater volatility under IFRS accounting principles.

Consistent risk management also for investment

The defined income targets once more called for cautious risk management. As in 2004, measures focused on currencies and equity investments. Euro positions in particular were fully hedged by means of forward contracts. Equity hedges, on the other hand, were reduced in line with rising share prices. Net exposure was between 6.0 and 7.5 per cent (delta-adjusted figures).

The cost of hedging transactions amounted to CHF 101.5 million, of which CHF 91.1 million was used for currencies and CHF 10.4 million for equities. These costs were offset by exchange rate gains to the tune of CHF 95.2 million, which – depending on IFRS classification – were either directly recognized in profit and loss or added to shareholders' equity as unrealized gains. This successful result would not have been possible without risk-hedging measures.

Capital base significantly stronger

Shareholders' equity increased year-on-year by 21.6 per cent from CHF 2040.7 million to CHF 2480.8 million. The main driver of this growth was the extremely high net profit for the year as well as write-ups of securities recognized directly in equity.

All regions contribute to profits

All business units generated positive contributions to earnings and exceeded the profitability targets set for 2005. With the exception of Germany, all segments succeeded in achieving a marked increase in after-tax profit: particularly Spain, where the absence of merger expenses coupled with synergy effects resulted in a massive increase in profits. At 52.5 per cent of total pre-tax profit, Switzerland delivered the biggest contribution to earnings and almost the same share of net premiums written (54.4 per cent).

Segment information by region in CHF millions

	Switzerland		Germany	
	2005	2004	2005	2004
Operating income	3 743.1	3 271.9	809.0	771.7
Operating expense	– 3 508.7	– 3 101.4	– 777.5	– 721.3
Financial expense	– 5.9	– 3.9	–	–
Income from investments in associates	– 8.1	–	0.2	– 0.4
Profit before tax	220.4	166.6	31.7	50.0
Income taxes				
Group profit for the period				

Segment information by business area in CHF millions

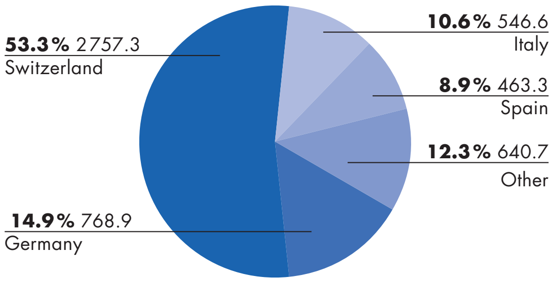
	Life		Non-life	
	2005	2004	2005	2004
Operating income	3 935.5	3 349.1	2 383.1	2 279.0
Operating expense	– 3 787.6	– 3 201.7	– 2 121.5	– 2 133.5
Financial expense	–	0.0	–	–
Income from investments in associates	– 8.0	–	0.9	0.2
Profit before tax	139.9	147.4	262.5	145.7
Income taxes				
Group profit for the period				

Italy 2005	Italy 2004	Spain 2005	Spain 2004	Other 2005	Other 2004	Elimination and unallocated items 2005	Elimination and unallocated items 2004	Total 2005	Total 2004
560.9	457.5	464.6	446.3	819.5	753.1	–50.9	–51.4	6346.2	5649.1
–532.8	–441.8	–402.8	–434.7	–738.7	–690.7	50.9	51.4	–5909.6	–5338.5
–	–	–	0.0	–3.4	–6.9	–	–	–9.3	–10.8
–	–	0.8	0.5	0.0	0.1	–	–	–7.1	0.2
28.1	15.7	62.6	12.1	77.4	55.6	0.0	0.0	420.2	300.0
						–118.3	–77.4	–118.3	–77.4
								301.9	222.6

Other 2005	Other 2004	Elimination and unallocated items 2005	Elimination and unallocated items 2004	Total 2005	Total 2004
27.8	22.8	–0.2	–1.8	6346.2	5649.1
–0.7	–5.1	0.2	1.8	–5909.6	–5338.5
–9.3	–10.8	–	–	–9.3	–10.8
–	–	–	–	–7.1	0.2
17.8	6.9	0.0	0.0	420.2	300.0
		–118.3	–77.4	–118.3	–77.4
				301.9	222.6

Business units

Gross premium income in 2005 in CHF millions



Country market Switzerland

In the year under review the country market Switzerland focused on consistently implementing the Group's current strategy plan for the period 2004–06, which pursues profit-oriented growth in the core areas of insurance and pensions. Two-thirds of the way through the strategy period the defined targets have already been largely achieved and group life business has been restored to sustained profitability.

Further increase in earnings power in life business

Life insurance premiums reflected divergent trends in individual and group life insurance. In contrast to the declining market share in personal insurance, we recorded further significant growth of 14.0 per cent in group insurance, particularly in policies with periodic premiums. Individual insurance premiums, on the other hand, declined by 2.2 per cent due to the continued low level of interest rates. Nevertheless, a successful performance was recorded in sales of funds, which was systematically strengthened in 2005 thanks to the integration of an innovative Swiss franc hedge fund. Additional efforts must be made to improve profitability in individual life business, where activity is being constrained on all sides by continuing low interest rates.

Excellent performance in non-life business

Non-life business continued to perform positively in the year under review, despite a challenging claims environment. Premium income from indemnity insurance showed an attractive growth rate of 1.3 per cent. In terms of insured claims, last year was the most expensive year ever recorded in the time-honoured Swiss personal insurance market. The severe weather conditions last August presented a major challenge, but thanks to foresight and appropriate action at all levels, together with an outstanding effort and commitment on the part of our employees, the difficulties were surmounted in an exemplary manner. Hence it seems almost a contradiction in terms to note that we recorded one of our best net results (some CHF 160 million) in what was our worst ever year for individual damage claims. This achievement is mainly thanks to our multi-level reinsurance concept. Our risk management strategy also proved its worth in this difficult year for damage claims.

Securing and developing new customers

A new sales and advisory platform was implemented in the year under review with a view to providing effective support for client advisors in their busy day-to-day activities. The platform will enhance the effectiveness and efficiency of our sales force. Due to its growing importance we are also setting new accents in the broker channel, with an attractive product range and processes designed to ensure high quality and service standards. Cooperation with the Swiss Union of Raiffeisen Banks (SVRB) resulted in favourable growth of 10.0 per cent in periodic individual life premiums and a significant share of new single-premium business. In the field of occupational pension plans, the Swisscanto collective foundation – managed in conjunction with the Association of Swiss Cantonal Banks – consistently shows attractive growth rates.

Gross written premiums by region and business area in CHF millions

	Gross premiums		Elimination		Total consolidated		Change in %	Change in % (currency-adjusted)
	2005	2004	2005	2004	2005	2004		
Switzerland – non-life	582.9	575.7	–	–	582.9	575.7	1.3	1.3
Switzerland – life	2 174.4	1 999.0	–	–	2 174.4	1 999.0	8.8	8.8
Total Switzerland	2 757.3	2 574.7	–	–	2 757.3	2 574.7	7.1	7.1
Germany – non-life	584.8	603.9	–	–	584.8	603.9	–3.2	–3.4
Germany – life	184.1	150.4	–	–	184.1	150.4	22.4	22.1
Total Germany	768.9	754.3	–	–	768.9	754.3	1.9	1.7
Italy – non-life	343.4	335.4	–	–	343.4	335.4	2.4	2.1
Italy – life	203.2	121.1	–	–	203.2	121.1	67.8	67.5
Total Italy	546.6	456.5	–	–	546.6	456.5	19.7	19.4
Spain – non-life	367.7	361.8	–	–	367.7	361.8	1.6	1.4
Spain – life	95.6	87.0	–	–	95.6	87.0	9.9	9.6
Total Spain	463.3	448.8	–	–	463.3	448.8	3.2	3.0
Other countries – non-life:								
Other countries	280.7	284.7	–	–	280.7	284.7	–1.4	–1.6
Reinsurance	444.8	428.0	–217.7	–217.9	227.1	210.1	8.1	8.1
Other countries – life:								
Other countries	130.8	128.5	–	–	130.8	128.5	1.8	1.5
Reinsurance	15.0	17.9	–12.9	–12.6	2.1	5.3	–59.7	–59.7
Total other countries	871.3	859.1	–230.6	–230.5	640.7	628.6	1.9	1.8
Total gross premiums	5 407.4	5 093.4	–230.6	–230.5	5 176.8	4 862.9	6.5	6.3

Ready for the challenges ahead

At present, following a good start to 2006 in Swiss life and non-life business, the outlook for another successful financial year is good. Our efforts in the current year will focus primarily on successfully completing the 2004–06 strategy period, achieving our ambitious profit and premium targets and reaching a key milestone in our quality and service offensive.

Country market Germany

In a difficult market environment, consistent implementation of our strategy for German non-life business has resulted, as expected, in a 3.4 per cent decline in premium volume. This is partially due to the transport business, where we have geared our business approach to specific client segments and have pursued a restrictive underwriting policy. As a result, we have succeeded in further improving the positive contribution to earnings from this business line. In motor vehicle insurance, too, we deliberately accepted a marked decline in premiums, since we continue to refuse, on profitability grounds, to participate in the current fierce battle for market share in this segment. While we are recording successful performance and above-average growth rates in other property business, we cannot fully escape the market environment. The drop in premium volume resulted in a slight rise in the expense ratio and a worse claims ratio than in the previous excellent year. As a result, the combined gross claims/expense ratio rose from 88.5 per cent to 90.1 per cent. Added to this, were higher reinsurance costs, which brought down the operating result.

Improved market position in the life business

Following the boom in life business triggered last year by the impending expiration of tax privileges on life insurance policies, new business dropped off significantly in the market in general and in our own operations. After recording above-average growth in this line in 2004, we too were faced with a decline in new business. Nevertheless, we were still well above the 2003 norm, recording substantial growth of 22.1 per cent in premium income to EUR 119.0 million, far ahead of the segment as a whole. Our market share advanced clearly year-on-year, mainly on account of our unit-linked insurances – an area where we continue to rank among the best providers thanks to innovative products. The good claims development and high income from investments allowed us to set aside a provision for policyholder dividends in excess of the current dividend requirement. This has led to a slight drop in profit before tax.

Emphasis on quality and service

One of the key elements in our strategy is the continual improvement of our offering in terms of the quality and service provided to our sales partners and end customers. Our success in this endeavour is confirmed by the results of customer surveys which we commissioned an independent institute to conduct as well as the results of surveys carried out by a reputable market research organization. According to the findings, we are rated market leaders when it comes to claims processing and broker services. We aim to consolidate this position through ongoing investments in the automation of claims processes. A new information system has been introduced to further improve our already very good support services for independent brokers. This will allow our sales force to tailor client care and communication to their individual needs.

Well equipped!

We do not expect our growth efforts to be boosted by any sweeping economic recovery in the forthcoming financial year. With this in mind, we have developed new and innovative products for our personal insurance business, as part of a product and sales offensive. We expect life business to generate a volume above the market average, thanks on the one hand to the growing demand for individual retirement provision and on the other to our new products. In terms of independent brokers in particular, we see outstanding potential for growth thanks to our very good competitive strengths in this area.

Country market Italy

In 2005 Helvetia Italy further improved its profitability. At 2.1 per cent, growth in non-life business was roughly on a par with the market average. At 65.0 per cent, however, growth in the life segment was well above the market average. This trend has further improved the structure of the non-life portfolio. At roughly 6.3 per cent of total non-life volume, motor vehicle insurance is now below the market average, with a resultant positive impact on earnings. Life insurance recorded strong growth, particularly capitalization contracts with single premiums. Traditional products, especially term insurance, also performed very well. At year-end, there were mandates with 359 agents, a slight increase over 2004. Agreements are also in force with 131 brokers. Relations with the sales channel for banks and financial promoters were consolidated. Relations now exist with Banca Woolwich (Barclays Group), Anteprima (Credito Emiliano Group) and ING. We continued to consistently pursue the strategic direction defined in 2004, with particular emphasis on the selected segment "high-end private clients" "small companies" and "self-employed clients". Helvetia Italy also aims to differentiate itself from the competition through the quality of its services and personal advice, and by means of bespoke offerings designed to solve specific problems. The integration of Helvetia Life into

Helvetia Vita was successfully completed. In addition, the Italian subsidiary acquired the insurance portfolio of Sofid Vita (part of the ENI Group). Sofid Vita specialized primarily in executive insurance solutions for the ENI Group. This acquisition has given Helvetia access to this client base, which is also a promising client segment for other insurance products.

Confidence in the future

The good year-end result for 2005 exceeded expectations, thereby confirming the effectiveness and correctness of the strategy pursued. We are convinced that we can continue to perform successfully in an increasingly competitive market. The clear strategy, coupled with motivated and highly-skilled employees and agents who are convinced of our services, will guarantee Helvetia's continued profitable development in Italy.

Country market Spain

Helvetia Previsión has completed its first full financial year following the merger between Helvetia CVN and Previsión Española. The anticipated synergy effects were realized, with highly positive results. The administrative cost ratio was substantially reduced, thereby enhancing competitiveness and increasing not only profitability but also the company's chances in the up-and-coming Spanish market. The reduction in costs is all the more remarkable given the fact that some late merger-related costs were also incurred in the course of 2005. Helvetia Previsión performed well in the life insurance segment, reporting growth rates slightly above the market average. This is all the more noteworthy given the fact that the Spanish subsidiary still has no sales partner in the banking sector. The banking sector generates well over fifty per cent of the premium volume for life insurance in this market. By contrast, non-life insurance grew at a significantly below-average rate, due almost exclusively to developments in motor vehicle insurance, where the aforementioned price war is generally driving down premiums. The quality of its portfolio is more important to Helvetia Previsión than growth at any price. Premium concessions are made only where technically justifiable, which in some cases can result in contract losses. For these reasons the premium volume declined in this sector. While growth rates in the other non-life sectors were satisfactory to good, they only partially offset the decline in motor vehicle insurance which accounts for some 40.0 per cent of total non-life volume. Gross total claims fell thanks to another clear improvement in motor vehicle claims. Conversely, claims incurred for fire insurance increased due to several major insured events. Nevertheless, there was a significant drop in the combined claims/expense ratio from 95.9 per cent to 87.2 per cent.

Strong market position

Together with an increase in non-underwriting earnings, the company posted excellent results for the year, well in excess of the very good 2004 result. Helvetia Previsión is ranked among the market leaders in the Andalusia and Navarra regions. The company aims to remain among the top five insurers in these regions and to improve its market position elsewhere in Spain. This will be achieved by means of a skilled product policy and high-quality services.

Country market Austria

In the year under review the restructuring of our Austrian subsidiary Der ANKER was successfully completed and a wide range of efficiency-enhancing measures were rigorously implemented. Two measures deserve special mention: the consolidation of the highly streamlined decentralised structures, and the successful establishment of a new centralised claims service centre. Thanks to the innovative concept of selective local claims processing, the new claims organization has proved highly effective.

Good business development

The profitability of underwriting activities has been consistently enhanced over the past two years. Thanks to a variety of measures in underwriting and premium pricing as well as in claims management, Der ANKER succeeded in posting favourable results in all its main

lines of business in the year under review. In 2005 as well as in previous years, claims development with regard to both frequency and average loss amount showed a significant improvement.
Despite its strict focus on profitability, Der ANKER achieved a slight increase of 0.6 per cent in premium income from non-life activities. The lucrative property insurance business showed a gratifying growth rate of 3.3 per cent in the year under review. By contrast, sales revenue in the motor vehicle business fell by 1.3 per cent, although there was a clear trend towards positive growth near the end of 2005.
Results were also varied in the life insurance business: Alongside subdued growth in periodic premiums business (which was up by 0.9 per cent year-on-year), single premiums showed a pleasing increase of 8.8 per cent after several years of decline. Overall growth in life insurance premiums amounted to 1.4 per cent.

Successful Helvetia

The Helvetia's Austrian management team achieved a very good result in the year under review, with dynamic growth in excess of 7.0 per cent as well as an excellent claims/expense ratio, attesting once again to the high quality of this niche business.

Country market France

In 2005, following the acquisition of two transport insurance portfolios and the strong growth experienced in 2004, the focus was on consolidation with the main priority being strict risk selection. The decline in business with several key accounts, coupled with our reluctance to engage in the harsh price war systematically waged by several competitors, resulted in a slight drop in business volume. Premium income in 2005 fell by 6.3 per cent to EUR 58.5 million. The cautious underwriting policy paid off, leading to another excellent underwriting result boosted by a low gross combined claims/expense ratio. Accordingly, earnings not only exceeded the previous-year's figure but also the Group's expectations.

Measures across the board

In 2005 we were able to provide our brokers with more individual care thanks to stronger client segmentation. We improved our product range, which will be further refined as part of our preparations for the 2007–10 strategy. In addition, we are aiming to develop new sales channels.
Our staff recruitment efforts, coupled with measures to improve internal mobility and an expansion of our training programme, have helped us to maintain the high quality of our workforce. The IT system was adjusted to address these new developments, in particular by upgrading systems for the exchange of data with our key brokers. The satisfactory business trend as well as strong profitability will provide a sound basis for Helvetia's future strategy in France.

Assumed reinsurance

The basis for the 2005 renewal round in the reinsurance business was heavily impacted by a series of hurricane claims worth a total of some USD 50 billion in the USA and Japan, making 2004 the most expensive year in the history of insurance providers. Whereas initially there had been some softening of the market during the year, in the 2005 renewal round these claims led to a harder pricing stance, resulting in more attractive terms for us.
The portfolio was therefore further diversified and expanded in line with our strategy. During the 2005 renewal round, prices remained at a technically attractive level, and none of the markets experienced any significant softening of terms and premium rates.

Good premium trend

We were very satisfied with last year's renewal round. Premium income amounted to CHF 229.2 million (2004: CHF 215.4 million), and we anticipated a combined claims/expense ratio of well below 100 per cent on account of attractive underwriting conditions and based on a normal claims year.

Claims development in the disaster year 2005

2005 will be remembered as the worst year for natural disasters the reinsurance industry has ever had to deal with. According to a study published by Swiss Re, the biggest insured catastrophe losses amounted to USD 83 billion. Making last year the most expensive year on record for property insurers. We, too, were affected by these natural disasters. Thanks to our exemplary, broadly-diversified underwriting policy and a forward-looking retrocession policy, however, we were able to keep net losses within limits so that the overall reinsurance portfolio still ended the year with a pleasing result.

Our share

With a price rise of 64.1 per cent in 2005, the Helvetia Patria Holding registered share is one of the best shares in Switzerland, far outperforming not only the Insurance Index (+33.5 per cent) but also the Swiss Performance Index. This good performance is attributable primarily to the consistent implementation of our strategy and the related excellent financial results. Moreover, the capital increase carried out in December 2004 has stimulated investor interest in our company since it has resulted in a much greater free float. The changeover to IFRS accounting, which enhances transparency and improves comparability with other insurers, will ensure that our shares continue to constitute an attractive investment option.

Convertible bond repaid

On 16 June 2005 a convertible bond for a principal amount of CHF 150 million became due for repayment. Since no options were exercised during the term, the entire amount of the issue was repaid and most of the shares released as a result were sold on the market.

Stable shareholder base

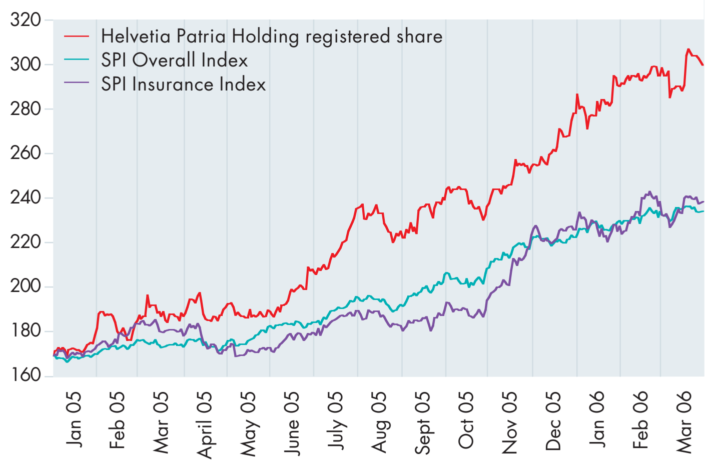
In the year under review our shareholder base remained largely unchanged and we continue to enjoy a stable ownership structure. At 31 December 2005, a total of 4129 registered shareholders were entered in the share ledger. The shares are currently held by the following investor groups:

Private individuals	13.95 per cent
Banks and insurance companies	24.75 per cent
Other institutional investors	61.21 per cent
Public sector	0.09 per cent

Sustainable dividend policy

For years Helvetia Patria has pursued a dividend policy of steady payout levels based on earnings. Based on the excellent 2005 operating performance and the Group's high earnings power, the Board of Directors will propose to the Annual General Meeting of Shareholders an increase in the cash dividend by CHF 3.50 to CHF 9.00 per share.

Share performance 1.1.2005 to 31.3.2006 indexed



Shareholders at 31.12.2005

Patria Genossenschaft	33.3 %
Vontobel	4.0 %
Raiffeisen	2.7 %
Munich Re	8.2 %
Free float	51.8 %

Outstanding bond

Amount	CHF 200 million
Interest rate	3% p.a.
Maturity	5.5.2004 – 5.5.2010
Security number	1.839.765

Consolidated income statement

Profit in CHF millions

	2005	2004
Gross premiums written	5 176.8	4 862.9
Premiums ceded to reinsurers	– 303.1	– 306.9
Net premiums written	4 873.7	4 556.0
Net change in reserves for unearned premiums	2.0	– 36.7
Net premiums earned	4 875.7	4 519.3
Interest and dividend income	675.7	660.2
Gains and losses on financial investments (net)	506.9	167.7
Income from investment properties	189.1	208.8
Other income	98.8	93.1
Total operating income	6 346.2	5 649.1

Expenses in CHF millions

	2005	2004
Claims paid incl. claims handling costs, non-life	– 1 536.6	– 1 486.6
Insurance benefits paid, life	– 2 234.6	– 2 509.2
Change in actuarial reserves	– 849.8	– 102.0
Surplus and policyholder dividends	– 291.9	– 197.1
Costs transferred to reinsurers	244.5	193.8
Benefits and claims paid (net)	– 4 668.4	– 4 101.1
Policy acquisition costs	– 625.2	– 598.2
Operating and administrative expense	– 475.3	– 486.9
Interest expense	– 51.1	– 59.5
Other expenses	– 89.6	– 92.8
Total operating expense	– 5 909.6	– 5 338.5
Operating profit (loss)	436.6	310.6
Financial expense	– 9.3	– 10.8
Income from investments in associates	– 7.1	0.2
Profit (loss) before tax	420.2	300.0
Income taxes	– 118.3	– 77.4
Group profit (loss) for the period	301.9	222.6
Attributable to:		
Shareholders Helvetia Patria Holding[1]	301.4	222.4
Minority interests	0.5	0.2
Earnings per share:		
Undiluted (in CHF)	36.18	35.94
Diluted (in CHF)	36.18	34.43

[1] See 'Consolidated shareholders equity' for details.

Consolidated balance sheet

Assets in CHF millions

At 31.12.	2005	2004
Financial investments at fair value through profit or loss	2 608.7	2 127.5
Financial investments available-for-sale (AFS)	11 832.2	10 902.6
Financial investments held to maturity (HTM)	2 781.0	2 448.3
Loans and receivables (LAR)	5 376.9	5 084.3
Investment properties	3 883.8	3 869.6
Investments in associates	45.2	3.1
Total investments I	26 527.8	24 435.3
Amounts held by or deposited with reinsured companies	902.6	554.5
Capitalised acquisition costs, life	221.6	234.2
Goodwill and other intangible assets	62.4	65.7
Tangible fixed assets and real estate assets	426.1	422.0
Deferred taxes	326.8	319.4
Sub-total	28 467.3	26 031.1
Money market instruments	1 002.1	1 314.6
Dealing securities at fair value through profit or loss	253.3	315.7
Total investments II	1 255.4	1 630.3
Cash and cash equivalents	172.4	168.5
Amounts receivable from underwriting activities	605.0	821.3
Adjusting items for financial investments	305.9	294.8
Other assets	128.6	149.1
Sub-total	2 467.3	3 064.0
Total assets	30 934.6	29 095.1

Liabilities and shareholders' equity in CHF millions

At 31.12.	2005	2004
Shareholders' equity:		
Share capital	86.5	86.5
Share premium account	628.1	613.7
Own shares	–24.4	–79.5
Unrealized gains and losses (net)	182.3	137.7
Currency reserves	0.1	–1.9
Retained earnings	1016.5	830.5
Valuation reserves for contracts with policyholder dividends	588.6	450.7
Shareholders' equity Helvetia Patria Holding	2477.7	2037.7
Minority interests	3.1	3.0
Total shareholders' equity	2480.8	2040.7
Liabilities:		
Gross reserves for unearned premiums	844.7	842.4
Gross reserves for claims outstanding	2792.0	2609.2
Gross actuarial reserves	20146.3	19259.8
Reserves for future policyholder dividends	688.3	446.0
Liabilities for employee benefits	201.0	192.4
Financial liabilities from financing activities	198.8	346.6
Financial liabilities from the insurance business	1722.7	1532.7
Deferred taxes	745.5	675.3
Total liabilities I	27339.3	25904.4
Other financial liabilities	28.3	102.0
Financial reserves	61.2	59.4
Liabilities from the insurance business	755.1	759.5
Other liabilities and adjusting items	269.9	229.1
Total liabilities II	1114.5	1150.0
Total liabilities	28453.8	27054.4
Total liabilities and shareholders' equity	30934.6	29095.1

Consolidated shareholders' equity

in CHF millions	Shareholders' equity Helvetia Patria Holding Share capital	Share premium account	Own shares	Unrealized gains and losses (net)
At 1 Jan 2004	62.9	353.2	–65.9	92.3
Remeasurement of investments to fair value	–	–	–	112.5
Changes in liabilities for contracts with policyholder dividends	–	–	–	–52.9
Currency translation adjustments	–	–	–	–0.7
Deferred taxes	–	–	–	–13.5
Gains and losses recognized directly in equity	–	–	–	45.4
Group profit (loss) for the period	–	–	–	–
Total gains and losses recognized	–	–	–	45.4
Transfer to retained earnings	–	–	–	0.0
Change in minority interest in shareholders' equity	–	–	–	0.0
Transactions in own shares	–	–	–13.6	–
Dividend	–	–	–	–
Capital increase	23.6	271.4	–	–
Cost of capital increase	–	–10.9	–	–
At 31.12.2004	86.5	613.7	–79.5	137.7
At 01.01.05	86.5	613.7	–79.5	137.7
Remeasurement of investments to fair value	–	–	–	111.1
Changes in liabilities for contracts with policyholder dividends	–	–	–	–46.9
Currency translation adjustments	–	–	–	0.9
Deferred taxes	–	–	–	–20.6
Gains and losses recognized directly in equity	–	–	–	44.5
Group profit (loss) for the period	–	–	–	–
Total gains and losses recognized	–	–	–	44.5
Transfer to retained earnings	–	–	–	0.0
Change in minority interest in shareholders' equity	–	–	–	0.1
Transactions in own shares	–	14.3	55.1	–
Employee share ownership programme	–	0.1	–	–
Dividend	–	–	–	–
At 31.12.05	86.5	628.1	–24.4	182.3

Currency reserve	Retained reserves	Valuation reserve for contracts with policyholder dividends	Total before minority interests	Minority interests	Total shareholders' equity
0.0	724.2	308.2	1474.9	2.8	1477.7
–	–	66.7	179.2	0.2	179.4
–	–	–	–52.9	–	–52.9
–1.9	0.0	–0.1	–2.7	0.0	–2.7
–	–	–16.2	–29.7	–0.1	–29.8
–1.9	0.0	50.4	93.9	0.1	94.0
–	126.6	95.8	222.4	0.2	222.6
–1.9	126.6	146.2	316.3	0.3	316.6
–	3.7	–3.7	0.0	0.0	0.0
0.0	0.0	0.0	0.0	0.0	0.0
–	–	–	–13.6	–	–13.6
–	–24.0	–	–24.0	–0.1	–24.1
0.0	0.0	–	295.0	–	295.0
–	–	–	–10.9	–	–10.9
–1.9	830.5	450.7	2037.7	3.0	2040.7
–1.9	830.5	450.7	2037.7	3.0	2040.7
–	–	88.5	199.6	0.0	199.6
–	–	–	–46.9	–	–46.9
2.0	0.0	0.1	3.0	0.0	3.0
–	–	–20.5	–41.1	0.0	–41.1
2.0	0.0	68.1	114.6	0.0	114.6
–	231.1	70.3	301.4	0.5	301.9
2.0	231.1	138.4	416.0	0.5	416.5
–	0.5	–0.5	0.0	–	0.0
0.0	–0.2	–	–0.1	–0.3	–0.4
–	–	–	69.4	–	69.4
–	–	–	0.1	–	0.1
–	–45.4	–	–45.4	–0.1	–45.5
0.1	1016.5	588.6	2477.7	3.1	2480.8

Abridged consolidated cash flow statement

Cash flow from operations in CHF millions

	2005	2004
Profit (loss) before tax	420.2	300.0
Reclassifications into investment and financing activities (through profit and loss)	– 2.0	– 0.3
Correction for income and expenses not through profit and loss	– 286.4	63.7
Change in assets and liabilities from operations	175.7	– 629.7
Gross cash flow from operations	307.5	– 266.3
Taxes paid	– 52.8	– 62.8
Net cash flow from operations	254.7	– 329.1

Cash flow from investments in CHF million

Net cash flow from investments	– 125.2	– 112.0

Cash flow from financing activities in CHF million

Net cash flow from financing activities	–126.1	443.1
Exchange rate changes in cash and cash equivalents	0.5	– 0.9
Total change in cash and cash equivalents	3.9	1.1

Cash and cash equivalents in CHF million

	2005	2004
At 1 January	168.5	167.4
Change	3.9	1.1
At 31 December	172.4	168.5

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Important dates

12 May 2006	Annual General Meeting of Shareholders in St. Gallen,
7 September 2006	Publication of the 2006 Half-Year Report
29 March 2007	2006 Results: Analysts' and Media Conference
4 May 2007	Annual General Meeting of Shareholders in St. Gallen
7 September 2007	Publication of the 2007 Half-Year Report

St. Gallen, 5 April 2006

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