



Pozavarovalnica Sava, d.d.

Unconsolidated  
Third Quarter Report 2010



This is a non-official English language  
translation of the Slovenian original  
prepared by Sava Reinsurance Company.



**UNAUDITED UNCONSOLIDATED REPORT OF  
SAVA REINSURANCE COMPANY D.D.  
FOR THE NINE MONTHS TO 30 SEPTEMBER 2010**

Ljubljana, 15 November 2010

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## **1. INTRODUCTION**

In accordance with the Financial Instruments Market Act and the Rules of the Ljubljana Stock Exchange, Sava Reinsurance Company d.d. ("Sava Reinsurance Company" or "the Company"), with registered office at Ljubljana, Dunajska 56, hereby publishes the Unaudited Unconsolidated Report of Sava Reinsurance Company for the Nine Months to 30 September 2010.

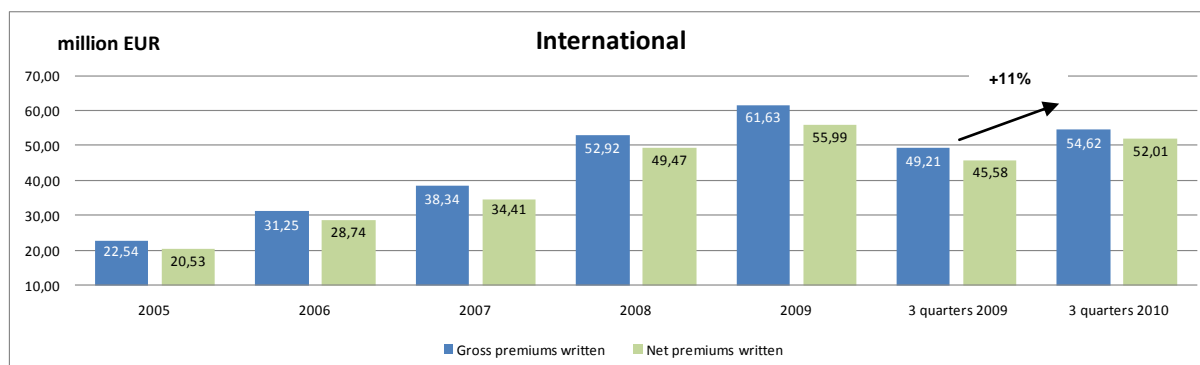
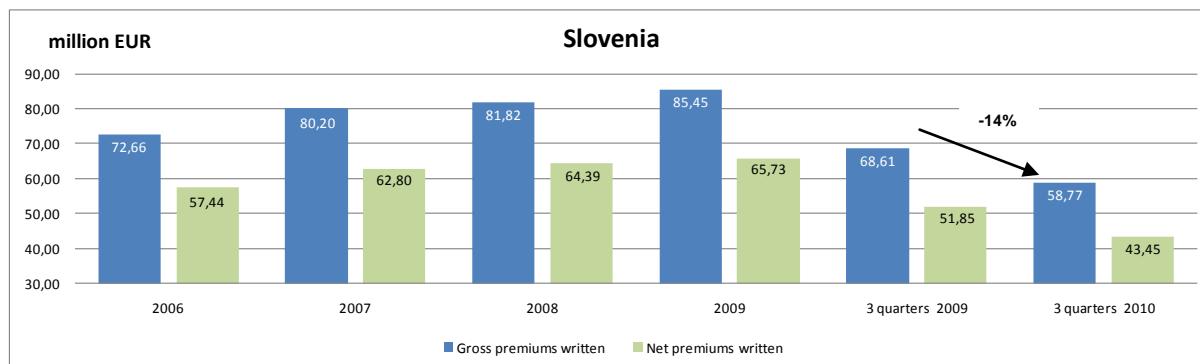
The interim financial statements of Sava Re for the 9 months to 30 September 2010 have been prepared in compliance with the International Financial Reporting Standards ("IFRS") and are unaudited.

The Unaudited Unconsolidated Report of Sava Reinsurance Company for the Nine Months to 30 September 2010 will be available as a hardcopy for viewing at the registered office of the Company at Dunajska 56, 1000 Ljubljana on every workday between 9:00 and 15:00 hrs, and as a softcopy on the Company's website [www.sava-re.si](http://www.sava-re.si) from 30 November 2010 onwards.

The Unaudited Unconsolidated Report of Sava Reinsurance Company d.d. for the Nine Months to 30 September 2010 has been considered by the Supervisory Board at its regular meeting on 26 November 2010.

## 1.1. Summary of key performance figures

(EUR)	Sava Reinsurance Company	
	1-9 2010	1-9 2009
<b>Gross premiums written</b>	<b>113,390,047</b>	<b>117,821,003</b>
Year-on-year change	-3.8%	16.2%
Gross premiums written - Slovenia	58,770,597	68,607,724
Gross premiums written - international	54,619,450	49,213,280
International premium as % of total GPW	48.2%	41.8%
<b>Gross claims paid</b>	<b>56,950,390</b>	<b>75,565,494</b>
Year-on-year change	-24.6%	-9.0%
Net incurred loss ratio	70.3%	73.9%
<b>Operating expenses including reinsurance commission income</b>	<b>28,691,251</b>	<b>27,858,549</b>
Year-on-year change	3.0%	8.8%
Net expense ratio	31.0%	30.2%
<b>Net combined ratio</b>	<b>101.3%</b>	<b>104.1%</b>
<b>Net investment income (inv. income - inv. expenses)</b>	<b>2,914,347</b>	<b>-2,814,470</b>
Year-on-year change	203.5%	-123.5%
Realised investment return	1.2%	-1.4%
<b>Profit/loss, net of tax</b>	<b>1,594,678</b>	<b>-6,603,763</b>
Year-on-year change	124.1%	-243.1%
Comprehensive income	1,740,267	2,922,056
	<b>30.09.2010</b>	<b>31.12.2009</b>
<b>Total assets</b>	<b>431,191,691</b>	<b>404,105,057</b>
Change on 31 December	6.7%	1.2%
<b>Shareholders' equity</b>	<b>151,735,546</b>	<b>149,995,279</b>
Change on 31 December	1.2%	-2.4%
<b>Net technical provisions</b>	<b>164,086,602</b>	<b>144,578,495</b>
Change on 31 December	13.5%	18.9%
ROE (profit/loss for the period/average equity)	1.1%	-4.3%
Number of employees	68	66





## 1.2. Profile of Sava Reinsurance Company

Company name:	Pozavarovalnica Sava, d.d.
Registered office:	Dunajska 56 1000 Ljubljana Slovenia
Telephone (switchboard):	(01) 47 50 200
Telefax:	(01) 47 50 264
E-mail:	<a href="mailto:info@sava-re.si">info@sava-re.si</a>
Website:	<a href="http://www.sava-re.si">www.sava-re.si</a>
Company ID number:	5063825
Tax number:	17986141
Share capital:	EUR 39,069,099 (no. of no-par-value shares: 9,362,519)
Date of entry into court register:	28 Dec 1990 Ljubljana District Court
Certified auditor:	KPMG, Slovenija, podjetje za revidiranje, d.o.o. Železna cesta 8a 1000 Ljubljana Slovenia
Largest shareholder and holding:	Slovenska odškodninska družba, d.d. 25.0% (no-par-value shares: 2,340,631)
The Company has no branches.	

## 1.3. Governing bodies of the Company

### Management Board

In accordance with its Articles of Association, Sava Reinsurance Company is managed and represented by a two-to-five member management board. In order to transact business, the Company must be represented jointly by at least two members.

On 14 October 2008, the Supervisory Board elected Zvonko Ivanušič Chairman of the Management Board. The term of office of Zvonko Ivanušič and Jošt Dolničar started on 31 December 2008, while Srečko Čebren started his function of Board Member on 1 February 2009.

In the first nine months of 2010 there were no changes in the composition of the Management Board.

#### Members of the Management Board as at 30 September 2010:

Chairman of the Management Board:	Zvonko Ivanušič
Member of the Management Board:	Jošt Dolničar
Member of the Management Board:	Srečko Čebren

## Supervisory Board

Pursuant to the Company's Articles of Association and the applicable legislation, the Supervisory Board is composed of six members, of which four (shareholder representatives) are elected by the Company's General Meeting, and two (employee representatives) are elected by the Workers' Council, which subsequently informs the General Meeting of its decision. Supervisory Board members are appointed for a term of up to four years and may be re-elected. In the first nine months of 2010 there were no changes in the composition of the Supervisory Board. Likewise, there were no changes in the composition of the Audit Committee of the Supervisory Board in this period.

### Supervisory Board Members as at 30 September 2010:

Chairman:	Branko Tomažič
Deputy Chairman:	Mateja Lovšin Herič
Member:	Mateja Treven
Member:	Slaven Mičković
Member (employee representative):	Aleš Mirnik
Member (employee representative):	Nada Zidar


### Members of the Supervisory Board Audit Committee as at 30 September 2010:

Chairperson:	Mateja Treven
Member:	Slaven Mičković
External member:	Blanka Vezjak
Deputy member:	Mateja Lovšin Herič

## General Meeting of Shareholders

The General Meeting of Sava Re Shareholders was convened once in the nine months to 30 September 2010. The 23rd General Meeting was held in the conference room of the TR3 building at Trg republike 3, Ljubljana, on 30 June 2010. It was presented the annual report 2009 with the auditor's opinion and written report of the Supervisory Board to the annual report and the annual report on internal auditing for 2009 with the opinion of the Supervisory Board. The General Meeting decided on the discharge for 2009 to the Management Board and the Supervisory Board, and on amendments to the Articles of Association and the General Meeting's Rules of Procedure. The General Meeting appointed the auditing company KPMG Slovenija, podjetje za revidiranje, d.o.o., Železna cesta 8a, Ljubljana as auditor for the financial year 2010. No challenging actions were announced in the meeting.

### **1.4. Significant events in the 9 months to 30 September 2010**

-  In January 2010, Sava Reinsurance Company liquidated the Macedonian Company Slorest.

- S On 31 January 2010 and 1 February 2010, the newly acquired shares of the Kosovan companies Dukagjini and Dukagjini Life, respectively, were transferred to Sava Reinsurance Company. The Company thus became sole owner of the two Kosovan companies.
  
- S On 3 February 2010, the Board of Directors of the fund management company Sava Invest, Macedonia, adopted the decision to wind up the legal entity. This decision triggered the proceedings for the liquidation of the investment funds Sava Invest Rasteči and Sava Invest Balansirajuči before the competent authorities in the Republic of Macedonia. The assets of the funds will, after settlement of any debts, be distributed among investors in proportion to their ownership interest.
  
- S On 30 June 2010, the 23rd General Meeting was held. It was presented the annual report for 2009 with the auditor's opinion and written report of the Supervisory Board to the annual report and the annual report on internal auditing for 2009 with the opinion of the Supervisory Board. The General Meeting decided on the discharge for 2009 to the Management Board and the Supervisory Board, and on amendments to the Articles of Association and the General Meeting's Rules of Procedure. The Auditor appointed for the 2010 financial year is KPMG Slovenija, podjetje za revidiranje d.o.o., Železna cesta 8a, Ljubljana. No challenging actions were announced in the General Meeting.
  
- S On 7 July 2010, the Ljubljana District Court, by decision no. 847/2010 initiated bankruptcy proceedings over Poteza Naložbe d.o.o. Sava Reinsurance Company has a claim against Poteza naložbe d.o.o. based on commercial notes in the amount of EUR 359,321. In response to the initiation of bankruptcy proceedings against Poteza Naložbe d.o.o., Sava Reinsurance Company made a 100% impairment on the commercial notes. On 9 September, the District Court by decision no. St 1106/2010 announced the proposal for compulsory settlement of Poteza skupina d.d. against who Sava Re has a claim relating to bond holdings in the amount of EUR 1,528,615. Since the proposal for compulsory settlement has not been adopted, Sava Reinsurance Company made no allowances relating to these bonds by 30 September 2010 as the proposal for compulsory settlement states a 100% settlement of all claims.
  
- S In August 2010, the Macedonian subsidiary Sava Invest was stricken off the Central Register of the Republic of Macedonia.
  
- S In September 2010, the Zagreb court of competent jurisdiction issued an order on the increase in the share capital of the indirect non-life insurance subsidiary Velebit osiguranje to HRK 77m (EUR 10,554,740.72).

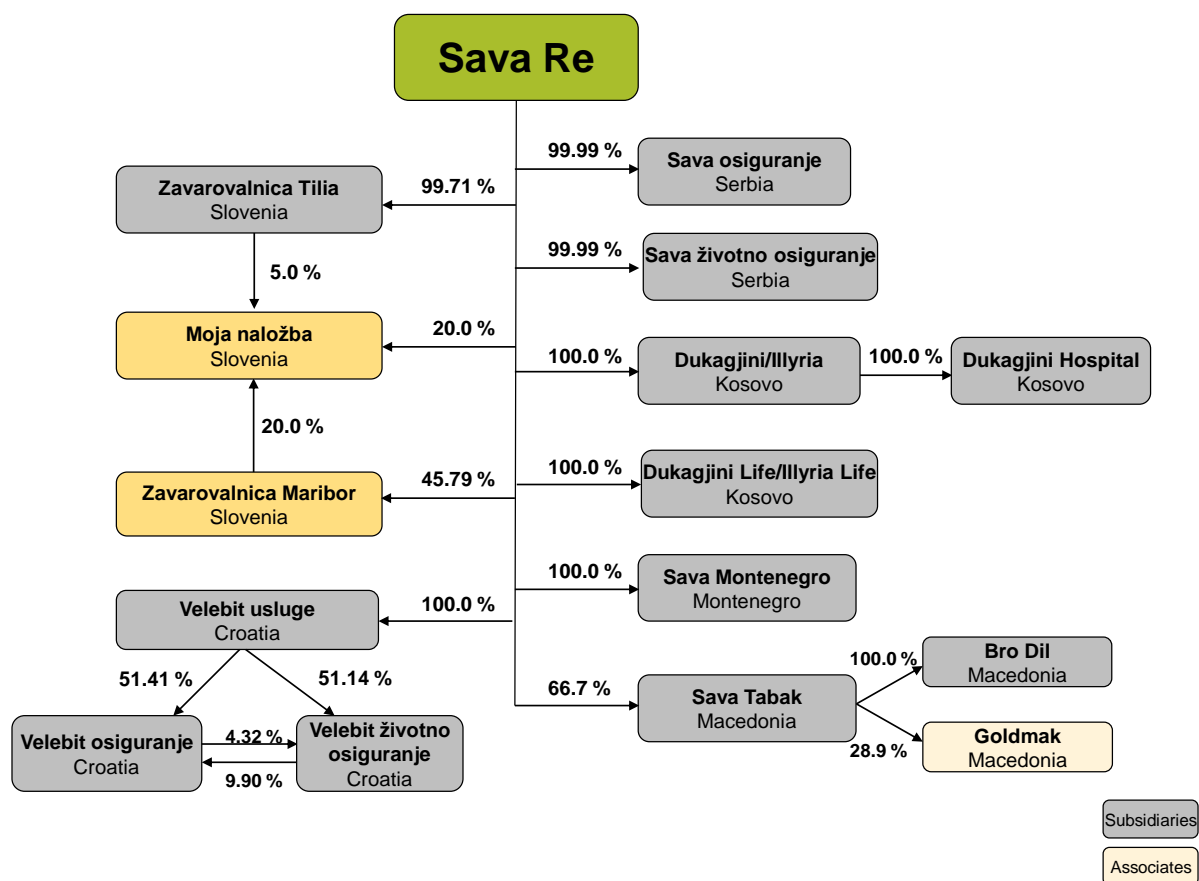
### **1.5. Important events after 30 September 2010**

- S** In its meeting on 5 October 2010, the Supervisory Board appointed as fourth Member of the Sava Re Management Board Mateja Treven, who had served on the Supervisory Board and chaired the Audit Committee since July 2009. On 5 October 2010, Mateja Treven tendered her resignation as Member of the Supervisory Board and Chairperson of the Audit Committee at Sava Reinsurance Company. Her statement of resignation will become effective as of the date when Mateja Treven obtains a licence from the Insurance Supervision Agency for performing the function of Member of the Management Board of Sava Reinsurance Company. Upon obtaining the Agency licence and starting her term of office, Mateja Treven will be responsible for finance, accounting and internal auditing.
- S** In autumn 2010, the Kosovan subsidiaries Dukagjini and Dukagjini Life took over the corporate image of the Sava Re Group and were renamed Illyria and Illyria Life, respectively.
- S** At the end of October, Sava Reinsurance Company made an estimate of the claims incurred by cedants as a result of the floods that hit Slovenia between 18 and 20 September 2010. Zavarovalnica Tilia, a nearly wholly owned subsidiary of Sava Reinsurance Company, made a preliminary estimate of the claims incurred due to the floods of EUR 1.3m. Estimated flood losses incurred by other Slovenian cedants reinsured by Sava Reinsurance Company total EUR 6.1m. Sava Reinsurance Company maintains reinsurance protection for such cases that reduce the net impact of such losses on the results of the company. We estimate that the total net impact of the flood losses on the Sava Re Group results will be EUR 2.3m. Compared to the estimated loss, this amount is relatively small thanks to prudent and conservative reinsurance protection. The claims made by cedants relating to the September 2010 floods will not have a significant impact on the business results of neither Sava Reinsurance Company nor on the Sava Re Group.
- S** In November 2010, the rating agency Standard & Poor's published a new rating report for Sava Reinsurance Company d.d. and reaffirmed its long-term credit and financial strength rating of A- with a stable outlook.

## 1.6. Sava Re Group structure including associated companies

Reinsurance Company Sava is the controlling company of the Sava Re Group. In addition to the controlling company, the Sava Re Group comprises nine insurers based in Slovenia and other countries of the former Yugoslavia. There are also two associated companies: one insurer and one pension company, both Slovenia-based.

*Sava Re Group structure including associated companies as at 30 September 2010*

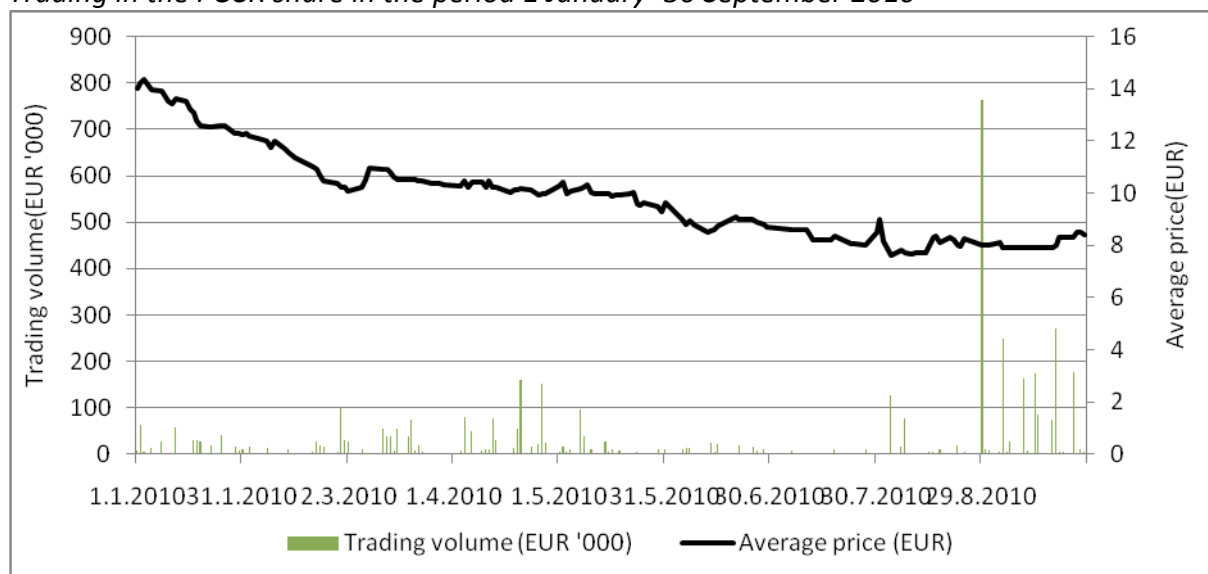


### 1.7. Shareholders and share trading

As at 30 September 2010, the share capital of Sava Reinsurance Company amounted to EUR 39,069,099.48 and was divided into 9,362,519 non-par-value shares. Shares, which are registered, were issued in a dematerialised form and entered in the central securities registry under the POSR symbol. All pertain to the same class and are freely transferable without restrictions. The Management Board of Sava Reinsurance Company is not aware of any shareholders' agreement restricting share transferability.

Sava Reinsurance Company shares are traded in the standard market of the Ljubljana Stock Exchange d.d., Ljubljana.

#### *Trading in the POSR share in the period 1 January–30 September 2010*



Between 1 January 2010 and 30 September 2010, the POSR share experienced a downturn. In this period, the price of the POSR share fell by 40.0%, while the SBI TOP index dropped by 16.9%.

As at 30 September 2010, Sava Reinsurance Company had 5,632 shareholders; at 31 December 2009, it had 5,712 shareholders.

As at 30 September 2010, Sava Reinsurance Company held 210 treasury shares, representing 0.002% of total shares outstanding. In the third quarter 2010, the Company did not buy back any shares.

The table below shows the top ten shareholders of Sava Reinsurance Company as at 30 September 2010.

*Top ten shareholders of Sava Reinsurance Company as at 30 September 2010*

Shareholder	No. of shares	Holding (%)
Slovenian Restitution Fund	2,340,631	25.0%
Abanka d.d.	655,000	7.0%
Poteza naložbe d.o.o. – under bankruptcy proceedings	468,125	5.0%
Pišljar Marjan	444,345	4.7%
Nova KBM d.d.	435,925	4.7%
Zavarovalnica Maribor d.d.	416,433	4.5%
Kapitalska družba d.d. – ZVPSJU <sup>1</sup>	320,346	3.4%
KD Galileo, fleksibilna struktura naložb	250,000	2.7%
Kapitalska družba d.d. – SODPZ <sup>2</sup>	238,109	2.5%
NFD 1 delniški investicijski sklad d.d.	201,315	2.2%

Source: Central securities register KDD d.d.

As at 30 September 2010, 96.9% of shareholders were Slovenian and 3.1% foreign; at 31 December 2009, 98.7% of shareholders were Slovenian and 1.3% foreign.

*Shareholder Structure of Sava Reinsurance Company as at 30 September 2010*

	Domestic investors	Foreign investors
Banks	17.2%	2.4%
Investment funds and mutual funds	10.0%	0.4%
Insurers and pension companies	15.5%	0.01%
Other financial institutions <sup>3</sup>	33.9%	0.1%
Individuals	18.1%	0.1%
Other commercial companies	2.3%	0.03%
<b>Total</b>	<b>97.0%</b>	<b>3.0%</b>

Source: Central securities register KDD d.d.

As at 30 September 2010, members of the Management Board and of the Supervisory Board held 1,535 shares, representing 0.016% of total shares outstanding.

<sup>1</sup> Closed Mutual Pension Fund for Civil Servants

<sup>2</sup> Compulsory Supplementary Pension Insurance Fund

<sup>3</sup> SRF, holding companies, stock broking firms, etc.

*POSR shares held by Management/Supervisory Board members as at 30 September 2010*

	No. of shares	Holding (%)
<b>Members of the Management Board</b>		
Zvonko Ivanušič	1,071	0.011%
Jošt Dolničar	357	0.004%
<b>Supervisory Board members</b>		
Nada Zidar	107	0.001%
<b>Total</b>	<b>1,535</b>	<b>0.016%</b>

*Trading in the POSR share on the stock exchange in the period under report*

<b>(EUR)</b>	
Average price 1 January–30 September 2010	9.92
Share price at 30 September 2010	8.40
Trading volume in the period 1 January–30 September 2010	4,490,600
Period low 1 January–30 September 2010	7.60
Period high 1 January–30 September 2010	14.35

By 30 September 2010, the Company had paid no dividends.

The Company has no conditional equity.



## 2. BUSINESS RESULTS

### 2.1. Notes to developments in key financials

#### *Key financials of Sava Reinsurance Company*

(EUR)	1–9 2010	1–9 2009	Index
Gross premiums written	113,390,047	117,821,003	96.2
Net premiums earned	92,527,580	92,384,506	100.2
Gross claims paid	56,950,390	75,565,494	75.4
Net claims incurred	65,084,044	68,268,253	95.3
Operating expenses including reinsurance commission income	28,691,251	27,858,549	103.0
Net investment income	2,914,347	-2,814,470	303.5
Profit/loss, net of tax	1,594,678	-6,603,763	224.1
Comprehensive income	1,740,267	2,922,056	59.6
	30,9,2010	31,12,2009	
Total assets	431,191,691	404,105,057	106.7
Shareholders' equity	151,735,546	149,995,279	101.2
Net technical provisions	164,086,602	144,578,495	113.5

**Gross premiums** written fell by 3.8% year-on-year to EUR 113.4m. The drop in premium was planned as the Company is lowering its exposure to the Slovenian reinsurance market. In addition, our major cedants have sufficient capital to reduce cessions on quota-share treaties. Foreign-sourced premium increased by 11.1%. Total gross premiums after three quarters of 2010 exceeded budget figures.

**Net earned premiums** totalled EUR 92.5m, an increase by 0.2% year-on-year, which is within the budgeted amount. The calculation of net earned premiums is net of the change in net unearned premiums.

**Gross claims paid** totalled EUR 57.0m at the end of the first quarter 2010, a drop by 24.6% year-on-year. Both 2008 and 2009 were hit by hail storms, which is why these two years are not adequate benchmark years. Gross claims paid stood below budget figures at the end of the third quarter 2010, which indicates that the claims development is favourable.

**Net claims incurred** were EUR 65.1m, a drop of 4.7% year-on-year. Net claims incurred include the change (increase) in the net technical provisions, which increased by 16.4% (16.6% for foreign-sourced business) from the beginning of the year.

**Operating expenses including reinsurance commission income** totalled EUR 28.7m in the first quarter 2010, a 3.0% increase year-on-year. Acquisition costs totalled EUR 24.2m, an increase of 4.0% year-on-year. This increase is the result of reduced commission income from business retroceded abroad in 2010. Commissions were reduced as a result of poor results on retrocession business in previous underwriting years when retrocessionaires incurred large claims due to hail storms. Administrative expenses amounted to EUR 4.5m, a decrease of 2.1% year-on-year, thanks to cost optimisation.

**The net profit** was EUR 1.6m (third quarter 2009: a loss of EUR 6.6m). The improved net profit is mainly a result of a better underwriting result and higher profitability of the investment portfolio.

At 30 September 2010, **total assets** were EUR 431.2m, an increase of 6.7% (EUR 27.1m) compared to year-end 2009.

The largest impact on assets came from investments. *Financial investments* (including financial investments in Group companies and in associates) recorded an increase of EUR 26.2m, which is discussed in greater detail in Section 2.2. The increase in *receivables arising from reinsurance and co-insurance business* of EUR 6.3m relates to the increase in premiums written in the third quarter 2010. *Current tax assets* decreased from EUR 3.5m at the end of 2009 to EUR nil (during 2009, tax instalments were paid, while at the end of the year there was a tax loss, which is why the Company was reimbursed the amount of paid instalments).

The change in liabilities was largely due to increased *technical provisions* (EUR 18.5m). Gross provisions for outstanding claims rose by EUR 13.7m year-on-year. An increase in *other liabilities* of EUR 12.8m is due to the inclusion of the consideration for purchasing 49% of Dukagjini of EUR 9.0m and due to liabilities for commissions that increased by EUR 3m. *Liabilities arising out of reinsurance and co-insurance* decreased by EUR 6.1m compared to end of 2009 as a result of a relatively favourable claims development in 2010 (gross claims paid decreased by EUR 18.6m).

**Equity** at 30 September 2010 totalled EUR 151.7m and increased by EUR 1.7m compared to year-end 2009. Profit reserves decreased by EUR 1.2m (as a result of lower credit risk equalisation reserves), the fair value reserve increased by EUR 145,588, while the net profit for the period was EUR 2.8m (the amount of profit recognised in the statement of financial position depends on movements in credit risk equalisation reserves included in profit reserves).

**Net technical provisions** totalled EUR 164.1m at 30 September 2010, up 13.5% compared to 31 December 2009. *Net unearned premiums* increased by 7.0% in the year (the amount of unearned premiums is largest after the first quarter and then decreases gradually after each quarter due to the dynamics of the reinsurance portfolio; at the end of the year, unearned premiums will follow the trend of gross premiums, i.e. we are anticipating that unearned premiums will decrease.) *The net provision for outstanding claims* increased by 16.4%, i.e. by EUR 16.6m. The increase in the net provision for outstanding claims is largely due to the increase in the gross provision for foreign-sourced claims since foreign-sourced business has been achieving large growth rates over the past years.

## 2.2. The investment portfolio and its impact on third quarter results

### *Structure of the investment portfolio*

At 30 September 2010, invested assets totalled EUR 316.6m, an increase of EUR 23.7m over 31 December 2009<sup>4</sup>.

The structure of the investment portfolio has changed substantially since the end of 2009. In response to the volatility in capital markets, the Company made a significant increase in the share of deposits and CDs (approx. an increase of 49%), where proceeds from the sale of investments were invested, reimbursements of tax instalments relating to previous years and positive cash flow from reinsurance activities. In addition, there was a large increase in investments in subsidiaries and associated companies (capital injections in Sava Montenegro, Sava osiguranje and Velebit osiguranje) as well as acquisitions of shares (Dukagjini and Dukagjini Life)<sup>5</sup>, in the amount of EUR 15.4m. Reductions have mainly been made with more risky types of investments, i.e. investments in shares and mutual funds; the Company sold individual investments and cancelled all asset management contracts with external entities.

While there has been no significant change in the total amount of assets invested in bonds, the ratio of government bonds to corporate bonds did see a change. In April the last structured product matured, and the share of assets in investment property also decreased.

### *Structure of the investment portfolio*

(EUR)	As at 30.9.2010	Structure 30.9.2010	As at 31.12.2009	Structure 31.12.2009	Index
Deposits and money market instruments	61,948,902	19.6%	41,632,018	14.2%	148.8
Government bonds	40,985,852	12.9%	48,109,961	16.4%	85.2
Corporate bonds	74,912,805	23.7%	65,124,250	22.3%	115.0
Structured products	0	-	1,563,830	0.5%	-
Shares	9,279,101	2.9%	15,019,995	5.1%	61.8
Mutual funds	18,257,254	5.8%	24,991,847	8.5%	73.1
Affiliated enterprises*	104,787,508	33.1%	89,436,602	30.6%	117.2
Loans	5,702,498	1.8%	5,702,997	2.0%	100.0
Land and buildings	693,123	0.2%	1,244,886	0.4%	55.7
<b>Total</b>	<b>316,567,043</b>	<b>100.0%</b>	<b>292,826,387</b>	<b>100.0%</b>	<b>108.1</b>

\*The affiliated enterprises item at 30 September 2010 includes the consideration for the 49% share of Kosovan insurer Dukagjini (renamed Illyria) acquired in February but falling due at the beginning of 2011.

### *Investment return*

The annualised return on the entire investment portfolio of Sava Reinsurance Company was 1.2% after the third quarter 2010. In the same period last year, the investment return was a negative one of 1.4%.

<sup>4</sup> Investments do not include deposits with cedants totalling EUR 7,649,323 at 30 September 2010.

<sup>5</sup> At the beginning of October 2010, the companies were renamed Illyria and Illyria Life.

After the third quarter 2010, the return on the liability fund (assets supporting technical provisions) was 3.9% (prior year: 2.2%), while the return on the capital fund (assets not required to cover technical provisions) was 0.5% (prior year: –3.6%).

The positive return on investments achieved in the first three quarters of 2010 is the result of relatively larger financial income (EUR 7.5m) generated compared to financial expenses (EUR 4.7m). The major part of financial income was interest income (EUR 4.5m) and realised capital gains (EUR 2.1m), while most expenses were related to the impairment of investments, especially shares (in total EUR 2.9m), and interest payable on subordinate debt (EUR 1.1m).

*Investment return (excluding the fair value reserve)*

	30.9.2010	31.12.2009	30.9.2009
Deposits and money market instruments	2.5%	3.5%	4.2%
Government bonds	5.0%	5.4%	5.2%
Corporate bonds	4.7%	1.3%	0.0%
Structured products	0.0%	–15.0%	1.8%
Shares	–17.0%	2.2%	6.2%
Mutual funds	2.4%	–14.4%	–24.5%
Affiliated enterprises	0.0%	–6.4%	–1.8%
Loans	2.0%	2.0%	4.5%
Land and buildings	9.0%	9.5%	9.5%
<b>Total</b>	<b>1.2%</b>	<b>–2.3%</b>	<b>–1.4%</b>

The investment return in the table above is calculated based on the average amount of invested assets at the beginning of the year and after each quarter, and net investment income in the period.

In the last quarter 2010, the Company will seek to maximise its exposure to (short-term) bank deposits, taking into account internal limits and diversifying as much as possible by bank. Investments in equities and mutual funds will continue to decrease as the Company seeks to minimise market risk related to investments.

## **2.3. Major risk exposures**

### **2.3.1. Insolvency risk**

Sava Reinsurance Company's available solvency margin greatly exceeds the required solvency margin, i.e., by EUR 21,975,410.

### **2.3.2. Underwriting risks**

Sava Reinsurance Company assumes risks from cedants; any excess is retroceded.

Due to underwriting process risk, losses could be incurred because of incorrect selection and approval of risks to be (re)insured. This risk is mainly mitigated by following established or

prescribed underwriting procedures, underwriting guidelines and instructions, by having in place a system of powers, an adequate pricing and reinsurance policy, and through actuarial review.

Pricing risk is the risk that (re)insurance premiums charged will be insufficient to cover future obligations arising from (re)insurance contracts. Pricing risk is mainly controlled by using actuarial analyses of loss ratios, monitoring their trends and by making adequate corrections.

Claims risk is the risk that the number of claims or the average claim amount will be higher than expected. This risk is managed by appropriate insurance conditions and pricing, adequate underwriting, controlling risk concentration, and especially adequate reinsurance programs for subsidiaries and an adequate retrocession programme for Sava Reinsurance Company.

Net retention risk is the risk that higher retention of insurance loss exposures result in losses due to catastrophic or concentrated claims experience. The mentioned risk is mitigated through adequate retrocession, especially through a catastrophe cover.

Reserving risk is the risk that technical provisions are inadequate. Sava Reinsurance Company manages reserving risk by comparing historic reserving figures with actual amounts, by applying the latest actuarial methods and by adopting a prudent approach in setting the levels of technical provisions.

#### 2.3.3. Market, liquidity and credit risk

Interest rate risk is managed by asset-liability matching and by natural hedging. Equity securities risk is mitigated mainly by diversification of investments in terms of issuer, industry and geographical area. Currency risk is mitigated by directly matching the currency structure of assets and liabilities. Concentration risk is mitigated through diversification of the investment portfolio. Assets are placed in different types of investments (time deposits, debt and equity securities, structured products, mutual funds, etc.). The bond portfolio is diversified by issuer. Issuers include: Slovenian and foreign government bonds, banks and corporations, as well as domestic and international issuers. The equity portfolio is diversified by issuer, credit rating and by geographical area; mutual funds are diversified directly and indirectly.

Liquidity risk is primarily mitigated through investing a large proportion of funds in highly liquid marketable securities which can be converted to cash at any time. In the event of large losses, liquidity is safeguarded through the so-called "cash call" clauses incorporated in reinsurance treaties between a ceding company and Sava Reinsurance Company or Sava Reinsurance Company and its retrocessionaire. In addition, contracts are in place providing credit lines at call.

Sava Reinsurance Company is exposed to credit risk in case of default by issuers of securities and by reinsurers. Issuer risk is mitigated through investing funds in (i) deposits with banks with high credit rating, (ii) debt securities issued exclusively by issuers with an adequate

rating, and (iii) adequately liquid equity securities of companies with sufficient market capitalisation. In doing so, all relevant local laws and other regulations are complied with and local market features taken into account.

Credit risk due to default by reinsurers relates to retrocession of Sava Reinsurance Company. This risk is mitigated through building a diversified retrocession portfolio of established and adequately rated reinsurers.

#### 2.3.4. Operational risk

Operational risk includes human capital risk, management control risk, system risk, process risk and legal risk and such like. Sava Reinsurance Company is primarily exposed to risks arising from disruptions or inappropriate conduct of prescribed procedures and internal controls and disruptions in the management of the Company.

Operational risks are mitigated by setting up adequate IT-supported procedures and controls in the most important areas of its operation. In addition, such risks are managed through the internal audit function, through staff training and enhanced risk awareness.

### 2.4. Employees

In the first three quarters of 2010, the Company hired five new staff and terminated by common consent two employment contracts so that at 30 September 2010, Sava Reinsurance Company employed 68 staff. Eight employees work under temporary employment contracts.

#### *Employees of Sava Reinsurance Company by degree of education*

Degree of formal education	30.9.2010	31.12.2009	30.9.2009
Primary and lower secondary (I–IV)	1	1	1
Secondary (V)	16	16	16
Higher (VI)	3	3	3
University (VII)	33	29	32
Master's degree (VIII)	15	16	14
Total	68	65	66

## 2.5. Performance indicators

### *Development of gross premiums written*

(EUR, except indices)	1-9 2010	1-9 2009	Index
	1	2	1/2
Personal accident	6,828,279	8,089,654	84.4
Land vehicles casco	17,084,997	18,129,226	94.2
Aircraft casco	323,009	314,729	102.6
Ships hull	1,466,709	849,188	172.7
Goods in transit	2,867,334	2,485,250	115.4
Fire and natural forces	39,623,343	33,430,308	118.5
Other damage to property	21,897,381	26,820,485	81.6
Motor liability	18,218,550	21,657,433	84.1
Aircraft liability	202,664	353,241	57.4
Liability for ships	217,486	245,704	88.5
General liability	3,069,035	3,580,309	85.7
Credit	577,170	701,069	82.3
Suretyship	127,758	105,059	121.6
Miscellaneous financial loss	637,777	751,440	84.9
Legal expenses	33,415	15,152	220.5
Assistance	16,344	68,005	24.0
Life business	117,969	110,390	106.9
Unit-linked life	80,829	114,360	70.7
Total non-life	113,191,250	117,596,253	96.3
Total life	198,797	224,750	88.5
Total	113,390,047	117,821,003	96.2

*Net premiums written as a percentage of gross premiums written*

(EUR, except percentages)	Gross premiums written	Net premiums written	1-9 2010	1-9 2009
	1	2	2/1	
Personal accident	6,828,279	6,755,930	98.9%	99.1%
Land vehicles casco	17,084,997	13,714,787	80.3%	82.4%
Aircraft casco	323,009	323,134	100.0%	85.7%
Ships hull	1,466,709	1,339,255	91.3%	91.1%
Goods in transit	2,867,334	2,745,201	95.7%	95.2%
Fire and natural forces	39,623,343	31,689,486	80.0%	76.4%
Other damage to property	21,897,381	17,846,245	81.5%	77.1%
Motor liability	18,218,550	16,896,389	92.7%	92.7%
Aircraft liability	202,664	173,996	85.9%	80.5%
Liability for ships	217,486	213,635	98.2%	98.8%
General liability	3,069,035	2,519,639	82.1%	82.0%
Credit	577,170	577,170	100.0%	100.0%
Suretyship	127,758	127,758	100.0%	100.0%
Miscellaneous financial loss	637,777	377,426	59.2%	42.4%
Legal expenses	33,415	33,415	100.0%	100.0%
Assistance	16,344	16,344	100.0%	100.0%
Life business	117,969	84,035	71.2%	50.9%
Unit-linked life	80,829	27,337	33.8%	34.3%
Total non-life	113,191,250	95,349,809	84.2%	82.8%
Total life	198,797	111,372	56.0%	42.4%
Total	113,390,047	95,461,168	84.2%	82.7%



*Development of gross claims paid*

(EUR, except indices)	1-9 2010	1-9 2009	Index
	1	2	1/2
Personal accident	2,906,538	2,874,159	101.1
Land vehicles casco	12,331,253	17,283,821	71.3
Aircraft casco	65,099	80,993	80.4
Ships hull	1,438,063	572,100	251.4
Goods in transit	1,370,395	1,038,080	132.0
Fire and natural forces	15,392,943	19,527,686	78.8
Other damage to property	11,084,336	18,999,717	58.3
Motor liability	9,842,040	11,646,378	84.5
Aircraft liability	77,864	112,898	69.0
Liability for ships	13,243	37,044	35.7
General liability	1,230,214	1,677,008	73.4
Credit	913,634	951,626	96.0
Suretyship	75,726	161,672	46.8
Miscellaneous financial loss	142,326	556,007	25.6
Assistance	30,087	16,700	180.2
Life business	13,904	4,985	278.9
Unit-linked life	22,725	24,620	-
Total non-life	56,913,761	75,535,888	75.3
Total life	36,629	29,605	123.7
Total	56,950,390	75,565,494	75.4

*Loss ratios*

(EUR, except percentages)	Gross premiums written	Gross claims paid	1-9 2010	1-9 2009
	1	2	2/1	
Personal accident	6,828,279	2,906,538	42.6%	35.5%
Land vehicles casco	17,084,997	12,331,253	72.2%	95.3%
Aircraft casco	323,009	65,099	20.2%	25.7%
Ships hull	1,466,709	1,438,063	98.0%	67.4%
Goods in transit	2,867,334	1,370,395	47.8%	41.8%
Fire and natural forces	39,623,343	15,392,943	38.8%	58.4%
Other damage to property	21,897,381	11,084,336	50.6%	70.8%
Motor liability	18,218,550	9,842,040	54.0%	53.8%
Aircraft liability	202,664	77,864	38.4%	32.0%
Liability for ships	217,486	13,243	6.1%	15.1%
General liability	3,069,035	1,230,214	40.1%	46.8%
Credit	577,170	913,634	158.3%	135.7%
Suretyship	127,758	75,726	59.3%	153.9%
Miscellaneous financial loss	637,777	142,326	22.3%	74.0%
Legal expenses	33,415	0	-	0.0%
Assistance	16,344	30,087	184.1%	24.6%
Life business	117,969	13,904	11.8%	4.5%
Unit-linked life	80,829	22,725	28.1%	21.5%
Total non-life	113,191,250	56,913,761	50.3%	64.2%
Total life	198,797	36,629	18.4%	13.2%
Total	113,390,047	56,950,390	50.2%	64.1%

*Administrative expenses as percentage of gross premiums written (EUR)*

Gross premiums written	Administrative expenses	1-9 2010	1-9 2009
1	2	2/1	
113,390,047	4,530,585	4.0%	3.9%

*Acquisition costs as percentage of gross premiums written (EUR)*

Gross premiums written	Acquisition costs	1-9 2010	1-9 2009
1	2	2/1	
113,390,047	25,551,845	22.5%	22.5%

*Net investment income as percentage of average investments<sup>6</sup>*

(EUR)	Average investments	Investment income	Investment expenses	Net investment income 1-9 2010	Net investment income 1-9 2009
Liability fund	120,506,705	4,411,579	900,799	2.9%	1.6%
Capital fund	184,839,863	3,085,828	3,783,649	-0.4%	-2.7%
Total	305,346,568	7,497,407	4,684,447	0.9%	-1.0%

<sup>6</sup> This indicator does not equal the one in the section on investments as data are not annualised.

*Net provisions for outstanding claims as percentage of net earned premiums*

(EUR, except percentages)	Net provision for outstanding claims	Net premiums earned	1-9 2010	1-9 2009
	1	2	1/2	
Personal accident	7,834,394	7,238,714	108.2%	99.4%
Land vehicles casco	7,388,229	14,026,314	52.7%	50.1%
Aircraft casco	46,422	326,668	14.2%	45.9%
Ships hull	1,772,400	1,222,546	145.0%	187.5%
Goods in transit	2,297,800	2,298,691	100.0%	75.8%
Fire and natural forces	26,186,803	29,408,258	89.0%	66.3%
Other damage to property	22,414,896	16,316,871	137.4%	81.5%
Motor liability	37,063,096	17,704,078	209.3%	167.3%
Aircraft liability	357,353	171,352	208.5%	88.8%
Liability for ships	444,390	195,983	226.7%	189.7%
General liability	10,117,913	2,321,201	435.9%	364.8%
Credit	1,034,263	768,891	134.5%	148.7%
Suretyship	59,892	115,577	51.8%	63.2%
Miscellaneous financial loss	331,779	218,133	152.1%	30.6%
Legal expenses	4	20,174	0.0%	0.0%
Assistance	10,456	21,289	49.1%	20.1%
Life business	155,021	125,514	123.5%	98.4%
Unit-linked life	-181	27,337	-0.7%	0.2%
Total non-life	117,360,090	92,374,742	127.0%	102.0%
Total life	154,840	152,852	101.3%	41.2%
Total	117,514,930	92,527,580	127.0%	102.0%

*Gross profit/loss for the period as percentage of net premiums written (EUR)*

Gross profit/loss	Net premiums written	1-9 2010	1-9 2009
1	2	1/2	
2,080,495	95,461,168	2.2%	-6.6%

*Gross profit/loss for the period as percentage of average equity (EUR)*

Gross profit/loss	Average equity	1-9 2010	1-9 2009
1	2	1/2	
2,080,495	150,865,413	1.4%	-4.2%

*Gross profit/loss for the period as percentage of average assets (EUR)*

Gross profit/loss	Average assets	1-9 2010	1-9 2009
1	2	1/2	
2,080,495	417,648,374	0.5%	-1.6%

*Gross profit/loss for the period per share (EUR)*

Gross profit/loss	No. of shares	1-9 2010	1-9 2009
1	2	1/2	
2,080,495	9,362,519	0.22	-69.1%

*Net profit/loss for the period as percentage of average equity (EUR)*

Net profit/loss	Average equity	1-9 2010	1-9 2009
1	2	1/2	
1,594,678	150,865,413	1.1%	-4.3%

*Available solvency margin as percentage of net premiums written (EUR)*

Available solvency margin	Net premiums written	1-9 2010	1-9 2009
1	2	1/2	
42,276,241	95,461,168	44.3%	70.2%

*Available solvency margin as percentage of required solvency margin (EUR)*

Available solvency margin	Required solvency margin	1-9 2010	1-9 2009
1	2	1/2	
42,276,241	20,300,831	208.2%	354.6%

*Available solvency margin as percentage of technical provisions (EUR)*

Available solvency margin	Technical provisions	1-9 2010	1-9 2009
1	2	1/2	
42,276,241	188,227,808	22.5%	40.0%

*Available solvency margin as percentage of reinsurance receivables plus reinsurers' share of technical provisions (EUR)*

Available solvency margin	Reinsurance receivables plus reinsurers' share of technical provisions	1-9 2010	1-9 2009
1	2	1/2	
42,276,241	90,725,480	46.6%	73.4%

*Net premiums written as percentage of average equity and average technical provisions (EUR)*

Net premiums written	Average equity	Average technical provisions	1-9 2010	1-9 2009
1	2	3	1/(2+3)	
95,461,168	150,865,413	178,977,327	28.9%	30.4%

*Net premiums written as percentage of average equity (EUR)*

Net premiums written	Average equity	1-9 2010	1-9 2009
1	2	1/2	
95,461,168	150,865,413	63.3%	62.8%

*Average technical provisions as percentage of net earned premiums (EUR)*

Average technical provisions	Net premiums earned	1-9 2010	1-9 2009
1	2	1/2	
178,977,327	92,527,580	193.4%	178.8%

*Equity as percentage of net unearned premiums (EUR)*

Equity	Net unearned premiums	1-9 2010	1-9 2009
1	2	1/2	
151,735,546	44,776,959	338.9%	353.9%

*Equity as percentage of liabilities and equity (EUR)*

Equity	Liabilities and equity	1-9 2010	1-9 2009
1	2	1/2	
151,735,546	431,191,691	35.2%	37.3%

*Net technical provisions as percentage of liabilities and equity (EUR)*

Net technical provisions	Liabilities and equity	1-9 2010	1-9 2009
1	2	1/2	
164,086,602	431,191,691	38.1%	33.2%

*Gross premiums written per employee in regular employment (EUR)*

Gross premiums written	Number of employees in regular employment	1-9 2010	1-9 2009
1	2	1/2	
113,390,047	68	1,667,501	1,785,167

### 3. FINANCIAL STATEMENTS OF SAVA REINSURANCE COMPANY

#### 3.1. Statement of financial position as at 30 September 2010

(EUR)	30.9.2010	31.12.2009
<b>ASSETS</b>	431,191,691	404,105,057
<b>Intangible assets</b>	<b>159,777</b>	<b>181,818</b>
<b>Property and equipment</b>	<b>2,404,621</b>	<b>1,808,628</b>
<b>Deferred tax assets</b>	<b>1,610,442</b>	<b>2,112,682</b>
<b>Investment property</b>	<b>693,123</b>	<b>1,244,886</b>
<b>Financial investments in Group companies and in associates</b>	<b>104,787,508</b>	<b>89,436,601</b>
<b>Financial investments:</b>	<b>218,735,736</b>	<b>207,913,774</b>
- Loans and deposits	68,393,137	36,865,091
- Held to maturity	9,656,105	9,798,345
- Available for sale	140,686,494	157,854,126
- At fair value through profit or loss	0	3,396,211
<b>Reinsurers' share of technical provisions</b>	<b>24,141,206</b>	<b>25,148,351</b>
<b>Receivables</b>	<b>67,966,518</b>	<b>65,638,369</b>
Receivables arising out of reinsurance and co-insurance business	66,584,274	60,245,061
Current tax assets	0	3,500,244
Other receivables	1,382,244	1,893,064
<b>Deferred acquisition costs</b>	<b>9,646,782</b>	<b>10,263,816</b>
<b>Other assets</b>	<b>224,786</b>	<b>225,689</b>
<b>Cash and cash equivalents</b>	<b>821,191</b>	<b>130,442</b>
<b>EQUITY AND LIABILITIES</b>	431,191,691	404,105,057
<b>Equity</b>	<b>151,735,546</b>	<b>149,995,279</b>
Share capital	39,069,099	39,069,099
Share premium	33,003,752	33,003,752
Profit reserves	78,430,316	79,639,568
Fair value reserve	-1,571,552	-1,717,140
Net profit/loss for the period	2,803,931	0
<b>Subordinated liabilities</b>	<b>31,162,449</b>	<b>31,135,777</b>
<b>Technical provisions</b>	<b>188,227,808</b>	<b>169,726,846</b>
Unearned premiums	48,824,905	44,042,916
Provision for outstanding claims	137,589,314	123,869,342
Other technical provisions	1,813,589	1,814,588
<b>Other provisions</b>	<b>175,387</b>	<b>170,448</b>
<b>Deferred tax liabilities</b>	<b>149,601</b>	<b>323,814</b>
<b>Other financial liabilities</b>	<b>2,901,071</b>	<b>2,900,613</b>
<b>Liabilities from operating activities</b>	<b>31,483,583</b>	<b>37,345,543</b>
Liabilities from reinsurance and co-insurance business	31,289,396	37,345,543
Current tax liabilities	194,187	0
<b>Diverse other liabilities</b>	<b>25,356,246</b>	<b>12,506,736</b>

**3.2. Income statement for the nine months to 30 September 2010**

(EUR)	1-9 2010	1-9 2009
<b>Net earned premiums</b>	<b>92,527,580</b>	<b>92,384,506</b>
Gross premiums written	113,390,047	117,821,003
Written premiums ceded to reinsurers and co-insurers	-17,928,879	-20,383,921
Change in net unearned premiums	-2,933,588	-5,052,576
<b>Investment income</b>	<b>7,598,794</b>	<b>9,044,131</b>
Interest income	4,571,495	4,665,300
Other investment income	3,027,299	4,378,831
<b>Other technical income</b>	<b>3,677,541</b>	<b>4,157,413</b>
Commission income	1,391,179	3,241,692
Other income	2,286,362	915,721
<b>Other income</b>	<b>21,256</b>	<b>63,453</b>
<b>Net claims incurred</b>	<b>-65,084,044</b>	<b>-68,268,253</b>
Gross claims paid less income from recourse receivables	-56,950,390	-75,565,494
Reinsurers' and co-insurers' share of claims paid	8,441,864	20,210,431
Change in the provision for outstanding claims	-16,575,518	-12,913,190
<b>Change in other technical provisions</b>	<b>999</b>	<b>82,849</b>
<b>Operating expenses</b>	<b>-30,082,430</b>	<b>-31,100,241</b>
Acquisition costs	-25,551,845	-26,472,364
Other operating expenses	-4,530,585	-4,627,876
<b>Expenses from investments in affiliates</b>	<b>0</b>	<b>-1,325,743</b>
<b>Expenses from financial assets and liabilities</b>	<b>-4,684,447</b>	<b>-10,532,857</b>
Impairment losses on financial assets not measured at fair value through profit or loss	-2,951,511	-1,076,989
Interest expenses	-1,142,759	-1,103,124
Diverse other expenses	-590,178	-8,352,745
<b>Other technical expenses</b>	<b>-1,894,594</b>	<b>-970,148</b>
<b>Other expenses</b>	<b>-158</b>	<b>-660</b>
Profit/loss before tax	2,080,495	-6,465,551
<b>Income tax expense</b>	<b>-485,817</b>	<b>-138,211</b>
<b>Net profit/loss for the period</b>	<b>1,594,678</b>	<b>-6,603,763</b>
<b>Earnings/loss per share</b>	<b>0.17</b>	<b>-0.71</b>

**3.3. Statement of comprehensive income for the nine months to 30 September 2010**

(EUR)	1-9 2010	1-9 2009
<b>PROFIT/LOSS FOR THE YEAR, NET OF TAX</b>	<b>1,594,678</b>	<b>-6,603,763</b>
<b>OTHER COMPREHENSIVE INCOME, NET OF TAX</b>	<b>145,589</b>	<b>9,525,819</b>
<b>Net change in fair value of available-for-sale financial assets</b>	<b>181,986</b>	<b>11,907,274</b>
Net change recognised in the fair value reserve	2,378,588	20,369,487
Net change transferred from fair value reserve to profit or loss	-2,196,602	-8,462,213
<b>Income tax on other comprehensive income</b>	<b>-36,397</b>	<b>-2,381,455</b>
<b>COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX</b>	<b>1,740,267</b>	<b>2,922,056</b>

### 3.4. Statement of cash flows for the nine months to 30 September 2010

(EUR)		1-9 2010	1-9 2009
<b>A. Cash flows from operating activities</b>			
a.)	<b>Items of the income statement</b>	<b>17,885,134</b>	<b>8,152,378</b>
	Net premiums written	95,461,168	97,437,082
	Investment income (other than financial income), financed from:	2,682,261	3,893,271
	- technical provisions	2,682,261	1,431,441
	- other sources	0	2,461,829
	Other operating income (excl. revaluation income and releases from provisions) and financial income from operating receivables	3,698,797	4,220,866
	Net claims paid	-48,508,526	-55,355,063
	Net operating expenses excl. depreciation/amortisation and change in deferred acquisition costs	-29,526,309	-30,179,283
	Investment expenses (excluding depreciation/amortisation and financial expenses), financed from:	-3,541,688	-10,755,476
	- technical sources	-3,541,688	-2,611,599
	- other sources	0	-8,143,877
	Other operating expenses excl. depreciation/amortisation (other than for revaluation and excl. additions to provisions)	-1,894,752	-970,808
	Tax on profit and other taxes not included in operating expenses	-485,817	-138,211
b.)	<b>Changes in net operating assets (receivables for premium, other receivables, other assets and deferred tax assets/liabilities) of operating items of the statement of financial position</b>	<b>5,605,820</b>	<b>6,164,933</b>
	Change in receivables from reinsurance	-6,339,213	-8,217,998
	Change in other receivables from (re-)insurance business	258,827	1,086,160
	Change in other receivables and other assets	4,370,172	5,041,333
	Change in deferred tax assets	502,240	2,519,666
	Change in liabilities arising out of reinsurance business	-6,056,147	-1,747,797
	Change in other operating liabilities	12,352,890	7,311,423
	Change in other liabilities (except unearned premiums)	691,264	172,146
	Change in deferred tax liabilities	-174,213	0
c.)	<b>Net cash from/used in operating activities (a + b)</b>	<b>23,490,954</b>	<b>14,317,311</b>
<b>B. Cash flows from investing activities</b>			
a.)	<b>Cash receipts from investing activities</b>	<b>353,903,751</b>	<b>412,567,286</b>
	Interest received from investing activities and from:	4,571,495	4,665,300
	- investments financed from technical provisions	3,128,459	2,989,695
	- other investments	1,443,036	1,675,605
	Cash receipts from dividends and from participation in the profit of others, relating to:	131,191	691,000
	- investments financed from technical provisions	52,715	77,049
	- other investments	78,476	613,951
	Proceeds from sale of property and equipment, financed from:	894	0
	- other sources	894	0
	Proceeds from sale of long-term financial investments, financed from:	65,418,062	122,024,379
	- technical provisions	43,551,622	34,671,388
	- other sources	21,866,440	87,352,991
	Proceeds from sale of short-term financial investments, financed from:	283,782,109	285,186,608
	- technical provisions	200,869,055	188,941,151
	- other sources	82,913,054	96,245,456
b.)	<b>Cash disbursements in investing activities</b>	<b>-375,561,196</b>	<b>-425,413,000</b>
	Purchase of intangible assets	-80,199	-9,513
	Purchase of property and equipment, financed from:	-159,101	-64,255
	- other sources	-159,101	-64,255
	Purchase of long-term financial investments, financed from:	-64,987,601	-111,786,550
	- technical provisions	-48,938,267	-33,878,215
	- other sources	-16,049,334	-77,908,335
	Purchase of financial investments in subsidiaries, financed from:	-6,365,938	-13,613,824
	- other sources	-6,365,938	-13,613,824
	Purchase of short-term financial investments, financed from:	-303,968,358	-299,938,858
	- technical provisions	-207,400,323	-199,139,550
	- other sources	-96,568,035	-100,799,309
c.)	<b>Net cash from/used in investing activities (a + b)</b>	<b>-21,657,445</b>	<b>-12,845,714</b>
<b>C. Cash flows from financing activities</b>			
a.)	<b>Cash receipts from financing activities</b>	<b>0</b>	<b>0</b>
b.)	<b>Cash disbursements in financing activities</b>	<b>-1,142,759</b>	<b>-1,103,124</b>
	Interest paid	-1,142,759	-1,103,124
c.)	<b>Net cash from/used in financing activities (a + b)</b>	<b>-1,142,759</b>	<b>-1,103,124</b>
C2.	<b>Closing balance of cash and cash equivalents</b>	<b>821,191</b>	<b>379,926</b>
x.)	<b>Net increase/decrease in cash and cash equivalents for the period (sum of Ac, Bc in Cc)</b>	<b>690,749</b>	<b>368,472</b>
D.	<b>Opening balance of cash and cash equivalents</b>	<b>130,442</b>	<b>11,454</b>



**3.5. Statement of changes in equity for the nine months to 30 September 2010**

(EUR)	I. Share capital	II. Share premium	III. Profit reserves					IV. Fair value reserve	V. Net profit/loss for the year	VI. Treasury shares (deduction item)	Total (1–10)
			Legal reserves and reserves provided for in the articles of association	Reserve for treasury shares	Credit risk equalisation reserve	Catastrophe equalisation reserve	Other				
	1.	2.	3.	4.	5.	6.	7.	8.	9.	10.	11.
As at 1 January 2010	39,069,099	33,003,752	14,986,525	1,774	1,217,874	3,868,365	59,566,803	-1,717,140	0	-1,774	149,995,280
Comprehensive income for the year, net of tax	0	0	0	0	0	0	0	145,589	1,594,678	0	1,740,267
Additions/uses of credit risk equalisation reserve and catastrophe equalisation reserve	0	0	0	0	-1,209,252	0	0	0	1,209,252	0	0
Settlement of loss	0	0	0	0	0	0	0	0	0	0	0
As at 30 September 2010	39,069,099	33,003,752	14,986,525	1,774	8,622	3,868,365	59,566,803	-1,571,552	2,803,931	-1,774	151,735,546

**3.6. Statement of changes in equity for the nine months to 30 September 2009**

(EUR)	I. Share capital	II. Share premium	III. Profit reserves					IV. Fair value reserve	V. Net profit/loss for the year	VI. Treasury shares (deduction item)	Total (1–10)
			Legal reserves and reserves provided for in the articles of association	Reserve for treasury shares	Credit risk equalisation reserve	Catastrophe equalisation reserve	Other				
	1.	2.	3.	4.	5.	6.	7.	8.	9.	10.	11.
As at 1 January 2009	39,069,099	33,003,752	14,986,525	1,774	3,053,943	2,235,231	71,962,514	-10,570,904	0	-1,774	153,740,160
Comprehensive income for the year, net of tax	0	0	0	0	0	0	0	9,525,819	-6,603,763	0	2,922,056
Additions/uses of credit risk equalisation reserve and catastrophe equalisation reserve	0	0	0	0	-1,069,972	0	0	0	1,069,972	0	0
Carryforward of net profit for the year	0	0	0	0	0	0	0	0	0	0	0
As at 30 September 2009	39,069,099	33,003,752	14,986,525	1,774	1,983,971	2,235,231	71,962,514	-1,045,085	-5,533,791	-1,774	156,662,218

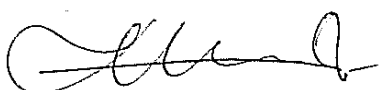
### 3.7. Statement of capital adequacy

(EUR)		30.9.2010	30.9.2009
<b>CORE CAPITAL (Article 106 of the Insurance Act ("ZZavar"))</b>			
Subscribed capital other than share capital subscribed based on cumulative preference shares, or founding capital	1	39,069,099	39,069,099
Share premium other than share premium related to cumulative preference shares	2	33,003,752	33,003,752
Profit reserves other than reserve for treasury shares and credit risk equalisation & catastrophe equalisation reserves	3	74,553,329	14,986,526
Retained earnings	4	0	73,032,486
Fair value reserve relating to assets not financed by technical provisions	5	-1,801,259	-1,119,224
Treasury shares and own participations	6	1,774	1,774
Intangible assets	7	159,777	210,231
Unsettled loss of the financial period plus deferred tax assets for unused tax losses, carried forward to the next tax period, or (unless there is an unsettled loss for the financial period) the balance of deferred tax assets for unused tax losses	8	0	6,603,762
<b>Core capital (1 + 2 + 3 + 4 + 5 - 6 - 7 - 8)</b>	<b>9</b>	<b>144,663,370</b>	<b>152,156,872</b>
<b>Minimum guarantee fund</b>	<b>10</b>	<b>6,766,943</b>	<b>6,431,318</b>
<b>Meeting the requirement under Article 106 of the ZZavar (9 - 10)</b>	<b>11</b>	<b>137,896,427</b>	<b>145,725,554</b>
<b>ADDITIONAL CORE CAPITAL (Article 107 of the ZZavar)</b>			
Subordinated debt	12	5,075,207	4,823,488
<b>Additional core capital (12), however not more than 50% of the lower of core capital and required solvency margin</b>	<b>13</b>	<b>5,075,207</b>	<b>4,823,488</b>
<b>AVAILABLE SOLVENCY MARGIN AND STATEMENT OF CAPITAL ADEQUACY (Article 108 of the ZZavar)</b>			
Total of core and additional core capital (9 + 13)	14	149,738,577	156,980,360
Participation according to Article 108, paragraph 1/1 of the ZZavar	15	105,949,676	87,055,424
Participation according to Article 108, paragraph 1/2 of the ZZavar	16	1,512,660	1,512,849
<b>Available solvency margin of insurer (14 - 15 - 16)</b>	<b>17</b>	<b>42,276,241</b>	<b>68,412,087</b>
<b>Required solvency margin</b>	<b>18</b>	<b>20,300,831</b>	<b>19,293,954</b>
<b>Surplus/deficit of available over/below required solvency margin (17 - 18)</b>	<b>19</b>	<b>21,975,410</b>	<b>49,118,133</b>

**CREDIBILITY OF THE UNAUDITED UNCONSOLIDATED REPORT OF SAVA REINSURANCE COMPANY FOR THE NINE MONTHS TO 30 SEPTEMBER 2010**

The Management Board of Sava Reinsurance Company d.d. hereby confirms that the data in the Unaudited Unconsolidated Report of Sava Reinsurance Company for the nine months to 30 September 2010 is accurate.

Ljubljana, 15 November 2010



Zvonko Ivanušič, Chairman of the Management Board



Jošt Dolničar, Member of the Management Board



Srečko Čebon, Member of the Management Board