

# Letter to the Shareholders

1st Half of 2001



## Dear shareholder,

as you certainly already know, the company has changed its top management. The Supervisory Board of Wiener Städtische appointed Kurt Ebner and Dr. Rudolf Ertl members of the Board of Management and Dr. Günter Geyer chairman of the company, effective July 1, 2001. Dr. Geyer succeeded Dkfm. Dr. Siegfried Sellitsch in office, who retired after being at the head of the company for 22 years.

At the beginning of July, Wiener Städtische decided to enter into extensive co-operation with the German HUK-Coburg company and to collaborate systematically for their mutual benefit. The main aim of this border-crossing co-operation is to strengthen both groups of companies. The agreement provides for co-operation activities in all areas which are considered to help reach common or individual goals; one of them being primarily the joint advance into new markets in Eastern Europe. A further point of common interest are the realization of joint projects in the fields of information technology, e-commerce and investments.

Both partners of this co-operation, which is based on absolute equality, will remain completely independent. Their nature as an Austrian or German insurance company respectively will be preserved as well as their historically grown identities.

In 2000, the HUK-Coburg Insurance Group posted a total turnover of more than ATS 48,000 million. The traditional focus of business activities lies in the auto insurance division, yielding about 60% of the income from contributions. HUK-Coburg is Germany's second largest insurance company in the auto division and also holds the same market position in household and private third-party liability insurance. Over the past years it scored a strong growth in personal insurance, especially in private health insurance.

A first step of this new co-operation was the joint purchase of the two Polish insurance companies Compensa Non-Life and Compensa Life concluded in July 2001; the two companies together generate an income from premiums of little under ATS 1,000 million.

This present report for the 1st half of 2001 will give you detailed information about the business development of Wiener Städtische Allgemeine Versicherung Aktiengesellschaft and the Wiener Städtische group.

Dr. Günter Geyer  
Chairman

Dr. Franz Lauer  
Vice-Chairman

Kurt Ebner

Dr. Rudolf Ertl

Dkfm. Karl Fink

Ing. Mag. Robert Lasshofer

Members of the Board of Management



## Wiener Städtische in the 1st Half of 2001

In the first half of 2001, Wiener Städtische Allgemeine Versicherung was able to increase its income from premiums written (direct insurance) in all divisions to ATS 11,163 million, which constitutes a plus of 8.8% relative to the comparable period in 2000.

### WIENER STÄDTISCHE KEY FIGURES

in million ATS	1st half of 2001	Change rel. to 2000
Earned premiums (direct insurance)	10,216	9.2 %
Property & Casualty	4,228	5.9 %
Health	1,748	3.8 %
Life	4,240	15.3 %
Benefits paid (direct insurance)	8,323	15.4 %
Operating expenses	2,450	-0.2 %
Financial result	1,638	-18.5 %
Total investments	90,659	2.2 %*

\*Change relative to December 31, 2000

Thus, the Wiener Städtische preferred share scored market growth rates considerably above the growth rates of the whole Austrian insurance market. Of the total premium income, property & casualty accounted for 41.3%, life for 41.5% and health for 17.1%.

**Benefits paid** experienced different developments according to the various divisions. Especially the auto divisions and the fire insurance division registered a significant improvement in results thanks to a decrease in claims. On the other hand, endowment payments went up sharply due to maturing tax-privileged five-year one-time-payment life insurance policies sold in 1996.

In the first half of 2001, **costs** (excluding commissions) decreased by 1.0% to ATS 1,910 million compared to

the previous year. Non-personnel costs fell by 9.1% to ATS 733 million.

The **financial result** amounted to ATS 1,638 million by end of June, which is 18.5% less than in 2000. Whereas the ordinary financial result showed a moderate rise of 1.3%, which can be attributed to different distribution times of dividend payments relative to the comparable period in 2000, the extraordinary segment suffered a marked deterioration in results due to a decline in prices at the international share markets which had already been registered in the first half of 2001.

### PROPERTY & CASUALTY

in million ATS	1st half of 2001	Change rel. to 2000
Earned premiums	4,228	5.9 %
Auto divisions	1,567	6.1 %
Non-auto divisions	2,660	5.8 %
Benefits paid (direct insurance)	2,970	-10.6 %

In the first half of 2001, **property & casualty** generated a total plus in premiums of 5.9%. The **auto insurance** division posted an increase of 6.1% with a premium income amounting to ATS 1,576 million, whereas claim payments went down by 6.9% to ATS 1,188 million compared to 2000, thus reducing the loss ratio from 86.4% to 75.8%. The result registered in the **non-auto divisions** also shows an extremely satisfactory development. Income from earned premiums amounted to ATS 2,660 million, claims amounted to ATS 1,818 million. Fire insurance in particular improved its result significantly due to a massive decline in benefits paid, as in 2001 no substantial claims comparable to 2000 were registered. Income from premiums amounted to ATS 554 million, whereas benefit payments in the fire divisions amounted to ATS 239 million, which is equivalent to an improvement in the loss ratio from 91.6% to 43.1%. Storm damage insurance also posted an outstanding result, scoring a plus in premiums of 7.8%, with the loss ratio dropping from 77.1% to 33.3%.



## LIFE

in million ATS	1st half of 2001	Change rel. to 2000
Earned premiums	4,240	15.3 %
Regular premiums	2,490	5.5 %
One-time payments	1,750	33.1 %
Benefits paid	3,924	62.3 %
Change in premium reserve	474	-

In the first half of 2001, the **life/pension insurance** division scored the biggest growth rate with a plus in premiums of 15.4%, a development which had already been registered in the last years. Once again one-time payments experienced a particular strong upswing, with a plus of 33.1%. In the case of regular-premium provision products the increase in premium income amounted to 5.5%. However, business from January to June 2001 remained slightly below plan due to a moderate slump in one-time-payment business in the fund-linked life insurance division, which is attributable to the negative development on the market.

## HEALTH

in million ATS	1st half of 2001	Change rel. to 2000
Earned premiums	1,748	3.8 %
Benefits paid	1,429	-2.8 %

In the first half of 2001, **health insurance** posted a growth in premium income of 3.8% relative to the comparable period of 2000, with an income from earned premiums of ATS 1,748 million. This development can mainly be attributed to rate adjustments, which were slightly higher than in the previous years, due to calculations based on new mortality tables. However, benefits paid fell by 2.8% within the same period. With regard to benefits expected to be paid out in the second half of 2001, benefit payments effected in the whole business

year of 2001 are forecast to remain at almost the same level as in 2000.

Since September 1, 2001 Wiener Städtische has been offering a special service available on its homepage ([www.wienerstaedtsche.at](http://www.wienerstaedtsche.at)) to its approximately 200,000 special care class customers and also to all other people interested in the subject, namely the possibility of getting free information on almost all questions regarding health. Only by striking a key, a wide range of medical information will be at your disposal, no matter if you are looking for your nearest physician, a pharmacy or a hospital.

## The Wiener Städtische Group in the 1st Half of 2001

In the first half of 2001, the **Wiener Städtische Group** posted a growth of income in consolidated premiums written of 13.8% to ATS 21,441 million, of which ATS 16,638 million were generated in Austria and ATS 4,803 million abroad. These results are an impressive proof of the successful business operations of the Wiener Städtische group.

The group's **foreign subsidiaries** once again turned out to be mainly responsible for this growth of business, with the life insurance division playing a more and more important role. Both the two Kooperativa companies in the Czech Republic and in Slovakia as well as Union Biztosító in Hungary more than doubled their premium volumes in the first six months of 2001 compared to 2000. An outstanding result was also achieved in Poland with the newly founded life insurance company Vienna Life.

One of the main reasons for business growth abroad, amounting to 29.2%, was the acquisition of the two Polish insurance companies Compensa Non-Life and Compensa Life. Wiener Städtische and HUK-Coburg



each took 50 % of the interests exposed for sale. Compensa Non-Life was founded in 1990, which makes it one of the oldest private insurance companies of Poland. Holding a market share of 1.9%, Compensa Non-Life is ranking 8th on the non-life market, with the auto division business being its main centre of business activities. Compensa Life has been on the market since November 1997 and is considered one of the most dynamically growing insurance companies in Poland. The range of products offered is mainly keyed to private customers. The annual income from premiums of

both Compensa companies amounts to just under ATS 1,000 million.

Further operations abroad were conducted in Slovakia, where Kooperativa Bratislava secured 90% of the interests in Komunálna poisťovňa, a.s., and in Croatia: the merger of Kvarner osiguranje d.d. and Wiener Städtische osiguranje d.d. considerably enlarged the range of products in Croatia. Wiener Städtische holds 75% of the merged Kvarner Wiener Städtische osiguranje company.

## Participating interests in Austria

in million ATS	Premiums written 1st half of 2001	Change rel. to 2000	Non-life 1st half of 2001	Change rel. to 2000	Life 1st half of 2001	Change rel. to 2000
Donau	3,926	8.6 %	2,723	4.7 %	1,203	18.4 %
Montan	250	34.3 %	250	34.3 %	-	-
CA Versicherung	1,259	26.2 %	13	-	1,245	25.4 %
Union	2,012	18.8 %	32	13.0 %	1,980	18.9 %

## Participating interests abroad

in million ATS	Premiums written 1st half of 2001	Change rel. to 2000	Non-life 1st half of 2001	Change rel. to 2000	Life 1st half of 2001	Change rel. to 2000
Kooperativa (Slovakia)*	556	32,3 %	380	14,5 %	176	100,7 %
Kooperativa (Czech Republic)	3.055	21,6 %	2.618	13,7 %	437	109,7 %
Heros (Poland)	185	18,6 %	185	18,6 %	-	-
Union Biztosító (Hungary)	129	146,6 %	12	36,5 %	117	168,7 %
InterRisk (Germany)	587	1,9 %	334	3,1 %	254	0,4 %
WS Kvarner (Croatia)**	55	-	37	-	17	-
Vienna Life (Liechtenstein)	1	-	-	-	1	-
Vienna Life (Poland)	4	-	-	-	4	-
Compensa (Poland)***	463	-	407	-	56	-

\* in 2001 incl. Komunálna with a premium of ATS 47 mio., \*\* in 2001 merger Wiener Städtische osiguranje/Kvarner, \*\*\* comparative figures of 2000 without InterRisk Life



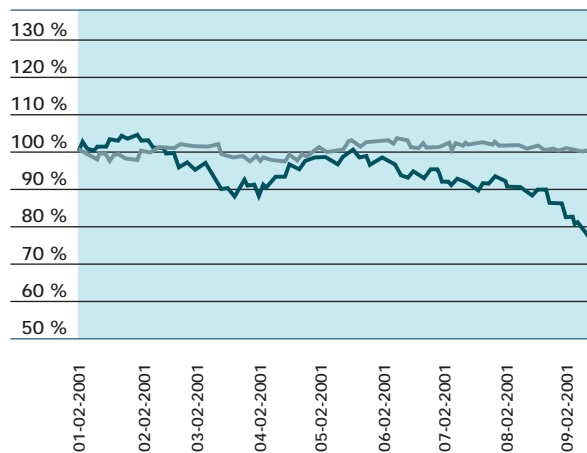
## The Wiener Städtische Preferred Share

The Wiener Städtische preferred share, listed at the Vienna Stock Exchange, also became stabilized at a high level in January to August of 2001 and was quoted at EUR 115.10 on September 24, 2001. Whereas the world-wide Morgan Stanley Insurance Index suffered considerable losses, the Wiener Städtische preferred share remained stable and therefore constitutes an extremely sound investment.

### COMPARATIVE CHART

#### Wiener Städtische Preferred Share vs. MSCI

January 1, 2001 – September 21, 2001



● MSCI ● Wiener Städtische Preferred Share

MSCI: Morgan Stanley Insurance Index (world-wide)

## Outlook

Regarding the group's foreign subsidiaries, the group's prime goal is to consolidate and integrate the touted companies as well as to secure sustained growth of the operating earning capacity of all company segments. Furthermore, current restructuring measures will be continued. In addition, Kooperativa Bratislava participated in the first round of the tender procedure for the forthcoming sale of the state-owned Slovenská poisťovňa company.

Wiener Städtische expects to considerably improve its actuarial business result in 2001 relative to the previous business year of 2000, one of the main reasons being the turn-around in the auto divisions. The measures which have already been taken occasion expectations for a sharp decline in the loss ratio. In life insurance priority is given to re-investing maturing policies. "Private old-age provision" will remain an important topic of public discussion and a strong motive for effecting individual old-age provision products also in the future. Concerning incurring of costs, Wiener Städtische will be able to present a marked ease compared to the previous year. The development of the financial result, which at present is considerably influenced by the negative developments on the capital markets, will be difficult to assess.

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