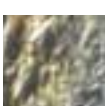
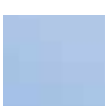
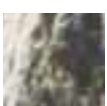
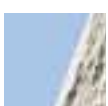
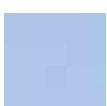
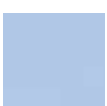
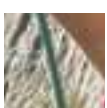
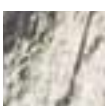
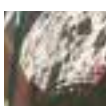
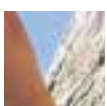
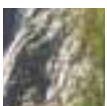
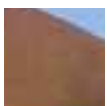
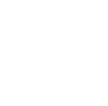
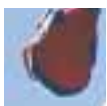
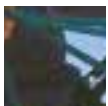
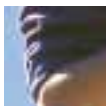
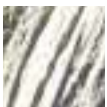


Group Report 2002  
UNIQA Versicherungen AG



## Key figures

	Page in Group Report	2002 million €	2001 million €	2000 million €	1999 million €
Premiums earned (net) <sup>1)</sup>	157	2,405.6	2,434.8	2,321.0	2,110.8
of which property and casualty insurance		774.3	678.5	646.4	619.3
of which health insurance		688.6	662.7	633.8	603.5
of which life assurance		942.8	1,093.6	1,040.8	888.0
from single premium business					
and special products <sup>2)</sup>		206.2	438.1	465.6	269.5
from recurring premium business		736.6	655.5	575.2	618.5
Insurance benefits	162	2,351.9	2,529.3	2,453.8	2,213.7
Operating expenses	163	472.4	503.8	470.2	475.7
Net investment income	158	475.9	660.0	664.7	644.9
Investments	130	11,413.3	11,188.0	10,415.0	9,815.8
Equity	143	509.5	555.7	595.3	612.1
Profit on ordinary activities	83	35.3	45.3	41.9	45.6
Net profit for the year	108	18.5	26.3	24.3	26.2
Cost ratio	84	19.6%	20.7%	20.3%	22.5%
Profit per share (in €)	144	0.03	0.11	0.15	0.11 <sup>3)</sup>
Profit before taxes per share (in €)	144	0.17	0.27	0.25	0.27 <sup>3)</sup>
Profit per share adjusted for depreciation in goodwill (in €)	144	0.10	0.15	0.18	0.14 <sup>3)</sup>
Dividend per share (in €)	105	0.16	0.16	0.16	0.16
Average number of employees	166	6,565	6,718	6,443	6,318
Insurance policies		7,441,574	7,240,498	6,160,470	5,856,732
Number of Group companies	133				
Fully consolidated		33	30	26	25
Equity consolidated		12	14	14	13

Automatic rounding differences may result from formatting into million €.

<sup>1)</sup> Without consideration of consolidation effects in the segments.

<sup>2)</sup> Direct business.

<sup>3)</sup> Comparative values after share split.

# Half-time

The beginning of the financial year 2001 marked the start of the practical implementation of our ambitious increased earnings programme. At the end of 2002 – in sporting terms – an exciting first half of the game came to a close. We don't consider half-time to be the right occasion for a long break, but we should take a moment to evaluate the situation. We need to self-critically examine our accomplishments so far, to learn lessons from them and, where necessary, to change our tactics for the second half. The successes we had despite the difficult circumstances in 2002 make us extremely confident that we will be successful along the rest of the way in 2003, even though it will be equally challenging.

**We'll stay on the ball.**

**Page 4** | The Supervisory Board

**Page 6** | The Management Board

**Page 10** | Profile

**Page 11** | Organisational Chart



12

## Customers and Markets

new strategy brings success, commitment to culture and sports, expansion of Central European business, QualityPartnership, products for individual needs



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## Processes and Products

new IT Group architecture, start of the sales platform, online handling of business cases, new website, integrated document management system



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## Group and Profit

new Group strategy, unit-linked life assurance, reorganisation of motor vehicle and health insurance lines, international profit increased, top rating for UNIQA



54

## Staff and Partners

e-learning, teleworking, employee appraisals prove their worth, new skills database uncovers talents, mobility programme for international assignments, Finance Academy founded

# Contents

- Page 62** | Markets and UNIQA shares
- Page 76** | Financial Section
- Page 170** | Glossary
- Page 174** | Contacts

## Foreword by the Chairman of the Supervisory Board

### Dear Shareholders,

With this annual report under the motto "half-time" the Management of the UNIQA Group Austria presents among other things an interim report on the increased earnings programme started in the year 2001. The results from 2002 show that we have achieved many of the objectives that we set out to do. However, they also show that further action will be necessary in order to reach our goals for the year 2003.

The positive effects of our cost-reduction measures and steps to improve actuarial results in the property and health insurance areas are quite obvious. The international Group companies have also contributed to the Group results as planned.

The fact that the year-end results from 2002 are only conditionally satisfactory can be explained by several unusual factors. First of all, we must mention here the catastrophic flood damage suffered in Austria and by our Czech neighbours, which naturally represents a burden on the UNIQA Group results. However, above all the developments in the capital markets led to a massive slump in investment results, particularly in the life assurance sector. Although we could largely make up for this with our strong Group substance and a profit-sharing policy that is in line with economic criteria, it could not be fully compensated for.

So the results of the year 2002 as a whole present us with a "picture of mixed feelings". They confirm Management's goal to reduce the dependency of the company's results on capital market fluctuations by consistently strengthening the actuarial results. In this respect, the balance sheet for the year 2002 is an interim balance confirming the route we have taken but also demanding that we continue consistently in this direction.



The development of the UNIQA shares over the past financial year – certainly also aided by the current buyback programme – is, with an annual performance of +26%, one of the few positive exceptions among European insurance stock. An essential step towards further strengthening the UNIQA Group is the acquisition of AXA Austria and its international subsidiaries. Once the necessary authorisations have been obtained we intend that the company, which has been bought initially by a core shareholder group, be transferred to the UNIQA Group. This will strengthen the Group's position in the Austrian market and above all close the existing gaps in the Hungarian market. The challenge for management is to integrate AXA's activities into the UNIQA Group quickly but prudently in order to let the synergies from this transaction come into effect over the short term. With this acquisition the UNIQA Group continues consistently to follow its strategic path as a strong and independent Central European insurer.

A handwritten signature in blue ink, appearing to read 'Konrad', with a stylized flourish at the end.

Christian Konrad

*Ladies and Gentlemen,*

With the Annual Report 2002 we present you with a report on the development of the UNIQA Group Austria in a year that was among the most difficult for the European insurance industry and that initiated an enormous process of change. With this report we also want to give account of the status of our increased earnings programme that was started in 2001 for the period to 2003 – in this sense this annual report stands under the motto “half-time”.

In 2002 the European, and thus the Austrian, insurance industry had to struggle unexpectedly with the continuation of the stock market correction that began in 2001. Our Group was not spared these developments either. In addition to the deterioration of the current investment income as a result of the decreased returns on reinvestments, the drops on the stock markets were mainly responsible for a quite clear reduction in the investment profits. This affected the life insurance line in particular because that is the line with the highest investment volume. Added to the difficult situation on the capital markets was the catastrophic flood damage suffered in the summer of last year in Austria and the Czech Republic, which burdens the results in the property insurance line of our Austrian and Czech companies.



# 2002

10.5%

increase in earned premiums written in direct recurring-premium business

7%

fall in retained insurance benefits

€ 31.4 million

cost savings

4.4%

increase in our investment portfolio in the financial year

100%

acquisition of FinanceLife Lebensversicherung AG, Vienna

760,000

members in our VitalClub

# 2003

22.8%

increase in new and additional premiums  
in the first quarter

€ 130 million

improvement by the end of 2003 through  
the increased earnings programme

6%

market share in Hungary through the acqui-  
sition of AXA Biztosito

200,000

potential customers will take out policies in  
the scope of the new indemnity law

11%

productivity increase by our employees

200

policies underwritten each week in the area  
of government-aided pension provisions

The developments in the investment area and the burden of the claims due to natural disasters hide the progress that we made in the past financial year both in cost trends and in the improvement of the actuarial results. We were successful in clearly sinking our cost ratio in the year 2002, although we invested considerable amounts in strategic projects that will strengthen our market position and are intended to secure further productivity growth in the coming years. We were able to further clearly improve the actuarial results in the property insurance line, and in the health insurance line in particular; this is yet another step towards making the company results more independent of the volatility of the capital investment results. In the life assurance line we have, as already in the past few years, oriented ourselves in our policies of profit sharing clearly to the capital-market environment and adjusted the profit-sharing rates accordingly. This, as well as using the profit participation reserve substance that we had consciously built up over recent years, put us in the position to be able to compensate to a considerable extent for the negative influences of the capital market developments on the results in life insurance. However, the year 2002 also confirmed our conviction that we must continue along the path we have chosen and even intensify our efforts if we want to sustain our medium-term profit and income targets.

The profit on ordinary activities in the year 2002 is, as a result of the above-mentioned developments, at € 35.3 million, below the level of the previous year. Despite the substantial extraordinary encumbrances it goes without saying that this is only satisfactory to a certain extent. Yet it also shows that the steps we have taken to improve the results have already taken effect inasmuch as the negative influences on the results in the investment area could be compensated for to a great degree through improved technical results and efficient cost management. At 16% the amount of dividends that will be distributed is the same as in the previous year, thus signalling that the company's policies remain stable.

To further improve the result situation we must continue with our increased earnings programme, which after two years is right on plan. For the company-wide implementation of this strategy the company goals are being implemented within the framework of the UNIQA Scorecard system in numerous departmental goals. Reaching these goals is the prerequisite for us to reach our company goals on time.

In the current business year the planned acquisition of AXA Österreich with its subsidiaries in Hungary and Liechtenstein is of outstanding importance. With this acquisition we will further strengthen our leading position on the Austrian market and close the gap of our activities in Central and Eastern Europe by acquiring a strong market position in Hungary. In addition to this we want to strengthen our market position in countries where we are already represented through other smaller acquisitions. With this, we look to the EU expansion in 2004 with confidence. The UNIQA Group has created the foundation for an independent strategic business policy in Central Europe.

Vienna, May 2003  
The Management Board



Karl Unger

Gottfried Wanitschek

Konstantin Klien

Hannes Bogner

Andreas Brandstetter

Member of the Management Board

Information Technology,  
Customer Services

Member of the Management Board

Asset Management,  
Equity Holdings,  
Property Management,  
Legal Affairs  
and General Administration

Chairman of the Management Board

Group Control,  
Distribution Policy, Human  
Resources, Marketing,  
Communication, Actuarial  
and Accounting Control

Member of the Management Board

Group Accounting,  
Controlling,  
Asset Management  
(back office)  
and Investor Relations

Member of the Management Board

International Business,  
Direct Sales

## Company Profile

The UNIQA Group Austria is one of the leading insurance groups in Central Europe and consciously combines its Austrian individuality with European stature. In 2002 the Group had more than 6,500 employees and generated around € 2.7 billion in premiums. The UNIQA Group offers its products and services through all sales channels (own employees, brokers and general agencies, banks and direct sales). UNIQA is active in all insurance sectors, the clear market leader in Austria for personal injury insurance and one of the largest property insurers in the country.

The following companies operate in Austria under the Group holding company, UNIQA Versicherungen AG, which is listed on the stock exchange: UNIQA Sachversicherung AG, UNIQA Personenversicherung AG, Raiffeisen Versicherung AG, Salzburger Landes-Versicherung AG, CALL DIRECT Versicherung AG, FinanceLife Lebensversicherung AG (previously MLP Österreich) as well as diverse service and financial companies. UNIQA Versicherung AG is the central reinsurer of the operating Group companies.

The company structure of the leading Austrian insurance group represents the new standards throughout the entire insurance spectrum. It differentiates between the holding, competence centres and regional sectors. The holding company acts as a service provider for the Group and is responsible for strategy.

All the areas within the holding company assume central control and service functions for the domestic and international operating insurance subsidiaries so as to take advantage of synergy effects.

In the competence centres the key actuarial competencies are handled by sector or bundled for the entire group in order to make sales easier.

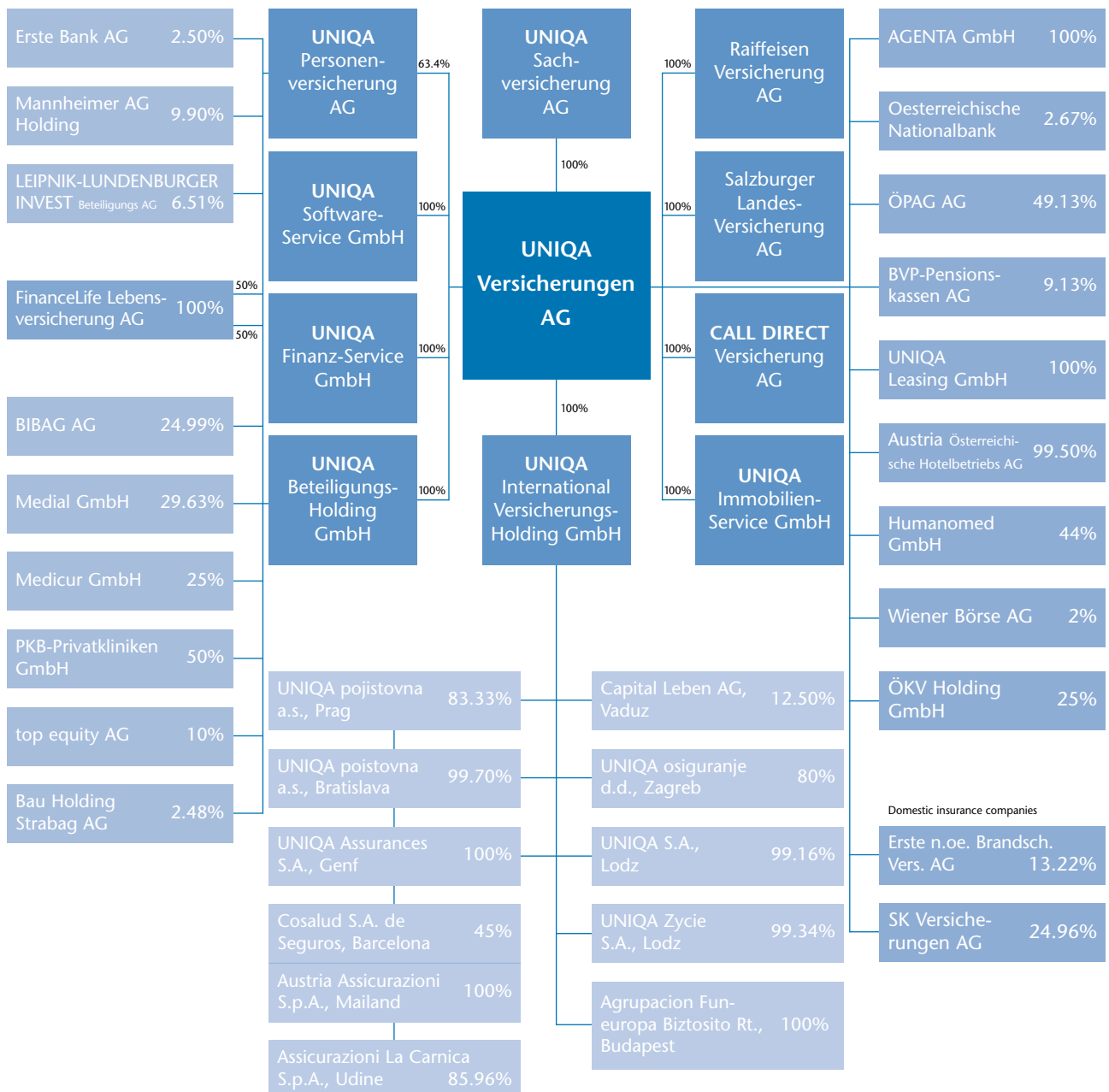
The regions play the most important role within the Group structure. The international companies and the Austrian regional offices have extensive local competencies and are fully responsible for their own operating sales results.

For the UNIQA Group, with its many years of experience on the Eastern and Central European insurance market, it is important that none of the companies that are incorporated domestically or internationally into the Group lose their regional identity. It is the task of the Group to create tools that enable them to benefit from synergies and yet remain true to their local uniqueness and requirements.

The UNIQA Group Austria is a company with a strong international orientation and is actively aware of the opportunities that the European markets have to offer. At the moment UNIQA is represented through the UNIQA International Versicherungs-Holding GmbH with subsidiaries in Croatia, the Czech Republic, Hungary, Italy, Liechtenstein, Poland, the Slovak Republic, Spain and Switzerland.

# Group Organisational Chart

as at 31 December 2002





If you want to go far you should make sure at an early enough stage that your risk protection is reliable. This basic principle applies to our customers as well as to us as an internationally active insurance company.



# Customers

The complexity of the European insurance market continued to increase during the extremely difficult year 2002. Only those companies that manage to combine a contemporary product portfolio with high-quality customer service can be successful. UNIQA was successful in 2002. This was due to our comprehensive optimisation measures in customer relationship management as well as numerous product innovations.

# and Markets

## New strategy brings success

89%

of the Austrian population knows UNIQA. Among our customers even 100%. Our name became even better known over the last year.

### **UNIQA proves itself again, even in the difficult environment of 2002**

Our recipe for success in the insurance market is basically very simple. We want to set the standards for financial services, for the quality of our products and customer service, for the creation of modern operating structures and for the qualification and further education of our employees.

By consistently implementing these plans we have made UNIQA within a very short time into the largest insurance group in Austria and at the same time established ourselves as one of the leading insurance groups in Central and Eastern Europe.

Now we want to reap the fruits of the groundwork we have laid. In 2002 we implemented a new, modern and team-oriented organisational structure based on a long-term company strategy. It focuses on energetic cost control, efficiency optimisation and above-average, profitable growth.

The instrument we use to make this strategy tangible and systematically put it into practice is the UNIQA Scorecard that was introduced this past year. With this tool we clearly define detailed goals for all corporate divisions, determine activities and actions for attaining these goals and frequently evaluate the results. Our new strategy passed its first test during this past year despite the extremely difficult economic environment.

### **Customer satisfaction with Exclusive Sales**

Exclusive Sales, the regular sale with the largest share of portfolio, achieved an increase in portfolio growth for the fourth year in a row. Up 5.3% over the past financial year, our Exclusive Sales are even above the level of market growth. During the same time period we enhanced 124 sales units to guarantee that we can serve our 1 million customers in accordance with our strategy.

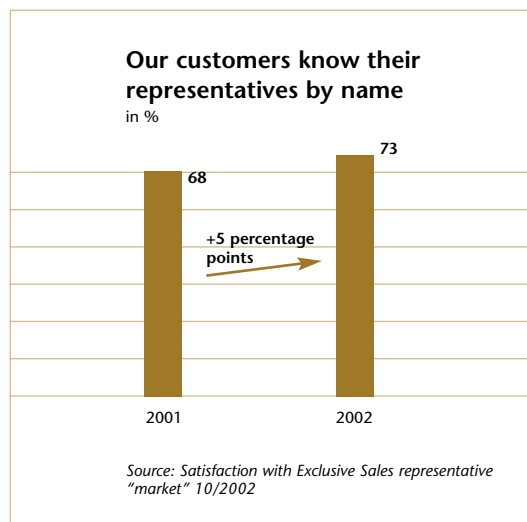
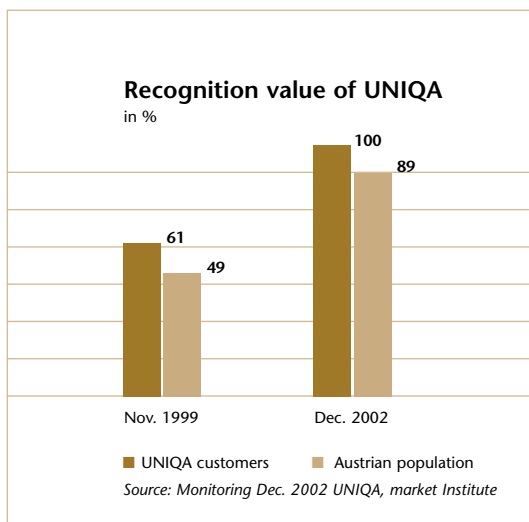
For the second time our customers' satisfaction in the support they receive was analysed in over 15,000 interviews. We achieved measurable successes in 2002 in our efforts to consolidate and further optimise our customer relations. More than four out of five customers gave their UNIQA Exclusive representatives the highest ratings. They consider their advice to be objective. Why? Because our representatives explain both the advantages and disadvantages. This is one important way we let our customers know that they are in good hands with UNIQA.

We consider a good relationship with our customers, where the contact is as regular as possible, to be crucial in supporting them. Our customers rewarded this above-average increase in consultation activity with clearly improved ratings of our support service. We were also able to increase the customers' knowledge of who their representative is – yet another step towards customer retention. Thus, with our “active support guarantee” we have set ourselves well apart from the competition and increased the satisfaction of our customers.

### Great praise for the friendliness of our employees

The above-average satisfaction of our customers has increased even more with our constant efforts to improve service and claim management. In a survey, our service received a total rating of 1.36 on a scale of 1 to 5. 74% of our customers are completely satisfied with the quality of our Service Centre and almost 82% with the availability of our employees. About 75% praise the way we handle claims and the friendly treatment they received in particular.

However, we also see our customers' criticism as positive and have learned to deal with it professionally. We do not consider complaints, which we can get for example when damage claims are made, to be just annoying grumbling. For us, they are a form of “free management consulting” because complaints usually point to weak areas in structural organisation or in personal dealings with customers.



The new advertising campaign with the key visual “A whole life ahead of me” is gaining points on TV and in print and successfully focuses on our orientation towards the future, quality demands, and trust.



# Campaigns

## **Pioneers of modern complaint management**

For this reason we installed a comprehensive complaint management system with fully integrated IT support in the autumn of 2002. This system standardised how we treat expressions of annoyance from customers – from structured documentation, professional handling right down to a transparent evaluation of the process. It is a highly modern instrument with which we can turn dissatisfied customers back into satisfied ones and at the same time use the information we gathered to improve our service spectrum.

Quality is a key value of our company. In the fight for tomorrow's markets, the quality of a product's image is being replaced more and more by the quality of the brand. The high attractiveness of our UNIQA brand thus becomes a decisive factor that is relevant to the competitive environment. During the past year we were able to improve even more on the top ratings that we received from the Austrian market.

## **Improved our lead as top brand**

According to the latest survey, we are still clearly the brand with the greatest level of recognition and innovative power in the Austrian insurance market. UNIQA was able to successfully improve its lead as top company. We received the best ratings in 2002 for friendliness and emotional loyalty as well as for our good service. With the increasing contract loyalty, the distance to our competition regarding faithfulness to a particular brand has also increased. This is an invaluable company asset for the further expansion of our Group.

## UNIQA is committed to culture and sports

For us, sponsoring chosen sports and cultural activities is an integral part of our company culture. It also increases our brand's recognition and helps establish us in public consciousness even more deeply as being the epitome of quality.

### UNIQA sponsors the world champion

With his successes the Olympic and world champion, Stephan Eberharter, brought us excellent recognition levels through sports sponsoring and the public still associates him effectively with UNIQA. In a six-part television series called "Fit for the winter with Stephan Eberharter" he shared his tips on the best way to get ready for the ski season.

We decided to sponsor the Austrian Ski Association because the qualities that characterise alpine skiing such as dynamism, innovation and a strong orientation towards safety, as well as the image item "success", apply excellently to UNIQA as well.

Our partnership with cycling has tradition. Once again, the Austrian National Team started at the Tour d'Autriche 2002 with the UNIQA company logo. The second key bicycle race in Austria, the UNIQA Classic, also carries our company name.

### UNIQA sponsors participants in the Champions League

Since July 2002 our sister company in the Czech Republic, UNIQA pojistovna, has been a main partner for AC Sparta Prague, historically the most successful and also best-known Czech soccer club, seen regularly in European competitions. UNIQA's connection with the most popular soccer club makes a broad presence of our company possible in the public eye. In addition to the visual presence in the stadium, we are also able to use various players at different UNIQA events and for company advertising purposes.



By sponsoring sports we create not only excellence presence but also a positive image transfer.



The highest quality of arts  
sponsoring supports our position  
as No. 1 in art insurance.



### **UNIQA as partner of the Salzburg Festival**

The fact that UNIQA has become one of the main sponsors of the Salzburg Festival has been greeted with the broadest of approval. With a three-year contract we were able to secure a cultural sponsorship which emphasises music of the highest quality. Quality, innovation and internationality represent the common strand that binds us with the Salzburg Festival.

With this commitment UNIQA hopes to promote new and innovative products in Salzburg. We help the Festival with joint events and press appearances in our target markets in Central and Eastern Europe and at the same time increasingly reach a younger audience in these countries.

The arts have a firm place in our daily business. For example, we have been insuring the valuable musical instruments of the Vienna Philharmonic since mid-2002 against all risks, ranging from theft and damage to complete destruction – even on the Orchestra's international tours. We are also the insurance partner for the traditional Vienna Opera Ball.

### **Innovative art insurance for private collectors**

In 2002 we developed a sophisticated insurance protection programme for enthusiastic private collectors – for valuable furniture, paintings, sculptures, glass and books. The “art and passion” policy offers customers the art-historian services provided by our specialists and combines their expert advice and documentation with extended all-risk coverage.

We have coupled our cultural commitment with a new form of social sponsoring. With the one-week “UNIQA College for Journalists”, offered within the scope of the Salzburg Festival for the first time in 2002, we are building new bridges to culturally interested people from different countries. Here we offered young journalists from Eastern Europe a practical seminar accompanied by lectures on communication science, giving them an insight into the various elements of this major cultural event in Salzburg. An innovative contribution that also makes the Festival accessible to a broader audience in our Eastern European target countries. Because there was so much interest and so many applications last year UNIQA will run this educational campaign once again in 2003.

# UNIQA – a Central European insurance company

## Developing bridgeheads in Central Europe

We regard Central Europe as our strategic growth market of tomorrow. We strengthened our engagement there in 2002 through a new acquisition and during the current financial year the names of our existing subsidiaries will be changed to the Group name, UNIQA. With this uniform market approach under a common Group flag we plan to fully implement our company culture in our target countries in Central Europe.

The newest member of the UNIQA family is Agrupacion Funeuropa Biztosito in Hungary. We are now present again on the Hungarian market, which we left at the end of 2000 when we sold our minority shareholdings in the Hungarian subsidiary Signal Iduna for Group-strategic reasons, and now we hope to make progress with top-level cost efficiency. Funeuropa has only been active since 1999, with a network of over 200 representatives and a tight office administration, selling funeral, health and accident insurance in Hungary. At present they are servicing around 30,000 customers. Premium revenue rose in 2002 by 44%, which is more than double the amount of the market average.

In December 2002 our core shareholders acquired AXA Österreich. In the course of this transaction we intend to transfer AXA Österreich together with its subsidiaries in Hungary and Liechtenstein to the UNIQA Group within the current financial year. At present the antitrust auditing is underway.



The central office of our Polish subsidiary in Lodz, which was renamed in 2003.



# Ten

countries covered by UNIQA insurance

Austria  
Italy  
Croatia  
Poland  
Switzerland  
Slovakia  
Czech Republic  
Hungary  
Spain  
Liechtenstein

Details can be found in the Group organisational chart on page 11.

## Non-binding offer for Slovenian insurance companies

At the end of March we made a non-binding offer for a majority acquisition of two Slovenian insurance companies, Slovenica and Adriatic. The two private insurers share about 14% of the extensively developed and straightforward Slovenian insurance market. The next step will be to review the offers with the appointed investment house and make a "short-list". Of course, the profitability of such a project cannot be judged precisely until all the details have been examined.

The 15 insurance companies active in the Slovenian insurance market brought in € 1.1 billion (+19.3%) in premiums in 2001. Although at € 522 per person, expenditure for insurance is clearly under EU levels (A: € 1,443) they are among the highest in Central and Eastern Europe. Despite the impressive growth in the last few years the market, with about two million inhabitants, still has great potential, particularly in the life assurance sector. As a preparatory measure for imminent EU membership the statutory structural environment has for the most part already been adapted to meet EU standards.

For the UNIQA Group Austria, with its many years of experience on the Eastern and Central European insurance market, it is important that none of the companies that are incorporated domestically or internationally into the Group lose their regional identity. In the case of Slovenia as well – should a purchase take place – UNIQA will only consider a solution that is very strongly connected with the country and its regional institutions. In all the countries in which UNIQA is active it has always emphasised its role as a partner and had the best experience with this method.

## Hungary – great potential despite high concentration

Hungary is considered to be a well-developed insurance market with a high degree of concentration and the presence of 22 corporations that dominate the ownership of the international finance and insurance companies. The six largest companies have around 87% of the market. However, it still offers enormous opportunities for expansion in the future.



With cross selling, the expansion of our insurance product range with our innovative products, and by entering the life assurance business we want to use our international know-how for high growth and profit potential. The Hungarian life assurance market continued to develop dynamically in 2002. Premium revenues rose by a total of 19.2% – particularly because of the expansion of unit-linked life insurance, which went up by 26.3%. The property insurance line also considerably increased the growth in premiums for motor vehicle liability insurance by 16.7% and in comprehensive insurance by 17%.

We are striving for a market share in Hungary of 6% at first, taking into consideration the possible acquisition of the AXA subsidiary. Funeuropa plans to change its name to UNIQA in 2003.

#### **The Group flag will soon be flying in Poland as well**

In the middle of last year the decision was made to change the names of our two subsidiaries in Poland as well. In the course of the year 2003 Polonia A.A. and its life assurance subsidiary will begin operating under the name UNIQA Zycie S.A. Polonia was founded in 1990 as the first private insurance enterprise in Poland and was acquired by UNIQA in June 2001. Today the company numbers among the top ten in the Polish insurance sector; its most recent annual premiums amounted to € 74.8 million.

UNIQA S.A.'s core business is – corresponding to the dominance of this sector in the slightly lower total market – in motor vehicle insurance. UNIQA S.A. improved premium revenue in 2002 by 4.7%; compensation paid sank by 0.6%. The life assurance subsidiary improved its performance by 0.6% achieving an annual premium of € 1.20 million. We plan to broaden our product range with new products, particularly in the area of personal injury insurance. In the next few years we want to improve our market share in Poland by about 3%.

#### **Above-average growth in Czech subsidiary**

The insurance industry in the Czech Republic was burdened by the flood disaster in August 2002 with damage claims of around € 1 billion. This led to a clear rise in reinsurance premiums and in particular in premiums for industrial and trade risks.



This past year the market was characterised by a reassessment through various premium transfers and preparations for the end of the three-year motor vehicle liability premium regulation at the beginning of 2003. Our Czech subsidiary, UNIQA pojistovna, with over 560 employees, continues to grow at an above-average rate showing a premium increase of 42%. We enlarged our sales capacities in the Czech Republic by setting up our own distribution structure; we continued the pilot project “Agentur” and reorganised the motor vehicle portfolio. In addition we are working on improvements in the IT structure. In the next few years we want to improve our market share in Poland from approximately 2% at present to at least 3%.

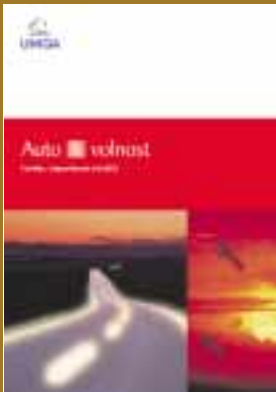
#### Qualitative expansion in Slovakia

The dynamics of the insurance industry in Slovakia have slowed down above all in the long-standing growth segment of the life assurance sector. Very tough competition in comprehensive motor vehicle insurance and in industrial insurance is burdening the loss ratios and slowing expansion. Dismantling the monopolisation of the motor vehicle insurance at the start of 2002 led to a redistribution of market shares. There has been further concentration since the new insurance law was passed that completely takes EU guidelines into account.

Despite a conservative application policy for motor vehicle risks and the resulting slow-down of growth in this area, our Slovakian subsidiary UNIQA poistovna with 310 employees and a specified annual premium of a total of € 30 million was able to grow by about 33%. However, we want to ensure additional expansion through new activities: by cooperating with the Tatra-Bank in bank sales (cf. the “Group and Profit” chapter page 52), introducing an IT-based sales system for customer advisors, and unit-linked life insurance. We will increase our market share, which is currently over 3% and makes us the sixth-largest insurance company in Slovakia, to about 5% by 2005.

#### Croatian life insurance booming

The long-standing expansion of the Croatian life assurance market continues. In the past year the market grew by 9.3%, primarily due to the continuous dynamics in the life insurance line – despite the fact that premium growth is still low at 18.3%. Because new businesses have been established and the trends towards concentration have grown stronger,



We round off our international product strategy with a common market appearance throughout Europe. The unified hand is recognisable in our sales documentation as well.

the largest state company by far, whose privatisation has failed for the time being, has lost its dominating position on the market. New statutory regulations clearly limit the expansion possibilities of private insurers in the areas of health and accident insurance.

The booming life assurance business at our Croatian subsidiary, UNIQA osiguranje, which makes up 68% of the total insurance policies, contributed decisively to the increase of 97.1% in our earned premiums. We are determinedly continuing with our expansion course through the increased cooperation with the Raiffeisen Group in Croatia, the introduction of new products for bank sales, and the development of new sales channels, particularly bound sales. In the next few years we hope that the high speed of growth will expand our market share from under one per cent at present to 3%.

#### **Continuous robust expansion in Italy**

We are also continuing our vigorous expansion in southern Central Europe. Italy's status as a strongly growing future market particularly in the life assurance sector is unchanged. Life assurance premiums increased quite impressively by 27% in 2002. Their share of total revenue from the Italian assurance business continued to increase to 63%, with the falling importance of unit-linked life assurance. Non-life business grew by 8.5%. The concentration of the industry continued.

We want to use the high growth potential of the Italian market to continue the strong expansion of our two subsidiaries, la Carnica and Austria. They already contribute 13% to the Group results and are among the most profitable of UNIQA's enterprises. In 2002 Carnica expanded its market share in non-life business with a remarkable growth rate of 38% and expanded its own sales network to 66 general agencies in northern Italy. Austria Assicurazioni, which sells health insurance, also expanded the market more strongly at 5.5%.

The two companies want to combine their IT systems in 2003, develop a regional Scorecard and standardise their Internet presence. Furthermore, Austria plans to introduce new products and change its name to UNIQA during the current financial year. Carnica will not change its name but will adapt its appearance to closely resemble UNIQA's.

**2,026** sales people (employed brokers and agents) were working for UNIQA at the end of 2002. In the area of agencies, we were able to increase by 67 units compared to the previous year.

#### **Success through cross selling ...**

We are facing the challenges of the still relatively heterogeneous Central European markets by positioning ourselves clearly as a quality insurer with a high level of service and customer orientation. Our medium- and long-term success is based on a clear goal structure in our mixture of distribution channels and a sales controlling system that is the same for all subsidiaries throughout the Group. This goal structure is based on the practical organisation of our portfolio and cross selling by field representatives, agents and brokers as well as on winning new customers through internal and external sales companies, banks, leasing partners and cooperations.

#### **... and qualified full customer service**

One important factor in our long-term success is the way we incorporate new customers into our qualified full customer service. This method of integrating active sales partners is a great challenge for innovative forms of payment and sales control systems. The experience we have gathered whilst building up our own marketing companies in Croatia and with a pilot project in the Czech Republic is an important basis for other activities that we have planned this year in Poland and Slovakia.

Due to the dynamic development of external marketing companies and bank sales in our international markets we will continue to rely on partnership cooperations. The quality of the relationships and the common orientation towards long-term customer loyalty are also in the foreground for our external sales partners. Joint product innovations characterise our cooperation in this distribution channel. Internationally, we will continue to successfully apply our complete customer strategies in the form of quality partnerships in Austria with the stabilisation of the marketing structures and the use of innovative sales support systems.

#### **Central Europe drives internationalisation forward**

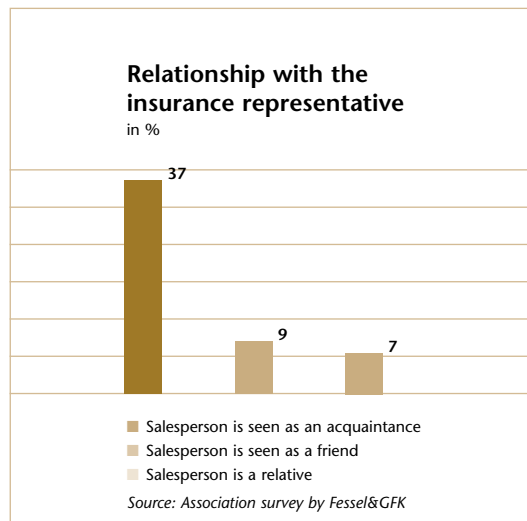
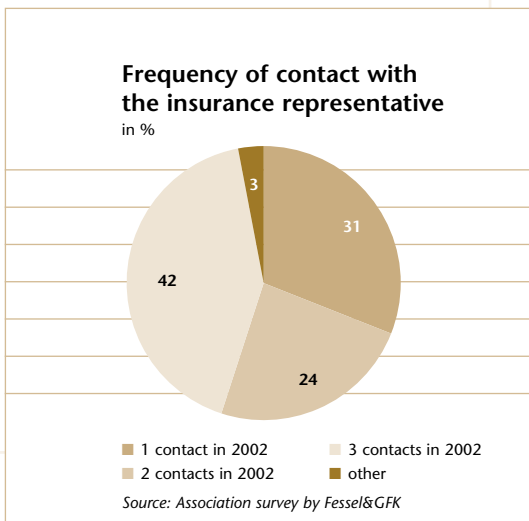
On the whole, the UNIQA companies in Central and Eastern Europe play a key role in the internationalisation of our insurance group. With their above-average growth they make a decisive contribution towards increasing the share of foreign premiums in the total group revenues from the current 11.9% to the target value of 15%. We will already achieve our goal planned for 2005 in 2003 – by above-average, organic growth and through the forthcoming acquisition of AXA Biztosito (cf. page 19).

We must use all the synergies for this, for example by developing simple and flexible products that can be easily adapted to local, national and distribution-specific differences and can be marketed throughout Europe. Last year we completed preparations for the first product of this new generation of “European products”.

**First European policy ready for the market**

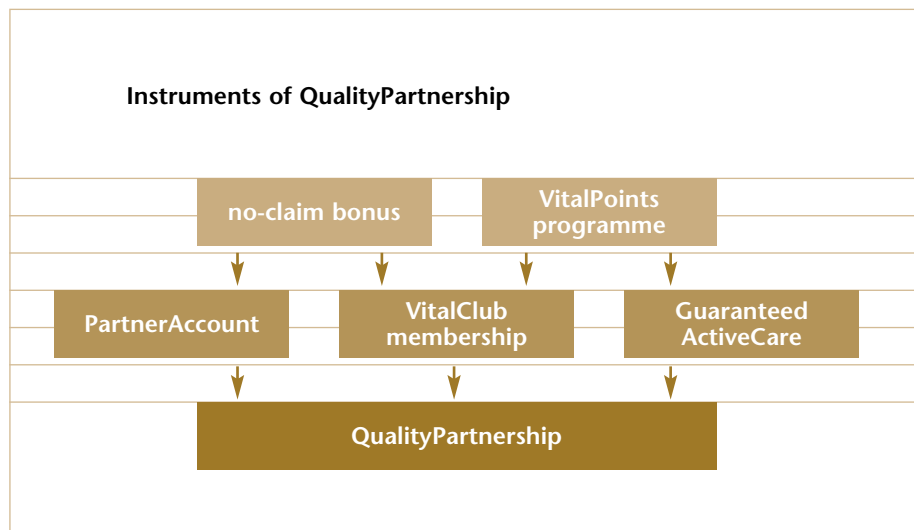
The European policy for homeowners’ and apartment insurance is ready for the market. It is a joint product with the same form and content for all regions and takes country-specific conditions into consideration. With it we create the greatest possible cost efficiency for our sales in all the countries we operate and set common Central European quality standards. This product is being offered in Austria as of the beginning of 2003.

In Austria we have taken a further step on the journey from a product-focused insurer to a solution-led service provider through our unique service and support package for our customers called the “QualityPartnership”. It fulfils the wishes of a growing number of customers. According to a new survey, 45% of the Austrian population has already concentrated their risk protection and signed all their insurance contracts with a single corporation – out of traditional loyalty or a personal relationship with a sales employee.



## Innovative QualityPartnership sets news standards

These customers expect reliable and competent help from their representative at all times because they always want to have an overview of their entire range of insurance protection, including their ongoing premium payments. With the “UNIQA QualityPartnership” we can satisfy both this need and our high demands for a modern and flexible product architecture. The innovative service package has unique selling points and helps us win over long-term customers with its combination of service and price advantages.



The “PartnerAccount” is the information platform and financial turntable of this innovative service. It offers several advantages – the customer always has his entire provision budget under control including his regular orders, and there is just one direct debit for all the policies. Once a year and every time there is a change in the contract the customer receives a report with all the payment details over the previous twelve months. If the customer made no claims during the last twelve months we credit his account with a bonus.



Whether for active recuperation or simply to enjoy. Our VitalHotels offer top quality and programmes specially designed for UNIQA customers – guaranteeing maximum recuperative value.

### **Added value with fitness and health included**

And that's not all. With our QualityPartnership all of our customers also become members of our VitalClub; that meant over 760 thousand members at the end of 2002. Now we can inform our customers without charge about the best health precautions for them, plus they can work out in the VitalClub or train in seminars with top athletes. Every person insured with UNIQA receives so-called VitalPoints for their loyalty in line with their total premiums. The number of points progressively increases with the number of contracts they have. These VitalPoints can be exchanged at a well-being hotel, for participation in a Stop Smoking Seminar or a Feel Good Programme.

The heart of the QualityPartnership to further improve customer satisfaction is the building block "ActiveCare", with which we guarantee every customer his personal representative and an annual assessment of his policies. Once a year the representative goes through all his policies and evaluates the current coverage requirements in order to find any possible insurance gaps. This helps us, for example, to avoid problems in the event of a claim due to underinsurance. But it also offers the opportunity to make the insured aware of new products, making customers that have only one contract with us into full customers.

### **UNIQA Leasing as a component of the QualityPartnership**

With the foundation of UNIQA Leasing GmbH on 1 January 2003 we consistently continue in the direction of an all-round financial service provider under the quality brand UNIQA. Therefore "full service" on all aspects of motoring is the motto of our new leasing company. Our range of products includes all provision variations that the customer could need – from classic leasing to complete fleet management. For companies with a vehicle fleet of more than five vehicles, UNIQA Leasing takes over all services from purchasing through financing right down to servicing. In future, UNIQA Leasing will also be a component of the QualityPartnership.

### **Future-oriented magazine for customer retention**

Our customer magazine "Next", UNIQA Group Austria's future-oriented magazine, has been published since UNIQA was first founded. In mid-2002 its design was revised and it is now being used as a targeted customer-relationship management tool. This should further improve the frequency of contact to our customers. Each edition of the magazine will have a main topic on which it concentrates, e.g. well-being, provision, mobility. We send out about 10,300 copies to selected customer groups each month. In addition, 120,000 core customers receive our magazine regularly.

## UNIQA products for individual needs

### Cover disability and incapacity privately as well

We have also optimised our private insurance protection for employees that become incapacitated or are unable to work due to an accident, declining health or illness. Since the state pension is not nearly enough in such cases, the accustomed standard of living cannot be maintained without supplementary provisions.

# Example

A 45-year-old engineer insured for 25 years and with a net monthly income of € 2,350 can no longer work because of a chronic illness. He receives a state occupational disability pension of € 1,352 net per month. He has a monthly coverage gap of € 998. If he had taken out an occupational disability insurance at the age of 30 to the corresponding amount with a monthly premium of € 127 he would now receive a disability pension paid out 14 times a year and could close this provision gap.

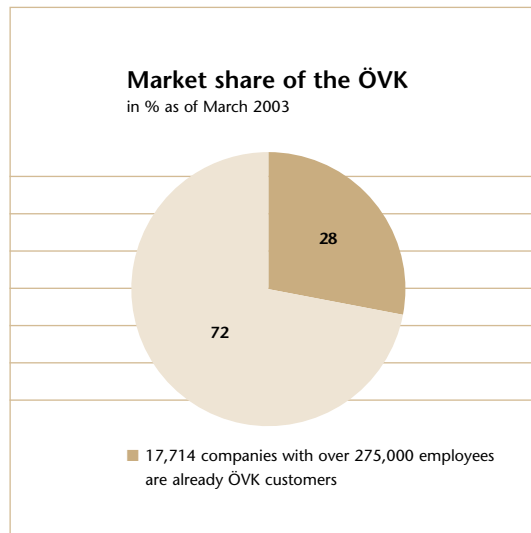
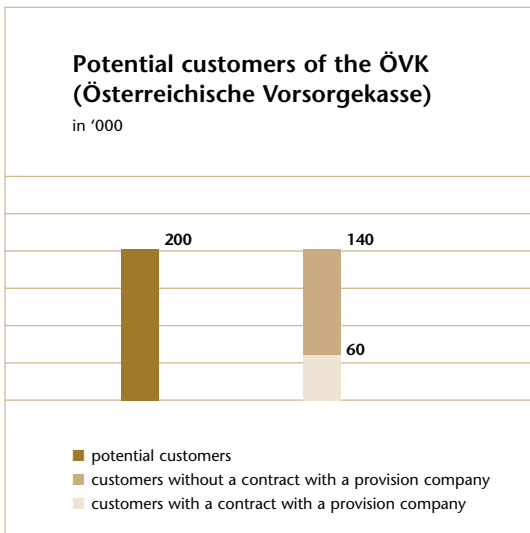
Because of the increasing need for this private insurance coverage, last year UNIQA supplemented its services that were previously only available in conjunction with a life insurance policy to include an independent occupational incapacity and disability pension with customer-friendly conditions. This pension is also available for everyone without a regular income such as housewives, students and apprentices.

### “New indemnification” for all employees

In addition, it is becoming more and more important to spread out financial provision for old age over several bases. The second pillar of provision – the supplementary company pension – has been fundamentally improved with the “new indemnity” system that came into effect on 1 January 2003.

A contribution-oriented system takes the place of the previous performance-oriented one. All 3.1 million employees in Austria now have the right to a supplementary company old-age pension. Those who will benefit most are employees in fields where short terms of employment are common, such as the tourism industry. Also people who quit or lose their job after less than three years with the company have the right to this second pension provision.





#### Guaranteed interest sets standards again

UNIQA has once again set the standard and is offering a supplementary company pension in its programme through its specialised company, ÖVK. We offer the only employee pension plan that not only has guaranteed capital interest but also a minimum guaranteed interest rate of 3% for the first three years. This gives us a clear advantage in the market. Of course, if we can invest the monies we manage better when the capital market situation improves again we will pass the profits on to our customers.

The third pillar of the financial old-age provision that we offer is the state-aided premium discount. With this we combine attractive opportunities for profit with tax advantages and guaranteed capital. The state grants a bonus of 9.5% or a maximum of € 176 on the annual premium for a UNIQA "Guaranteed Pension" of up to € 1,851. In addition, there is no tax on insurance or income.

#### Extra points also for old-age provision with reduced premiums

Pension payments made after the 40th birthday remain tax free. In addition, the amount of the lifelong pension annuity can now be determined based on the guaranteed capital transactions. This will be valid even if the calculation basis deteriorates during the contract term.

### **Exclusive combination package for “Golden Agers”**

Our product machine has developed another innovation that is unique in the Austrian market for the target group “50+” – we call them Golden Agers. It safeguards the accustomed standard of living when the working years are over and at the same time provides for crisis situations in old age.

The core of the combination package is a life assurance policy that can be taken out between the ages of 50 and 65. From this, the customer is entitled to partial payments every five years, which he can also use to build up an old-age pension that includes nursing care if he desires. Both cases are linked with transitional care for a maximum of 45 days per year. This versatile combination product includes extensive additional services such as medical consultation via our medical call centre, an annual health check or being cared for by our specially trained UNIQA VitalCoaches. They not only take care of vital matters, they can also give advice about things that are important in the lives of older people, such as how to renovate an apartment to make it comfortable for someone requiring care.

### **Europe’s first accident insurance by SMS**

UNIQA Group Austria’s direct insurer, CALL DIRECT, caused a sensation in 2002. For the first time ever in Europe CALL DIRECT, in cooperation with Austria’s leading mobile phone company, mobilkom Austria, offered the opportunity to take out accident insurance (“cast money”) by SMS at the start of the skiing season. The various product alternatives can be retrieved from CALL DIRECT by sending an empty SMS. The customer then chooses his coverage and the insurance protection goes into effect as soon as the confirmation is received by SMS. Payment is made electronically with an A1 invoice or by pay box. Further proof that we are rightly considered to be Austria’s most innovative insurer. The product is being continued after the ski season as leisure time insurance.

# Product

And that's not all. Insurance policies can also be taken out comfortably and without stress from your home – we are offering this opportunity through a new partnership between CALL DIRECT and the Universal Versand mail order firm. In the latest 2002/2003 catalogue we make 1.2 million Universal customers aware of the three high-quality insurance types – pension, health and life – available from our company.

#### **The right insurance from a mail order catalogue**

The high-quality products are presented in a plain, clear style, need only a few explanations and are therefore suitable for finding the right insurance and provision solution by mail order catalogue in the comfort of your own home. The CALL DIRECT call centre is available around the clock for individual questions by telephone or e-mail. With this we set the standard once again in Austria for new ways of selling innovative insurance policies.



We have product innovations to address a target group that has been neglected up until now in the insurance branch – the "50+" – and we have taken new and creative paths with SMS insurance, following the trend to technology.

# innovations

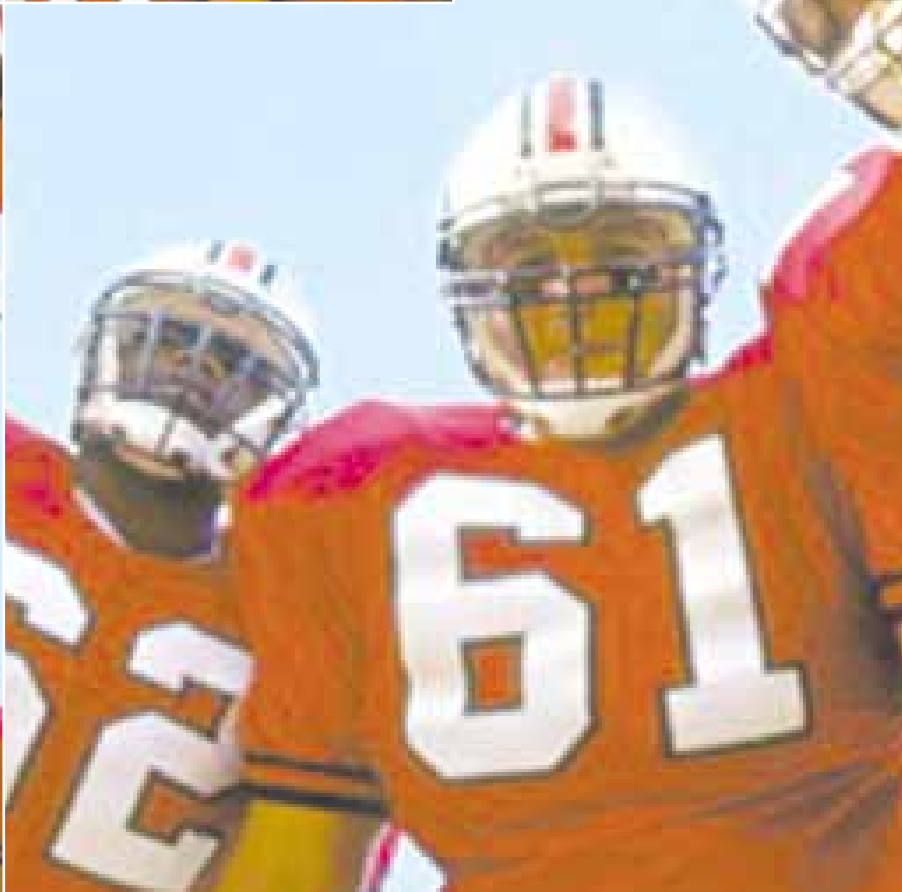
# Processes

We consider modern information technology to be the decisive key to greater process efficiency and improved customer service. This is why we worked relentlessly to build up our Group IT architecture in the 2002 financial year. We promote the acceptance of IT-supported processes – for example for managing customer data and motor vehicle claims – by both our employees and our customers with attractive incentive systems.

# and Products



Complex processes – accomplished in seconds with ultimate precision. Our successful e-business model is based on our ingenious combination of years of experience, intelligent strategy and intense training.



## Internet and e-business drive process optimisation

We clearly strengthened our innovative and earning power in all corporate divisions in 2002 by pushing the use of information technology and the Internet. By building up an efficient group IT structure we succeeded in effectively increasing productivity in administration, decisively improving the speed and quality of our service areas and in encouraging even more synergies throughout the Group. This represents successful progress towards our goal of company growth at minimum cost.

With our new service-based web design we want to

- develop unique functions that can be used from different platforms
- build up information and transaction systems based on the web that are available to all UNIQA companies both domestically and internationally and
- offer a basis over the medium term from which representatives in the field can access all data and functions they need online.

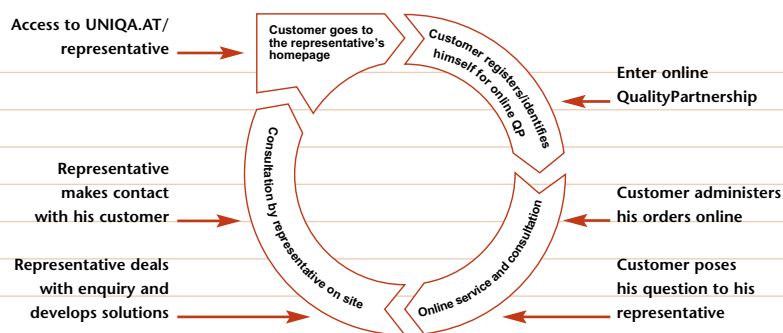
The infrastructure, which has been running since last year, also has the great advantage of integrating different host systems in web applications. With this reusability we can considerably reduce both the costs and the length of time required for new developments.

The most important principle for our new Group IT structure was that we rely on common market standards in order to guarantee support for leading manufacturers of soft- and hardware over the long term.

**16.6% reduction in IT costs with efficient architecture. In absolute terms, costs fell by more than € 11 million.**

# 16.6% reduction

## How online consultation works between customer and representative



Important: All online requests from customers go directly to the assigned representative. This ensures that the customer-representative loop is closed.

### Sales platform off to a good start

One convincing example of the enormous opportunities that virtual networks offer us is our sales platform (VPI) that went online in the middle of 2002. The response to this versatile information and service system was impressive right from the start. On the very first day over 500 sales representatives logged on from the field.

During the course of the year we have constructively expanded the functionality of our sales platform. In the meantime it provides our sales partners with information on people, and contract and claims data; it allows them to take care of household, apartment and own-home claims or to modify and consolidate customer data online.

Furthermore we provide our sales partners with our rates, insurance clauses and marketing information electronically, always in the most up-to-date version. The sales platform (VPI) also provides them with information about our QualityPartnership, with a comprehensive summary of the customer's payment plan, and the number of points he currently has in the VitalPoints programme, as well as weekly financial collection information and monthly commission invoices.

### **Household claims can also be handled over the Internet**

Interest in this has grown stronger and stronger over the past few months. The number of business claims dealt with via the VPI sales platform is constantly growing. In the first three months alone, over 6,000 items of customer data were modified or transferred electronically. Since the beginning of 2003 general agencies and brokers have also been able to use our sales platform.

In the current year customers, in addition to our sales representatives, are increasingly at the centre of our e-business activities. The QualityPartner customer should be able to access his Quality account in order to retrieve a current summary of his payment plans, VitalPoints and contract data. All enquiries coming from the customer are referred directly to his representative so that the flow of information between customer and representative is always maintained.

### **Bonus for handling business claims electronically**

We promote the online handling of business claims by paying our customer advisors a reward for using their computer. This bonus is for electronically transferred applications that are filled out completely on a PC, printed and signed by the customer.

We also reward electronic claim processing as well as the maintenance and modification of customer data. We pay special reimbursements for first-time applications for QualityPartnerships. Our consultants can find out at any time about their monthly commissions by checking the sales platform or the account notes.





Since the start of the UNIQA QualityPartnership in December 2002, around 10,000 QualityPartnerships can be accessed through the UNIQA sales platform.

### Website redesigned

In 2002 our e-business team completely redesigned our website. The new design included dividing the site into two separate functional areas. "UNIQA.at" is now our Austrian site offering country-specific product information, references to sales partners and the facility to transmit a damage claim online. With this new layout we also want to give every sales partner the opportunity to design his own homepage.

"UNIQAGROUP.com" offers cross-border information about the UNIQA Group such as data on the holding structure, our current share prices and Investor Relations announcements. When the redesign of our Czech subsidiary's Internet site has been completed this year our Content Management System will further unify the websites of our foreign companies in Poland, Hungary and Switzerland.

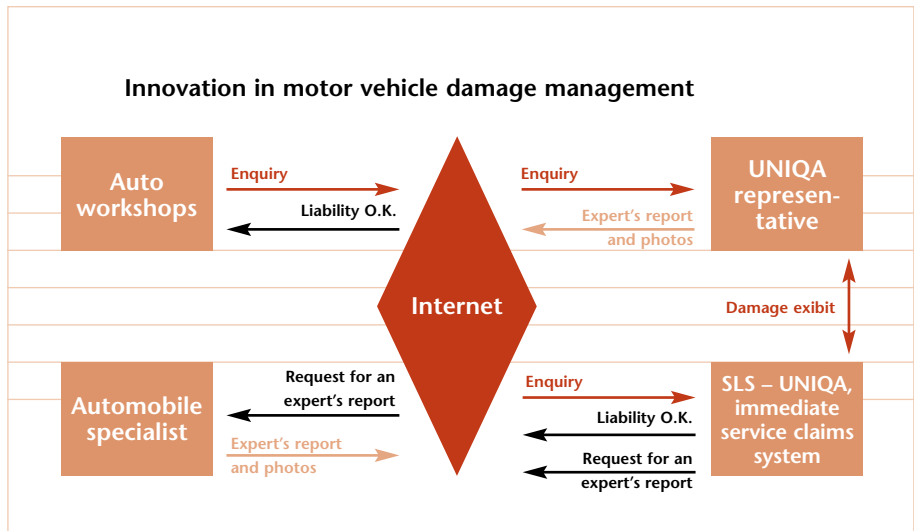
### Raiffeisen customers can buy insurance online too

In mid-2002 our subsidiary, Raiffeisen-Versicherung (RV), started the race for the electronic service age at Raiffeisen banks. Every employee of an Austrian Raiffeisen bank can call up the RV-Online sales platform in the Intranet with a mouse click and new browser technology, using its functions step by step.

Although at first only customer data, service overviews and commission tables were available, the applications have been continuously expanded. All necessary information is now available for insurance applications to be made in the bank and a policy issued in real time. Raiffeisen Versicherung's computer consultation programme (RVB) is also being implemented through the new sales platform in the Raiffeisen organisation's joint Intranet.

**Ground-breaking innovation in motor vehicle claim management**

Our ground-breaking innovation in motor vehicle claim management is yet another example of the optimisation potential in the business organisation. It connects over 1,600 vehicle garages with our claim consultants and motor vehicle experts via an Internet platform. Here they can exchange a wide variety of data, information and digital pictures completely electronically as they process and regulate the claim. The advantages are impressive.



Auto workshops can save a great deal of time and money with this electronic damage management. Previously they had to make several telephone calls or exchange faxes in order to get permission from the insurer to do repairs. Now all they have to do is simply post the vehicle and insurance data plus a minimum of two digital photos of the damaged car on the Internet.

### Internet speeds up processing and settlement

The data appears immediately in our "SLS" immediate service claim system. A damage consultant examines the details sent by Internet and sets up an electronic file. The workshop receives an electronic response within one hour. If we do need to contact an expert then the request for him to inspect the damage is made online.

This Internet-based process management improves the productivity of all contractual partners immensely. We profit from the fact that all necessary data for the claim has already been taken at the garage. So it is often possible for us to make a decision based on the digital photographs alone.

However, if we do need to send a motor vehicle expert to the garage we can first provide him with all the necessary information electronically. Equipped with a laptop and a digital camera, the expert inspects the damaged car during the day, prepares his report offline and uploads it, together with the digital photographs, to the Internet in the evening.



Web-based information and transaction systems such as the "SLS" immediate service claim system optimise the processes in claim management to the advantage of our customers.

11%

productivity increase in the office, not least because of the optimisation of process management measured in business transactions per employee.

Our new Group headquarters should be completed by June 2004.



### **Processing time shortened**

The next day, our damage consultant can access this information and continue working on the case until it is completed. This has drastically shortened the processing times of automobile damage claims whilst at the same time improving customer satisfaction even more.

In the future we plan to further improve our work productivity and processing quality by introducing an electronic document management system. One representative alone spends on average 40% of his working time looking for or filing information. The dramatic increase in the flood of information can no longer be handled with manual filing systems, microfilm storage or in conventional databases.

### **More rapid access to information is decisive in competition**

Quick access to a wide variety of information including multimedia files, videos or pictures that must be available rapidly in several places and to several people at the same time is becoming a decisive factor in competition. Above all the versatile and more efficient use of all information is critical in the operating process: for example by integrating it into workflow systems or building a knowledge management system.

### **Virtual files reduce the flood of paper**

We are preparing to introduce a company-wide, integrated document-management system and are presently testing the necessary features. Such a system will completely combine all existing information in virtual "files" and enable authorised employees in different departments or in the call and service centre or teleworkers to access these files simultaneously. In addition, it will permit access by partners and customers through an "electronic locker" as well as guaranteeing that all units of the company have the same level of information.

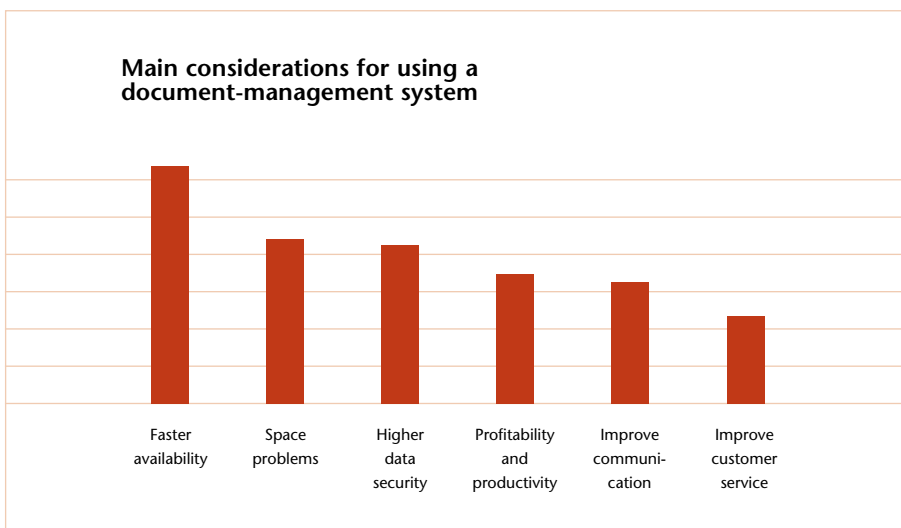
The technical requirements for the project, with which we are once again setting standards in the innovative application of IT technology, will be established when our new Group head office has been set up. The construction of the UNIQA Tower is running right on schedule. The shell will be completed in the autumn of 2003.

### Interactive advisor for fitness on the Internet

We are also moving into the new area of e-health, with our Fitness Tips on the Internet. The UNIQA Fitness Agent, positioned as a micro-site on our highly successful health and wellness portal, medUNIQA, is an interactive advisor on matters of fitness, well-being and health. Based on the personal wishes and habits of the user he develops an individual customer profile and designs a personal training plan complete with motivational and nutritional tips. In addition, the Olympic, ski world cup and world champion Stephan Eberharter gives valuable fitness tips.

### Honoured as the world's best health portal

The magazine "e-media" awarded our "medUNIQA" health portal first prize among the 100 best Internet addresses in the world. More than 1,900 hits daily prove the enormous interest in our health portal. In addition, the content cooperation between medUNIQA and Telekom Austria's Aon portal has established our high level of competence in the area of Internet-based health information. We are making the contents of the new "Trends & Leisure" area available to more than 600,000 users on the Aon portal.





In competition, the best players determine the height of the measuring bar. What makes us different is our readiness to voluntarily raise the bar a little after every successful jump.

# Group

Our demands are clear: We want to set the benchmarks in our markets. The consistent implementation of our newly formulated company strategy is the inevitable prerequisite for this. The successes achieved in 2002 in reorganising important sectors and integrating our international companies led in particular to an improved cost situation. Improving profit continues to be a major topic in 2003.

# and Profit

## On a clear course with a new Group strategy

At the start of 2001 we began implementing our insurance Group's newly formulated company strategy in daily business. How far has UNIQA come towards achieving a long-lasting optimisation of the company? Konstantin Klien, UNIQA's Chairman and CEO, gives us answers.

**What steps did the Group take in the first year under your leadership to shape its future as a European insurance group with an Austrian identity in a way that is even more attractive for customers and employees and profitable for shareholders?**

**Klien:** The first year in which we began implementing our new strategy was characterised by a difficult economic environment. Considerable losses on the stock markets, intensified competition on the insurance markets, the catastrophic floods in Austria and the Czech Republic – these factors required us not only to adjust our strategy but to be more consistent as well.

**What has UNIQA achieved with its new course? How must the Group develop in future?**

**Klien:** We accomplished a great deal in 2002 and on the whole we did a good job. But there is still a lot to do if we want to implement all the points of our strategy by 2004. I consider it a first great success that we were able, thanks to the commitment of our employees, to noticeably reduce our costs. Above all we managed to reduce overhead costs (without commissions) even by mid-2002 by more than 10% compared to 2001.

**Was this possible without cutting back on the high quality standard?**

**Klien:** We did not save at the expense of our customers. On the contrary, in December 2002 we launched our completely novel "QualityPartnership". This is an innovative added-value product that fulfils our customers' desire for all-round support and high service standards in every regard. Furthermore we have started to develop a common structure for our standard products. Then we can adapt them to fit different demand conditions and use them in all Group companies.



Konstantin Klien  
Chairman of the  
Management Board



### What effect has the implementation of the new strategy had on the results and income?

**Klien:** Due to the catastrophic floods we have not yet been able to see an improvement in income based on the steps we have taken. However, we were able to achieve a marked improvement in the cost situation this year. For this reason, we were given an A rating by the international Standard & Poor's rating agency, as was the case last year. Clear proof that the direction we are moving in is the best one and that we are right on track.

### In which areas are there still deficits in terms of implementation?

**Klien:** In order to increase our earnings capacity we must get a better handle on the actuarial results in our most important sectors. In difficult stock market times actuarial losses can no longer be compensated for by investment yields. For this reason, we must stabilise the loss ratios at a low level. Last year we continued steps in this direction in the motor vehicle insurance line and started in the general liability insurance sector and in the group health insurance business.

### What are the focal areas for reorganisation in the current year?

**Klien:** This year we want to optimise international Group reinsurance. Furthermore, it is time to improve income in investment management. And we will re-negotiate our contracts in industry and big business. Internationally we must introduce new services in personal and property insurance with added value for customers that bring us unique selling points in the market.

### What do you foresee for UNIQA from the European Union's enlargement to the East?

**Klien:** When the Eastern European countries join the European Union all the international regions in which we are active – with the exception of Croatia and Switzerland – will be in one common economic region. This will bring us a number of simplifications, but above all new opportunities that we will make aggressive use of. Those insurers that have already invested in Eastern Europe will now participate more strongly in the new market potential. As Austria's largest health insurer UNIQA wants to build up a private health insurance market in Eastern Europe and profit from our broad experience.

# 10%

reduction in domestic overhead costs (not including commissions) in the comparable period as a result of our increased earnings programme.

We are counting on Croatia's fast, formal equalisation with the candidate countries. Altogether, the expansion of the EU opens up far greater growth potential for us than simply optimising the Austrian market.

**What must be implemented in the international companies over the short term?**

**Klien:** We will fully incorporate our international companies in the new IT structures and share the Group expertise. However, we also must increasingly provide for more Group-wide mobility among our employees by offering professional positions in other countries. Our "UNIQA Go Ahead" programme is an important step in this direction. In the end, however, the success of our strategy depends on tapping into potential customers faster than the competition. We must concentrate all our efforts on this.

10.2%

of the earned Group premiums in the year 2002 were from our international companies. We expect to attain our target planned for 2005 of 15% already in 2003.

## Largest supplier of unit-linked life assurance

Since it was founded in the year 1995 the MLP-Lebensversicherung AG, Vienna, has become one of the largest insurers in Austria specialising in unit-linked life insurance. One of the reasons for this success has been the good cooperation between the owners, UNIQA and MLP Deutschland, who contributed to this result through the work of their sales organisations.

In October 2002 we acquired the remaining 50% of the life assurance company MLP-Lebensversicherung AG, Vienna, from MLP Deutschland and now own 100% of the shares of MLP-Lebensversicherung AG, Vienna. With this step UNIQA has strengthened its position as the largest Austrian insurer, has again proven its competence in the area of asset-creating insurance products, and clearly positioned itself in its core business field.

UNIQA feels it is important that the unit-linked life assurance product sector is fully covered within the Group so that actuaries and marketing can form an even stronger entity.

### **MLP is now FinanceLife Lebensversicherung AG**

The company has been operating under a new name since March 2003. The new brand mirrors our area of activity and our services very precisely: future-proof investments. The clear ownership structure as well as the high performing infrastructure and the excellent financial standing of the parent company will definitely contribute to the rapid achievement of our goals. Membership in the UNIQA Group will also result in the development of new, attractive products and still more intensive service for the sales partners in the rapidly growing market for unit-linked life insurance.

The company is represented on the Internet by a new website at [www.financelife.com](http://www.financelife.com).



### **Leading insurer in Austria**

In December 2002 our core shareholders announced the acquisition of the Austrian AXA Group with its subsidiaries in Hungary and Liechtenstein. In the course of this transaction we intend to transfer the AXA companies to the UNIQA Group during the year 2003. As this report goes to press we are still waiting for approval by antitrust and regulatory authorities in Hungary.

We believe that this integration, which is planned for 2003, will be a great step forwards for UNIQA, not only with regard to the Hungarian market but also as the leading Austrian insurer.

### **Cost management and claims reorganisation improve earnings performance**

Over the past year we have determinedly followed our strategic goal of strengthening Group earning capacity and returns on equity in the long term by reducing costs and at the same time improving service and benefits and concentrating even more on profitable customer segments. The first successes became apparent in 2002 with the clear improvement in actuarial results.

This was also a consequence of our increased efforts to reorganise the different insurance sectors and stabilise the claim ratio. We achieved noticeable success in the motor vehicle sector, which is suffering ruinous competitive pressure.

### **Risk-appropriate premiums through motor vehicle segmentation**

Risk segmentation is an important factor in the reorganisation of the motor vehicle line. We sort customers into groups according to their various claim frequencies and offer them appropriate tariffs. This selective process in motor vehicle liability insurance and comprehensive insurance is based on various criteria, for example the vehicle's engine size and the driver's age. We reward low motor vehicle risks with premium discounts; high risks receive a lower discount or none at all.

In addition we have taken the first steps towards reducing the expense of claims in motor vehicle comprehensive insurance with trade-in offers, accounting control and wreck management. We will continue to promote these activities during the current year.



Taking the importance of Central and Eastern Europe as a growth market for UNIQA into account, starting in 2003 we will implement special international activities in the health insurance sector as well.

### Reorganisation of Group health insurance

In 2002 our reorganisation efforts were also focused on the group health insurance business. This consists of general agreements with companies or public service organisations that want to offer their employees more favourable health insurance premiums. This group business, an important factor that makes up around a third of our health insurance premium revenues in Austria, is still bringing us clearly less favourable results than individual health insurance.

For this reason, last year we began adopting various measures to begin improving this unsatisfactory situation in the group health insurance sector. We not only raised the premiums, we also introduced some cost sharing with the insured.

### Advantages reduced and benefits ratio improved

Many customers found this painful. However, we were unable to avoid reducing the advantages of group versus individual insurance. In any case we were successful in noticeably improving the benefits ratio in group business. We will consequently continue our reorganisation efforts during the current year.

Our re-negotiations with the hospitals contributed to the much more favourable developments in health insurance. Like other health insurance companies, UNIQA concludes contracts for the benefit of the insured with almost all hospitals and doctors in Austria where the prices of the services and a direct non-cash form of payment for them is regulated. In recent years health insurers under UNIQA's lead have successfully negotiated the slowdown in the rate of price increases in health services.

### Keeping down costs a permanent task in the health sector

This development is in no way finished. It seems inevitable that the structure of the contracts will be improved (with regard to medical services on the one hand and the hotel quality that should be offered in the hospitals on the other) in further negotiations and medical progress accounted for. This means that access to modern medicine must be guaranteed for UNIQA customers; at the same time services that have become routine in the medical business must be assessed at more reasonable prices.

# 1.5%

**under-proportional increase in health insurance expenses contributed to the further improvement of the actuarial results in this segment.**

Overall this restructuring must relieve the insured in order to compensate for the continuous increase in benefits paid. Standardisation of the catalogue of medical benefits also remains inevitable – at present they vary from province to province. We will need to consistently continue negotiations on this in the coming years.

#### **Portfolio management improved in health insurance line**

A central unit installed in 2002 is intended to assist the sales department in its activities supporting existing health insurance customers. We hope this will increase customer loyalty and generate additional premium revenue. These initiatives fit nicely into our QualityPartnership and therefore affect the bottom line. In the current financial year their positive effects will become evident with the help of the required IT support.

In 2002 through our active portfolio management and premium adjustments in group and individual insurance we managed to hold on to our high market share as Austria's largest health insurance and to raise premium revenues at the same speed as the industry is growing. Because benefits increased noticeably less as a result of successful negotiations with hospitals and doctors and the restructuring of the existing group insurance policies, we were able to improve our benefits ratio. This development should continue in 2003.

#### **Benefits ratio sinking internationally as well**

Group health insurance also developed satisfactorily in our foreign markets. Despite a slight fall in health insurance premiums in Switzerland the benefits ratio could be improved in 2002. In the current year a clear premium increase is being planned again. In Italy premium growth remained satisfactory, as did the benefits ratio despite a slightly disproportionate rise in payments. We are counting on a further increase in premiums in 2003.

In the other Central and Eastern European countries we are presently examining the opportunities in the health insurance sector. As an established supplier, UNIQA sees opportunities to progress with country-specific offers in these regions of Europe as well.



The launch of Salzburger drew a great deal of attention in the media with the ski world cup champion and current vice world champion, Alexandra Meissnitzer.

### **UNIQA and Salzburger bundle their sales power**

We created a new model for our “concept of regions” with the Salzburg project. UNIQA’s regional office in Salzburg and the Salzburger Landes-Versicherung are bundling their strength into a unique and innovative cooperation with which we are securing our leading market position in the Salzburg area and strengthening the Group’s earnings performance. Since the beginning of the year 2003 the previously separate sales organisations of the UNIQA regional management in Salzburg and the Salzburger Landes-Versicherung have been working together as a unified sales organisation.

The cooperation is being publicised with a new brand appearance. The cooperation was started with an appropriate brand campaign and a successful kick-off event in November 2002. The Salzburger Landes-Versicherung, the oldest and largest property insurer in the region, is in charge of the new contracts in property and accident insurance and is now offering its customers an even better quality of service. UNIQA provides optimal offers for health and life insurance and guarantees the benefits paid – in case of health problems, death or when the endowment becomes due – with its financial power. Everyone benefits from this cooperation.

We define the home market in which the UNIQA Group operates as being Central and Eastern Europe. It stretches from the Baltic Sea in Poland to the Czech Republic, Slovakia, Hungary, Austria down to the Mediterranean in northern Italy and Croatia. We also have specialised suppliers in Switzerland, Liechtenstein and Spain.

### **Successful Group strategy improves international profit**

UNIQA’s earnings capacity in all these regions will be improved above all by the newly created structure within the Group. Thus the central branches, as Centres of Competence, and the central service areas, as Service Centres, together with UNIQA International are responsible for defining common structures and processes valid for the entire home market.

An essential requirement for the success of the optimisation strategy to increase earnings is that employees think in a supra-regional manner and are prepared to enrich their specialised national knowledge with regional features and multicultural requirements. In cooperation with the responsible people in headquarters and the regions, common key products will be developed that can be used everywhere after they have been adjusted to meet country-specific conditions.

Our Czech subsidiary with its headquarters in Prague continues to grow at an above-average pace.



### Common platform reduces costs

This product structure is the requirement for deploying a common IT platform across the entire Group. This, in turn, is the basis for reducing costs throughout the corporation. In 2002 we began developing an IT solution for the life insurance line of our Polish company as a prototype that can be used by all our companies. In the current year this prototype should be completed for both the life insurance and the property sectors and can then be used in all the other regions of the Group.

### Synergies for new subsidiary in Hungary

The operative acquisition of AXA Bisztosito (carried out by the core shareholders of AXA Holding Österreich), the sixth-largest insurance company in Hungary, will also profit from this prototype. AXA Bisztosito has a market share of 5.3% and will, with the help of the Group structure and subject to the antitrust authorisation after it is transferred to UNIQA, take advantage of the continuing dynamism of the Hungarian insurance market and grow at an above-average rate in the years to come. The company has already built up a strong distribution structure which, in cooperation with a pension fund, creates an essential foundation for success.

### Start of cooperation with Tatra-Bank

After completion of the talks between UNIQA and the Slovakian Tatra-Bank several working groups defined the type and scope of the cooperation, product content, processes, marketing presence and sales measures. These products and processes were put into practice in the IT systems of both companies in autumn 2002. In February of this year the first training for bank employees took place. Pilot sales began after the cooperation agreement was signed on 24 February 2003 and are running in four selected branches located in and around Bratislava.

### Under-insured for catastrophic damages

Austria and the Czech Republic experienced catastrophic floods in the midsummer of 2002 after torrential rainfalls. Within a short time thousands of people became homeless or lost all their belongings. The total economic damage in Austria is probably in the range of two-digit billion euros. We granted special leave to employees that could not come to work because of the catastrophe or were helping with clean-up work and we donated € 125,000 as immediate emergency aid to flood victims.





Many parts of Europe experienced torrential rains that had dire effects on the insurance industry. A large part of the flood damage was insufficiently covered or not insured at all.

The telephone calls and damage reports that we received from desperate customers showed that the risk of natural disasters had been underestimated by the population in many areas of Austria, which had long been spared any flooding. A large part of the flood damage was insufficiently covered or not insured at all. In particular policies that were concluded by the middle of the nineties offer no insurance protection against this risk.

We paid around € 25 million last year for flood damage in Austria. The damage was also enormous in the Czech Republic, where entire districts disappeared under water. Our Group subsidiary, UNIQA pojistovna, must make considerable payments in the sum of approximately € 22 million.

In the meantime there has been a rush for insurance policies with protection against natural catastrophes. UNIQA's combined policies offer private households, business and agricultural enterprises various ways to insure themselves against the effects of natural disasters.

#### **Standard & Poor's confirm UNIQA's top rating**

On the whole we can be pleased with an extremely satisfactory balance for our Group in 2002, despite the difficult conditions. This was confirmed by the international Standard & Poor's rating agency. UNIQA is the only Austrian insurance Group to voluntarily undergo a detailed analysis once a year and our position was confirmed with a renewed A rating.

Standard & Poor's appreciated our strategic role as the leading assurance group, particularly as the largest health insurer, second-largest life and fourth-largest property insurer on the Austrian market. However, the decisive factor for the Group's positive rating was the strong improvement in the actuarial results, particularly the clear improvement in the combined ratio in property insurance as well as the systematic implementation of the earnings oriented programme to reduce costs and improve income.

# Staff

Notwithstanding all the technical options we have – the most important factor in our company's success is our employees. We are aware of the fact that we demand a great deal from our staff in our attempts to constantly improve in all areas of the company. We are proud that our employees understand that challenges are also opportunities and we support them with a diverse range of training and development courses.

# and Partners



At UNIQA individuals' knowledge, talents and readiness to work come together in a harmonious whole – and a lasting added value is created, for our customers, employees and shareholders.

## Challenging and promoting the staff

Our strategy of constant improvement in our competitive and earning power is also a permanent challenge for our staff. This is why we consider training and further development to be an ongoing task.

We use the opportunities the IT group architecture offers for all options of e-learning. Electronically supported learning includes all methods with which we can complete or replace regular courses in an effective and time-saving manner. E-learning is an intelligent tool for sharing an ever-increasing amount of knowledge despite the growing training need and the rising number of course participants with different levels of knowledge. Knowledge on call replaces knowledge in reserve.

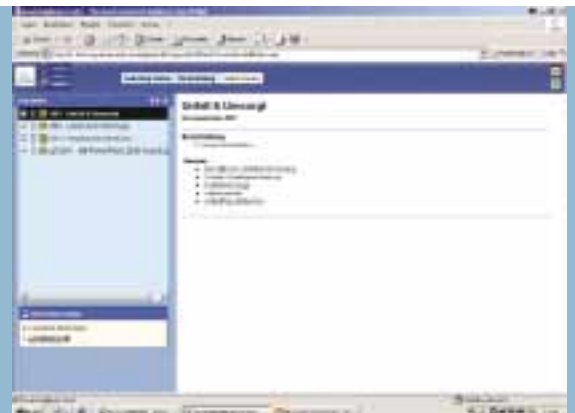
### Teaching and learning by Intranet

The advantages are convincing. E-learning is available at any time, anywhere; by Internet or Intranet, it can be interactive, use multimedia and can be repeated as often as desired. The participants in electronic training determine the speed and content themselves. It is no longer necessary to travel.

We offer e-learning by Intranet and web-based training that we integrate into a virtual classroom called the "Learning Space". At the start of 2002 the programme was first opened for Management, and starting in April it became an obligatory part of the basic training for our staff. It is intended as a platform to shorten the duration of training and increase staff productivity.

We are also trying out new ideas in job design. Teleworking and desk-sharing were established last year as integrated and accepted forms of work after the completion of a test phase in various areas. Teleworking exists in widely varying forms depending on the kind of work to be done and the personal preferences of the employee. In all cases, teleworking is always voluntary.

Depending on where they work and their level of education we offer our employees various topics in the area of e-learning.



### Teleworking and desk-sharing tailored to fit

Particularly for office duty we offer “alternating teleworking” in conjunction with desk-sharing, where several employees share one workstation.

Depending on the job requirements and personal interests, work time can be split between our office and a home office. This division can be handled strictly or flexibly in coordination with the department head. Our guidelines are: you work in the office for two or three days and the rest of the week you work at home.

Our employees are very interested in teleworking. At present only 65 of our staff and 25 experts are employed in Austria as teleworkers. However, we estimate that about 25% of all employees that are eligible for teleworking will decide to do it.

### Employee appraisals prove their worth

One modern tool with which we challenge and promote the development of our staff is the employee appraisal talk, held at the beginning of each year. It has proven its value. This dialogue gives managers and employees the opportunity to agree on career goals and to check up on compliance with them in the interest of our company’s productivity and profitability programmes. This is the foundation for long-term company success.

Our experience with employee appraisals demonstrates clearly that our managers take their human resource responsibilities seriously and the employees are to a large degree interested in continuous further development especially in light of changes in the company. This is an encouraging sign that an employee identifies with our company goals and is motivated to work towards their realisation.

However, not all the capabilities and knowledge of our employees can be recorded and understood in employee appraisals, especially those capabilities that they do not yet apply to their professional work.

# 25%

of all employees that are eligible for teleworking will decide to do it. Within the scope of numerous informative events we talk about, for example, what teleworking involves, the advantages and disadvantages, the required equipment for a teleworking workspace and how to become a teleworker.





At the second UNIQA Manager Meeting in 2002 a total of around 350 managers gathered together. The focal point was once again UNIQA's strategy and how the UNIQA team and management style fits the requirements.

# 350

### Skills database uncovers hidden talents

To this end we created an electronic skills database. All our employees can voluntarily fill out this electronic questionnaire. It is then made available to their chosen circle of people within the company, revealing their hidden capabilities and talents. Language proficiency, professional experience in other areas from the one they are presently in and additional hidden talents. This is an intelligent way for employees to take advantage of career opportunities they did not even know existed and for us it is an important aid in internal personnel searches.

As our Group becomes more international we must tap into the human resource potential of the company in all areas and improve readiness to move across borders at management level. Our offer to take part voluntarily in a success-oriented payment system was well-received among our employees on management level. This proves how strongly our employees identify with our company strategy of consistent earnings orientation.

### Management meetings promote identification

We strengthen this identification with the strategic course of the Group in our annual manager meetings. In October 2002 there was a double meeting with 85 executives from the head office, the regional offices and the subsidiaries. Within the context of this international conference the decision makers discussed detailed plans for the Group for the year 2003.

The response was without exception positive. The participants found it useful to discuss the practical problems they encounter concerning the further implementation of our strategy in personal conversations as well as to arouse appreciation of their own ideas and the positions of other colleagues.

# participants



### Mobility programme for international assignments

With our programme to improve the personal mobility of our employees under the title "UNIQA Go Ahead – Grow with your company" we are accelerating the development of first-class personnel for our expansion into Central Europe. We assume that the employee is willing to spend between three months and three years in another country, that he or she speaks fluent English or can learn the local language in a crash course, and already has insurance or expert knowledge that can be used in the field of work in the respective country.

Short-term projects lasting less than six months are above all for working together on concrete projects or tasks in a guest company that needs the specific knowledge of the employee. The job position held in the home country remains open, covered by a substitute, for the duration of the international project.

Medium-term training operations are intended to encourage the transfer of expertise from the home company to the guest company and last between six and twelve months. Long-term international assignments of up to three years involve taking over a function in the guest company after a training period and moving the family.

Participation in a mobility course is considered to be an honour and preparation for a future management role in the Group. Interested employees can report for an analysis of their potential at any time.



Left: Caslav Zaja,  
UNIQA International (Croatia » Austria)

Top right: Harald Chrstos,  
Chairman of UNIQA poistovna, a.s.  
(Austria » Slovakia)

Bottom right: Wolfgang Friedl,  
Product marketing (Austria » Poland)



### Training and personnel development concentrated

Our activities in personnel development and the entire training system have been concentrated in the Group subsidiary UNIQA Human Resources-Services GmbH established at the end of 2002. This enabled us to restructure the varied tasks of the human resource department in order to optimise work processes and services. The project is extremely important because Human Resources will carry an even greater weight in the new Group structure.

The new company's services will be institutionalised and offered to the entire Group. It will also offer the present training activities to external clients. Because of the increased professionalism we expect an expansion in business volume by providing services to third parties.

### UNIQA establishes a Finance Academy

We took another step in the direction of higher qualification of our employees and partners by founding the UNIQA Finance Academy. Here we can offer our sales force in cooperation with well-known partners an internationally recognised all-finance education on three levels, from investment consultant via finance consultant to financial planner. Every level is concluded with a certified exam as a prerequisite for completing the next training level. The Finance Academy is intended to contribute specialists for a team of Certified Financial Planners that can optimally support a distinguished customer segment.

Having employees with international experience is necessary for the success of an internationally active group like UNIQA. At a time when many companies in the EU market see themselves forced to eliminate a large number of their jobs UNIQA is in the fortunate position of being able to offer its employees attractive assignments in the most diverse regions of Central Europe.

# UNIQA Go Ahead



We are moving in an environment where the trail is icy and full of curves and sometimes heads down steeply. Under these conditions we stand firm with our powers of concentration and endurance.



# Markets and

In the year 2002, characterised by political tensions and a crisis of confidence on the international financial markets, the recovery of the world economy did not live up to expectations. The insurance industry could not evade these trends on the capital markets despite the dynamic growth in premiums in certain sectors. We see the increase in the price of UNIQA shares of more than 27% as a confirmation that our strategy is right.

# UNIQA shares

## Economic environment

### **Fragile upturn of the global economy**

The global economy was able to recover in 2002 from the setbacks of the previous year. However, the upturn remained fragile. Above all the continuing political tensions, erratic oil price increases and unresolved structural problems particularly in the Western European industrial countries led to a renewed slackening of the economic dynamics.

The tentative attitude of business investors and private consumers as well as the confidence crisis on the international finance markets accompanied by heavy losses in share prices again won the upper hand. A lasting economic recovery could not establish itself.

### **World production only up insignificantly**

While world trade after its stagnation in the previous year increased again by about 2.1%, world production was up by 2.7%, only insignificantly stronger than in 2001. The global economic regions made varying contributions to this result.

### **Recession in the USA overcome**

The United States was the most important growth driver for the industrial countries, and production there rose below average by 1.4%. In 2002 the US economy found its way out of the recession and back onto a still bumpy but nevertheless expansive path. Not least thanks to major cuts in the insurance rates and an expansive financial policy, American gross domestic product improved in real terms by about 2.4%.

Once again, the greatest boost to the economic cycle was private consumption. This proved to be extremely robust, despite the capital losses on the stock markets, not least because of the continuing increases in household debt. Residential construction remained high. For the first time in five years the federal budget recorded a deficit of about 1.5% of gross domestic product. This was due to recessionary revenue losses as well as tax reductions and new expense programmes that had been previously agreed.

### Eastern Asia continues to show great dynamism

Internationally, the newly emerging Eastern Asian countries and China again showed the greatest economic dynamism in 2002. With growth rates of up to 7.7% they ensured that the expansion of the total world economy accelerated much more strongly than in the industrial countries.

In the maelstrom of the Far Eastern race to catch up, Japan was also able to overcome the recession of the year 2001, in particular because of the strong increase in exports in the first half of 2002 and lively private consumption. However, continuing overcapacities, a further slump in investments and the drop off of foreign demand prevented a sturdy upturn. Instead the deflationary trends were again successful and prices fell.

### Financial crisis in Latin America

The economic situation in Latin America remained extremely tense. Argentina suffered from chaotic financial conditions due to the collapse of its currency system. A collapse of the banking system could only be prevented by freezing almost all deposits. The problem of creeping real currency appreciation with simultaneous high real interest rates and dampening effects on investments became critical in Brazil once again.

### Slow recovery in the euro-zone

After the encouraging beginnings of an economic recovery the upturn in the euro-zone declined during the course of 2002. Total economic growth slowed to just 0.8% due to the recession that returned again in the USA, increasing production cost prices, rising oil prices and the restraint of investors and consumers.

The disparities remained considerable in the common currency area. Rates of expansion in national production varied by more than four percentage points. Price increases were more convergent. The national inflation rates in the euro-zone were only about 3 percentage points apart with an average increase in the harmonised consumer price index of 2.2%.



# 2.7%

increase in world production in 2002. This is only insignificantly higher than in the previous year.

### **Unemployment up**

Because private consumption developed poorly and equipment investments went down substantially, capacity utilisation in the euro-zone in 2002 was far below what it could have been. Unemployment went up.

As a result of the weak growth, dynamic public budget deficits in the euro-zone increased due to falling income and rising expenditure, and in particular due to the increase in unemployment. The deficit climbed as high as about 2.4% of the gross domestic product.

### **Growth in Central and Eastern Europe continues to be strong**

Once again, the Central and Eastern European EU accession countries developed altogether extremely well. To be sure, growth in total economic output sank in 2002 down to 2.4%, but it was still clearly above the level of Western Europe.

In the face of sinking inflation rates and real wage increases that stayed below growth in productivity, consumer demand remained the major economic drive. Investment activity continued to be vigorous.

However, the missing dynamism in Western Europe slowed down the export increases that most accession countries had been used to. Because imports continued to rise vigorously, all the Central and Eastern European countries showed current-account deficits, without exception. However these were financed predominately by foreign direct investments that, in some countries, even exceeded the current-account deficit.

### **Stubborn lack of investment in Poland**

Poland, the largest economy in Central and Eastern Europe, showed the least dynamism – due to the stubborn investment weakness with an increase in the real gross domestic product of 1% – but the highest unemployment level and the largest state financing deficit in relation to the gross domestic product.

# 2.4%

product growth in the EU candidate countries – visibly stronger than in Western Europe.

Hungary, the Czech Republic and Slovenia made substantial progress in lowering unemployment. These countries were able to maintain their growth at an unchanged rate; their economic performance per inhabitant came closest to the EU standard.

### **Economic shadow over Austria**

With the deterioration in the economic climate in Europe the hopes in Austria of a solid upturn also fell after the summer of 2002. Total economic output was nevertheless up by around 0.9%, a little more than the average in the euro-zone.

### **Investments at a low**

The willingness of business to invest fell to a low level as a result of the international crisis in confidence. Investment in equipment was cut by around 10% – considerably more than the EU average. At least consumers spent in real terms close to 1% more than in the year before although consumer prices increased by just 1.8%.

The export and tourism sectors were robust. Austria's exporters delivered 2.5% more goods in real terms to foreign countries and were able to firm up their position on the world markets. Because imports were down by 3.5%, the current account deficit shrank to only 0.1% of the gross domestic product.

### **Government finances in deficit again**

However this weak growth led to a noticeable increase in the unemployment rate, although at 4.1% this was only half the level of the EU average. The economic recession also led to a clear shortfall in state tax revenue. After the surplus of 2001, this past year is most likely to produce a financial deficit of around 1.5% of the gross domestic product.



## Trends in the insurance industry

### Insurance industry suffering from the loss of single-premium business

The above-average growth speed in the Austrian insurance market slowed down from the 6.8% it averaged between 1991 and 2001 due to a decrease in the number of single-premium policies. Premium revenue rose overall in 2002 by just 2.1% to € 12.7 billion. On the other hand, in recurring life assurance the dynamism of the insurance industry barely decreased, with a rise in premiums of 5.9% compared to 2001.

The life assurance line suffered from the loss of single-premium policies and recorded a decrease in premiums amounting to 1.9%. On the other hand, the strong expansion level continued with growth of 6.5% in risk and old-age provision with ongoing premium payments. Unit-linked life assurance also continued to grow visibly despite the weak stock markets.

### Property/casualty and health insurance drive growth forward

The main catalysts for growth in the insurance industry in 2002 were the property and casualty sectors. They even slightly accelerated the increase in their premium revenue to 6%, which means they are moving upwards. Benefits paid in property and casualty insurance increased again in 2002 by 12%, which is above average. Three quarter of the € 470 million increase were due to flood claims and the rest to fire claims.

The reorganisation efforts in motor vehicle liability insurance resulted in a further increase in premiums of 5.6%. Yet the situation remained tense despite the moderate increase in benefits of 1.2%. The present claim ratio of 80.3% still remains substantially above the long-term ten-year average. Higher premiums can be expected above all from new business and when clients change cars.

### Strong increase in fire claims

Premiums in fire and business interruption insurance went up in 2002 by 5.86%; this was a stronger increase than had been seen since 1984. However, with the 37% rise in benefits that took place at the same time, the loss ratio climbed to 86.3%, the second-highest level since 1964.

The remaining property and casualty lines such as accident, comprehensive, household, liability and water damage insurance contributed to a still strong premium increase of 6.2%. Because of the floods, which caused estimated damage of € 350 million, the benefits paid increased drastically by 13.7% to € 2.8 billion.

12%

Increase in benefits in property and casualty insurance in the Austrian assurance branch.



### Health insurance with falling benefits ratio

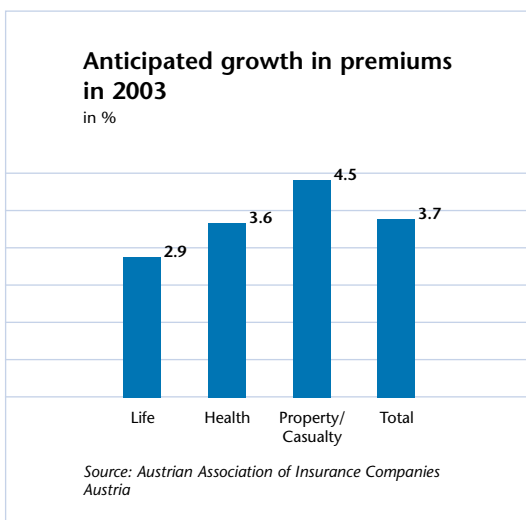
Health insurance also contributed to the dynamism of the industry. It was able to continue its expansion rate of 2001 at a pace that barely slowed, showing premium growth of 3.9%. Because the benefits only increased by 1.9% the relationship to the premiums continued to improve in 2002 although the situation was still difficult. The necessary tariff adjustments are likely to be lower than in past years due to the advantageous development of the benefits.

### Insurance development more lively in 2003

The Austrian insurance industry can count on an acceleration of its entire premium growth to 3.7% in 2003. The life assurance sector, after its setback from the loss of single-premium policies, will most likely return to its expansion path with increases in premium revenue of 2.9%.

Because Austrian secondary-market revenues are expected to fall from an average of 4.45% annually in 2002 to 4.05% this year, the revenues of the life assurance line with ongoing premium payments will also develop dynamically upwards at almost 7% even at current interest rates.

In health insurance we can count on an increase in premium revenue that is only just weaker at around 3.5%. The dynamism of the property and casualty division is levelling off slightly in 2003; however it will still make a strong contribution to the accelerated growth of the industry and in addition it will move up to become the sector with the highest revenue.



## International financial markets

### **Crisis of confidence on the financial markets**

2002 was one of the most difficult years in a long time for the international financial markets. Following a slight improvement in the economic indicators in the first months of 2002 the high hopes of a self-supporting upturn in the global economy were destroyed again by March because of the conflict in the Middle East, the rise in crude oil prices and growing unemployment in the USA and Europe. At over 2%, the inflation rate in the euro-zone was above the target set by the European Central Bank.

Doubts about a lasting and robust upturn grew in the second quarter. Confidence in the financial world was shaken badly when irregularities in the accounts at the US WorldCom company and a further chain of negative announcements about the accounting practices of other international corporations and poor profit results were made public. Within a few weeks prices fell drastically on the stock markets.

### **Escape to high-quality government bonds**

The extensive crisis in confidence led to an unusual widening in the spread of company bonds, many ratings were lowered considerably and government bonds from developing countries lapsed. Investors fled from stock to American and European bonds with a superior financial standing.

The deterioration of the general mood also increasingly impaired real economic growth. The optimistic forecasts about the global economy that were heard at the beginning of the year fell considerably during the following months. The stock markets fell at the beginning of October to an annual low: the S&P 500 to 768 points and the DJ Stoxx 50 to 2,213 points. Due to the fundamentally low company ratings a slow recovery began that held on, with fluctuations, until the end of the year in a market that had been characterised for the past three years by falling prices.

### **Vienna Stock Exchange outperforms Europe once again**

In the third year of major price falls on the international markets, in 2002 the Vienna Stock Exchange defended its role as the top performer and best stock market in Europe. After a weak start certain single listings showed strong gains and there was a general steady increase, which more than made up for the initial lag in comparison with the other European stock markets. Many Austrian stocks profited substantially from nailing down the realities of EU enlargement to the East.

Of the eleven best-known stock exchange indexes only one, namely the Austrian ATX, was able to register gains in 2002. All the others showed two-digit percentage drops.

The ATX finished 2002 in comparison with the end of the year before up by 0.85% while the American and European stock markets suffered major losses of up to about 44%.

To promote Austrian equity culture, and the Vienna Stock Exchange in particular, a curatorship for the Austrian capital market was established in February 2002 at the initiative of the government representative Richard Schenz, the Austrian National Bank (Oesterreichische Nationalbank), numerous trade associations and companies quoted on the stock exchange. This initiative is intended to be a platform for common activities that will strengthen the domestic capital market and the financing potential for companies.

#### Government bonds as a safe haven

American and European government bonds were considered by international investors in 2002 to be a safe haven. Greater risk awareness has resulted in a self-supporting rally in interest rates since the early summer. Returns on investment in the 10-year euro segment reached the 4.25% mark at the end of September after a strong rise.

The risk aversion of the investors is expected to remain due to political instability and the weak state of the global economy. Therefore, government bonds and top-quality issues will remain in demand. However, the market must be watched very closely because of its unusual volatility.

#### Late relaxation of monetary policy

The central banks could not decide on a further relaxation of their monetary policy until near the end of 2002 because they feared the dangers of inflation due to the increased amount of money in circulation and higher oil prices. The US Federal Reserve Board lowered the Federal Funds Rate on November 6 by 0.5 percentage points to 1.25% – the lowest level since 1961. This made the real interest rate, after deducting the inflation rate, clearly negative.

The European Central Bank followed with a cut in the minimum performance interest rate for the main refinancing businesses of 0.5 percentage points to 2.75%. The three-month interest rate reached 2.95% at the end of December and was 0.4 percentage points lower than a year earlier. Returns on ten-year government bonds were low at around 4.5% or 2.7% in real terms.

The Bank of Japan continued its low interest-rate policy and supplied the banks with further liquidity by buying up government bonds. However, the effectiveness of their monetary policy continued to be impaired by the unsolved reorganisation of the banking sector.



## UNIQA's financial investment strategy

### **UNIQA looks to government bonds**

Although people were still counting on a recovery of the global economy at the start of 2002, we only increased the proportion of stock in our investment portfolio by a small amount in the first quarter. The largest proportion of our new investments was invested in top-quality bonds, from the third quarter on almost exclusively in government bonds. Through active management we took a defensive stance in all asset classes. We postponed expenditure in the area of alternative investments. We rode out the difficult year 2002 with an investment policy that was based on long-term stability and concentrated on substance.

### **UNIQA Alternative Investments GmbH**

After its foundation in April 2002 UNIQA Alternative Investments GmbH (UAI) received its concession from the financial market supervisory (FMA) at the end of October to run a large security service company covering the entire EU area. The newly founded company offers asset-management services in the areas of asset-backed securities and alternative investments for both UNIQA Group companies and institutional third parties. For the first time, third parties from outside the Group are now being offered access to UNIQA's portfolio management expertise in these areas. The target group was defined as institutional investors – banks, savings banks, insurance companies and pension funds. The specialised team applies a structured investment procedure supported by quantitative and qualitative models as well as analyses, and has proven itself in recent years.

They were already able to win mandates of significant size in 2002. This success confirmed the company's strategy of gaining a foothold in a highly competitive investment management market through a highly specialised asset-management team. Management expects that in the year 2003 mandates for third parties from outside the Group will make up more than 50% of the managed assets.

With a team of eight specialists, UAI has at its disposal the resources that the complexity of such investments requires to be able to implement a detailed investment process. It permits the necessary specialisation on the one hand, and on the other hand it guarantees that the quality standards can be maintained even when the number of mandates increases.

## Forecast for the year 2003

### Global economy likely to grow more strongly in 2003

After a decrease in share prices on the global stock markets of around 33% in the past year, political uncertainties are abating in 2003 and upward economic trends are likely to slowly gain the upper hand again internationally – not least because of the expansive impulses from monetary policy.

Despite the continuing economic risks from the increasing wage and price pressure we can count on an accelerated increase in world production of around 3.5%. In the industrial countries however gross domestic product will only go up by 2%.

### Investment up in Austria

The economy in Austria should grow slightly more strongly in the current year than in 2002 – around 2% in real terms. Private consumption will not rise as much as disposable income and high savings rates would permit. The investment allowance that will be paid until the end of 2003 could revitalise the inclination to invest and lead to an increase in equipment investment of around 5%.

Despite the slightly more favourable economic cycle perspectives, employment will only improve insignificantly and the unemployment rate will stagnate. Increased losses in tax payments and higher expenditure for flood aid and unemployment payments are expected to lead to a budget deficit of around one per cent of the gross domestic product. The annual average returns in the secondary market for ten-year government bonds, which was around 5% in 2002, will fall in 2003.

# 2%

real growth expected in the Austrian economy in 2003. A clear increase compared to 2002.

## UNIQA shares

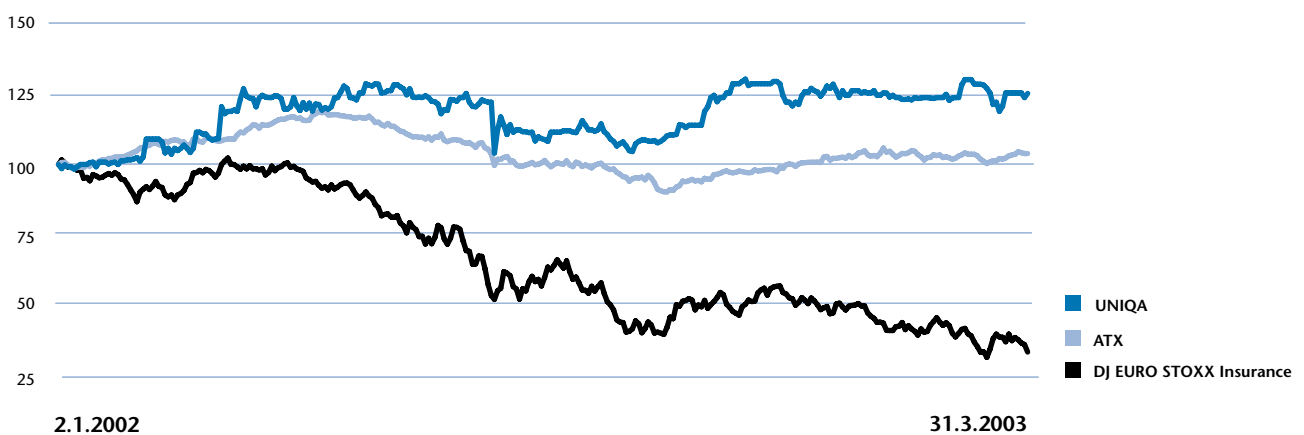
### UNIQA a high-flyer on the stock exchange with 26% rate gains

Following the Group's restructuring the UNIQA shares have been listed from 18 November 1999 on the Vienna Stock Exchange and since the beginning of 2002 in the new top segment, the Prime Market. The UNIQA share is quoted on the ATX, the ATX Prime and the FTSE World Index.

The UNIQA share was one of the high-flyers on the Vienna Stock Exchange in 2002. The price rose over the year by 26.03% in comparison to the end of 2001, fluctuating from a high of € 8.10 and a low of € 6.15 to a year-end level of € 7.99 beating the development of the ATX and FTSE Insurance Sector by far. This means the market capitalisation of the UNIQA Group on the stock exchange increased to € 957 million in comparison to € 759 million at the end of 2001.

We consider this to be a great success and a visible recognition of the above-average positive development of our operating business and cautious capital management.

UNIQA share 2002/03 in %



# Share

## UNIQA share buyback programme

Within the scope of the buyback programme that is expected to run until 20 June 2003 we are authorised to repurchase up to 10% of the capital stock of UNIQA Versicherungen AG, i.e. 11,977,780 shares in the name of the bearer. By 31 December 2002 we had bought back 7,197,058 shares, equivalent to € 46.628 million. On 2 October 2002 in the course of acquiring the remaining shares of FinanceLife Lebensversicherung AG (previously MLP-Lebensversicherung AG Wien) we transferred 1,925,792 shares to MLP Deutschland as part of the purchase price. This leaves a portfolio of own shares as at 31 December 2002 of 5,271,266 share certificates with a value of € 34.798 million.

## Electronic communication channels redesigned

In cooperation with the financial community we strive for a transparent and long-term communication policy. We always keep our shareholders and investors up to date. The complete redesign of our Investor Relations area on our new website, "UNIQUAGROUP.com", has been an important step towards optimising electronic communication channels.

To provide targeted support to our shareholders, analysts and customers for the first time we are also making the current annual report available in an interactive online version on our website. Text, numbers and graphs are presented in a concise, service-oriented and easy-to-navigate manner. In order to make our online annual report accessible to our international partners, investors and analysts as well, it is also available in English.

## Financial calendar for the year 2003

Annual General Meeting	19 May 2003
1st quarter report 2003	30 May 2003
Ex-dividend day	2 June 2003
2nd quarter report 2003	29 August 2003
3rd quarter report 2003	28 November 2003

### Technical details about the shares:

Security grammalogue: UQA

Market segment:  
Prime Market of the Vienna Stock Exchange

Trade Segment:  
Official trading

ISIN: AT0000821103

Component of the following indices:  
WBI, ATX, ATX Prime