

Letter to the Shareholders

1st Quarter 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 Versicherungsgesellschaft and the Wiener Städtische Group of Companies in the first Quarter of 2002.

Dr. Günter Geyer
Chairman

Dr. Franz Lauer
Vice-Chairman

Kurt Ebner
Director

Dr. Rudolf Ertl
Director

Dkfm. Karl Fink
Director

Ing. Mag. Robert Lasshofer
Director

Wiener Städtische in the 1st Quarter of 2002

WIENER STÄDTISCHE – KEY FIGURES

Euro million	1 st Quarter 2002	Change from last year
Period premiums, direct	383.55	-2.2%
property & casualty	176.33	10.3%
health	64.74	3.3%
life	142.49	-16.1%
Insurance benefits, direct	270.56	-6.8%
Operating expenses	95.06	0.2%
Financial result	71.76	148.4%
Value of capital investments	6,812.44	1.5%

In the first quarter of 2002, Wiener Städtische achieved **period premiums** across all its divisions in direct business of Euro 383.56. Compared with the preceding year this represented a decline of 2.2 percent in total. This is exclusively attributable to a sharp fall in premium income from one-time-premium life insurance, whereas substantial growth was achieved in property & casualty and health insurance. Total premium income consisted of 46 percent from property & casualty insurance, 37 percent from life insurance, and 17 percent from health insurance.

Insurance benefits paid fell in the first quarter by the

satisfying figure of 6.8 percent. In the area of costs there was likewise a reduction of 0.2 percent from last year. Whilst material costs fell by 1.1 percent, personnel costs rose slightly by 0.3 percent, which is mainly attributable to increases in personnel reserves. The operating expenses, which in addition to personnel and material costs also include commission payments, rose by 0.2 percent to Euro 95.06.

After a difficult year in 2001, the **financial result** started to show a positive trend again. We managed to increase it by 148.4 percent in comparison with the first quarter of the preceding year, which is attributable to the improvement in the extraordinary results; these rose by almost Euro 40 million over the comparable period a year ago as a result of the sale of four hotels in February.

PROPERTY & CASUALTY INSURANCE

Euro million	1 st Quarter 2002	Change from last year
Period premiums, direct	176.33	10.3%
auto insurance	62.46	9.5%
non-auto	113.87	10.7%
Insurance benefits, direct	113.16	6.2%

An increase in premiums of 10.3 percent to Euro 176.33 was achieved in **property & casualty insurance** in the first quarter of 2002. This highly satisfying increase in premium income came in equal measure from the auto insurance division (+ 9.5 percent) and

the non-auto division (+ 10.7 percent).

The loss ratio in direct business in all the property & casualty divisions was likewise most satisfactory, and at 60.8 percent was 2.2 percentage points better than in the first quarter of 2001. In auto insurance the restructuring program initiated last year is beginning to have its effect, and as a result it proved possible to reduce the loss rate by 4.5 percentage points. In the non-auto divisions, and especially in flight insurance, an enormous increase in premiums followed the events of September 11, 2001, and a far greater premium income was achieved than in the comparable period a year earlier.

In the first quarter of 2002 there was a major compensation payment in the fire and interruption to operations insurance as a result of a fire. This was almost entirely covered by reinsurance, and the amount of the loss that Wiener Städtische has to carry is in actual fact very small.

As the result of a violent storm that caused substantial damage in Vienna and Lower Austria in January, the storm damage insurance business produced worse results than in the comparable quarter a year ago, when relatively little damage occurred.

LIFE INSURANCE

Euro million	1 st Quarter 2002	Change from last year
Period premiums, direct	142.49	-16.1%
current premiums	97.74	2.9%
single premiums	44.75	-40.2%
Insurance benefits, direct	107.36	-17.2%

As a result of a sharp drop in one-time-premium policies, 16.1 percent less premiums were earned in the first quarter of 2002 than in the comparable period a year earlier. In **life insurance** with regular premiums it proved possible to increase direct premium income by 2.9 percent.

The sharp drop in insurance benefits paid is connected with the high level of payments made in the preceding year, which in turn resulted from the expiry of 5-year one-time-premium policies that had been boosted by tax concessions in 1996.

HEALTH INSURANCE

Euro million	1 st Quarter 2002	Change from last year
Period premiums, direct	64.74	3.3%
Insurance benefits, direct	50.04	-7.6%

In **health insurance** the period premiums from direct business came to Euro 64.74 million in the first quarter of 2002. This means that an increase of 3.3 percent was achieved over the comparable period a year ago.

Insurance benefits paid in the first quarter of 2002 amounted to Euro 50.04 million, which means a reduction from the level in the comparable period a year ago of 7.6 percent. However, this perceptible reduction in benefits was partly due to the change in the charging agreement between the association of private health insurance companies and the medical profession in Vienna. Correspondingly higher benefits can be expected in the coming quarters of the current year.

The Wiener Städtische Group in the 2002 financial year

The **Wiener Städtische Group of Companies** achieved a respectable profit in the first quarter of 2002. Billed premiums from the direct business of the Wiener Städtische Group rose in total by 7.1 percent to Euro 1,081.39 million.

In **Austria** the poor state of the worldwide stock markets resulted in a collapse in life insurance. Nearly all Austrian insurance companies have recorded a serious decline in premium income. In addition to UNIQA, Raiffeisen Versicherung, Generali, Wüstenrot, Interunfall, and Wiener Städtische, CA-Versicherung and Donau also saw declines in their premium income in the field of life insurance. The trends in premiums of the other big life insurance companies such as Allianz-Elementar or the Union, which belongs to the Wiener Städtische Group, were likewise marked by only small growth. Only the market leader, S-Versicherung, was able to increase its billed premiums in life insurance

DOMESTIC INVESTMENTS

Euro million	1 st Quarter 2002	Change from last year	Non-life	Change from last year	Life	Change from last year
Donau Versicherung	157.15	-2.9%	126.08	0.6%	31.07	-15.0%
Montan	12.87	21.3%	12.87	21.3%	-	-
CA Versicherung	28.06	-26.2%	0.26	77.8%	27.81	-26.6%
Union	85.50	1.3%	1.20	6.6%	84.30	1.2%
S-Versicherung*	240.31	18.4%	2.92	12.6%	237.39	18.5%
Wüstenrot Versicherung**	159.55	0.5%	40.97	7.2%	118.57	-1.6%

* A participation of 30% through Donau Versicherung

** A participation of 31,6%

by 18.5 percent. In the non-life field Montan-Versicherung, which specializes in industrial clients, continued its growth with a premium increase of 21.3 percent.

Abroad the Wiener Städtische Group continued its expansion course further in Central and Eastern Europe, entering the market in Bulgaria by acquiring the two Bulgarski Imoti insurance companies (life and non-life). With more than 200 employees, the company had already produced a profit last year which in all probability will increase further in the coming years with the support of Wiener Städtische in this rapidly growing market. The Group also entered the Serbian market by acquiring Evropa, the No. 4 insurance company in that market.

The business of the foreign subsidiaries of Wiener Städtische developed outstandingly well in the first three months of the current year. An enormous growth rate was achieved once again: an increase in premium income of 37.4 percent over the comparable period a year ago, with billed premiums of Euro 271.06 million. This growth clearly demonstrates that the Wiener Städtische Group's foreign business strategy is the right one, as no comparable growth rates can be achieved on the Austrian insurance market. By reason of having entered the growth markets of the former East Bloc at the right moment the Group now finds itself in the very satisfactory position of being able to benefit directly from the economic upswing expected in these countries in the next few years.

FOREIGN INVESTMENTS

Euro million	1 st Quarter 2002	Change from last year	Non-life	Change from last year	Life	Change from last year
Kooperativa (SK)	47.31	163.8%	39.27	207.9%	8.03	55.2%
Kooperativa (CZ)	166.76	28.6%	148.40	28.9%	18.36	26.2%
Heros (PL)	6.59	5.2%	6.59	5.2%	-	-
Union Biztosító (H)	5.72	7.1%	0.78	50.2%	4.94	2.5%
InterRisk (D)	22.65	2.9%	13.48	4.1%	9.17	1.2%
WS Kvarner (HR)	2.82	72.3%	1.68	54.1%	1.13	109.0%
Vienna Life (FL) *	1.49	-	-	-	1.49	-
Vienna Life (PL)	0.43	350.2%	-	-	0.43	350.2%
Compensa (PL)	13.18	-14.7%	9.93	-25.3%	3.26	50.3%
Komunalna (SK)	4.08	121.5%	3.54	157.2%	0.54	16.6%
Unita (RO)	6.11	27.5%	5.36	30.1%	0.76	11.7%

* Premium income for the first quarter of 2001 was Euro 19,600

Premium income has more than doubled in Slovakia, which is, of course, mainly attributable to the liberalization of third-party auto insurance at the end of last year and the new-customer business it was thus possible to gain. With the exception of the Compensa companies, which are currently undergoing a restructuring phase, all the foreign subsidiaries of Wiener Städtische achieved outstandingly good profits in the first quarter. The increase of almost 30 percent in the billed premiums of the Group's biggest foreign subsidiary, Kooperativa in the Czech Republic, deserves particular mention. Kooperativa Prague, with billed premiums of Euro 166.76 million, has thus overtaken Donau (Euro 157.15 million), which is successfully established on the Austrian market.

Latest news

Whilst the premium income of Wiener Städtische AG recorded a slight minus in the first quarter of 2002 on account of the decline in life insurance business, billed premiums in April started to grow again above the previous year's level. In May, the growth in billed premiums was already 2.5 percent.

In the spring of 2002, Wiener Städtische acquired a 40-percent holding in Ringturm KAG from Bank Austria, thus bringing its holding in this company up to 91 percent. The other 9 percent remain in the hands of Österreichische Beamtenversicherung. Ringturm KAG is one of the Top Ten Austrian capital investment companies, and currently administers investments of about Euro 2.7 billion. The two biggest public investment funds are VIF (Versicherung International Fonds) and Vorsorge Rentenfonds, a fixed income fund.

The pension product "Make two out of one" is designed for a total of Euro 20 million and has been on sale since February. It is a bond issued by a subsidiary of Landesbank Kiel with the additional benefit of life insurance protection and has been selling so extremely well that it was fully sold out by the end of May.

With a new product called "Woman Plus", a flexible pensions product especially for women, Wiener Städtische is once again demonstrating its market leadership in innovative new developments. "Woman Plus" is specially designed to meet the needs of working women. "Woman Plus" gives the customer financial independence from the state pension plan and from her partner, and also takes the special situation of a woman's life into account. For instance, premium payments are suspended during maternity leave or family hospital time or if the customer is sick. The benefits include assistance during child-rearing and nursing after an accident. On top of this the minimum interest income is guaranteed, and profits are invested in accordance with the customer's preferences. The range of possibilities for investing the income under "Woman Plus" starts with a cautious policy under which 70 percent is held in fixed-interest securities and goes up to a greater risk and the possibility of far greater returns from the overall Ringturm Blue Chip fund, in which 100 percent of the investment consists of company shares.

In collaboration with SAP and the software house msg systems, Wiener Städtische is currently developing a new standard software system for insurance companies. It is planned to introduce this software throughout the Group, both in Austria and abroad. The software will be adapted to handle the national language in each case and the differences in basic insurance law and accounting standards. It is envisaged that the first modules of the entire system will start to be introduced in the Czech Republic, Slovakia, and Austria in 2004.

In Poland the fusion of Vienna Life and Compensa Life is scheduled for this year.

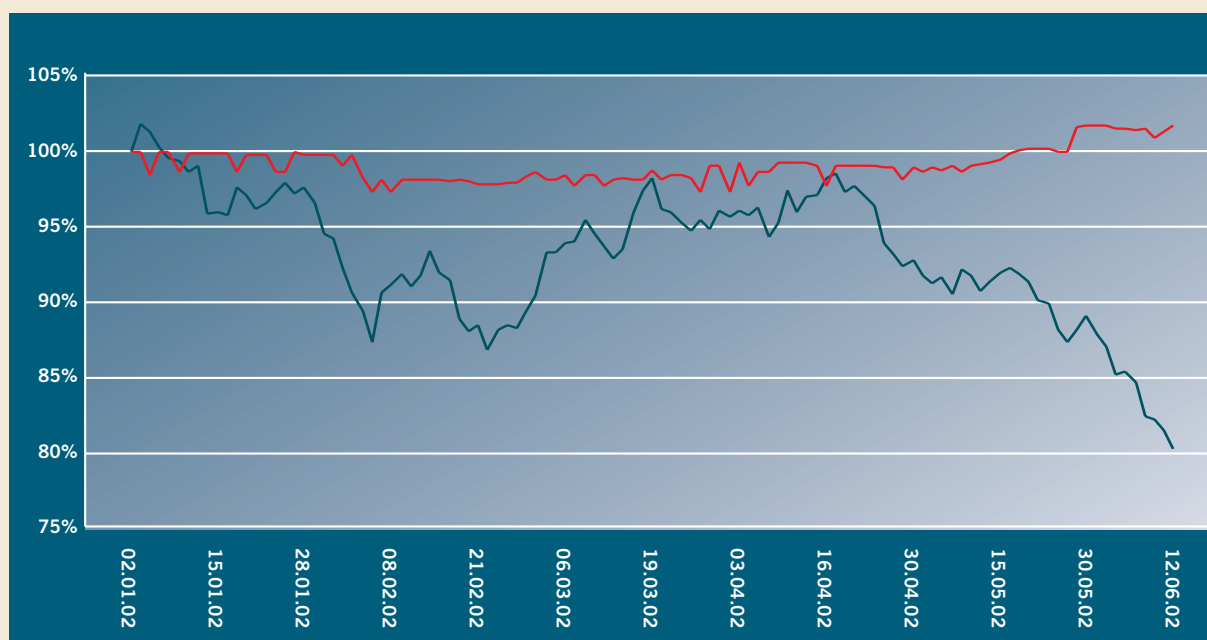
After the successful market entry in Bulgaria and Serbia, the possibility is now being investigated of an intensification of Wiener Städtische's commitment in Belarus. The aspect under discussion is an increase in the holding in Kupala, the Belarus insurance company in which Wiener Städtische has an indirect holding through its Polish insurance company, Compensa Sach.

Wiener Städtische preferred stock

The dividend on Wiener Städtische preferred stock in 2002, for the 2001 financial year, will be Euro 2.20, slightly above last year's level (Euro 2.18). The market price managed to rise slightly in the first five months of 2002, from Euro 115.10 on the last day of 2001 to

Euro 117 on June 12, 2002. This has not been an easy year so far for insurance stocks, as one can see all too easily from the stock price trend of the Dow Jones Stoxx Insurance. This index is made up exclusively of European insurance stocks such as Allianz, Axa, Generali, Aegon, Swiss Re, and Münchner Rück. Whilst the DJ Stoxx Insurance has lost about 20 percent since the beginning of the year, Wiener Städtische preferred stock has increased its value by about 1.7 percent.

COMPARISON CHART WIENER STÄDTISCHE PREFERRED STOCK (WSTV) VS. DOW JONES STOXX INSURANCE



● WSTV ● DOW JONES STOXX INSU

For further information please contact:
Wolfgang Unger, tel. +43 (0)1 531 39-1078, fax +43 (0)1 531 39-1066, eMail: generalsekretariat@staedtische.co.at
Internet: <http://www.wienerstaedtische.at>

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