

Letter to the Shareholders

First Three Quarters of 2002

**WIENER
STÄDTISCHE** 
ALLGEMEINE VERSICHERUNG AKTIENGESELLSCHAFT



Dear shareholders,

This report is intended to inform you in detail about the business development of the Wiener Städtische Allgemeine Versicherung Aktiengesellschaft and the Wiener Städtische Group in the first three calendar quarters of 2002.

Dr Günter Geyer
Chairman

Dr Franz Lauer
Vice-Chairman

Kurt Ebner
Director

Dr Rudolf Ertl
Director

Karl Fink
Director

Robert Lasshofer
Director

Wiener Städtische AG in the first three quarters of 2002

WIENER STÄDTISCHE KEY FIGURES

Euro millions	1 st -3 rd quarters 2002	Change from last year
Period premiums, direct	1,158.37	6.4 %
Property & casualty	510.95	12.3 %
Health	198.15	3.0 %
Life	449.27	1.9 %
Insurance benefits, direct	866.45	0.4 %
Cost of insurance operations	260.77	2.5 %
Financial results	27.32	-71.5 %
Value of capital investments*	6,681.05	1.6 %

* Change from 31st December 2001

In the first three calendar quarters of 2002, Wiener Städtische AG earned **period premiums** in direct business and in all divisions totaling Euro 1,158.37 million. Compared with the preceding year this represents the considerable increase of 6.4 percent. Growth was well above the market rate, particularly in property and casualty insurance, where it was 12.3 percent. Even the life assurance division was able to increase its premiums volume in the first three quarters of this year by 1.9 percent over the previous year's figure despite the very difficult situation with a slack economy and a volatile capital market. Out of the total premium reve-

nue in the first three quarters of this year, about 44 percent came from property & casualty, about 39 percent from life assurance, and about 17 percent from health insurance.

Insurance benefits rose by 0.4 percent over the comparable period in the preceding year. It should be noted here that the losses suffered as a result of the disastrous flood in August have already been shown in the insurance benefits. The costs of insurance operations rose by 2.5 percent.

Financial results in the first three quarters of this year were depressed by the highly negative performance of all the world's major stock markets. The volatile situation on the capital markets, however, does not permit any reliable forecast to be made at the moment of the write-downs that will be necessary by the time the accounts are closed for the year.

The value of the capital investments of Euro 6,681.05 million has been calculated without the capital investments of the fund-related life assurance business, which come to Euro 129.87 million.

PROPERTY AND CASUALTY INSURANCE

Euro millions	1 st -3 rd quarters 2002	Change from last year
Period premiums, direct	510.95	12.3 %
Auto insurance	185.71	8.5 %
Non-auto insurance	325.25	14.5 %
Insurance benefits, direct	401.95	20.3 %

In the first three quarters of 2002, **property & casualty insurance** achieved an increase in premiums of 12.3 percent to a total of Euro 510.95 million.

The substantial rise in insurance benefits of 20.3 percent compared with the first three quarters of last year can be explained by the extensive compensation payments, all of which came in the property & casualty division, caused by the flooding all along the River Danube and its tributaries in August this year. It is assumed that the total cost will be about Euro 50 million, but the greatest part of this will be borne by the reinsurers.

LIFE ASSURANCE

Euro millions	1 st -3 rd quarters 2002	Change from last year
Period premiums, direct	449.27	1.9%
Regular premiums	286.71	5.1%
One-time premiums	162.56	-3.4%
Insurance benefits, direct	307.09	-16.8%

Directly earned period premiums came to Euro 449.27 million in the first three quarters of 2002, or 1.9 percent above last year's premium level. A premium increase of 5.1 percent was achieved in regular premiums through an increase in the number of policies taken out for long-term pension products, whilst premiums in the one-time payment field suffered a slight decline.

The marked decline in insurance benefits is connected with the high level of payments made last year, when tax-favored 5-year single-payment policies taken out in 1996 were maturing.

HEALTH INSURANCE

Euro millions	1 st -3 rd quarters 2002	Change from last year
Period premiums, direct	198.15	3.0%
Insurance benefits, direct	157.41	-1.6%

The directly earned period premiums in **health insurance** came to Euro 198.15 million in the first three quarters of 2002, which made it possible to achieve an increase of 3.0 percent over the comparable period last year.

Insurance benefits in the same period of time came to Euro 157.41 million, which meant a decline of 1.6 percent from the comparable period last year.

The Wiener Städtische Group in the first three quarters of 2002

In the first three calendar quarters of 2002, the **Wiener Städtische Group** achieved dynamic premium growth. In total, the premiums written from the Wiener Städtische Group's direct business rose by 10.1 percent and reached Euro 2,718.61 million. The already high growth rate in the first half of the year (8.0 percent) was thus still further increased.

In the first three calendar quarters of 2002, property insurance business in Austria developed very well at Wiener Städtische AG, at Donau Versicherung (+4.1 percent) and at Wüstenrot Versicherung (+9.1 percent) as well. In the case of Wiener Städtische AG it should be noted that the take-over of the insurance portfolio of Montanversicherung with effect from 1st July 2002 is resulting in their premiums flowing to Wiener Städtische from July 2002 onwards.

In the life assurance field the sharp decline in the single-payment business in the first half of the year has left its mark, but it proved possible to reverse the trend in the third quarter. The heavy declines in premium revenue in the first months of 2002 have been partly halted, particularly in recent months. Union Versicherung as a specialist in life assurance achieved an increase in premiums of 26.1 percent during the period under review. Donau Versicherung can also point to positive growth in premiums in the life assurance field during these first three quarters.

Affiliated companies outside Austria

In the first three quarters of 2002 the foreign affiliates of Wiener Städtische were able to achieve very high growth rates. An increase in premiums of 32.7 percent

AFFILIATED COMPANIES IN AUSTRIA

Euro millions	1 st -3 rd quarters 2002	Year/year change	Non-Life	Year/year change	Life	Year/year change
Donau Versicherung	396.79	3.3%	278.36	4.1%	118.43	1.7%
Montan	21.78	-	21.78	-	-	-
CA Versicherung*	95.43	-27.9%	0.58	-50.0%	94.85	-27.7%
Union**	259.04	25.8%	3.71	7.4%	255.33	26.1%
S-Versicherung***	573.72	5.0%	8.36	13.2%	565.36	4.9%
Wüstenrot Versicherung****	403.93	-2.7%	114.22	9.1%	289.71	-6.6%

* Holding of 50%

** Holding of 33.3%

*** Holding of 30% through Donau Versicherung

**** Holding of 31.6%

(to Euro 664.49 million) over the comparable period last year meant that the growth rate in premiums achieved in the first half of this year had even been exceeded. The main engines of growth proved to be the Slovakian affiliate, Kooperativa, with a growth rate of 83.6 percent, and the Czech Kooperativa with 17.2 percent. The smaller companies such as Union Biztosito in Hungary (+25.5 percent), the Croatian Kvarner (+65.7 percent), the Romanian Unita (+60 percent), or the Slovakian Komunalna (+50.3 percent) also contributed to this outstandingly good result.

Latest news

New Director for foreign business

The Supervisory Board has appointed Mr. Christian Brandstetter to the Management Board with effect from January 1st, 2003, thus increasing the managing body of Wiener Städtische to seven persons. In his new Board position Mr. Brandstetter, who has already been the manager of the Wiener Städtische Foreign

AFFILIATED COMPANIES OUTSIDE AUSTRIA

	Euro millions 1 st -3 rd quarters 2002		1 st -3 rd quarters 2002	Year/year change	Local currency / millions			Year/year change
					Non-Life	Year/year change	Life	
Kooperativa (SK)	99.62	SKK	4,165	83.6%	2,842	110.4%	1,322	44.2%
Kooperativa (CZ)	409.62	CZK	12,405	17.2%	10,393	15.2%	2,013	29.1%
Heros (PL)	16.51	PLN	68	2.3%	68	2.3%	0	-
Union Biztosító (H)	15.69	HUF	3,825	25.5%	507	58.1%	3,318	21.7%
InterRisk (D)	65.40	EUR	65	3.4%	37	4.9%	28	1.6%
WS Kvarner (HR)	9.54	HRK	70	65.7%	41	48.9%	29	96.6%
Vienna Life (FL)	3.39	EUR	3	-	0	-	3	-
Vienna Life (PL)	1.34	PLN	5	210.1%	0	-	5	210.1%
Unita (RO)	12.62	ROL	410,974	60.0%	339,449	66.3%	71,526	35.5%
Compensa (PL)	35.94	PLN	147	-7.3%	109	-19.8%	38	67.6%
Komunalna (SK)	7.66	SKK	320	50.3%	241	72.6%	79	7.7%
Kupala (BY)	1.94	BYR	3,633	32.9%	3,633	32.9%	0	-
Bulgarski Imoti (BG)	4.49	GBN	9	44.8%	5	10.0%	4	147.0%

Department, will be mainly concerned with further development of the foreign business.

Preparations in hand for closer collaboration with HUK-Coburg

In November the common stock of Wiener Städtische AG was bought back from BA-CA by Wiener Städtische Wechselseitige Vermögensverwaltung, a mutual property management company that now once again holds 100 percent of the common stock of Wiener Städtische AG. This does not affect the preferred stocks that are traded on the stock market. The idea is being considered of offering to sell the German HUK-Coburg some of the shares that have now been bought back from BA-CA as part of the already existing partnership arrangements; this sale is planned in return for shares in HUK-Coburg.

Premium-reduced pension plans

From January 1st, 2003, onwards Wiener Städtische will be selling a product for the new government-promoted pension plan. This supplementary pension plan from Wiener Städtische benefits from a government incentive of up to Euro 176 in 2003. The amount of the government subsidy will be redefined each year and will be based on statutory regulations. Wiener Städtische guarantees that the pension payment will be at least equal to the premiums that have been paid in plus the government subsidy, regardless of the developments of the capital markets. Other modules can be added such as exemption from paying premiums while the insured party is sick or hospitalized or during maternity leave. Wiener Städtische will pay the premiums during these periods. Other benefits from this pension plan consist of tax concessions. No insurance tax or capital gains tax is payable. Paid out for the whole of the insured party's remaining lifetime, this premium-reduced pension is even exempt from income tax.

Further expansion in the east

Wiener Städtische has been continuing its shopping expedition through Slovakia, the Czech Republic, and Romania, but its geographical expansion has now finished for the moment. In Slovakia, two-thirds of the shares in the life assurance company of Kontinuita have been taken over, which has a premium income of about 400 million Slovakian Crowns (Euro 10 million). In the Czech Republic, the Städtische subsidiary Kooperativa has taken over the entire automotive portfolio from Komerčni poistovna, the insurance subsidi-

ary of Komerčni Bank. Negotiations are currently in hand with Komerčni Bank on cooperation in the Czech Republic along the same lines as the existing arrangements with Raiffeisen in Romania and the Steiermärkische Sparkasse in Croatia. In Romania, the Städtische subsidiary Unita has taken over the majority of the shares in the leading Romanian agricultural insurance company, Agras Omniasig. It is now the aim of Wiener Städtische to consolidate its market position in Eastern and Central Europe.

Holding in Wienerberger increased

In November Wiener Städtische took over a package of shares totaling 7 percent in Wienerberger from the Belgian majority stockholder Koramic. This was a logical further step along the route already taken by Wiener Städtische: doing the long-term participation as a core stockholder at well-known Austrian companies. The aim is not only to earn the highest possible dividends but also to make a contribution towards keeping well managed companies in Austrian hands and securing Austrian jobs. Wiener Städtische also participated in the latest capital increase of Voestalpine, and the Städtische's portfolio already includes holdings in prestigious and traditional Austrian companies such as OMV, Böhler-Uddeholm, Vienna Airport, AUA, Semperit Holding, Porr, the travel agency "Verkehrsbüro", Augarten Porzellan, Steirerobst, and Casinos Austria.

Cooperative advertising campaign with Palmers

The textile manufacturer Palmers and Wiener Städtische started a joint advertising campaign in November which was the first time that two different industries had appeared on one poster all over Europe. The eye-catching Palmers poster was given a sticker from Wiener Städtische with the slogan "Nice, but how's your retirement pension shaping up?" It draws attention to the "Woman Plus" pension product, which has been designed specifically for women. Women who decide to join the "Woman Plus" plan are given tokens of Palmers.

Campaign for sales representatives – recruiting

As a potential employer Wiener Städtische has created a campaign for recruiting staff. The "Help us to grow" campaign is intended to strengthen the sales force with up to 300 new recruits. Städtische employees can recommend any of their friends and acquaintances who are prepared to take up the challenges of an insurance consultant.

Wiener Städtische Preferred Stock

The stock markets showed a very negative performance in the third quarter and achieved new lows for the year. The chart comparison with the Dow Jones Stoxx Insurance index shows how stable Wiener Städtische shares have been. The Dow Jones Stoxx Insurance is

an index made up of the main European insurance shares. Since the beginning of 2002, the Dow Jones Stoxx Insurance has lost almost half its value, with a slump of 47.3 percent.

In contrast to this Wiener Städtische AG preferred stocks have held up relatively well. With a price of Euro 110.00 on 10th December 2002, however, they have not been entirely able to escape the general trend – but the overall decline since the beginning of the year has only been 4.3 percent.

CHART COMPARISON: WSTV VS. DOW JONES STOXX INSURANCE



● WSTV ● DOW JONES STOXX INSURANCE

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