

LETTER TO THE SHAREHOLDERS
FINANCIAL YEAR 2003



LETTER TO THE SHAREHOLDERS FINANCIAL YEAR 2003

Dear shareholder,

The present letter to shareholders provides you with detailed information regarding the business development for Wiener Städtische Allgemeine Versicherung Aktiengesellschaft as well as for the Wiener Städtische Group in the 2003 financial year. The figures still involve provisional values in part, which may yet change marginally.

Profit on ordinary activities for Wiener Städtische AG
..... approximately EUR 30 million

Profit on ordinary activities for Wiener Städtische Group (consolidated) approximately EUR 55 million

Wiener Städtische AG in 2003

IN EUR MILLION	1 st -4 th Qtr 2003	Change on previous year
Earned premiums, direct	1,718.79	10.4%
Property/casualty	759.45	10.5%
Health	271.12	2.9%
Life	688.22	13.6%
Insurance payments, direct	1,219.61	7.4%
Operating expenses	396.31	13.6%
Financial result	255.71	20.2%
Capital assets position ¹⁾	7,117.31	4.5%

¹⁾ excluding unit-linked life insurance

Wiener Städtische was able to achieve a **profit on ordinary activities** (calculated in accordance with the provisions of the Austrian Commercial Code [HGB]) of approximately EUR 30 million in the 2003 financial year. This represents an increase by approximately 50% compared with the profit on ordinary activities for the year 2002 (EUR 20.25 million).

Earned premiums in direct business amounting to EUR 1,718.79 million were produced across all classes of business in 2003. This represents a plus of 10.4% compared with the previous year. As a result, Wiener Städtische was once again way above the growth of the insurance market (+4,1%). The insurance market was clearly outperformed in the life insurance class of business in particular with a growth in earned premiums of 13.6%. Wiener Städtische's total premium income consists of approximately 44% from property and casualty insurance, approximately 40% from life insurance and approximately 16% from health insurance.

Insurance payments have increased by 7.4% in 2003 compared with the previous year. At the same time, it should be taken into account that a considerable increase in benefit payments has still resulted through the maturity at the year-end of the 15-year tax-privileged life insurance policies concluded in 1988.

Operating expenses increased by 13.6%. The reason for the increase is primarily the commission arising due to the excellent sales result especially in life insurance.

The 2003 **financial result** at EUR 255.71 million turned out considerably better than in the previous year due to the consolidation of the financial markets. The financial result amounted to EUR 212.76 million in the turbulent 2002 stock market year.

The **capital assets position** as at 31.12.2003 of EUR 7,117.31 million (+4.5% as at 31.12.2002) is calculated excluding the investments of the unit-linked life insurance, which amount to EUR 292.51 million (+91.3% as at 31.12.2002).

Property and casualty insurance

IN EUR MILLION	1 st -4 th Qtr 2003	Change on previous year
Earned premiums, direct	759.45	10.5%
Motor classes	273.14	9.8%
Non-motor classes	486.31	10.9%
Insurance payments, direct	489.66	1.8%

A premium increase of 10.5% to EUR 759.45 million was achieved in **property and casualty insurance** in 2003. At the same time, it should be taken into account that the assumed portfolio of Montanversicherung is included completely for the first time in 2003, whereas the Montanversicherung premiums are only taken into account for the 2nd half of the year in the comparable figures for the year 2002.

In motor vehicle liability insurance, the earned premiums increased by 10.3% in 2003 to EUR 177.04 million by means of successful new business. In motor hull insurance, an increase could be accomplished by 9.2% to EUR 92.41 million. This is all the more significant as no tariff adjustment was applied in 2003 in the motor hull class of business.

In the non-motor classes of business, an increase resulted in earned premiums by 10.9% to EUR 486.31 million. Underwriting adjustments of the premium calculation in the large risk division on the one hand and the very good sales result on the other hand were responsible for this situation. For instance, it was possible to excellently position the newly developed insurance product "Business Class" in the market – a flexible comprehensive commercial lines insurance policy that was specifically devised for the small and medium-sized businesses that are so important in Austria.

Although a severe hail storm in May 2003 resulted in a charge on the results of the property and casualty class of approximately EUR 11.9 million overall, insurance payments increased by just 1.8% compared with the year 2002. It should be taken into account in this regard that the result in the property and casualty class in 2002 was heavily weighed down by the flood disaster along the Danube and its tributaries. Overall, a combined ratio of less than 94 (after just under 96 in the year before that) could be achieved in the property and casualty insurance class in the 2003 financial year.

Life insurance

IN EUR MILLION	1 st -4 th Qtr 2003	Change on previous year
Earned premiums, direct	688.22	13.6%
Renewable premium	477.16	17.4%
Single-premium policies	211.06	5.9%
Insurance payments, direct	522.47	16.1%

The earned premiums from direct business in **life insurance** amounted to EUR 688.22 million in 2003 and were thus around 13.6% above the premium level of the previous year. In the case of renewable premiums, a premium growth of 17.4% could be produced due to an increasing number of policy conclusions for long-term pension products.

In particular, Wiener Städtische's "Premium Pension", the product for the government-sponsored future pension, sold exceptionally well. In the course of the year 2003, approximately 55,000 "Premium Pension" policies were concluded, as a result of which Wiener Städtische has gained a market share of more than 20%. Ringturm KAG's future pension equity fund, in which Wiener Städtische invests the legally prescribed proportion of shares for the government-sponsored future pension, achieved an appreciation in value of more than 20% in 2003.

The high premium income of 2002 was again increased by 5.9% to EUR 211.06 million in the single-premium policy sector as well. In comparison with that, the premium income in the single-premium policy sector fell by more than 15% in the Austrian insurance market.

In 2003, insurance payments increased by 16.1% compared with 2002 to EUR 522.47 million. As already mentioned, a considerable increase in benefit payments still resulted at the end of 2003 due to the maturity of 15-year tax-privileged policies concluded in 1988.

Health Insurance

IN EUR MILLION	1 st -4 th Qtr 2003	Change on previous year
Earned premiums, direct	271.12	2.9%
Insurance payments, direct	207.48	1.6%

The earned premiums from direct business in **health insurance** amounted to EUR 271.12 million in 2003. As a result, an increase of approximately 3% could be achieved compared with 2002. Insurance payments in health insurance amounted to EUR 207.48 million, which represents an increase of 1.6% compared with the previous year. Therefore, the increase in benefit payments is perceptibly below the increase in premium income.

The Wiener Städtische Group in the 2003 financial year

The **Wiener Städtische Group** was able to produce a premium growth of 11% overall in 2003 to EUR 3,846.74 million. This consists of a growth in premium of 7.9% at the domestic insurance companies and 19.9% at the foreign insurance companies.

The Group's **profit on ordinary activities** (calculated in accordance with the provisions of the Austrian Commercial Code) will amount to approximately EUR 55 million (after EUR 23.4 million in the previous year), which corresponds to an increase of approximately 135%.

Wiener Städtische Group in the domestic market

In addition to Wiener Städtische AG, Donau Versicherung including a share of 10% in S-Versicherung, BA-CA Versicherung and Union Versicherung also belong to the domestic group. Additionally, there is a participation in Wüstenrot Versicherung to the extent of 31.6%.

THE WIENER STÄDTISCHE GROUP IN THE 2003 FINANCIAL YEAR

IN EUR MILLION	Accounted premium		Non-life ^{*)}		Life	
	1.-12.2003	+/- % prev. y.	1.-12.2003	+/- % prev. y.	1.-12.2003	+/- % prev. y.
Group premiums	3,846.74	11.0	1,938.99	12.0	1,634.76	11.2
Group, domestic market	2,781.90	7.9	1,186.59	7.5	1,322.32	9.2
Group, foreign countries	1,064.84	19.9	752.40	19.9	312.44	20.1

^{*)} excluding health insurance

Property insurance business in the domestic market developed very well at Wiener Städtische in 2003, but it should be taken into account that the premium growth would have turned out 2 percentage points lower without the assumption of the insurance portfolio of Montanversicherung as at 1.7.2002. At Donau Versicherung also, which has the second-largest property insurance portfolio of the domestic group, the premium development in 2003 was very satisfactory in the property sector with an increase of 6.6% in accounted premiums.

The premium increases developed very favourably in life insurance business. Thus, Wiener Städtische produced 13.5% more premiums and Donau Versicherung 20% more in fact than in the previous year. It should be positively noted that, in domestic business, the Wiener Städtische Group wishes to extract itself from the downward trend with the single-premium insurance policies and could record considerable increases here also. Approximately 75,000 policies were concluded in the Group in the area of government-sponsored future pensions.

The Wiener Städtische Group abroad

The high premium growth of the accounted premium income of the Group's foreign insurance companies could also be maintained in 2003. Overall, around 19.9% more accounted premiums were produced at the foreign insurance companies in 2003 than in the previous year. The total amount of accounted premiums stood at EUR 1,064.84 million for the year 2003. As a result, for the first time and as planned, more than one billion euro was collected in premiums outside of Austria in 2003.

The ratio of accounted premiums for foreign Group companies to the total premium of the Group already amounted to almost one third in the reporting period. Kooperativa Prague should be highlighted in particular as it has

exceeded 20 billion Czech Kroner (approximately EUR 618 million) in accounted premiums for the first time with a growth in premium of 22.3%.

Latest news

Increase in shares in BA-CA Versicherung and in Union Versicherung

In November 2003, Wiener Städtische and Bank Austria Creditanstalt reached an agreement regarding the acquisition of shares in BA-CA Versicherung (formerly CA Versicherung) and in Union Versicherung. The participation of Wiener Städtische AG in BA-CA Versicherung was increased by 40% to 90% now. The share in Union Versicherung was likewise increased. Wiener Städtische now holds 45% of the shares in this company.

Support for the cathedral renovation

In collaboration with Erste Bank, Wiener Städtische is supporting the refurbishment of the Stephansdom (St. Stephan's Cathedral) in Vienna. Two extensive posters are affixed to the scaffolding of the south spire for the duration of the refurbishment. This slogan has been on the Wiener Städtische banner since December 2003: "Only He understands your concerns better than us". The net proceeds of the 3-year leasing of the advertising space benefits the cathedral renovation.

Sponsorship of the "Diagonale"

The "Diagonale" – the Austrian film festival – took place in Graz for the 7th time from 3rd to 5th March 2004. The "Diagonale" showed all Austrian feature films and documentary films at the festival that had their cinema premiere in 2003/2004. In addition, cinema premieres and a selection of the best short, avant-garde and cartoon films/videos were presented. Wiener Städtische has supported this festival since its inception.

Wiener Städtische Preference Share

Wiener Städtische Versicherung's preference share listed

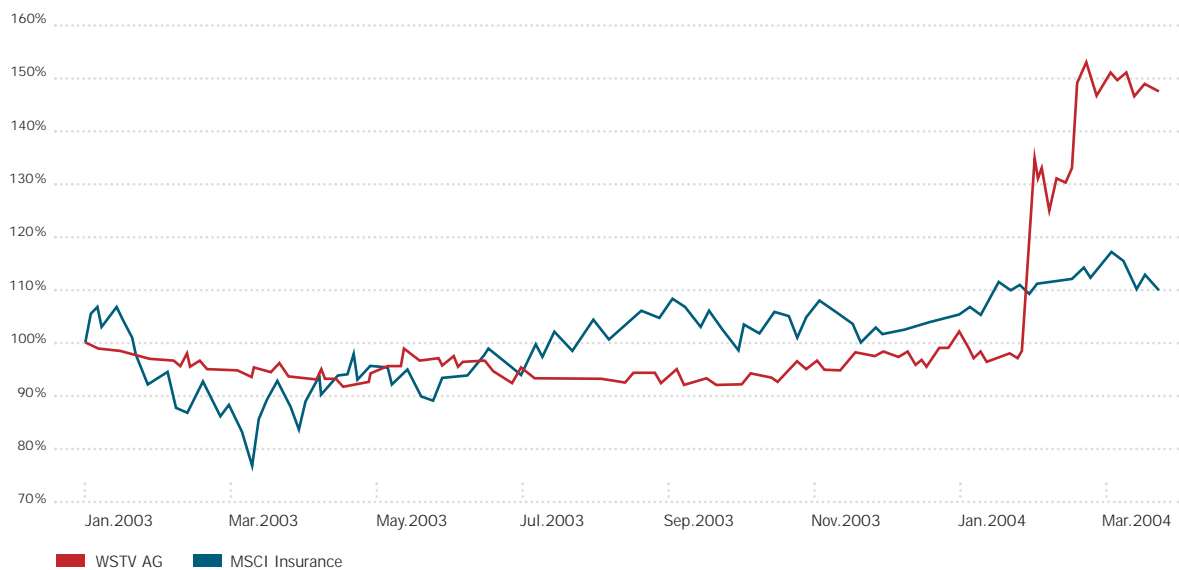
in official trading on the Vienna stock market remained largely stable in the course of 2003. The year-end 2002 level of EUR 116.00 was exceeded at the year-end 2003 by 2.16% at EUR 118.50. Taking into account the dividend paid out of EUR 2.20 for the 2002 financial year, this yielded a return of more than 4% for the preference share for the year 2003.

The Managing Board announced its aim for the 2003 financial year to wish to increase the dividend of the preference share to approximately EUR 3.

The provisional year-end results announced at the press conference on 29th January 2004, combined with the promised capital measures, were very positively accepted by the capital market. The share was quoted at EUR 172 on 22nd March 2004. That represents an appreciation in value by 45.15% since 1.1.2004. As a result, the MSCI Insurance index has been outperformed by approximately 43% since the start of 2004.

CHART COMPARISON WSTV VS. MSCI INSURANCE

1st January 2003 - 22nd March 2004



Dr. Günter Geyer
General Manager

Dr. Franz Lauer
General Manager

Mag. Christian Brandstetter
Director on the Managing Board

Kurt Ebner
Director on the Managing Board

Dr. Rudolf Ertl
Director on the Managing Board

Dkfm. Karl Fink
Director on the Managing Board

Ing. Mag. Robert Lasshofer
Director on the Managing Board

