

LETTER TO THE SHAREHOLDERS  
1<sup>ST</sup>-3<sup>RD</sup> QUARTER 2003

# LETTER TO THE SHAREHOLDERS 1<sup>ST</sup>-3<sup>RD</sup> QUARTER 2003

## Dear shareholder,

The present report 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 first three quarters of 2003.

## Wiener Städtische AG in the first three quarters 2003

IN EUR MILLION	1 <sup>st</sup> -3 <sup>rd</sup> quarter 2003	Change on previous year
Earned premiums, direct	1,262.96	9.0%
Property/casualty	571.71	11.9%
Health	204.61	3.3%
Life	486.64	8.3%
Insurance payments, direct	865.75	-0.1%
Operating expenses	301.38	16.6%
Financial result	161.13	-
Capital assets position <sup>*)</sup>	7,089.24	4.1%

\*) excluding unit-linked life insurance

**Earned premiums** in direct business amounting to EUR 1,262.96 million were produced across all classes of business in the first three quarters of 2003. This represents a plus of 9.0% compared with the first three quarters of the previous year. As a result, Wiener Städtische was again way above the growth of the insurance market of approximately 2%. The insurance market was clearly outperformed in the life insurance class of business in particular with a growth in earned premiums of 8.3%. Wiener Städtische's total premium income consisted of approximately 45% from property and casualty insurance, approximately 39% from life insurance and approximately 16% from health insurance.

**Insurance payments** fell in the first three quarters of this year by 0.1% compared with the corresponding period of the previous year. At the same time, it should be taken into account that a considerable increase in benefit payments will still result through the maturity by the year-end of 15-year tax-privileged life insurance policies concluded in 1988.

**Operating expenses** increased by 16.6%. The reason for the increase is primarily the commission arising due to the excellent sales result especially in life insurance.

The **financial result** of the first three quarters of 2003 at EUR 161.13 million turned out considerably better than in the corresponding period of the previous year – in which the financial result amounted to EUR 31.66 million – due to consolidation of the financial markets.

The **Capital assets position** of EUR 7,089.24 million as at 30.9.2003 is calculated excluding the investments of the unit-linked life insurance, which amount to EUR 230.14 million.

## Property and casualty insurance

IN EUR MILLION	1 <sup>st</sup> -3 <sup>rd</sup> quarter 2003	Change on previous year
Earned premiums, direct	571.71	11.9%
Motor classes	203.45	9.6%
Non-motor classes	368.26	13.2%
Insurance payments, direct	400.37	-1.0%

A premium increase amounting to 11.9% to EUR 571.71 million was achieved in property and casualty insurance in the first three quarters of 2003. This premium increase includes the takeover of Montanversicherung's portfolio as at 1.7.2002, the premiums for which in the comparable figures for 2002 are, therefore, only taken into account in the third quarter 2002.

In motor vehicle liability insurance, Wiener Städtische had to adjust premiums by only 2.9% in 2003 in spite of an increase in workshop costs well over the rate of inflation. The earned premiums of the first three quarters of the year increased by 9.9% to EUR 131.57 million by means of successful new business. The insurance portfolio could be increased by approximately 3.6% since 30.9.2002. The premium income in the motor hull class of business could also be increased by 9.0% compared with the first three quarters of 2002 due to an excellent sales result. This is all the more significant as no tariff adjustment was applied in 2003 in the motor hull class of business.

Insurance payments fell by 1.0% compared with the first three quarters of the previous year, even though a severe hail storm in May 2003 resulted in a charge on the results of the property and casualty class of approximately EUR 11.21 million overall. It should be taken into account in this regard that the result in the proper-

ty and casualty class in the first three quarters of the year 2002 was heavily weighed down by the flood disaster along the Danube and its tributaries.

### Life insurance

IN EUR MILLION	1 <sup>st</sup> -3 <sup>rd</sup> quarter 2003	Change on previous year
Earned premiums, direct	486.64	8.3%
Renewable premium	338.04	17.9%
Single-premium policies	148.60	-8.6%
Insurance payments, direct	309.68	0.7%

The earned premiums for direct business in **life insurance** amounted to EUR 486.64 million in the first three quarters of 2003 and, as a result, were above the premium level of the corresponding period in the previous year by 8.3%. In the case of renewable premiums, a premium growth of 17.9% could be produced due to an increasing number of policy conclusions for long-term pension products. Wiener Städtische's "Premium Pension" in particular sold disproportionately well. More than 30,000 policy conclusions had already been achieved by 30.9.2003. The high premium income of the first three quarters of the previous year was not maintained in the single-premium policy sector and the earned premiums of the first three quarters of 2003 were below that by 8.6%. In comparison with that, the premium income in the insurance market fell by more than 22% in the single-premium policy sector.

Insurance payments increased by 0.7% to EUR 309.68 million in the first three quarters of the current year compared with the first three quarters of 2002. In the course of the last quarter of 2003, a considerable increase in benefit payments will still result due to the maturity of 15-year tax-privileged policies concluded in 1988.

### Health insurance

IN EUR MILLION	1 <sup>st</sup> -3 <sup>rd</sup> quarter 2003	Change on previous year
Earned premiums, direct	204.61	3.3%
Insurance payments, direct	155.70	0.4%

The earned premiums for direct business in **health insurance** amounted to EUR 204.61 million in the first three quarters of 2003. As a result, an increase of 3.3% could be

achieved on the corresponding period of the previous year. Insurance payments for health insurance amounted to EUR 155.70 million, which represents an increase of 0.4% on the corresponding period of the previous year. Therefore, the increase in benefit payments is perceptibly below the increase in premium income.

### The Wiener Städtische Group in the first three quarters of 2003

The **Wiener Städtische Group** was able to produce a growth in premium of 8.5% overall to EUR 2,821.12 million in the first three quarters of 2003. This consists of a growth in premium of 5.5% for the domestic insurance companies and 17.1% in the case of the foreign insurance companies.

#### Participations in the domestic market

In addition to Wiener Städtische AG, Donau Versicherung (including a share in S-Versicherung), CA-Versicherung, Union Versicherung and Wüstenrot Versicherung also belong to the domestic group.

Property insurance business in the domestic market developed very well at Wiener Städtische in the first three quarters, but it should be taken into account that the premium growth would have turned out 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 of the first three quarters of 2003 was satisfactory in the property sector with an increase of 5.8% in accounted premiums.

The marked decline of single-premium policy business in Austria this year made itself felt in the life insurance sector. From the point of view of a fall in total premium income in life insurance of approximately 2% in the first three quarters of 2003, the premium increases in the case of the accounted premiums of Wiener Städtische (+7.8%) and Donau Versicherung (+4.7%) respectively are all the more significant.

#### Participations abroad

The high premium growth of the accounted premium income of the Group's foreign insurance companies could also be maintained in the third quarter 2003. Overall, around 17.1% more accounted premiums were produced in the case of foreign insurances in the first three quarters than in the corresponding period of the previous year. The total sum of accounted premiums reached EUR 796.73 million for the

## WIENER STÄDTISCHE GROUP 1<sup>ST</sup> -3<sup>RD</sup> QUARTER 2003

IN EUR MILLION	Accounted premium		Non-life		Life	
	1.-9.2003	+/- % of prev. y.	1.-9.2003	+/- % of prev. y.	1.-9.2003	+/- % of prev. y.
Group premiums	2,821.12	8.5	1,750.84	9.9	1,070.28	6.4
Group, domestic market	2,024.39	5.5	1,164.28	7.0	860.10	3.6
Group, foreign countries	796.73	17.1	586.55	16.2	210.18	19.8

first three quarters of 2003. As a result, it is foreseeable - as planned - that, for the first time, more than one billion euro will be achieved in the Group from outside Austria in the financial year 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. The number of employees of all the foreign insurance companies of the Group had increased by around 600 since the 2002 year-end and amounted to a good 7,800 employees as at 30.9.2003.

### Latest news

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

Wiener Städtische is endeavouring at the moment to increase its share in CA-Versicherung to 90% and that in Union Versicherung to 45%. An agreement has already been achieved with the seller, Bank Austria Creditanstalt. At the moment, the official licences for the share increase are being obtained.

#### Wiener Städtische enters the Slovenian insurance market

In Slovenia, Wiener Städtische has applied for a licence for the establishment of a branch. This is to become operational after Slovenia's accession to the EU in May 2004. Wiener Städtische will establish agencies in the most important towns of the country in order to be able to participate in the rapid growth of the Slovenian insurance market. Approximately EUR 590 per head and per year is currently spent in Slovenia for insurance protection, in the EU it is EUR 1770. Slovenia will be the fourteenth country in which the Wiener Städtische Group will be operating.

#### Joint advertising again with Palmers

Wiener Städtische's joint poster campaign with the textile

group Palmers, which started in the previous year, continued this year in the autumn: Wiener Städtische posters were put up in October, on which perfect legs are to be seen in a mini-skirt - with an unsightly ladder. Wiener Städtische's message was: "If that is your greatest concern, you are well insured". In mid-October, the posters were supplemented with an over sticker from Palmers, on which attention was drawn to Palmers' current stocking collection. By means of this poster campaign, the previous year's unique and extremely successful advertising and marketing campaign across Europe - the joint advertising of different sectors on a poster, which was viewed very positively in all market surveys - was continued.

#### Architecture exhibition "Influences and reflection"

Slovak architecture will be presented from the end of October of this year to 29.2.2004 in the Ringturm exhibition centre in Wiener Städtische's head office. Architectural creation of the 20th century in Slovakia is the topic of the current exhibition in the context of the series of events "Architecture in the Ringturm". A profile of the development of Slovak architecture will be shown under the title "Architecture in Slovakia: influences and reflection". The exhibition is orientated to the periods of political development. The world-famous sanatoria in Tatra or the one-off structural circumstances in Pistian are examples of what is to be seen. As with all the architecture exhibitions regularly taking place in the Ringturm, entry is free of charge.

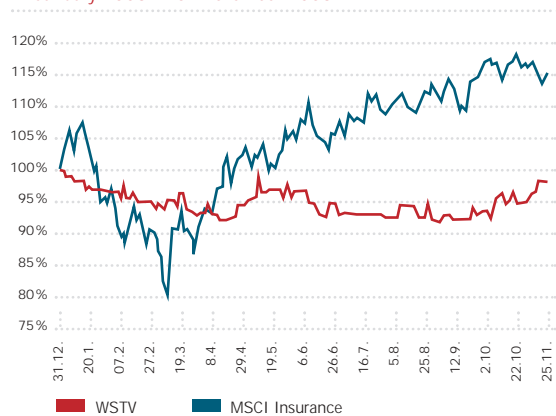
#### Legal expenses insurance even more advanced

Wiener Städtische is offering, with immediate effect, the package products of legal expenses insurance to self-employed people too, as private individuals, with an even greater range of benefits. The protection of the insurance policy now also extends to extrajudicial mediation and to the diversion programmes in legal criminal proceedings. In the event of disputes arising from a contract, Wiener Städtische's customers enjoy insurance protection with immediate effect not only in Austria, but also in the entire European economic area.

### 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 up to now of 2003. However, the high level of the 2002 year-end of EUR 116.00 could not quite be maintained and the share was quoted at EUR 114.00 on 25.11.2003.

CHART COMPARISON WSTV VS. MSCI INSURANCE  
1<sup>st</sup> January 2003 - 25<sup>th</sup> November 2003



Dr. Günter Geyer  
General Manager

Dr. Franz Lauer  
Deputy 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

