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by Sava Reinsurance Company.



**TRANSLATION OF THE
UNAUDITED HALF-YEARLY FINANCIAL REPORT OF THE
SAVA RE GROUP AND SAVA REINSURANCE COMPANY
FOR THE SIX MONTHS TO 30 JUNE 2011**

Ljubljana, 29 August 2011

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INTRODUCTION

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"), with registered office at Ljubljana, Dunajska 56, hereby publishes the Unaudited Half-yearly Financial Report of the Sava Re Group and Sava Reinsurance Company for the Six Months to 30 June 2011.

Published data and interim financial statements for both the Sava Re Group and Sava Reinsurance Company for the six months to 30 June 2011 have been prepared in accordance with IAS 34 "Interim Financial Reporting" and need to be read together with the annual financial statements prepared for the financial year ended 31 December 2010. The interim financial statements have not been audited.

The Unaudited Half-yearly Financial Report of the Sava Re Group and Sava Reinsurance Company for the Six Months to 30 June 2011 will be available as a hardcopy for viewing at the registered office of Sava Reinsurance 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 at www.sava-re.si as from 31 August 2011.

1.1 Summary of key performance indicators¹

(EUR)	Sava Re Group		Sava Reinsurance Company	
	1-6 2011	1-6 2010	1-6 2011	1-6 2010
Gross premiums written	143,568,044	141,824,962	80,974,481	81,174,521
Year-on-year change	1.2%	0.4%	-0.2%	-6.2%
Gross claims paid	63,109,425	62,413,665	34,044,205	36,931,553
Year-on-year change	1.1%	-9.8%	-7.8%	-19.7%
Net incurred loss ratio	56.7%	61.7%	57.4%	67.0%
Operating expenses including reinsurance commission income	41,914,581	40,026,471	19,361,306	18,901,422
Year-on-year change	4.7%	9.5%	2.4%	1.3%
Net expense ratio	35.8%	36.6%	32.0%	33.4%
Net combined ratio	92.5%	98.3%	89.4%	100.5%
Net investment income (inv. income - inv. expenses)*	4,886,673	7,697,127	-37,749	1,135,533
Year-on-year change	-36.5%	170.8%	-103.3%	131.2%
Realised investment return*	2.7%	4.6%	-0.02%	0.7%
Profit/loss, net of tax	3,990,775	2,734,450	4,220,401	1,282,168
Year-on-year change	45.9%	118.1%	229.2%	119.7%
Comprehensive income	2,958,803	3,580,291	3,384,280	1,606,042
ROE (profit/loss for the period/average equity)	2.6%	1.7%	2.7%	0.9%
	30. 6. 2011	31. 12. 2010	30. 6. 2011	31. 12. 2010
Total assets	611,201,034	578,385,408	431,497,289	418,350,613
Change on 31 December	5.7%	3.2%	3.1%	3.5%
Shareholders' equity	157,643,416	154,684,609	159,522,608	156,138,328
Change on 31 December	1.9%	-4.3%	2.2%	4.1%
Net technical provisions	326,528,087	307,179,073	166,116,360	156,415,674
Change on 31 December	6.3%	10.8%	6.2%	8.2%
No. of employees (full-time equivalent basis)	1,619	1,580	67	65

Note*: The return on investments item does not include interest income in respect of reinsurance contracts with cedants of EUR 75,000 (held by Sava Reinsurance Company).

¹ For calculation methodologies see Appendix A.

1.2 Company Profile of Sava Reinsurance Company

Company name:	Pozavarovalnica Sava, d.d./ Reinsurance Company Sava d.d.
Registered office:	Dunajska 56 1000 Ljubljana Slovenia
Telephone (switchboard):	(01) 47 50 200
Telefax:	(01) 47 50 264
E-mail:	info@sava-re.si
Website:	www.sava-re.si
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)
S&P credit rating:	A– /stable/

The Company has no branches.

1.3 Governing bodies of the Company

The 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 five-year term of office of Zvonko Ivanušič and Jošt Dolničar started on 31 December 2008, Srečko Čebren started his five-year term of office as Board Member on 1 February 2009, and Mateja Treven her five-year term of office on 3 February 2011.

Members of the Management Board as at 30 June 2011:

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

Notes on membership in management or supervisory bodies of third parties:

Zvonko Ivanušič:

 Banka Celje, d.d., Vodnikova cesta 2, 3000 Celje – Deputy Chairman of the Supervisory Board

The 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 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.

Three Supervisory Board members (shareholder representatives) started their four-year term of office in July 2009. After Mateja Treven resigned as Supervisory Board member on 15 December 2010, the Supervisory Board has functioned with five members.

The composition of the Supervisory Board changed in the first six months of 2011.

On 29 June 2011, the General Meeting was presented Mateja Treven's statement of resignation from the functions of Supervisory Board Member and Chairperson of the Audit Committee and elected Gregor Hudobivnik as new, Supervisory Board member (shareholder representative). The new Supervisory Board member began his term of office on the day of his election, i.e., on 29 June 2011. His term of office will expire upon expiry of the term of office of the remaining Supervisory Board members who are shareholder representatives, i.e., on 14 July 2013.

The four-year term of office of former employee representatives in the Supervisory Board Nada Zidar and Aleš Mirnik expired on 10 June 2011. Pursuant to the Workers' Participation in Management Act, the Workers' Council of Sava Reinsurance Company elected its representatives to the Supervisory Board of Sava Reinsurance Company, Martin Albreht and Samo Selan, for a term of four years. Martin Albreht and Samo Selan began their term of office on 10 June 2011.


Supervisory Board Members as at 30 June 2011:

Chairman:	Branko Tomažič
Deputy Chairperson:	Mateja Lovšin Herič
Member:	Slaven Mičkovič
Member:	Gregor Hudobivnik
Member (employee representative):	Martin Albreht
Member (employee representative):	Samo Selan


Notes on membership in management or supervisory bodies of third parties:

Branko Tomažič:

 KAD, d.d., Dunajska cesta 119, Ljubljana – Supervisory Board Member

-  Daimond, d.d., Žnidarčičeva ulica 19, Šempeter pri Gorici – Member of the Board of Directors

Slaven Mičković:

-  Abanka Vipa, d.d., Slovenska cesta 58, Ljubljana – Supervisory Board Member

Gregor Hudobivnik

-  Abančna DZU, Pražakova ulica 8, Ljubljana – Chairman of the Supervisory Board

Supervisory Board Committees

The Audit Committee

In the first six months of 2011 there were no changes in the composition of the Supervisory Board Audit Committee.

Members of the Supervisory Board Audit Committee as at 30 June 2011:

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

Nomination Committee

Pursuant to the recommendations of the Corporate Governance Code for Public Joint-Stock Companies and in view of the fact that in 2011 a new member was to be nominated to the Supervisory Board, on 20 April 2011 the Supervisory Board set up a Nomination Committee as a special consultation body for the Supervisory Board for the purpose of carrying out objective and transparent proceedings for the nomination of candidates to fill Supervisory Board vacancies and recommend to the Supervisory Board which candidates to propose to the General Meeting for election.

Members of the Supervisory Board Nomination Committee as at 30 June 2011:

Chairman:	Branko Tomažič
Member:	Mateja Lovšin Herič
Member:	Vesna Razpotnik

General Meeting of Shareholders

There has been only one General Meeting of Shareholders called in the first half of 2011.

The 24th General Meeting was held at the Horus hall of Austria Trend Hotel Ljubljana on 29 June 2011. The Meeting was presented the approved annual report 2010 with the auditor's opinion and with a written report of the Supervisory Board to the annual report and the annual report on internal auditing for 2010 with the opinion of the Supervisory Board thereto. The General Meeting passed a resolution on the appropriation of distributable profit and on granting a discharge to the Management Board and the Supervisory Board for the year 2010, it elected a new Supervisory Board member (shareholder representative) and was informed of the names of the two new Supervisory Board members who are employee

representatives. The General Meeting decided on amendments to the Articles of Association and on amending the remuneration system for Supervisory Board members and to members of its committees. 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 2011.

No challenging actions were announced in the General Meeting.

1.4 Significant events in the first half of 2011

S On 31 January 2011, the controlling company received a request from the Securities Market Agency that the companies:

Zavarovalnica Triglav, d.d., Miklošičeva cesta 19, Ljubljana,
Slovenska odškodninska družba, d.d., Mala ulica 5, Ljubljana,
Nova kreditna banka Maribor, d.d., Vita Kraigherja 4, Maribor,
Aerodrom Ljubljana, d.d., Zgornji Brnik 130A, Brnik-Aerodrom,

being shareholders of the Company, who are deemed to act in concert, issue a statement on the facts and circumstances relevant for a decision of the Securities Market Agency relating to a potential obligation on behalf of the listed companies to make a takeover bid for POSR shares in accordance with the Takeover Act. Sava Reinsurance Company, being the target company in the proceedings, has examined the request and issued a statement within the given time limit. At the time of preparing this report, the Securities Market Agency has yet to conclude the proceedings.

S Pursuant to the decision of the Supervisory Board of 5 October 2010 and on the basis of the licence issued by the Insurance Supervision Agency, on 3 February 2011, for performing the function of Management Board Member, Mateja Treven started her 5-year term of office as Management Board Member on 3 February 2011.

S At the beginning of February 2011, the controlling company recapitalised the subsidiary Sava životno osiguranje (Serbia) with EUR 0.3m.

S At the end of February, the Company received a claim from the designers of its former logo in the amount of EUR 0,4m. The proceedings have not concluded by the time this report is being prepared but the Company does not expect any financial obligations in this regard.

S At the end of March 2011, the controlling company recapitalised its subsidiary Velebit usluge (Croatia) with EUR 1.5m.

S Taking advantage of its pre-emptive rights, Sava Reinsurance Company took part in the first round of the recapitalisation of Zavarovalnica Maribor with a contribution of EUR 5,860,707. As a result, Sava Reinsurance Company was assigned 1,025,101 new shares. In the second round, Sava Reinsurance Company was assigned no new shares. Sava Reinsurance Company now holds 5,702,117 shares of Zavarovalnica Maribor equivalent to 45.7860 percent of the Zavarovalnica Maribor share capital. Thus Sava Reinsurance Company's stake in Zavarovalnica Maribor remained unchanged.

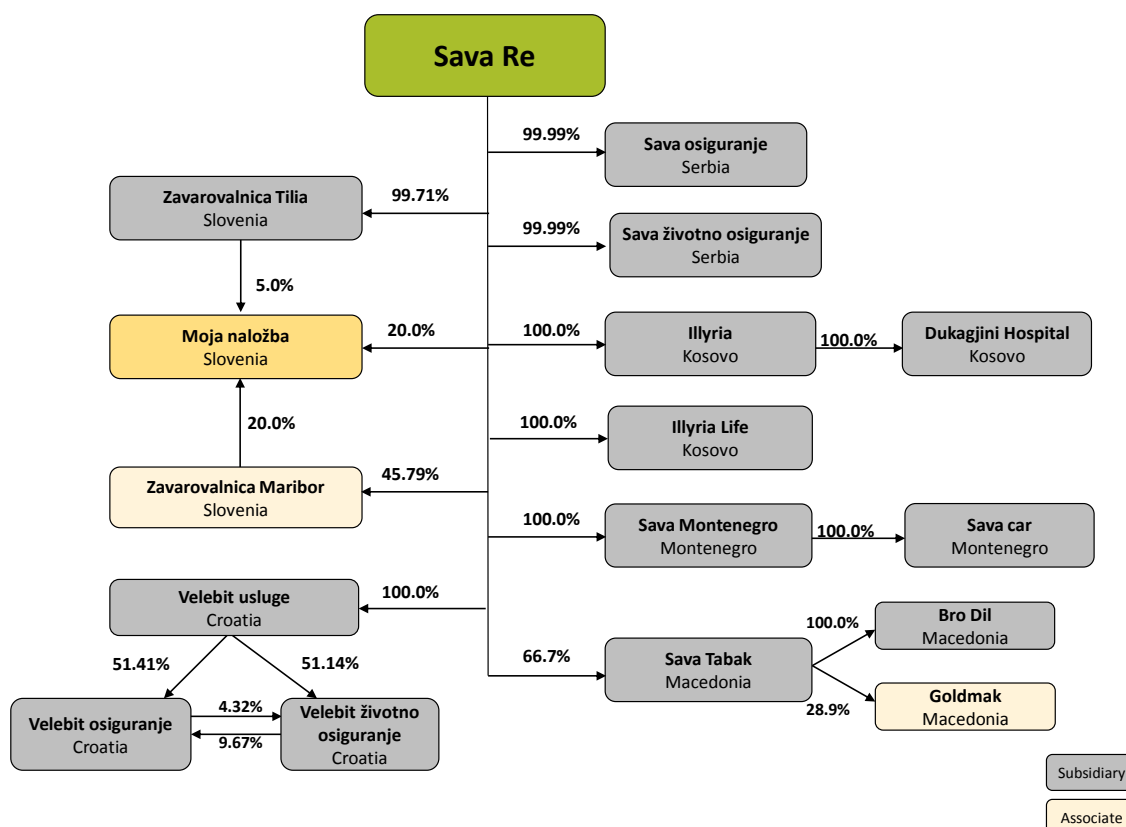
1.5 Significant events after the statement of financial position date

- S** Sava Reinsurance Company and AtaHolding OJSC of Azerbaijan signed a memorandum of co-operation regarding the establishment of a life insurance company in Azerbaijan.
- S** In July the controlling company recapitalised its subsidiary Velebit usluge with EUR 0.5m.
- S** In July the recapitalisation of Zavarovalnica Maribor was completed; Sava Reinsurance Company contributed EUR 5.9m.
- S** In July the controlling company recapitalised its subsidiary Sava Tabak (Macedonia) with EUR 2.5m.
- S** In August the controlling company recapitalised its subsidiary Sava životno osiguranje with EUR 0.4m.
- S** In line with its strategy, in July and August the controlling company bought 360.199 additional shares in Zavarovalnica Maribor and now owns 6.062.316 shares of the insurer. The latest purchase was entered in the central securities register at KDD on 23 August 2011. Through these additional acquisitions, Sava Reinsurance Company's holding in Zavarovalnica Maribor increased from 45,79 percent to 48,68 percent. Sava Reinsurance Company is the second largest shareholder of Zavarovalnica Maribor.

1.6 Sava Re Group structure including associate companies

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

Sava Re Group structure including associate companies as at 30 June 2011

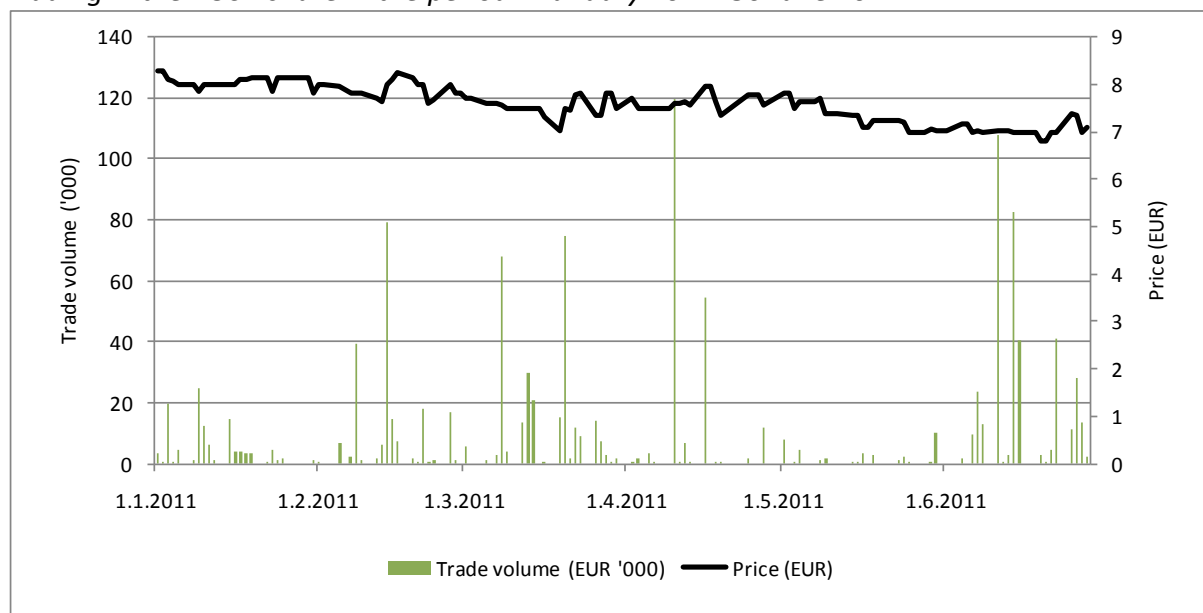


2 SHAREHOLDERS AND SHARE TRADING

As at 30 June 2011, Sava Reinsurance Company's share capital amounted to EUR 39,069,099 and was divided into 9,362,519 non-par value shares. All are registered shares 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 2011–30 June 2011



In the period 1 January 2011–30 June 2011, the weighted average POSR share price fell by 14.5% (the SBITOP index fell by 12.6%), while total turnover volume was EUR 1.2m.

At 30 June 2011, Sava Reinsurance Company had 5,236 shareholders; at 31 December 2010, 5,481 shareholders and at 30 June 2010, 5,654 shareholders.

As at 30 June 2011, Sava Reinsurance Company held 210 treasury shares, representing 0.002% of all shares outstanding. In the first half of 2011, the Company did not buy back any treasury shares.

The table below shows the top ten shareholders of Sava Reinsurance Company as at 30 June 2011.

Top ten shareholders of Sava Reinsurance Company as at 30 June 2011

Shareholder	No. of shares	Holding (%)
Slovenska odškodninska družba d.d.	2,340,631	25.0%
Abanka d.d.	655,000	7.0%
Poteza naložbe d.o.o. - in bankruptcy proceedings	468,125	5.0%
Pišljar Marjan	444,345	4.7%
Nova KBM d.d.	435,925	4.7%
Zavarovalnica Maribor d.z.d. – KS ŽZ	416,433	4.4%
NFD 1 delniški investicijski sklad d.d.	380,130	4.1%
Closed Mutual Pension Fund for Civil Servants	320,346	3.4%
KD Galileo, fleksibilna struktura naložb	250,000	2.7%
Kapitalska družba d.d. - Compulsory Supplementary Pension Insurance Fund	238,109	2.5%
Total	5,949,044	63.5%

Source: Central securities register KDD d.d.

As at 30 June 2011, 96.4% of shareholders were Slovenian and 3.6% foreign.

Shareholder Structure of Sava Reinsurance Company as at 30 June 2011

	Domestic investors	Foreign investors
Banks	14.6%	2.9%
Natural persons	17.4%	0.2%
Investment funds and mutual funds	10.8%	0.4%
Other financial institutions*	34.7%	0.0%
Other commercial companies	2.2%	0.0%
Insurers and pension companies	16.8%	0.0%
Total	96.4%	3.6%

*This item includes the Slovenian Restitution Company with a 25-percent stake. Source: Central securities register KDD d.d. and own sources

As at 30 June 2011, members of the Management Board held 1,928 shares, representing 0.021% of total shares outstanding. As at 30 June 2011, Supervisory Board Members were not in possession of any shares of Sava Reinsurance Company:

POSR shares held by Management Board members as at 30 June 2011

	No. of shares	Holding (%)
Members of the Management Board		
Zvonko Ivanušič	1,071	0.011%
Srečko Čebren	500	0.005%
Jošt Dolničar	357	0.004%
Total	1,928	0.021%

Source: Central securities register KDD d.d.

Srečko Čebren, Member of the Management Board, acquired additional shares of Sava Reinsurance Company and now owns 500 shares corresponding to 0.0053% of voting rights.

Trading in the POSR share on the stock exchange

(EUR)	
Average price 1 Jan–31 Jun 2011	7.58
Share price at 30 Jun 2011	7.10
Trading volume in the period 1 Jan–30 Jun 2011	1,221,700
Period low 1 Jan–30 Jun 2011	6.80
Period high 1 Jan–30 Jun 2011	8.30

The Company paid no interim dividend in 2011.

The Company has no conditional equity.

3 CREDIT RATING OF SAVA REINSURANCE COMPANY

Sava Reinsurance Company has been rated "A—" with a stable outlook by rating agency Standard & Poor's.



HALF-YEARLY BUSINESS REPORT

4 SAVA RE GROUP BUSINESS RESULTS

Key financial data for the Sava Re Group

(EUR)	1-6 2011	1-6 2010	Index
Gross premiums written	143,568,044	141,824,962	101.2
Net premiums earned	117,052,188	109,232,769	107.2
Gross claims paid	63,109,425	62,413,665	101.1
Net claims incurred	66,384,535	67,365,181	98.5
Operating expenses including reinsurance commission income	41,914,581	40,026,471	104.7
Investment return	3,434,474	8,421,419	40.8
Profit/loss, net of tax	3,990,775	2,734,450	145.9
Comprehensive income	2,958,803	3,580,291	82.6

4.1 Consolidated net earned premiums

Consolidated net earned premiums

(EUR)	1-6 2011	1-6 2010	Index
Gross premiums written	143,568,044	141,824,962	101.2
Net premiums written	126,613,819	126,656,444	100.0
Change in net unearned premiums	-9,561,631	-17,423,675	54.9
Net premiums earned	117,052,188	109,232,769	107.2

In the first half 2011, the Sava Re Group wrote EUR 143.6m in gross premiums, an increase of 1.2% year-on-year. The growth in gross premiums was contributed by the growth in Zavarovalnica Tilia and Illyria (the Kosovan non-life insurer). Some Group companies recorded a fall in premium income – in the Serbian market due to the strategy of limiting the growth in motor TPL as it is a loss maker, and in Macedonia due to the loss of large risk. Sava Reinsurance Company recorded a 0.2% drop in gross premiums written as a result of reduced proportional covers of Slovenian cedants.

At the half-year, consolidated net premiums were on the same level as at the prior half-year.

The change in consolidated net unearned premiums, which together with consolidated net premiums written form net premiums earned, in the 6 months to 2011 was an increase of EUR 9.6m. Since gross premiums written are approximately on the same level as after the first half year of 2009, it needs to be noted that the change in consolidated net unearned premiums increased as non-life insurers changed dynamics in their writing of business and the parent wrote more business in the mid-year renewals. Ordinarily, reinsurance contracts renew as of 1 January. In some markets, however, renewals are made in spring or even in the summer, and it is the latter that increased in the portfolio of Sava Reinsurance Company.

Compared to the same period last year, consolidated net earned premiums grew by 7.2%.

Non-consolidated gross premiums written by Group insurer

(EUR)	1-6 2011	1-6 2010	Index
Sava Reinsurance Company	80,974,481	81,174,521	99.8
Zavarovalnica Tilia	44,721,275	41,243,048	108.4
Sava Tabak	5,925,643	9,028,150	65.6
Sava osiguranje	5,901,993	7,712,268	76.5
Illyria	8,120,599	6,641,693	122.3
Velebit osiguranje	4,758,168	4,502,889	105.7
Sava Montenegro	4,723,064	4,251,052	111.1
Velebit životno osiguranje	445,805	922,554	48.3
Illyria Life	550,924	333,698	165.1
Sava životno osiguranje	264,683	113,404	233.4

Consolidated gross premiums written by geographical segment

(EUR)	1-6 2011	1-6 2010	Index
Slovenia	79,102,429	74,607,397	106.0
International	64,465,615	67,217,565	95.9
Total	143,568,044	141,824,962	101.2

In the first half of 2011, 55.1% of the consolidated gross premium was written in the Slovenian market (1H 2010: 52.6%). The growth in the consolidated gross premium is mainly a result of premium growth in Zavarovalnica Tilia. The share of foreign-sourced premium in the total premium dropped by 2.5 percentage points compared to the interim period last year. This drop in foreign-sourced premium was contributed by reduced gross premiums in three Group subsidiaries.

Consolidated gross premiums written by Group operating segment

(EUR)	1-6 2011	1-6 2010	Index
Reinsurance business	68,265,558	67,180,004	101.6
Non-life business	68,889,575	68,075,555	101.2
Life business	6,412,911	6,569,403	97.6
Total	143,568,044	141,824,962	101.2

As already mentioned, at half-year 2011 the unconsolidated reinsurance premium was lower than one year earlier (by 0.2%), while the consolidated reinsurance premium² recorded an increase of 1.6% at the half-year 2011. This difference is due to the fact that Sava Reinsurance Company received significantly less premiums from its subsidiaries than one year earlier (loss of a large client by the Macedonian subsidiary who was reinsured through Sava Reinsurance Company). Gross premiums written of the operating segment insurance business recorded an increase of 0.9% at the half-year 2011 compared to the prior half-year, especially due to non-life business, which at the half-year 2011 was the largest business segment accounting for 48.0% of gross premiums written. The largest nominal increase in gross premiums written was recorded by Zavarovalnica Tilia (EUR 3.5m) and Illyria (EUR 1.5m). Certain Group insurance companies wrote less premium as a result of a planned restriction on writing certain classes of insurance that had incurred very high acquisition

² Consolidated reinsurance premiums comprise gross premiums written less premiums from Group companies.

costs. At the half-year 2011, life premiums were lower by 2.4% year-on-year as a result of a drop in the life premium income of the Slovenian and Croatian subsidiaries writing life insurance. The low growth rates with life business also reflect general market conditions: life business recorded a modest growth in Slovenia, while the Croatian life market contracted. During the financial crisis, the amount of life business either decreased or remained on the same level in all markets where the Group is present.

4.2 Consolidated net claims incurred

Consolidated net claims incurred

(EUR)	1-6 2011	1-6 2010	Index
Gross claims paid	63,109,425	62,413,665	101.1
Net claims paid	59,423,545	55,820,307	106.5
Change in the net provision for outstanding claims	6,960,990	11,544,874	60.3
Net claims incurred	66,384,535	67,365,181	98.5

In the first half of 2011 the Sava Re Group recorded consolidated gross claims paid of EUR 63.1m, an increase of 1.1% year-on-year. This increase is mainly a result of the increase in gross claims paid recorded by Zavarovalnica Tilia. At the half-year, Sava Reinsurance Company recorded a drop of 7.8% in gross claims paid year-on-year.

Consolidated net claims paid rose by 6.5% year-on-year. Net claims paid increased faster than gross claims paid because of the decrease in the reinsurers' share of claims paid of Sava Reinsurance Company (reinsurance proceeds recovered by Sava Reinsurance Company in case of large losses, which in essence constitute income). As the debit amount is lower, the basis retained is higher so the movement of net claims goes in the opposite direction of gross claims paid.

The change in the consolidated net claims provision, which is used to calculate net claims incurred, was an increase of EUR 7.0m. This growth was mainly due to the increase in net claims provisions of the controlling company (relating to foreign-sourced business that enjoyed rapid growth over the recent years), while growth was also recorded by Zavarovalnica Tilia and Velebit osiguranje.

Consolidated net claims incurred decreased by 1.5% year-on-year, which is very favourable compared to the movement in earned premiums (growth of 7.2%).

Non-consolidated gross claims paid by Group insurer

(EUR)	1-6 2011	1-6 2010	Index
Sava Reinsurance Company	34,044,205	36,931,553	92.2
Zavarovalnica Tilia	20,816,170	18,482,335	112.6
Sava osiguranje	3,608,063	3,134,758	115.1
Sava Tabak	3,497,889	3,062,786	114.2
Illyria	3,389,411	2,777,011	122.1
Sava Montenegro	2,076,418	2,420,215	85.8
Velebit osiguranje	1,603,768	1,428,194	112.3
Velebit životno osiguranje	58,269	212,477	27.4
Illyria Life	0	202	-
Sava životno osiguranje	1,883	0	-

Gross claims paid by geographical segment

(EUR)	1-6 2011	1-6 2010	Index
Slovenia	34,542,834	36,994,438	93.4
International	28,566,591	25,419,227	112.4
Total	63,109,425	62,413,665	101.1

Consolidated gross claims paid relating to business written in Slovenia fell by 6.6% year-on-year. The decrease in consolidated gross claims from Slovenia was due to Sava Reinsurance Company as by half-year 2011, it recorded less claims than one year earlier, while the increase in international gross claims paid was contributed both by non-Slovenian Group non-life insurers and Sava Reinsurance Company's increase in international gross claims (international claims grew by EUR 1.9m as premium growth was high over recent years).

Consolidated gross claims paid by Group operating segment

(EUR)	1-6 2011	1-6 2010	Index
Reinsurance business	27,998,957	30,933,971	90.5
Non-life business	32,862,181	30,069,559	109.3
Life business	2,248,287	1,410,135	159.4
Total	63,109,425	62,413,665	101.1

The drop in gross claims in the reinsurance segment was 9.5% at the half-year, which relates to the parent company's decrease in gross claims. Gross claims paid for the non-life business segment grew by 9.3% as a result of increased gross claims paid in almost all Group companies. The growth in the life segment was large, but it relates mostly to newly established companies where a rising trend had been anticipated (and is to continue in the future).

4.3 Consolidated operating expenses

Consolidated operating expenses

(EUR)	1-6 2011	1-6 2010	Index
Acquisition costs	23,826,940	23,201,336	102.7
Change in deferred acquisition costs (+/-)	-934,814	-3,052,123	30.6
Other operating expenses	20,531,313	20,437,620	100.5
Operating expenses	43,423,439	40,586,833	107.0
Income from reinsurance commission	-1,508,858	-560,362	269.3
Operating expenses less commission income	41,914,581	40,026,471	104.7

Consolidated acquisition costs (commission expense) grew slightly faster than gross premiums written year-on-year. The largest increase in acquisition costs was recorded by Zavarovalnica Tilia, while in almost all other Group companies these costs were lower.

The change in deferred acquisition cost had a significant impact on total operating expenses as deferrals decreased by more than EUR 2m year-on-year (less relieve for current period expenses). This is a result of less deferrals from Sava Reinsurance Company in the segment of international business. This item moves in line with unearned premiums, which are also lower in this segment. Also in Zavarovalnica Tilia, the change in deferred costs has decreased significantly and this is due to a lowering in proportional reinsurance coverages (significant lowering in 2010), as a result of which the share of deferred costs in relation to the retention increased substantially in 2010. Due to smaller decreases in reinsurance coverages in 2011, this effect is no longer so pronounced.

Other operating expenses (administrative expenses) increased only by 0.5%, which indicates that Group cost management has been successful.

Income from reinsurance commission increased by 169.3% year-on-year as a result of poor reinsurance results in 2008 and 2009 and consequently significantly lower reinsurance commission income in the same period last year. Sava Reinsurance Company has experience poor results for a number of years, which is why its commission income from retrocession business was lower in 2010.

Expense ratios³

	1-6 2011	1-6 2010
Gross expense ratio	30.9%	30.8%
Administrative expense ratio	14.3%	14.4%

4.4 Investment income and expenses, and the investment return

At 30 June 2011, the net investment income of the Sava Re Group totalled EUR 4.8m⁴, down EUR 2.9m year-on-year. The relatively lower net investment income was mostly due to the

³ For calculation methodologies see Appendix A.

⁴ This net investment income is exclusive of income and expenses from investments for the benefit of policyholders who bear the investment risk as these amounts do not affect the income statement. These

impairment of the investment in the subsidiary Sava Tabak of EUR 1.4m made by the controlling company. The largest weight in the net investment income has the profit of Zavarovalnica Maribor (net investment income from strategic shares) consolidated by Sava Reinsurance Company using the equity method. In the first half of 2011, this totalled EUR 2.5m.

The investment return for the interim period was 2.7%, a deterioration of 1.9 percentage points compared to the 2010 interim period. The investment return decreased mostly because of impairments on marketable shares, investment funds and of the investment in Sava Tabak made by the controlling company.

Rates of investment return of the Sava Re Group

	30. 6. 2011	31. 12. 2010	30. 6. 2010
Deposits and certificate of deposits	3.7%	4.0%	4.5%
Bonds	4.8%	4.2%	5.5%
Shares (excluding strategic shares)	-17.8%	-11.9%	-27.7%
Mutual funds	-3.4%	2.0%	2.2%
Other	5.4%	2.0%	5.1%
Strategic shares and participating interests	5.0%	11.7%	20.8%
Total	2.7%	3.8%	4.6%
	30. 6. 2011	31. 12. 2010	30. 6. 2010
Investments for the benefit of life-insurance policyholders who bear the investment risk	-12.1%	9.5%	

To calculate return on investments, Sava Reinsurance Company uses the arithmetic average of the total invested assets at 30 June 2011 and 31 December 2010. The net income relative to the amount so obtained represents the investment return of the Sava Re Group in the given period.

The investment return on investments for the benefit of policyholders who bear the investment risk was -12.1% and is negative due to financial expenses from revaluation incurred on the life insurance liability fund with investment risk of Zavarovalnica Tilia, which was a result of falling mutual fund prices. The mentioned expenses have no impact on the business result since the mathematical provision of the life insurance liability fund moves in line with the above financial expenses from revaluation.

amounts are offset by movements in the mathematical provision of policyholders who bear the investment risk.

4.5 Realisation of the 2011 budget

The reinsurance and non-life insurance business segments exceeded 50% of the budgeted annual written premium for 2011. The life insurance segment did not achieve planned results due to the difficult economic circumstances.

Realisation of budgeted consolidated gross premiums written by segment

(million EUR)	1-6 2011	Budget 2011	%
Reinsurance business	68.3	116.5	59%
Non-life ins. business	68.9	131.9	52%
Life ins. business	6.4	17.9	36%
Total	143.6	266.3	54%

The gross administrative expense ratio slightly decreased as in the first half-year activities were underway in almost all Group companies to optimise administrative expenses.

The Sava Re Group recorded a better combined ratio for the half-year 2011 than budgeted, while return on equity was slightly below than 50% of the annual budgeted amount.

Realisation of budgeted combined ratio and return on equity

	1-6 2011	Budget 2011	%
Net combined ratio	92.5%	98.9%	94%
ROE	2.6%	5.4%	48%

5 FINANCIAL POSITION OF THE GROUP

5.1 Consolidated total assets

(EUR)	30. 6. 2011	31. 12. 2010	Index	As % of total 30. 6. 2011	As % of total 31. 12. 2010
ASSETS	611,201,034	578,385,408	105.7	100.0%	100.0%
Intangible assets	22,024,920	23,289,847	94.6	3.6%	4.0%
Property and equipment	26,725,032	26,711,597	100.1	4.4%	4.6%
Deferred tax assets	2,292,352	2,236,081	102.5	0.4%	0.4%
Investment property	5,590,919	4,906,918	113.9	0.9%	0.8%
Financial investments in associate companies	44,210,246	42,322,366	104.5	7.2%	7.3%
Financial investments	324,893,828	324,225,440	100.2	53.2%	56.1%
Funds for the benefit of policyholders who bear the investment risk	23,366,768	23,716,699	98.5	3.8%	4.1%
Reinsurers' share of technical provisions	27,188,027	19,734,539	137.8	4.4%	3.4%
Receivables	111,429,644	88,067,303	126.5	18.2%	15.2%
Deferred acquisition costs	17,701,632	17,318,841	102.2	2.9%	3.0%
Other assets	2,028,313	753,985	269.0	0.3%	0.1%
Cash and cash equivalents	3,221,845	4,026,603	80.0	0.5%	0.7%
Non-current assets held for sale	527,507	1,075,190	49.1	0.1%	0.2%

Assets increased by 5.7% or EUR 32.8m compared to 31 December 2010.

Assets which increased by more than EUR 1m are as follows:

- S** Financial investments in associated companies increased by the half-yearly addition of profit (Zavarovalnica Maribor and Moja naložba) and decreased by the amount of impairment on the investment in Sava Tabak (EUR 1.4m);
- S** Reinsurers' share of technical provisions increased significantly compared to 31 December 2010 because of the dynamics of the movement of unearned premiums by quarters (this increase will be lower by the end of the year);
- S** Receivables increased by EUR 23.4m due to the increase in "receivables arising out of reinsurance business" of the controlling company. This growth is due to the dynamics of business with Zavarovalnica Maribor as the second quarter premium income is larger than the fourth quarter (mostly because of the dynamics of XL covers but also because of quota-shares). An additional increase is due to other short-term receivables, which increased in relation to the contribution to the recapitalisation of Zavarovalnica Maribor of EUR 5.9m as this change had not been entered in the central securities register by 30 June 2011 (but only on 1 July 2011).
- S** Other assets increased because of the increase in deferred costs compared to 31 December 2011, which is ordinary interim dynamics (the amount will decrease by the end of the year).

5.1.1 Financial investments of the Sava Re Group

Financial investments are the main asset item of the Group; therefore, below we will give a more in-depth presentation thereof.

As at 30 June 2011, invested assets of the Sava Re Group stood at EUR 366.6m⁵. This is an increase of 0.7% compared to 31 December 2010. The main driver of growth for the investment portfolio was positive cash flow from reinsurance business.

Invested assets of the Sava Re Group

(EUR)	30. 6. 2011	31. 12. 2010	30. 6. 2010	Index 06-11/12-10
Deposits and certificate of deposits	128,116,256	129,563,386	102,336,773	98.9
Government bonds	77,876,117	75,678,950	73,093,065	102.9
Corporate bonds	76,635,548	73,928,404	83,184,843	103.7
Shares	11,835,040	11,482,158	14,069,360	103.1
Mutual funds	20,447,788	24,158,534	27,879,684	84.6
Loans granted	1,457,976	1,845,220	2,600,624	79.0
Land and buildings	5,590,920	4,906,918	5,407,774	113.9
Other	459,796	163,161	768,331	281.8
Strategic shares	44,210,246	42,322,366	41,868,327	104.5
Total investments	366,629,686	364,049,095	351,208,782	100.7
Financial investments of reinsurers i.r.o. reinsurance contracts with cedants	8,065,308	7,405,629	7,133,123	108.9
Investments for the benefit of life- insurance policyholders who bear the investment risk	23,366,768	23,716,699	20,592,106	98.5
Total	398,061,762	395,171,423	378,934,011	100.7

The structure of investments has not changed significantly compared to year-end 2010. The investment strategy of Group companies remained conservative, meaning that the main part of the Group investment portfolio constitutes fixed-income investments.

The increased amount of government and corporate bonds is a result of a decision by Sava Reinsurance Company and Zavarovalnica Tilia to take advantage of conditions in capital markets and to increase their fixed-income portfolios.

Mutual funds decreased as a result of disposals by both Sava Reinsurance Company and Zavarovalnica Tilia.

The increase in strategic investments is due to the added net profit of equity-accounted associated companies.

⁵ Included are amounts as per statement of financial position items: investment property, financial investments in associates and financial investments. The latter, however, does not include Sava Reinsurance Company deposits with cedants of EUR 8.0m.

5.2 Consolidated equity and liabilities

(EUR)	30. 6. 2011	31. 12. 2010	Index	As % of total 30. 6. 2011	As % of total 31. 12. 2010
EQUITY AND LIABILITIES	611,201,034	578,385,408	105.7	100.0%	100.0%
Equity	157,643,416	154,684,609	101.9	25.8%	26.7%
Share capital	39,069,099	39,069,099	100.0	6.4%	6.8%
Share premium	25,417,397	25,417,396	100.0	4.2%	4.4%
Profit reserves	84,884,763	85,362,019	99.4	13.9%	14.8%
Treasury shares	-1,774	-1,774	100.0	0.0%	0.0%
Fair value reserve	-2,015,295	-121,460	1,659.2	-0.3%	0.0%
Retained earnings	3,203,891	557,800	574.4	0.5%	0.1%
Net profit/loss for the period	5,086,551	2,385,891	213.2	0.8%	0.4%
Translation reserve	-1,567,033	-2,427,213	64.6	-0.3%	-0.4%
<i>Equity attributable to equity holders of the controlling company</i>	<i>154,077,599</i>	<i>150,241,758</i>	<i>102.6</i>	<i>25.2%</i>	<i>26.0%</i>
<i>Non-controlling interest in equity</i>	<i>3,565,817</i>	<i>4,442,851</i>	<i>80.3</i>	<i>0.6%</i>	<i>0.8%</i>
Subordinated liabilities	31,198,367	31,177,758	100.1	5.1%	5.4%
Technical provisions	330,121,366	303,287,248	108.8	54.0%	52.4%
Technical provision for the benefit of life insurance policyholders who bear the investment risk	23,594,748	23,626,363	99.9	3.9%	4.1%
Other provisions	724,066	768,854	94.2	0.1%	0.1%
Deferred tax liabilities	68,630	186,610	36.8	0.0%	0.0%
Other financial liabilities	7,446,344	2,667,101	279.2	1.2%	0.5%
Liabilities from operating activities	37,555,585	33,716,371	111.4	6.1%	5.8%
Other liabilities	22,848,514	28,270,495	80.8	3.7%	4.9%

Equity and liability items which increased/decreased by more than EUR 1m are as follows:

- S Equity grew by nearly EUR 3m. This growth was driven by profit for the year and increased retained profit (profit relating to the previous year). A negative impact, on the other hand, came from the fair value reserve, which contracted by nearly EUR 2m compared to 31 December 2010 due to movements in security prices in the portfolio of Sava Reinsurance Company.
- S Technical provisions grew by EUR 26.8m (see note 5.2.1.);
- S Other financial liabilities increased because Zavarovalnica Tilia took up a bank loan;
- S Liabilities from operating activities increased mainly in respect of the item liabilities arising out of reinsurance and co-insurance business;
- S Other liabilities decreased mainly due to the settlement of the consideration for the 49% share in Illyria (Kosovo).

5.2.1 Technical provisions of the Sava Re Group

Technical provisions are the main liability item of the Group; therefore we will give below a more in-depth presentation thereof.

Movements in consolidated net technical provisions

(EUR)	30. 6. 2011	31. 12. 2010	Index
Net unearned premiums	93,968,331	83,855,444	112.1
Net provision for outstanding claims	189,112,366	180,986,269	104.5
Net mathematical provisions	15,868,962	15,228,424	104.2
Net provision for bonuses, rebates and cancellations	680,905	544,113	125.1
Other net technical provisions	3,302,775	2,938,460	112.4
Technical provisions for the benefit of policyholders who bear the investment risk	23,594,748	23,626,363	99.9
Total	326,528,087	307,179,073	106.3

Despite a slight drop in premiums compared to prior year half-yearly figures, consolidated net unearned premiums increased by 12.1% from year-end 2010, which is ordinary interim movement as large risks are ordinarily written on 1 January and unearned premiums for these risks diminish over the year.

The net claims provision grew by 4.5% compared to year-end 2010; this is due to growth in the controlling company's international business and in other Group non-life insurers.

6 PERSONNEL

No. of employees in the Sava Re Group⁶

	30. 6. 2011	31. 12. 2010	Change
Zavarovalnica Tilia, Slovenia	380	383	-3
Sava osiguranje, Serbia	296	277	19
Illyria, Kosovo	156	154	2
Velebit osiguranje, Croatia	150	154	-4
Sava životno osiguranje, Serbia	133	147	-14
Sava Montenegro, Montenegro	129	114	15
Sava Tabak, Macedonia	126	124	2
Illyria Life, Kosovo	97	81	16
Velebit životno osiguranje, Croatia	74	76	-2
Sava Reinsurance Company, Slovenia	67	65	2
Sava Car, Montenegro	7	1	6
Bro-Dil, Macedonia	4	4	0
Dukagjini Hospital, Kosovo	0	0	0
Total	1.619	1.580	39

⁶ Number of employees calculated on a full-time equivalent basis.

7 RISK MANAGEMENT

7.1 Underwriting risk

All Group subsidiaries assume risks from policyholders and mostly transfer excess risks to Sava Reinsurance Company. Sava Reinsurance Company also assumes risks from other cedants; any excess is retroceded to other reinsurers.

Due to underwriting process risk, losses may be incurred because of incorrect selection and approval of risks to be assumed for (re)insurance. 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. In the Sava Re Group, 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 results in large losses due to catastrophic or concentrated claims experience. Sava Re Group members mitigate this risk by setting appropriate maximum net retention limits and by designing adequate reinsurance or retrocession programmes.

Reserving risk is the risk that technical provisions are inadequate. Sava Re Group members manage 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.

7.2 Market, liquidity and credit risk

The Sava Re Group is very alert to risks related to the investment portfolio. The Sava Re Group is exposed to the following risks in its investing activities:

- concentration risk,
- interest rate risk,
- equity securities risk,
- currency risk,
- credit risk and
- liquidity risk.

Concentration risk is mitigated through diversification of investments by region and industry. In terms of geography, the Group is most strongly exposed to Slovenia (68.1% of the

investment portfolio), while by industry, its largest exposure is to the banking sector (53.5%) and to government bonds (24.1%).

Interest rate risk sensitivity is monitored through calculating the loss in the bond portfolio if interest rates rose by two percentage points. The bond portfolio includes government bonds, corporate bonds, bond mutual funds with a weight of 1 and mixed mutual funds with a weight of 0.5. At 30 June 2011, the loss would have totalled EUR 11.2m (or 6.8% of the interest-sensitive portfolio). At 31 December 2010, the potential loss totalled EUR 10.4m (or 6.9% of the interest-sensitive portfolio).

Equity securities risk is monitored through a stress test assuming a 20-percent drop in equity prices. The calculation is based on equity holdings (excluding shares of associate and subsidiary companies), equity holdings in mutual funds with a weight of 1 and in mixed mutual funds with a weight of 0.5. In case of a drop in prices, at 30 June 2011 the Group would have suffered a loss of EUR 4.1m. From 31 December 2010, the risk decreased by about EUR 486,000.

As the Sava Re Group operates in different markets, its operations are also exposed to currency risk. The largest share of the Group currency risk relates to Sava Reinsurance Company as other Group companies mostly transact business using their local currency. At 30 June 2011, Sava Reinsurance Company's asset-liabilities currency mismatch totalled EUR 25.2m, accounting for 5.8% of total assets (31 December 2010: EUR 20.8m or 5.0% of total assets). Of this, EUR 11.8m or 2.7% of total assets relate to asset-liabilities currency mismatch in USD (31 December 2010: EUR 8.4m or 2.0% of total assets). The remaining currency mismatch is distributed among 40 different currencies. When consolidating its accounts, the Sava Re Group is also faced with exchange rate risk on the translation of financial statements of associate companies whose local currency is not the euro.

The credit risk of fixed-income investments is monitored through issuers' credit rating. A share of 60% of the Group's fixed-income portfolio is investment grade. Of this, at 30 June 2011, 37.8% of the portfolio was rated A or better. Of the Group's fixed-income portfolio, 40% are unrated investments. This part of the portfolio consists of cash deposits with Slovenian banks who have no published credit rating and investments of Group subsidiaries where institutions in their countries of domicile have no published credit rating. The credit risk of the Group's equity portfolio is decreased by investing in equity securities with sufficient market capitalisation or of secondary market liquidity.

As a rule, insurance companies in the Group place reinsurance directly with Sava Re, unless their local regulator requires them to place reinsurance with local reinsurers. Therefore, the main exposure of the Sava Re Group to default risk relates to the retrocession business of Sava Reinsurance Company. This risk is mitigated through building a diversified retrocession portfolio of established and adequately rated reinsurers.

The Sava Re Group mitigates liquidity risk primarily through investing a large proportion of its 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 within reinsurance treaties between a ceding company and Sava Reinsurance Company or Sava Reinsurance Company and its retrocessionaire. In addition, a contract is in place with a commercial bank providing a credit line of EUR 5m.

7.3 Operational risks

Operational risk includes human capital risk, management control risk, IT risk, process risk, legal risk and such like.

The Sava Re Group members mitigate operational risk by setting up adequate IT-supported procedures and controls in the most important areas of its operation. In addition, this risk is managed through the internal audit function and through staff training.

7.4 Exposure to risk up until the end of 2011

We expect that in the remaining six months of the year, the exposure of Sava Reinsurance Company and the Sava Re Group to risks will not change significantly. Due to the nature of its business, the main risks that the Group is exposed to are underwriting risks followed by market risks. The realisation of underwriting risks is fortuitous and only for certain classes of insurance seasonal. A larger realisation of risks could only be expected as a result of an increased frequency of storms with massive losses and as a result of unfavourable trends in financial markets.

7.5 Insolvency risk

Sava Reinsurance Company meets capital adequacy requirements and so do all its subsidiary companies under local provisions (including one subsidiary that at 30 June 2011 was in the final stage of being recapitalised). Sava Reinsurance Company's excess of available solvency margin over the required solvency margin increased by EUR 2,451,530 compared to 31 December 2010. The available solvency margin is still well above (EUR 24,088,115) the required solvency margin of EUR 20,781,169. Also the sum of the available solvency margins of the Sava Re Group members is substantially larger than the sum of the required solvency margins, so that the risk of capital inadequacy is negligible.

Statement of capital adequacy

(EUR)		30.6.2011	30.6.2010
CORE CAPITAL (Article 106 of the Insurance Act ("ZZavar"))			
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	75,848,910	74,553,329
Retained earnings	4	3,596,862	0
Fair value reserve relating to assets not financed by technical provisions	5	-2,350,752	-1,207,052
Treasury shares and own interests	6	1,774	1,774
Intangible assets	7	210,546	175,754
Core capital (1+2+3+4+5-6-7)	8	148,955,551	145,241,600
Minimum guarantee fund	9	6,927,056	6,275,605
Meeting the requirement under Article 106 of the ZZavar (8 - 9)	10	142,028,495	138,965,995
ADDITIONAL CORE CAPITAL (Article 107 of the ZZavar)			
Subordinated debt	11	5,195,292	4,706,703
Additional core capital (11), however not more than 50% of the lower of core capital and required solvency margin	12	5,195,292	4,706,703
AVAILABLE SOLVENCY MARGIN AND STATEMENT OF CAPITAL ADEQUACY (Article 108 of the ZZavar)			
Total of core and additional core capital (8 + 12)	13	154,150,843	149,948,303
Participation according to Article 108, paragraph 1/1 of the ZZavar	14	107,769,052	105,947,363
Participation according to Article 108, paragraph 1/2 of the ZZavar	15	1,512,507	1,512,707
Available solvency margin of insurer (13 – 14 – 15)	16	44,869,284	42,488,233
Required solvency margin	17	20,781,169	18,826,814
Surplus/deficit of available over/below required solvency margin (16 – 17)	18	24,088,115	23,661,419

<p>SUMMARY OF SAVA RE GROUP FINANCIAL STATEMENTS WITH NOTES</p>

8 UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

8.1 Unaudited consolidated statement of financial position as at 30 June 2011

(EUR)	30. 6. 2011	31. 12. 2010
ASSETS	611,201,034	578,385,408
Intangible assets	22,024,920	23,289,847
Property and equipment	26,725,032	26,711,597
Deferred tax assets	2,292,352	2,236,081
Investment property	5,590,919	4,906,918
Financial investments in associate companies	44,210,246	42,322,366
Financial investments:	324,893,828	324,225,440
- Loans and deposits	134,198,288	130,751,104
- Held to maturity	17,908,539	17,972,005
- Available for sale	167,392,873	171,361,811
- At fair value through profit or loss	5,394,128	4,140,517
Funds for the benefit of policyholders who bear the investment risk	23,366,768	23,716,699
Reinsurers' share of technical provisions	27,188,027	19,734,539
Receivables	111,429,644	88,067,303
Receivables arising out of primary insurance business	33,401,891	32,052,974
Receivables arising out of reinsurance and co-insurance business	62,368,093	49,959,107
Tax receivables	258,033	222,510
Other receivables	15,401,627	5,832,712
Deferred acquisition costs	17,701,632	17,318,841
Other assets	2,028,313	753,985
Cash and cash equivalents	3,221,845	4,026,603
Non-current assets held for sale	527,507	1,075,190
EQUITY AND LIABILITIES	611,201,034	578,385,408
Equity	157,643,416	154,684,609
Share capital	39,069,099	39,069,099
Share premium	25,417,397	25,417,396
Profit reserves	84,884,763	85,362,019
Treasury shares	-1,774	-1,774
Fair value reserve	-2,015,295	-121,460
Retained earnings	3,203,891	557,800
Net profit/loss for the period	5,086,551	2,370,698
Translation reserve	-1,567,033	-2,412,020
Equity attributable to equity holders of the controlling company	154,077,599	150,241,758
Non-controlling interest in equity	3,565,817	4,442,851
Subordinated liabilities	31,198,367	31,177,758
Technical provisions	330,121,366	303,287,248
Unearned premiums	104,271,595	87,101,437
Mathematical provisions	15,869,165	15,228,730
Provision for outstanding claims	205,505,653	197,489,172
Other technical provisions	4,474,953	3,467,909
Technical provision for the benefit of life insurance policyholders who bear the investment risk	23,594,748	23,626,363
Other provisions	724,066	768,854
Deferred tax liabilities	68,630	186,610
Other financial liabilities	7,446,344	2,667,101
Liabilities from operating activities	37,555,585	33,716,371
Liabilities from primary insurance business	4,478,174	4,456,727
Liabilities from reinsurance and co-insurance business	31,732,392	26,514,119
Current income tax liabilities	1,345,018	2,745,525
Other liabilities	22,848,514	28,270,495

8.2 Unaudited consolidated income statement for the six months to 30 June 2011

(EUR)	1-6 2011	1-6 2010
Net earned premiums	117,052,188	109,232,769
Gross premiums written	143,568,044	141,824,962
Written premiums ceded to reinsurers and co-insurers	-16,954,225	-15,168,518
Change in net unearned premiums	-9,561,631	-17,423,675
Income from investments in affiliates	2,492,499	3,900,709
Profit from investments in equity-accounted associate companies	2,492,499	3,900,709
Investment income	7,401,182	9,572,585
Interest income	6,044,551	5,314,344
Other investment income	1,356,631	4,258,241
Other technical income	2,827,356	3,286,663
Commission income	1,508,858	560,362
Other technical income	1,318,498	2,726,301
Other income	498,725	293,084
Net claims incurred	-66,384,535	-67,365,181
Gross claims paid less income from recourse receivables	-63,109,425	-62,413,665
Reinsurers' and co-insurers' share of claims paid	3,685,880	6,593,358
Change in the provision for outstanding claims	-6,960,990	-11,544,874
Change in other technical provisions	-1,023,160	-1,168,983
Change in technical provisions for policyholders who bear the investment risk	88,130	-2,576,377
Expenses for bonuses and rebates	-289,221	-389,310
Operating expenses	-43,423,439	-40,586,833
Acquisition costs	-22,892,126	-20,149,213
Other operating expenses	-20,531,313	-20,437,620
Expenses for investments in affiliates	0	0
Loss arising out of investments in equity-accounted associate companies	0	0
Expenses for financial assets and liabilities	-6,459,207	-5,051,875
Impairment losses on financial assets not measured at fair value through profit or loss	-2,753,908	-2,410,716
Interest expense	-910,961	-804,767
Other investment expenses	-2,794,338	-1,836,392
Other technical expenses	-5,142,035	-3,837,918
Other expenses	-1,042,157	-1,209,710
Profit/loss before tax	6,596,326	4,099,624
Income tax expense	-2,605,551	-1,365,173
Net profit for the period	3,990,775	2,734,450
Net profit/loss attributable to equity holders of the controlling company	4,868,827	3,818,006
Net profit/loss attributable to non-controlling interest	-878,052	-1,083,556

8.3 Unaudited consolidated statement of comprehensive income for the six months to 30 June 2011

(EUR)	1-6 2011	1-6 2010
PROFIT/LOSS FOR THE YEAR, NET OF TAX	3,990,775	2,734,450
OTHER COMPREHENSIVE INCOME, NET OF TAX	-1,031,972	845,841
Net change in fair value of available-for-sale financial assets	-1,520,737	951,146
Net change recognised in the fair value reserve	-943,822	10,595,486
Net change transferred from fair value reserve to profit or loss	-576,915	1,611,575
Net gains/losses attributable to the Group recognised in the fair value reserve and retained profit/loss relating to investments in equity-accounted associate companies	-604,618	321,138
Income tax on other comprehensive income	248,395	-164,641
Net gains/losses from translation of financial statements of non-domestic companies	844,988	-261,802
COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	2,958,803	3,580,291
Share attributable to controlling interest	3,820,265	4,665,507
Share attributable to non-controlling interest	-861,462	-1,085,216

8.4 Unaudited consolidated statement of cash flows for the six months to 30 June 2011

(EUR)		1-6 2011	1-6 2010
A. Cash flows from operating activities			
a.)	Items of the income statement	19,571,175	35,094,494
1.	Net premiums written	126,613,819	126,656,444
2.	Investment income (other than financial income), financed from:	3,564,311	8,015,854
	- technical provisions	708,556	3,479,503
	- other sources	2,855,755	4,536,351
3.	Other operating income (excl. revaluation income and releases from provisions) and financial income from operating receivables	3,326,081	3,579,747
4.	Net claims paid	-59,423,545	-55,820,307
5.	Expenses for bonuses and rebates	-289,221	-3,837,918
6.	Net operating expenses excl. depreciation/amortisation and change in deferred acquisition costs	-41,315,281	-36,677,335
7.	Investment expenses (excluding depreciation/amortisation and financial expenses), financed from:	-4,115,246	-4,247,108
	- technical sources	-97,629	-1,738,230
	- other sources	-4,017,618	-2,508,878
8.	Other operating expenses excl. depreciation/amortisation (other than for revaluation and excl. additions to provisions)	-6,184,192	-1,209,710
9.	Tax on profit and other taxes not included in operating expenses	-2,605,551	-1,365,173
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	-20,872,825	-9,091,174
1.	Change in receivables from primary insurance	-1,348,916	-11,116,483
2.	Change in receivables from reinsurance	-12,408,986	-16,683,906
3.	Change in other receivables from (re)insurance business	-1,615,666	-1,024,482
4.	Change in receivables and assets	-8,454,682	6,459,516
5.	Change in deferred tax assets	-56,271	4,248,836
6.	Change in inventories	-66,807	-49,575
7.	Change in liabilities arising out of primary insurance	21,448	-2,707,341
8.	Change in liabilities arising out of reinsurance business	5,218,275	-8,068,487
9.	Change in other operating liabilities	-2,229,651	18,330,541
10.	Change in other liabilities (except unearned premiums)	186,412	1,279,752
11.	Change in deferred tax liabilities	-117,980	240,455
c.)	Net cash from/used in operating activities (a + b)	-1,301,650	26,003,320
B. Cash flows from investing activities			
a.)	Cash receipts from investing activities	229,392,970	344,316,900
1.	Interest received from investing activities and from:	6,044,551	5,314,345
	- investments financed from technical provisions	5,021,779	4,427,806
	- other investments	1,022,772	886,539
2.	Cash receipts from dividends and from participation in the profit of others, relating to:	284,818	143,094
	- investments financed from technical provisions	249,088	45,279
	- other investments	35,730	97,815
4.	Proceeds from sale of property and equipment, financed from:	32,429	9,315
	- technical provisions	0	0
	- other sources	32,429	9,315
5.	Proceeds from sale of long-term financial investments, financed from:	30,231,458	54,091,988
	- technical provisions	14,034,899	34,656,999
	- other sources	16,196,559	19,434,989
6.	Proceeds from sale of short-term financial investments, financed from:	192,799,714	284,733,920
	- technical provisions	146,139,438	218,344,526
	- other sources	46,660,276	66,389,394
b.)	Cash disbursements in investing activities	-229,908,023	-369,878,754
1.	Purchase of intangible assets	-461,939	-120,301
2.	Purchase of property and equipment, financed from:	-621,503	-1,342,885
	- technical provisions	-22,470	-338,718
	- other sources	-599,032	-1,004,166
3.	Purchase of long-term financial investments, financed from:	-56,744,937	-48,482,311
	- technical provisions	-47,548,164	-42,363,407
	- other sources	-9,196,773	-6,118,904
4.	Purchase of short-term financial investments, financed from:	-172,079,644	-319,933,256
	- technical provisions	-133,916,063	-229,315,505
	- other sources	-38,163,581	-90,617,751
c.)	Net cash from/used in investing activities (a + b)	-515,053	-25,561,853
C. Cash flows from financing activities			
a.)	Cash receipts from financing activities	4,351,587	0
2.	Proceeds from long-term borrowing	110,000	0
3.	Proceeds from short-term borrowing	4,241,587	0
b.)	Cash disbursements in financing activities	-3,339,642	-11,905,999
1.	Interest paid	-910,961	-1,757,268
3.	Repayment of long-term financial liabilities	-80,097	0
4.	Repayment of short-term financial liabilities	-2,348,585	-10,148,731
c.)	Net cash from/used in financing activities (a + b)	1,011,945	-11,906,000
C2. Closing balance of cash and cash equivalents		3,221,845	2,664,435
x.)	Net increase/decrease in cash and cash equivalents for the period (sum of Ac, Bc)	-804,759	-11,464,533
D. Opening balance of cash and cash equivalents		4,026,604	14,128,967

8.5 Unaudited consolidated statement of changes in equity for the six months to 30 June 2011

(EUR)	I. Share capital	II. Share premium	III. Profit reserves					IV. Fair value reserve	V. Retained earnings	VI. Net profit/loss for the period	VII. Treasury shares (deduction item)	VIII. Consolidation equity adjustment	IX. Equity attributable to equity holders of the controlling company	X. Non-controlling interest in equity	XI. Total (13 + 14)
			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.	12.	13.	14.	15.
Opening balance in financial period	39,069,099	25,417,397	16,660,613	1,774	1,261,187	6,576,060	60,862,385	-121,459	557,800	2,370,698	-1,774	-2,412,023	150,241,757	4,442,851	154,684,608
Comprehensive income for the period, net of tax	0	0	0	0	0	0	0	-1,893,837	0	4,868,827	0	844,988	3,819,978	-861,175	2,958,803
Settlement of loss from previous years	0	0	-259,688	0	0	0	0	0	275,393	0	0	0	15,705	-15,705	0
Additions/uses of credit risk equalisation reserve and catastrophe equalisation reserve	0	0	0	0	-270,704	53,136	0	0	0	217,722	0	0	154	-154	0
Transfer of profit/loss	0	0	0	0	0	0	0	0	2,370,698	-2,370,698	0	0	0	0	0
Closing balance in financial period	39,069,099	25,417,397	16,400,925	1,774	990,483	6,629,196	60,862,385	-2,015,295	3,203,891	5,086,551	-1,774	-1,567,033	154,077,599	3,565,817	157,643,416

8.6 Unaudited consolidated statement of changes in equity for the six months to 30 June 2010

(v EUR)	I. Share capital	II. Share premium	III. Profit reserves					IV. Fair value reserve	V. Retained earnings	VI. Net profit/loss for the period	VII. Treasury shares	VIII. Translation reserve	IX. Equity attributable to equity holders of the controlling company	X. Non-controlling interest in equity	XI. Total (13 + 14)
			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.	12.	13.	14.	15.
Opening balance in financial period	39,069,099	33,003,756	15,277,932	1,774	1,217,874	4,215,361	59,566,803	543,937	13,524,831	-12,341,747	-1,774	-1,685,177	152,392,669	9,284,738	161,677,407
Comprehensive income for the period, net of tax	0	0	0	0	0	0	0	1,109,303	0	3,818,006	0	-261,802	4,665,507	-1,085,216	3,580,291
Additions/uses of credit risk equalisation reserve and catastrophe equalisation reserve	0	0	0	0	-323,622	-346,996	0	0	0	670,618	0	0	0	0	0
Acquisitions of companies	0	0	0	0	0	0	0	0	0	0	0	0	0	-3,356,254	-3,356,254
Transfer of profit/loss	0	0	0	0	0	0	0	0	-12,341,747	12,341,747	0	0	0	0	0
Other	0	-7,882,965	0	0	0	0	0	0	0	0	0	0	-7,882,965	0	-7,882,965
Closing balance in financial period	39,069,099	25,120,791	15,277,932	1,774	894,252	3,868,365	59,566,803	1,653,240	1,183,084	4,488,624	-1,774	-1,946,979	149,175,211	4,843,268	154,018,480

9 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The selected notes to the half-yearly financial statements are significant to an understanding of the changes in financial position and performance of the Group in the first half-year 2011 as compared to both the first half-year 2010 and end-of-year 2010.

9.1 Overview of major accounting policies

The half-yearly financial statements with notes have been prepared in compliance with IAS 34 "Interim Financial Reporting".

Pursuant to IAS 34, notes are provided in relation to major business events that are required to understand the financial position and performance of the Group compared to the previous annual financial report prepared for 2010.

The half-yearly financial statements with notes have not been audited.

The interim financial statements at 30 June 2011 have been prepared using the same accounting policies and calculation methods as in the annual financial statements for 2010.

The changes to the International Financial Reporting Standards and to their interpretation effective for financial periods beginning on 1 January 2011 are:

➤ ***Amendment to IAS 32 – "Financial Instruments: Presentation – Classification of Rights Issues" (effective for annual periods beginning on or after 1 February 2010)***

The amendments to IAS 32 are not relevant to the Group as the Group has not issued such instruments at any time in the past.

➤ ***Amendment to IAS 39 – "Financial Instruments: Recognition and Measurement – Eligible Hedged Items" (effective for annual periods beginning on or after 1 July 2010).***

The amendments to IAS 39 are currently not relevant to the Company's financial statements.

➤ ***IFRIC 14 (amendment) – "Prepayments of a minimum funding requirement" (effective for periods beginning on or after 1 January 2011).***

The amended IFRIC 14 is currently not relevant to the Group's financial statements.

➤ ***IFRIC 19 – "Extinguishing Financial Liabilities with Equity Instruments" (effective for annual periods beginning on or after 1 July 2010).***

IFRIC 19 is currently not relevant to the Group's financial statements.

9.2 Seasonality and cyclicity of interim operations

The operations of the Group are not seasonal in character. Pursuant to technical rules, Group insurance companies defer costs/expenses and income that, by their nature, may or have to be deferred also at the year-end.

9.3 The nature and amount of unusual items

There were no unusual events – that, by their nature, scope or manner of occurrence – would affect the assets, liabilities, equity, net profit or cash flows in the first half-year 2011.

9.4 Issuances, repurchases, and repayments of debt and equity securities

The Group neither issued new debt securities nor repaid the existing subordinate debt.

No dividends have been paid out.

9.5 Key accounting estimates and judgements

The Group is predominately composed of financial companies that invest their assets (those supporting liabilities as well as capital funds) in financial instruments. If the fair value of any financial instrument falls below its cost, the Group – pursuant to applicable accounting rules – considers whether the decrease is a significant and long-term one, in the event of which the financial instrument is impaired. In the first half-year 2011, the Group recognised an impairment loss on equities of EUR 3.0m (almost exclusively relating to capital funds – assets representing shareholders' funds).

9.6 Analysis of operating segments

Operating segments disclosed and monitored were determined based on the various activities carried out in the Group. Segments have been formed based on similar services provided by companies (features of insurance products, market networks and the environment in which companies operate).

In view of the nature, scope and organisation of work, CODM (Chief Operating Decision Maker⁷) is a group composed of management board members, director of finance and accounting, director of controlling, and director of risk management. CODM can monitor quarterly the results of operations by segments. These results include technical results, net investment income and other aggregated performance indicators, as well as the amounts of assets, equity and technical provisions.

Operating segments include reinsurance, non-life business, life business, and other. Performance of these segments is monitored based on different indicators, the most important performance indicator for all segments being net profit, calculated in accordance with IFRSs. The reinsurance segment mainly relates to the controlling company; the non-life segment relates to non-life business of Group companies and to the non-life business of Tilia, a composite insurance company; the life segment relates to life business of Group companies and to the life business of Tilia. The "other" segment relates to a stock broking company and other Group companies. This segment does not meet the materiality threshold but is presented separately because of the large difference in the nature of activities carried on.

⁷ Senior manager responsible for decisions or management board including executive directors responsible for allocating resources and assessing the results of operations.

The reinsurance and non-life segments exceed the 10-percent threshold of total income, total assets and share in profit/loss, and are therefore presented separately. The life segment does not meet any recommended materiality threshold; however, life business is presented separately due to the nature of the business and its specific features that sets it apart from other business.

Statement of financial position by operating segment as at 30 June 2011

(EUR)	Reinsurance business		Non-life ins. business		Life ins. business		Other		Consolidated		Total	
	30.6.2011	31.12.2010	30.6.2011	31.12.2010	30.6.2011	31.12.2010	30.6.2011	31.12.2010	30.6.2011	31.12.2010	30.6.2011	31.12.2010
ASSETS	431,497,289	418,350,613	214,726,359	193,420,334	56,188,924	55,904,513	13,914,198	12,400,388	-105,125,737	-101,690,439	611,201,034	578,385,408
Intangible assets	210,546	178,615	1,830,452	1,528,759	116,009	281,413	3,547	3,694	19,864,366	21,297,366	22,024,920	23,289,847
Property and equipment	2,420,943	2,451,169	17,101,759	17,900,896	5,276,354	4,457,529	1,925,976	1,902,003	0	0	26,725,032	26,711,597
Deferred tax assets	2,173,979	2,073,687	110,772	154,793	7,601	7,601	0	0	0	0	2,292,352	2,236,081
Investment property	159,753	160,920	5,292,973	4,615,660	138,193	130,338	0	0	0	0	5,590,919	4,906,918
Financial investments in associate companies	106,613,939	106,236,355	3,023,358	3,023,358	1,020,071	1,020,071	11,574,834	10,084,622	-78,021,956	-78,042,041	44,210,246	42,322,366
Financial investments:	211,053,806	221,513,409	99,058,162	85,013,892	23,980,932	24,150,407	302,428	329,232	-9,501,500	-6,781,500	324,893,828	324,225,440
- Loans and deposits	76,612,728	83,453,132	57,772,694	43,942,058	9,141,452	9,939,799	172,914	197,615	-9,501,500	-6,781,500	134,198,288	130,751,104
- Held to maturity	8,619,904	8,168,143	7,798,835	8,198,802	1,489,800	1,605,060	0	0	0	0	17,908,539	17,972,005
- Available for sale	125,821,174	129,892,133	29,233,853	29,732,181	12,208,332	11,605,880	129,514	131,617	0	0	167,392,873	171,361,811
- At fair value through profit or loss	0	0	4,252,780	3,140,851	1,141,348	999,666	0	0	0	0	5,394,128	4,140,517
Funds for the benefit of policyholders who bear the investment risk	0	0	0	0	23,366,768	23,716,699	0	0	0	0	23,366,768	23,716,699
Reinsurers' share of technical provisions	23,055,377	17,526,300	29,068,423	25,313,293	21,079	39,281	0	0	-24,956,852	-23,144,335	27,188,027	19,734,539
Receivables	76,686,819	58,673,864	46,463,547	43,815,751	698,148	579,344	90,925	18,273	-12,509,795	-15,019,929	111,429,644	88,067,303
Receivables arising out of primary insurance business	0	0	33,115,521	31,820,853	297,809	248,406	0	0	-11,439	-16,285	33,401,891	32,052,974
Receivables arising out of reinsurance and co-insurance business	68,376,946	57,510,223	6,288,794	7,308,724	30,581	12,660	0	0	-12,328,228	-14,872,500	62,368,093	49,959,107
Tax receivables	0	0	257,550	127,465	0	94,670	483	375	0	0	258,033	222,510
Other receivables	8,309,873	1,163,641	6,801,682	4,558,709	369,758	223,608	90,442	17,898	-170,128	-131,144	15,401,627	5,832,712
Deferred acquisition costs	8,631,510	9,191,801	8,702,129	7,926,464	367,993	200,576	0	0	0	0	17,701,632	17,318,841
Other assets	333,425	175,299	1,581,666	525,157	113,221	53,020	1	509	0	0	2,028,313	753,985
Cash and cash equivalents	157,192	169,193	1,965,611	2,614,674	1,082,555	1,180,681	16,487	62,055	0	0	3,221,845	4,026,603
Non-current assets held for sale	0	0	527,507	987,637	0	87,553	0	0	0	0	527,507	1,075,190

(EUR)	Reinsurance business		Non-life ins. business		Life ins. business		Other		Consolidated		Total	
	30.6.2011	31.12.2010	30.6.2011	31.12.2010	30.6.2011	31.12.2010	30.6.2011	31.12.2010	30.6.2011	31.12.2010	30.6.2011	31.12.2010
EQUITY AND LIABILITIES	431,497,289	418,350,613	214,726,359	193,420,334	56,188,924	55,904,513	13,914,198	12,400,388	-105,125,737	-101,690,439	611,201,034	578,385,408
Equity	159,522,608	156,138,328	27,487,576	27,757,504	15,091,016	15,312,585	13,699,807	12,287,926	-58,157,590	-56,811,733	157,643,415	154,684,609
Share capital	39,069,099	39,069,099	36,311,744	38,436,078	21,021,807	21,516,950	13,653,092	12,162,644	-70,986,642	-72,115,671	39,069,099	39,069,099
Share premium	33,003,752	33,003,752	1,490,212	0	57	56	0	0	-9,076,624	-7,586,412	25,417,397	25,417,396
Profit reserves	82,967,500	83,238,204	1,602,701	2,494,885	336,491	336,491	90,189	90,189	-112,118	-797,750	84,884,763	85,362,019
Treasury shares	-1,774	-1,774	0	0	0	0	0	0	0	0	-1,774	-1,774
Fair value reserve	-3,603,937	-2,767,816	1,688,939	2,074,151	118,487	244,490	9,734	9,828	-228,518	317,887	-2,015,295	-121,460
Retained earnings	3,596,862	0	-10,383,142	-7,649,452	-5,186,294	-4,057,899	24,250	98,913	15,152,215	12,166,238	3,203,891	557,800
Net profit/loss for the period	4,491,106	3,596,862	-1,999,235	-5,919,962	-664,422	-1,943,673	-73,008	-74,663	3,332,110	6,712,134	5,086,551	2,370,698
Translation reserve	0	0	-1,223,644	-1,678,197	-535,110	-783,830	-4,450	1,015	196,171	48,990	-1,567,033	-2,412,020
Equity attributable to equity holders of the controlling	159,522,608	156,138,328	27,487,575	27,757,503	15,091,016	15,312,585	13,699,807	12,287,926	-61,723,407	-61,254,584	154,077,598	150,241,758
Non-controlling interest in equity	0	0	0	0	0	0	0	0	3,565,817	4,442,851	3,565,817	4,442,851
Subordinated liabilities	31,198,367	31,177,758	0	0	0	0	0	0	0	0	31,198,367	31,177,758
Technical provisions	189,171,737	173,941,974	149,525,074	136,823,399	16,381,406	15,666,210	0	0	-24,956,852	-23,144,335	330,121,366	303,287,248
Unearned premiums	53,755,996	41,861,443	60,609,846	52,522,521	383,844	319,067	0	0	-10,478,091	-7,601,594	104,271,595	87,101,437
Mathematical provisions	0	0	0	0	15,869,165	15,228,730	0	0	0	0	15,869,165	15,228,730
Provision for outstanding claims	134,802,038	131,492,898	84,886,022	81,279,621	128,397	118,413	0	0	-14,310,804	-15,401,760	205,505,653	197,489,172
Other technical provisions	613,703	587,633	4,029,206	3,021,257	0	0	0	0	-167,957	-140,981	4,474,953	3,467,909
Technical provision for the benefit of life insurance policyholders who bear the investment risk	0	0	0	0	23,594,748	23,626,363	0	0	0	0	23,594,748	23,626,363
Other provisions	118,990	112,165	529,511	581,094	73,662	73,662	1,902	1,933	0	0	724,066	768,854
Deferred tax liabilities	0	86,161	38,844	39,013	29,786	61,436	0	0	0	0	68,630	186,610
Other financial liabilities	2,900,437	2,901,061	14,017,177	6,486,120	0	0	191,500	81,500	-9,662,770	-6,801,580	7,446,344	2,667,101
Liabilities from operating activities	32,849,496	31,997,763	15,771,936	14,692,522	102,188	199,360	10,200	10,200	-11,178,235	-13,183,474	37,555,585	33,716,371
Liabilities from primary insurance business	0	0	4,451,063	4,427,260	28,350	29,467	10,200	10,200	-11,439	-10,200	4,478,174	4,456,727
Liabilities from reinsurance and co-insurance business	31,761,553	30,408,949	11,078,779	9,198,849	58,857	79,595	0	0	-11,166,796	-13,173,274	31,732,392	26,514,119
Current income tax liabilities	1,087,943	1,588,814	242,094	1,066,413	14,981	90,298	0	0	0	0	1,345,018	2,745,525
Other liabilities	15,735,654	21,995,403	7,356,244	7,040,685	916,118	964,897	10,788	18,828	-1,170,290	-1,749,317	22,848,514	28,270,495

Income statement for the six months to 30 June 2011 by operating segment

(EUR)	Reinsurance business		Non-life ins. business		Life ins. business		Other		Consolidation adjustment		Total	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
Net earned premiums (1)	60,419,368	56,533,941	50,466,225	46,216,439	6,290,795	6,539,015	0	0	-124,200	-56,625	117,052,187	109,232,770
Gross premiums written	80,974,490	81,174,521	68,999,243	68,179,353	6,412,911	6,569,403	0	0	-12,818,600	-14,098,315	143,568,043	141,824,962
- of this third-party clients	68,265,558	67,180,004	68,889,575	68,075,555	6,412,911	6,569,403	0	0	0	0	143,568,044	141,824,962
Written premiums ceded to reinsurers and co-insurers	-14,755,846	-13,184,769	-14,839,975	-15,999,501	-52,804	-25,938	0	0	12,694,400	14,041,690	-16,954,225	-15,168,518
Change in net unearned premiums	-5,799,276	-11,455,811	-3,693,043	-5,963,413	-69,312	-4,450	0	0	0	0	-9,561,631	-17,423,674
Net claims incurred (2)	-34,676,832	-37,888,793	-29,381,992	-28,096,467	-2,325,709	-1,379,920	0	0	0	0	-66,384,534	-67,365,180
Gross claims paid less income from subrogation receivables liquidated	-34,044,205	-36,931,553	-33,120,882	-30,074,411	-2,248,287	-1,410,135	0	0	6,303,950	6,002,435	-63,109,424	-62,413,664
Reinsurers' and co-insurers' shares	3,242,712	6,006,860	6,744,620	6,588,573	2,498	360	0	0	-6,303,950	-6,002,435	3,685,880	6,593,358
Change in the net provision for outstanding claims	-3,875,340	-6,964,100	-3,005,730	-4,610,629	-79,920	29,855	0	0	0	0	-6,960,990	-11,544,874
Change in other technical provisions (3)	0	-16,673	-416,959	-94,025	5,193,609	-1,058,285	0	0	0	0	4,776,650	-1,168,983
Change in the technical provision for policyholders who bear the investment risk (4)	0	0	0	0	-5,711,680	-2,576,377	0	0	0	0	-5,711,680	-2,576,377
Operating expenses (5)	-20,633,326	-19,376,713	-22,143,595	-20,568,832	-3,150,108	-3,347,772	-47,500	-98,338	2,551,090	2,804,822	-43,423,439	-40,586,833
Depreciation/amortisation	-104,525	-84,402	-997,003	-890,627	-71,020	-55,761	-796	-3,937	0	0	-1,173,344	-1,034,727
Other technical income (6)	1,850,733	2,681,529	3,396,979	3,620,292	23,035	13,380	0	1,688	-2,443,391	-3,030,226	2,827,356	3,286,663
Other technical expenses (7)	-977,815	-1,288,291	-4,155,246	-2,668,196	-8,974	-12,305	0	0	0	130,874	-5,142,035	-3,837,918
A) Technical result (1 + 2 + 3 + 4 + 5 + 6 + 7)	5,982,128	645,000	-2,234,588	-1,590,789	310,968	-1,822,264	-47,500	-96,650	-16,501	-151,155	3,994,505	-3,015,858
Income from investments in affiliates (8)	0	0	0	209,341	0	0	0	0	2,492,499	3,691,368	2,492,499	3,900,709
Shares in profit/loss of equity-accounted associates	0	0	0	0	0	0	0	0	2,492,499	3,900,709	2,492,499	3,900,709
Investment income (9)	3,834,159	4,791,508	2,523,257	2,387,401	1,191,927	2,504,748	4,684	17,511	-152,845	-128,583	7,401,182	9,572,585
- Interest income	3,412,208	2,964,797	2,232,632	1,901,936	534,215	547,778	4,684	9,066	-139,188	-109,233	6,044,551	5,314,344
Expenses for investments in affiliates (10)	0	0	0	0	0	0	0	0	0	0	0	0
Shares in profit/loss of equity-accounted associates	0	0	0	0	0	0	0	0	0	0	0	0
Expenses from financial assets and liabilities (11)	-3,797,529	-3,655,974	-682,795	-513,462	-2,137,643	-1,077,054	0	-12,991	158,760	207,606	-6,459,207	-5,051,875
- Interest expense	-868,441	-756,050	-182,684	-34,682	-18,596	-14,035	0	0	158,760	0	-910,961	-804,767
- impairment loss on goodwill	-1,433,000	0	0	0	0	0	0	0	0	0	-1,433,000	0
B) Net investment income (8 + 9 + 10 + 11)	36,630	1,135,534	1,840,462	2,083,280	-945,716	1,427,694	4,684	4,520	2,498,414	3,770,391	3,434,474	8,421,419
Other income (12)	251	1,809	507,701	282,468	0	0	18,938	8,804	-28,165	0	498,725	293,081
Expenses for bonuses and rebates (13)	-26,072	0	-263,150	-389,310	0	0	0	0	0	0	-289,222	-389,310
Other expenses (14)	-10	-158	-990,892	-1,205,218	-2,125	-4,334	-49,130	0	0	0	-1,042,157	-1,209,710
C) Result of other items (12 + 13 + 14)	-25,831	1,651	-746,341	-1,312,060	-2,125	-4,334	-30,192	8,804	-28,165	0	-832,654	-1,305,939
D) Profit/loss before tax (A + B + C)	5,992,929	1,782,185	-1,140,467	-819,569	-636,873	-398,904	-73,008	-83,326	2,453,748	3,619,236	6,596,326	4,099,622
E) Income tax expense	-1,772,527	-500,017	-805,478	-770,248	-27,546	-94,676	0	-232	0	0	-2,605,551	-1,365,173
F) Net profit/loss for the period (D+E)	4,220,401	1,282,168	-1,945,945	-1,589,817	-664,419	-493,580	-73,008	-83,558	2,453,748	3,619,236	3,990,775	2,734,449

Inter-segment business

(EUR)	Reinsurance business		Non-life ins. business		Life ins. business		Other		Consolidation adjustment		Total	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
Net earned premiums	12,708,932	13,994,517	109,668	103,798	0	0	0	0	-12,818,600	-14,098,315	0	0
Net claims incurred	-6,303,679	-5,996,666	-271	-5,769	0	0	0	0	6,303,950	6,002,435	0	0
Operating expenses	-2,510,965	-2,767,474	-18,788	-21,386	-21,337	-15,962	0	0	2,551,090	2,804,822	0	0
Investment income	146,836	128,583	6,009	0	0	0	0	0	-152,845	-128,583	0	0
Other income	0	0	26,134	0	0	0	2,031		-28,165	0	0	0

9.7 Notes to significant changes in the statement of financial position

9.7.1 Financial investments in associated companies

In the consolidated financial statements, investments in associated companies are accounted for using the equity method. The increase is mainly due to the addition of the half-yearly profit of Zavarovalnica Maribor.

9.7.2 Financial investments

Financial investments increased slightly in the first half-year. There were some increases in loans, deposits and investments at fair value through profit or loss; financial investments available for sale, on the other hand, shrank.

Pursuant to accounting policies, the Group made some impairments:

(EUR)	1-6 2011	1-6 2010
Corporate bonds	0	99,300
Shares (excluding strategic shares*)	1,093,342	2,311,416
Mutual funds	227,565	0
Strategic shares and participating interests	1,433,000	0
Total impairment loss	2,753,908	2,410,716

*Strategic shares include shares in subsidiary and associate companies.

The impairment loss on the strategic shares in the subsidiary Sava Tabak was recognised due to a change in the basis for projecting future cash flows (revision of strategic plan). The company revised its strategic plan in response to the loss of a major account following an unsuccessful bid in a public tender (loss of about 20% of the portfolio). In addition, a plan has been prepared for this company to deal with write-downs of bad debts relating to years prior to 2010. Both had a major impact on expected future results of the company, necessitating a revision of the value of the investment. Due to lower cash-flows in revised projections compared to previous strategic plans, the estimated value of the investment in Sava Tabak decreased as a result of which an impairment loss was recognised.

9.7.3 Receivables

The largest increase in receivables was recorded in receivables arising out of reinsurance and co-insurance. These are receivables of the controlling company who has increased its reinsurance business volume in the first half of 2011. The increase in other receivables relates mostly to the contribution in the recapitalisation of Zavarovalnica Maribor, which was finalised in July 2011.

9.7.4 Technical provisions



Compared to year-end 2010, the largest increase was in gross unearned premiums, which is ordinary interim movement.

9.7.5 Other liabilities

The decrease in other liabilities is a result of the settlement of the consideration for the insurer Illyria.

10 BUSINESS COMBINATIONS

In the first half of 2011, two recapitalisations were undertaken in Group members, as follows:

-  Sava životno osiguranje in the amount of EUR 0.3m,
-  Velebit usluge in the amount of EUR 0.8m.

Subsequent to capital injections, ownership relations in the above companies remained unchanged.

11 RELATED-PARTY DISCLOSURES

Key management personnel

Fixed remunerations received by Members of the Management Board in the first half of 2011 amounted to EUR 311,884 (2010 annual fixed remuneration: EUR 475,043), while bonuses and other income were EUR 19,278 (2010 annual amount: EUR 29,595). No variable considerations were paid out.

Remunerations paid to Supervisory Board members and members of the Supervisory Board Audit Committee in the first half of 2011 amounted to EUR 38,260 (2010 annual remuneration: EUR 40,277).

Transactions with associate companies

Investments in and amounts due from associates

(EUR)		30. 6. 2011	31. 12. 2010
Debt securities and loans granted to associates	gross	1,512,507	1,512,612
	impairment loss	0	0
	net	1,512,507	1,512,612
Receivables from policyholders	gross	0	22,468
	impairment loss	0	0
	net	0	22,468
Receivables for premiums arising out of reinsurance assumed	gross	20,136,123	10,405,032
	impairment loss	0	0
	net	20,136,123	10,405,032
Total		21,648,630	11,940,112

Liabilities to associates

(EUR)	30. 6. 2011	31. 12. 2011
Liabilities for shares in reinsurance claims	9,480,828	8,876,223
Other short-term liabilities for insurance business	4,343,572	2,455,628
Total (net of provisions)	13,824,400	11,331,851

Operating Income from and expenses for associate companies

(EUR)	1–6 2011	1–6 2010
Gross premiums written	32,944,399	31,680,594
Gross claims paid	14,251,459	15,826,125
Acquisition costs	-5,325,409	-2,850,060
Income from realised gross recourse receivables	-1,393,487	0
Interest income	56,458	56,465
Income from shares in associates	2,492,499	3,900,709
Additional pension insurance premium	31,193	28,556

Related-party transactions were conducted on an arms-length basis.

Transactions with Group companies

Investments in and amounts due from Group companies

(EUR)		30. 6. 2011	31. 12. 2010
Debt securities and loans granted to Group companies	gross	9,310,000	6,700,000
	impairment loss		
	net	9,310,000	6,700,000
Receivables for premiums arising out of reinsurance assumed	gross	8,486,378	8,580,005
	impairment loss		
	net	8,486,378	8,580,005
Short-term receivables arising out of investments	gross	106,004	61,255
	impairment loss		
	net	106,004	61,255
Other short-term receivables arising out of insurance business	gross	0	0
	impairment loss		
	net	0	0
Total		17,902,382	15,341,260

Liabilities to Group companies

(EUR)	30. 6. 2011	31. 12. 2010
Liabilities for shares in reinsurance claims	2,680,418	4,570,127
Other short-term liabilities	1,161,432	1,683,116
Total (net of provisions)	3,841,850	6,253,243

Intra-group transactions

(EUR)	1–6 2011	1–6 2010
Gross premiums written	21,872,461	14,098,315
Gross claims paid	-13,879,561	-6,002,435
Other operating expenses	51,512	-75,975
Other investment income	29,025	19,350
Interest income	223,057	109,233
Acquisition costs	-4,735,981	-2,728,847

Related-party transactions were conducted on an arms-length basis.



<p>UNAUDITED SEPARATE FINANCIAL STATEMENTS OF SAVA REINSURANCE COMPANY</p>
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12 UNAUDITED SEPARATE FINANCIAL STATEMENTS

12.1 Unaudited statement of financial position as at 30 June 2011

(EUR)	30. 6. 2011	31. 12. 2010
ASSETS	431,497,289	418,350,613
Intangible assets	210,546	178,615
Property and equipment	2,420,942	2,451,169
Deferred tax assets	2,173,979	2,073,687
Investment property	159,753	160,920
Financial investments in Group companies and in associates	106,613,939	106,236,355
Financial investments:	211,053,806	221,513,409
- Loans and deposits	73,561,173	83,453,132
- Held to maturity	8,619,904	8,168,143
- Available for sale	128,872,729	129,892,133
Reinsurers' share of technical provisions	23,055,377	17,526,300
Receivables	76,686,820	58,673,865
Receivables arising out of reinsurance and co-insurance	68,376,946	57,510,223
Other receivables	8,309,873	1,163,641
Deferred acquisition costs	8,631,510	9,191,801
Other assets	333,425	175,299
Cash and cash equivalents	157,192	169,193
EQUITY AND LIABILITIES	431,497,289	418,350,613
Equity	159,522,608	156,138,328
Share capital	39,069,099	39,069,099
Share premium	33,003,752	33,003,752
Profit reserves	82,967,499	83,238,204
Treasury shares	-1,774	-1,774
Fair value reserve	-3,603,937	-2,767,816
Retained earnings	3,596,862	0
Net profit/loss for the period	4,491,106	3,596,862
Subordinated liabilities	31,198,367	31,177,758
Technical provisions	189,171,738	173,941,974
Unearned premiums	53,755,996	41,861,443
Provision for outstanding claims	134,802,038	131,492,898
Other technical provisions	613,704	587,633
Other provisions	118,990	112,165
Deferred tax liabilities	0	86,161
Other financial liabilities	2,900,437	2,901,061
Liabilities from operating activities	32,849,497	31,997,763
Liabilities from reinsurance and co-insurance business	31,761,554	30,408,949
Current income tax liabilities	1,087,943	1,588,814
Other liabilities	15,735,653	21,995,403

12.2 Unaudited income statement for the six months to 30 June 2011

(EUR)	1-6 2011	1-6 2010
Net earned premiums	60,419,368	56,533,941
Gross premiums written	80,974,490	81,174,521
Written premiums ceded to reinsurers and co-insurers	-14,755,846	-13,184,769
Change in net unearned premiums	-5,799,276	-11,455,811
Investment income	3,834,159	4,791,508
Interest income	3,412,208	2,964,798
Other investment income	421,951	1,826,710
Other technical income	1,850,733	2,681,529
Commission income	1,272,020	475,291
Other income	578,713	2,206,238
Other income	251	1,809
Net claims incurred	-34,676,832	-37,888,793
Gross claims paid less income from recourse receivables	-34,044,205	-36,931,553
Reinsurers' and co-insurers' share of claims paid	3,242,712	6,006,860
Change in the net provision for outstanding claims	-3,875,340	-6,964,100
Change in other technical provisions	0	-16,673
Expenses for bonuses and rebates	-26,071	0
Operating expenses	-20,633,326	-19,376,713
Acquisition costs	-17,607,710	-16,301,345
Other operating expenses	-3,025,616	-3,075,368
Expenses for investments in affiliates	-1,433,000	0
Expenses for financial assets and liabilities	-2,364,529	-3,655,975
Impairment losses on financial assets not measured at fair value through profit or loss	-1,320,908	-2,410,716
Interest expenses	-846,227	-756,050
Other expenses	-197,394	-489,209
Other technical expenses	-977,815	-1,288,291
Other expenses	-10	-158
Profit/loss before tax	5,992,929	1,782,184
Income tax expense	-1,772,527	-500,017
Net profit for the period	4,220,401	1,282,168
Net diluted earnings/losses per share	0.45	0.14

12.3 Unaudited consolidated statement of comprehensive income for the six months to 30 June 2011

(EUR)	1-6 2011	1-6 2010
PROFIT/LOSS FOR THE PERIOD NET OF TAX	4,220,401	1,282,168
OTHER COMPREHENSIVE INCOME, NET OF TAX	-836,121	323,875
Net change in fair value of available-for-sale financial assets	-1,045,152	404,843
Net change recognised in the fair value reserve	-786,798	1,844,586
Net change transferred from fair value reserve to profit or loss	-258,354	-1,439,743
Income tax on other comprehensive income	209,030	-80,969
COMPREHENSIVE INCOME FOR THE PERIOD NET OF TAX	3,384,280	1,606,042

12.4 Unaudited statement of changes in equity for the six months to 30 June 2011

(EUR)	I. Share capital	II. Share premium	III. Rezerve iz dobička					IV. Fair value reserve	V. Retained earnings	VI. Net profit/loss for the period	VII. Treasury shares (deduction item)	VIII. Total (1–11)
			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.	12.
As at 1 January 2011	39,069,099	33,003,752	14,986,525	1,774	1,261,187	6,126,333	60,862,385	-2,767,816	0	3,596,862	-1,774	156,138,328
Comprehensive income for the period net of tax	0	0	0	0	0	0	0	-836,121	0	4,220,401	0	3,384,280
Additions/uses of credit risk equalisation reserve and catastrophe equalisation reserve	0	0	0	0	-270,704	0	0	0	0	270,704	0	0
Transfer of profit/loss	0	0	0	0	0	0	0	0	3,596,862	-3,596,862	0	0
As at 30 June 2011	39,069,099	33,003,752	14,986,525	1,774	990,483	6,126,333	60,862,385	-3,603,937	3,596,862	4,491,106	-1,774	159,522,608
Distributable profit	0	0	0	0	0	0	0	0	3,596,862	4,491,106	0	8,087,968

12.5 Unaudited statement of changes in equity for the six months to 30 June 2010

(EUR)	I. Share capital	II. Share premium	III. Profit reserves					IV. Fair value reserve	V. Net profit/loss for the period	VI. Treasury shares (deduction item)	VII. 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	149,995,279
Comprehensive income for the period, net of tax	0	0	0	0	0	0	0	323,875	1,282,168	0	1,606,043
Additions/uses of credit risk equalisation reserve and catastrophe equalisation reserve	0	0	0	0	-722,129	0	0	0	722,129	0	0
As at 30 June 2010	39,069,099	33,003,752	14,986,525	1,774	495,746	3,868,365	59,566,803	-1,393,265	2,004,294	-1,774	151,601,323
Distributable profit	0	0	0	0	0	0	0	0	2,004,294	0	2,004,294

12.6 Unaudited statement of cash flows for the six months to 30 June 2011

(EUR)		1-6 2011	1-6 2010
A. Cash flows from operating activities			
a.)	Items of the income statement	12,684,587	15,664,434
	Net premiums written	66,218,643	67,989,752
	Investment income (other than financial income), financed from:	393,836	1,694,166
	- technical provisions	58,057	1,189,410
	- other sources	335,779	504,756
	Other operating income (excl. revaluation income and releases from provisions) and financial income from operating receivables	1,850,985	2,683,338
	Net claims paid	-30,801,493	-30,924,693
	Expenses for bonuses and rebates	-26,071	0
	Net operating expenses excl. depreciation/amortisation and change in deferred acquisition costs	-20,682,659	-21,089,738
	Investment expenses (excluding depreciation/amortisation and financial expenses), financed from:	-1,518,302	-2,899,925
	- technical sources	-92,476	-409,731
	- other sources	-1,425,826	-2,490,194
	Other operating expenses excl. depreciation/amortisation (other than for revaluation and excl. additions to provisions)	-977,825	-1,288,449
	Tax on profit and other taxes not included in operating expenses	-1,772,527	-500,017
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	-23,219,180	1,182,094
	Change in receivables from reinsurance	-10,866,724	-12,881,696
	Change in other receivables from (re)insurance business	-1,185,679	-20,120
	Change in receivables and assets	-5,558,388	3,498,559
	Change in deferred tax assets	-100,291	662,068
	Change in liabilities arising out of reinsurance business	1,352,604	-3,923,573
	Change in other operating liabilities	-6,588,891	13,865,252
	Change in other liabilities (except unearned premiums)	-185,650	98,043
	Change in deferred tax liabilities	-86,161	-116,439
c.)	Net cash from/used in operating activities (a + b)	-10,534,593	16,846,528
B. Cash flows from investing activities			
a.)	Cash receipts from investing activities	136,997,957	259,288,160
	Interest received from investing activities and from:	1,636,774	2,964,798
	- investments financed from technical provisions	1,199,330	2,025,129
	- other investments	437,444	939,669
	Cash receipts from dividends and from participation in the profit of others, relating to:	28,115	132,544
	- investments financed from technical provisions	15,245	34,729
	- other investments	12,870	97,815
	Proceeds from sale of property and equipment, financed from:	780	870
	- other sources	780	870
	Proceeds from sale of long-term financial investments, financed from:	29,297,686	48,232,007
	- technical provisions	13,428,539	31,744,775
	- other sources	15,869,147	16,487,232
	Proceeds from sale of short-term financial investments, financed from:	106,034,602	207,957,941
	- technical provisions	59,633,314	151,964,485
	- other sources	46,401,288	55,993,456
b.)	Cash disbursements in investing activities	-123,818,554	-275,108,096
	Purchase of intangible assets	-148,640	-20,163
	Purchase of property and equipment, financed from:	-164,004	-97,628
	- other sources	-164,004	-97,628
	Purchase of long-term financial investments, financed from:	-49,866,739	-42,420,424
	- technical provisions	-42,477,980	-38,185,020
	- other sources	-7,388,759	-4,235,404
	Purchase of financial investments in subsidiaries, financed from:	0	-15,355,907
	- other sources	0	-15,355,907
	Purchase of short-term financial investments, financed from:	-73,639,171	-217,213,975
	- technical provisions	-37,505,000	-153,400,909
	- other sources	-36,134,171	-63,813,066
c.)	Net cash from/used in investing activities (a + b)	13,179,403	-15,819,936
C. Cash flows from financing activities			
a.)	Cash receipts from financing activities	0	0
b.)	Cash disbursements in financing activities	-2,656,811	-756,050
	Interest paid	-846,227	-756,050
	Repayment of short-term financial liabilities	-1,810,584	0
c.)	Net cash from/used in financing activities (a + b)	-2,656,811	-756,050
C2.	Closing balance of cash and cash equivalents	157,192	400,984
x.)	Net increase/decrease in cash and cash equivalents for the period (sum of Ac, Bc in Cc)	-12,001	270,542
D.	Opening balance of cash and cash equivalents	169,193	130,442

12.7 Net earnings/loss per share

The weighted average number of shares outstanding was 9,362,519.

Net earnings/loss per share

(EUR)	30. 6. 2011	30. 6. 2010
Net earnings/losses for the period	4,220,401	1,282,168
Weighted number of shares	9,362,519	9,362,519
Net earnings/loss per share	0.45	0.14

Comprehensive income/loss per share

(EUR)	30. 6. 2011	30. 6. 2010
Comprehensive income	3,384,280	1,606,042
Weighted number of shares	9,362,519	9,362,519
Comprehensive income/loss per share	0.36	0.17

13 DECLARATION OF THE MANAGEMENT BOARD

"To the best of our knowledge, and in accordance with the applicable reporting principles, the summary financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the Group, and the business report includes a fair review of transactions with related parties all in the six months to 30 June 2011."

In Ljubljana, 29 August 2011



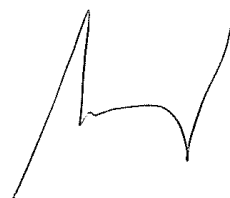
Zvonko Ivanušič, Chairman of the Management Board



Jošt Dolničar, Member of the Management Board



Srečko Čebon, Member of the Management Board



Mateja Treven, Member of the Management Board

Appendix A – Glossary of selected terms and calculation methodologies for indicators

Administrative expenses ratio = operating expense – acquisition costs / gross premiums written

Affiliate

An entity in which the investor has significant influence (through ownership of 20–100 percent of voting rights).

Associate

In accordance with IAS 28, associates are entities in which the investor has significant influence on the financial and operating policy decisions and which is not a subsidiary. If a shareholding corresponds to 20–50% of the voting rights, the entity is deemed to be an associate.

Capital fund

Assets representing the capital of the Company.

Cedant, cede, cession

A cedant is the client of a reinsurance company. To cede is to transfer part of any risk an insurer has underwritten to a reinsurer. The part thus transferred to any reinsurer is called a cession.

Claims incurred

Claims paid in that period including loss adjustment expenses plus the change in the provision for outstanding claims and less recourse receivables during that period. Gross/net – before/after deduction of reinsurance.

Claims paid

Claims and benefits liquidated during a given period for claims resolved either fully or in part including loss adjustment expenses. Gross/net – before/after deduction of reinsurance.

Combined ratio

the aggregation of the loss ratio and the expense ratio.

Net (incurred) combined ratio = net claims incurred + operating expenses – (reinsurance) commission income / net premiums earned.

Composite insurer

Insurer that writes both life and non-life business.

Excess of loss reinsurance

A type of reinsurance in which the insurer agrees to pay a specified portion of a claim and the reinsurer agrees to pay all or a part of the claim above that specified currency amount or "retention."

Expense ratio

(Net) expense ratio = operating expenses – commission income / (net) earned premiums

Facultative reinsurance

A type of reinsurance under which the ceding company has the option to cede and the reinsurer has the option to accept or decline individual risks of the underlying policy. Typically used to reinsure large individual risks or for amounts in excess of limits on risks already reinsured elsewhere.

Gross expense ratio = operating expenses / gross premiums written

Gross/net

In insurance terminology, the terms gross and net usually denote figures before and after deduction of reinsurance.

IBNR – provision for claims that are **Incurred But Not Reported**
IBNER – provision for claims that are **Incurred But Not Enough Reported**
RBNS – provision for claims that are **Reported But Not Settled**
IBNS – provision for claims that are **Incurred But Not Settled**
IBNS = **RBNS** + **IBNR**

Insurance density = *gross premiums written / number of inhabitants*

Insurance penetration = *gross premiums written / gross domestic product*

Liability fund

Assets supporting technical provisions.

Long-term business fund

Assets supporting mathematical provisions.

Loss ratio (Incurred loss ratio)

Gross (incurred) loss ratio = gross claims incurred / gross premiums earned

Net (incurred) loss ratio = net claims incurred / net premiums earned

Non-proportional reinsurance (excess reinsurance)

A reinsurance arrangement whereby the reinsurer indemnifies a ceding company above a specified level (usually a monetary amount) of losses that the ceding company has underwritten. A deductible amount is set and any loss exceeding that amount is paid by the reinsurer.

Paid loss ratio

Gross paid loss ratio = gross claims paid / gross premiums written

Net paid loss ratio = net claims paid / net premiums written

Premiums earned

The portion of premiums written that relates to the expired portion of the policy period for a given period adjusted for change in unearned premiums. Gross/net – before/after deduction of reinsurance.

Premiums written

The total premiums on all policies written or renewed during a given period regardless of what portions have been earned. Gross/net – before/after deduction of reinsurance.

Primary insurer

Insurance company that has a direct contractual relationship with the holder of the insurance policy (private individual, firm or organization).

Proportional reinsurance

A reinsurance arrangement whereby the reinsurer indemnifies a ceding company for a pre-agreed proportion of premiums and losses of each policy that the ceding company has underwritten. It can be subdivided into two main types: quota-share reinsurance and surplus reinsurance.

Required solvency margin

The minimum solvency margin capital requirement calculated in accordance with the rules based on Solvency I. The capital level representing the first threshold that triggers measures related to the Insurance Supervision Agency in the event that it is breached.

Retention ratio = *net premiums written / gross premiums written*

Retention

The amount or portion of risk (loss) that a ceding company retains for its own account, and does not reinsure.

Losses and loss expenses in excess of the retention level are then paid by the reinsurer to the ceding company up to the limit of indemnity, if any, set out in the reinsurance contract. In proportional reinsurance, the retention may be a percentage of the original policy's limit. In non-proportional insurance, the retention is usually a monetary amount of loss, a percentage of loss or a loss-to-premium ratio.

Retrocession

The reinsurance bought by reinsurers; a transaction by which a reinsurer cedes risks to another reinsurer.

Recourse receivables

Amount of recourse claims which were recognised in the period as recourse receivables based on (i) any agreement with any third parties under recourse issues, (ii) court decisions, or (iii) for credit business – settlement of insurance claim.

Subsidiary entity

An entity that is controlled by an investor (through ownership of more than 50 percent of voting shares).

Technical result

The aggregation of underwriting result and insurance investment income.

Underwriting result

Profit or loss realised from insurance operations as opposed to that realised from investments. The excess of premiums over claims (losses) and expenses, calculated as

Underwriting result = net earned premiums – net claims incurred – net operating expenses

Unearned premium

The portion of premiums written that applies to the unexpired portion of the policy period and is attributable to and recognised as income in future years.