

This is a non-official  
English language translation  
by Sava Reinsurance Company.



UNAUDITED UNCONSOLIDATED  
FINANCIAL REPORT OF  
SAVA REINSURANCE COMPANY  
FOR THE NINE MONTHS  
TO 30 SEPTEMBER 2011

Ljubljana, 21 November 2011

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## 1. INTRODUCTION

In accordance with the Financial Instruments Market Act and the Rules of the Ljubljana Stock Exchange, Sava Reinsurance Company d.d. ("Sava Reinsurance Company" or "the Company"), with registered office at Ljubljana, Dunajska 56, hereby publishes the Unaudited Unconsolidated Financial Report of Sava Reinsurance Company for the Nine Months to 30 September 2011.

*The Unaudited Unconsolidated Financial Report of Sava Reinsurance Company for the Nine Months to 30 September 2011* will be available as a hardcopy for viewing at the registered office of the Company at Dunajska 56, 1000 Ljubljana on every workday between 9:00 and 15:00 hrs, and as a softcopy on the Company's website from 30 November 2011 onwards.

*The Unaudited Unconsolidated Financial Report of Sava Reinsurance Company for the Nine Months to 30 September 2011* has been considered by the Supervisory Board at its regular meeting on 29 November 2011.



## 1.1. Summary of key performance indicators

(EUR)	Sava Reinsurance Company	
	1–9 2011	1–9 2010
<b>Gross premiums written</b>	<b>110,933,916</b>	<b>113,390,047</b>
Year-on-year change	-2.2%	-3.8%
<b>Gross claims paid</b>	<b>50,992,706</b>	<b>56,950,390</b>
Year-on-year change	-10.5%	-24.6%
Net incurred loss ratio	62.7%	70.3%
<b>Operating expenses including reinsurance commission income</b>	<b>28,180,704</b>	<b>28,691,251</b>
Year-on-year change	-1.8%	3.0%
Net expense ratio	30.5%	31.0%
<b>Net combined ratio</b>	<b>93.3%</b>	<b>101.3%</b>
<b>Net investment income (inv. income – inv. expenses)<sup>1</sup></b>	<b>3,094,999</b>	<b>2,914,347</b>
Year-on-year change	6.2%	203.5%
Realised investment return	1.3%	1.2%
<b>Profit/loss, net of tax</b>	<b>7,092,030</b>	<b>1,594,678</b>
Year-on-year change	344.7%	124.1%
Comprehensive income	4,414,591	1,740,267
ROE (profit or loss for the period/average equity)	4.5%	1.1%
No. of employees (full-time equivalent basis)	66	64
	30. 9. 2011	31. 12. 2010
<b>Total assets</b>	<b>422,937,337</b>	<b>418,350,613</b>
Change on 31 December	1.1%	3.5%
<b>Shareholders' equity</b>	<b>160,552,919</b>	<b>156,138,328</b>
Change on 31 December	2.8%	4.1%
<b>Net technical provisions</b>	<b>169,683,688</b>	<b>156,415,674</b>
Change on 31 December	8.5%	8.2%

<sup>1</sup> The return on investments item does not include interest income in respect of reinsurance contracts with cedants of EUR 90,000.





## 1.2. Company Profile of Sava Reinsurance Company

Company name:	Sava Reinsurance Company d.d.
Registered office:	Dunajska 56 1000 Ljubljana Slovenia
Telephone (switchboard):	(01) 47 50 200
Telefax:	(01) 47 50 264
E-mail:	<a href="mailto:info@sava-re.si">info@sava-re.si</a>
Website:	<a href="http://www.sava-re.si">www.sava-re.si</a>
Company ID number:	5063825
Tax number:	17986141
Share capital:	EUR 39,069,099 (no. of no-par-value shares: 9,362,519)
Date of entry into court register:	28 Dec. 1990 Ljubljana District Court
Certified auditor:	KPMG, Slovenija, podjetje za revidiranje, d.o.o. Železna cesta 8a 1000 Ljubljana Slovenia
Largest shareholder and holding:	Slovenska odškodninska družba, d.d. 25.0% (no-par-value shares: 2,340,631)
S&P credit rating:	A– /stable/; October 2011

The Company has no branches.

## 1.3. Governing bodies of the Company

### The Management Board


In the third quarter 2011 there were no changes in the composition of the Management Board.

#### Members of the Management Board as at 30 September 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 (as of 3 February 2011)

#### Notes on membership of 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



In the third quarter 2011 there were no changes in the composition of the Supervisory Board.

### Supervisory Board Members as at 30 September 2011:


Chairman:	Branko Tomažič
Deputy Chairperson:	Mateja Lovšin Herič
Member:	Slaven Mičković
Member:	Gregor Hudobivnik (as of 29 June 2011)
Member (employee representative):	Martin Albreht (as of 10 June 2011)
Member (employee representative):	Samo Selan (as of 10 June 2011)

### Notes on membership of 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 – Supervisory Board Member

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

### ***Audit Committee***

In the third quarter 2011 there were no changes in the composition of the Supervisory Board Audit Committee.

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

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

### ***Nomination Committee***

In the third quarter 2011 there were no changes in the composition of the Supervisory Board Nomination Committee.

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

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

**General Meeting of Shareholders**

The General Meeting of Sava Re shareholders was convened once in the nine months to 30 September 2011, that is on 29 June 2011.

**1.4. Significant events in the 9 months to 30 September 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, 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. The resolution was entered into the Court Register in March 2011.

**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. In July an additional recapitalisation of this subsidiary

was effected, for an amount of EUR 0.5m. The resolution was entered in the court register in September 2011.

- 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 45.786% of the Zavarovalnica Maribor share capital. Thus Sava Reinsurance Company's stake in Zavarovalnica Maribor remained unchanged. In July the recapitalisation of Zavarovalnica Maribor was completed; Sava Reinsurance Company contributed EUR 5.9m. The resolution was entered in the court register in August 2011.
- S** In line with its strategy, in July and August Sava Reinsurance 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% to 48.68%. Sava Reinsurance Company is the second largest shareholder of Zavarovalnica Maribor.
- 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 Sava osiguranje, Macedonia with EUR 2.5m. The resolution was entered in the court register in September 2011.
- S** In August, the controlling company recapitalised its subsidiary Sava životno osiguranje with EUR 0.4m. The resolution was entered into the Court Register in September 2011.

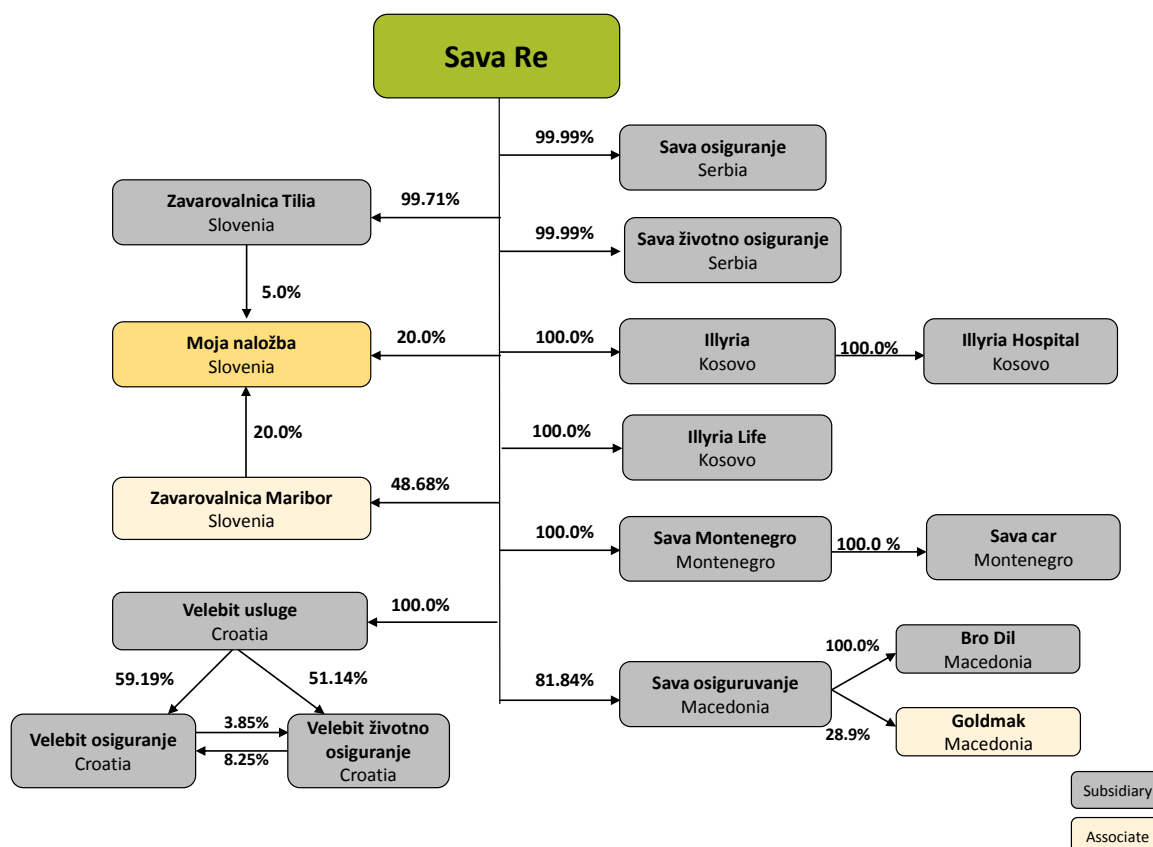
### **1.5. Important events after 30 September 2011**

- S** In October 2011, the rating agency Standard & Poor's published a new rating report for Sava Reinsurance Company, reaffirming its current long-term credit and financial strength rating of A– with a stable outlook.

### 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 September 2011*



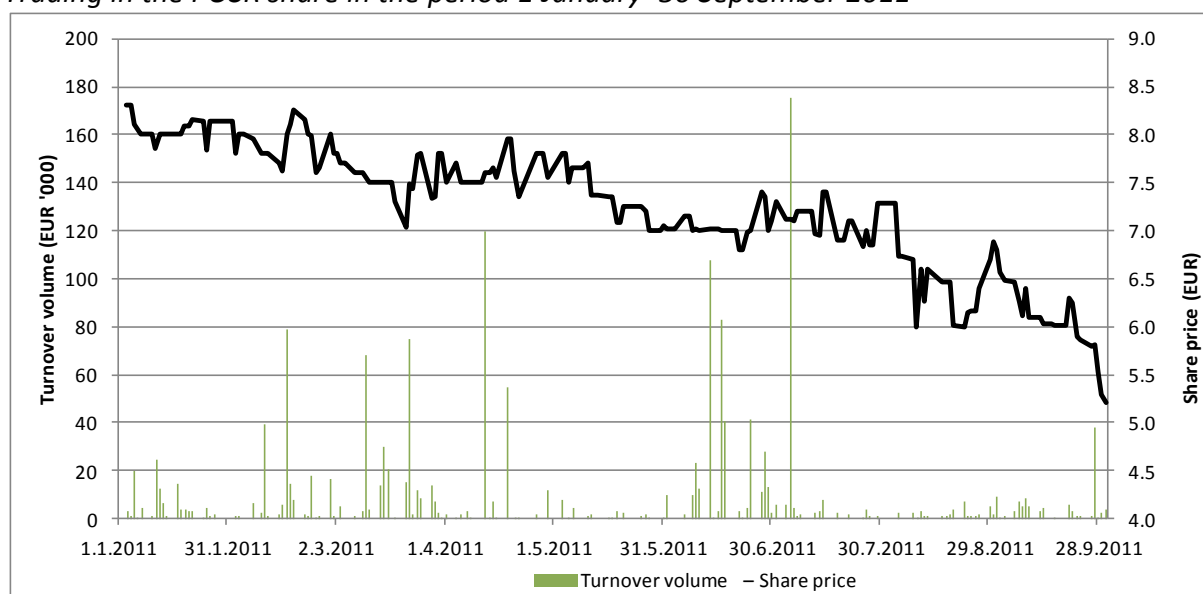
In October 2011, the company Sava Tabak changed its name to Sava osiguruvanje.

## 1.7. Shareholders and share trading

As at 30 September 2011, the share capital of Sava Reinsurance Company totalled EUR 39,069,099 and was divided into 9,362,519 no-par-value shares. Shares, all being registered, were issued in a dematerialised form and entered in the central securities registry under the POSR symbol. All pertain to the same class and are freely transferable without restrictions. The Management Board of Sava Reinsurance Company is not aware of any shareholders' agreement restricting share transferability.

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

### *Trading in the POSR share in the period 1 January–30 September 2011*



Between 1 January 2011 and 30 September 2011, the POSR share experienced a downturn. In the period, the price of the POSR share fell by 37.2%, while the SBITOP index dropped by 27.2%.

As at 30 September 2011, Sava Reinsurance Company had 5,168 shareholders, compared to 5,481 at 31 December 2010.

As at 30 September 2011, Sava Reinsurance Company held 210 treasury shares, representing 0.002% of all shares outstanding. In the first nine months 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 September 2011.

*Top ten shareholders of Sava Reinsurance Company as at 30 September 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%
Pišljari Marjan	444,345	4.7%
Nova KBM d.d.	435,925	4.7%
Zavarovalnica Maribor, d.d.	416,433	4.4%
NFD 1 Stock mutual fund	406,221	4.3%
Closed Mutual Pension Fund for Civil Servants	320,346	3.4%
KD Galileo, fleksibilna struktura naložb	250,754	2.7%
Kapitalska družba d.d. – SODPZ	238,109	2.5%
<b>Total</b>	<b>5,975,889</b>	<b>63.8%</b>

Source: Central securities register KDD d.d.

As at 30 September 2011, 96.5% of shareholders were Slovenian and 3.5% foreign. The ownership structure remained on the same level as at the end of 2010.

*Shareholder Structure of Sava Reinsurance Company as at 30 September 2011*

	Domestic investors	Foreign investors
Other financial institutions <sup>2</sup>	30.6%	0.0%
Natural persons	17.4%	0.1%
Investment funds and mutual funds	15.1%	0.4%
Insurers and pension companies	16.6%	0.0%
Banks	14.6%	0.7%
Other commercial companies	2.2%	2.3%
<b>Total</b>	<b>96.5%</b>	<b>3.5%</b>

Source: Central securities register KDD d.d.

As at 30 September 2011, members of the Management Board and of the Supervisory Board held 5,025 shares, representing 0.05% of total shares outstanding.

<sup>2</sup> Of this, the Slovenian Restitution Fund 25.0%.

*POSR shares held by Management/Supervisory Board members as at 30 September 2011*

	No. of shares	Holding (%)
<b>Members of the Management Board</b>		
Zvonko Ivanušič	1,826	0.020%
Srečko Čebtron	750	0.008%
Jošt Dolničar	857	0.009%
Mateja Treven	1,400	0.015%
<b>Supervisory Board members</b>		
Gregor Hudobivnik	192	0.002%
<b>Total</b>	<b>5,025</b>	<b>0.054%</b>

*Trading in the POSR share on the stock exchange in the given period*

(EUR)	
Average price 1 Jan–30 Sep 2011	7.23
Share price at 30 Sep 2011	5.21
Trading volume in the period 1 Jan–30 Sep 2011	1,583,500
Period low 1 Jan–30 Sep 2011	5.21
Period high 1 Jan–31 Sep 2011	8.30

The Company paid out no dividends in the nine months to 30 September 2011.

The Company has no conditional equity.

## 2. BUSINESS RESULTS

### 2.1. Notes to developments in key financials

*Key financials of Sava Reinsurance Company*

(EUR)	1–9 2011	1–9 2010	Index
Gross premiums written	110,933,916	113,390,047	97.8
Net premiums earned	92,265,324	92,527,580	99.7
Gross claims paid	50,992,706	56,950,390	89.5
Net claims incurred	57,893,474	65,084,044	89.0
Operating expenses including reinsurance commission income	28,180,704	28,691,251	98.2
Net investment income (inv. income – inv. expenses)	3,094,999	2,914,347	106.2
Other technical income	2,648,357	3,677,541	72.0
Other technical expenses	1,323,480	1,894,594	69.9
Profit/loss, net of tax	7,092,030	1,594,678	444.7
Comprehensive income	4,414,591	1,740,267	253.7
	30, 9, 2011	31, 12, 2010	
Total assets	422,937,337	418,350,613	101.1
Shareholders' equity	160,552,919	156,138,328	102.8
Net technical provisions	169,683,688	156,415,674	108.5



**Gross premiums written** fell by 2.2% year-on-year to EUR 110.9m in the first three quarters 2011. The drop in premium was planned and was in line with the Company's strategy of lowering exposure to the Slovenian insurance market, considering the fact that our major cedants are sufficiently capitalised to reduce quota-share cessions. Gross premiums written in Slovenia dropped by 5.8%, while foreign-sourced premiums fell by 1.8%. The largest growth in absolute terms was recorded in Italian premium (EUR 2.5m), the largest drop in premium from Austria (EUR 2.9m). From the more distant markets, the largest growth was generated in Asian markets, EUR 1.5m.

**Net earned premiums** totalled EUR 92.3m, a drop by 0.3% year-on-year. Since the percentage share of unearned premiums to total premiums decreased modestly compared to 30 September 2010, earned premiums recorded a slightly smaller drop than gross premiums written.

**Gross claims paid** totalled EUR 51.0m at the end of the third quarter 2011, a drop by 10.5% year-on-year. This drop is due to both a benign claims environment and lower gross premiums written.

**Net claims incurred**, at the end of the third quarter, totalled EUR 57.9m, a drop of 11.0% year-on-year. This decrease is a result of a benign claims environment. Net claims incurred on the domestic portfolio fell by 27.5% (earned premiums fell by 9.9%); on the international portfolio, net claims incurred increased by 5.7% (8.4% growth of earned premiums). The increase in incurred claims in the international portfolio reflects the growth in international premiums earned over the recent years as well as the increase in earned premiums as a percentage of total premiums. The incurred loss ratios have improved both on the domestic as well as on the international portfolio.

**Operating expenses including reinsurance commission income** totalled EUR 28.2m after three quarters of 2011, a 1.8% drop year-on-year.

Net commission expenses dropped by 2.3%, both as a result of lower commission rates for assumed business and the shift towards XL covers.

Administrative expenses totalled EUR 4.6m and slightly increased year-on-year (by 1.1%) mostly due to recruitments made in the second half of 2010 and in 2011 (the number of employees increased by two persons year-on-year).

**Net investment income**, after three quarters 2011, was somewhat higher year-on-year, which is largely related to dividends paid out by Zavarovalnica Maribor and Zavarovalnica Tilia. A negative impact on the net investment income came from impairment losses of EUR 5.4m.

**Other technical income** fell by nearly 30% year-on-year, mainly due to movements in exchange rates (notably the dollar). **Other technical expenses** fell for the same reason.

**The net profit after tax**, after three quarters 2011, was EUR 7.1m while comprehensive income totalled EUR 4.4m. Return on equity was 4.5% and has already exceeded our full year target.

At 30 September 2011, **total assets** were EUR 422.9m, up 1.1% compared to end-of-year 2010.

On the asset side, there is a noticeable shift from financial investments to financial investments in group companies and associates. The latter account increased by EUR 10.8m due to recapitalisations. Sava Reinsurance Company recapitalised Zavarovalnica Maribor with EUR 5.9m and purchased additional shares for the amount of EUR 2.2m. Recapitalisations of subsidiaries affected in the first three quarters of 2011 totalled EUR 5.2m. Impairment losses on investments in subsidiaries were recognised in the amount of EUR 2.5m. As a result of the described investments, other financial investments decreased by EUR 11.3m. Although operating cash flow in the first three quarters of 2011 was positive in the amount of EUR 10.5m, the difference in invested assets remained relatively small also due to the payment of the consideration for 49% of the Kosovan insurer Illyria and the impact of impairment losses on non-strategic investments (EUR 2.9m).

Receivables increased by EUR 3.8m compared to 31 December 2010. This increase is due to the timing of quarterly accounts for the Company's major cedants. Usually end-of-year receivables are lower than interim receivables. We would underline that the Company has no problems with premium collection so that allowances for bad debts relating to premiums are very small.

Liabilities were mostly affected by the increase in technical provisions (EUR 14.7m), which is largely as a result of the increase in the claims provision compared to end-of-year 2010 (due to foreign proportional business for past underwriting years). Also the increase in gross unearned premiums is considerable, but these are to decrease by the end of the year.

Liabilities from operating activities were lower by EUR 6.7m mainly due to lower claims – as this quarter was fairly benign in terms of losses, there are less liabilities for claims (incurred at 30 September 2011 but not yet paid) relating to the fourth quarter (this is evident from the balance of liabilities as at 31 December 2010). A significant decrease was also in the other liabilities account and was due to payment of the consideration for the 49% share of Illyria (at 31 December 2010, this consideration was recorded in liabilities; upon payment of the consideration there was a decrease in liabilities and financial investments).

**Equity**, at 30 September 2011, totalled EUR 160.5m and increased by 2.8% (EUR 4.4m) compared to year-end 2010. The increase is due to net profit for the period (an increase of EUR 7.3m), mainly offset by the decrease in the fair value reserve of EUR 2.7m owing to fluctuations in securities (the fair value result was EUR –5.4m).

**Net technical provisions** increased by 8.5% compared to year-end 2010 to EUR 169.7m at 30 September 2011.

*Net unearned premiums* increased by 4.9% compared to the beginning of 2011. Unearned premiums are expected to fall by the end of the year (ordinary trend of this account related to the fact that more business is written at the beginning of the year). Unearned premiums accounted for 41.3% of total premiums at 30 September 2011, a deterioration of 1.8 percentage points compared to year-end 2010. At the year-end, this percentage share is between 30% and 35%.

*The net claims provision* grew by 9.8% from year-end 2010 (30 September 2010 compared to 31 December 2009: 16.4%). The net claims provision on the foreign account increased by 20.4% compared to year-end 2010 (30 September 2010: 27.1%), while on the domestic account it increased by only 0.4% (30 September 2010: 9.6%). The amount of the claims provision depends on the timing of pay-outs; based on the mentioned decrease in incurred claims, we expect to see a lower claims provision by the amount of claims incurred when these are paid, which especially on the foreign account are larger in the last quarter of the financial year. Thus the movement in the provision for claims outstanding follows premium trends as reflected in the stagnation of the claims provision for domestic business.

- S** *After three quarters of 2011, Sava Reinsurance Company managed to write 80% of the target full-year premium.*
- S** *Foreign-sourced premium accounted for 50.1% of the total premium (target 2011: 52.4%).*
- S** *After three quarters of 2011, the combined ratio was 6 percentage points below the target.*

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

### *Structure of the investment portfolio*

At 30 September 2011, invested assets totalled EUR 319.8m<sup>3</sup>, which is EUR 0.7m less than on 31 December 2010. This change was driven by the following factors:

- S** negative effects on the investment portfolio mainly came from (i) the payment of the consideration of Zavarovalnica Illyria of EUR 8.5m (the Company became sole owner of Zavarovalnica Illyria in 2010, but the consideration was due for settlement only in January 2011) and (ii) impairment of goodwill of Sava osiguruvanje, Macedonia, of EUR 2.5m;
- S** a major positive effect on the investment portfolio was the net cash flow from reinsurance business of EUR 10.5m.

### *Structure of the investment portfolio*

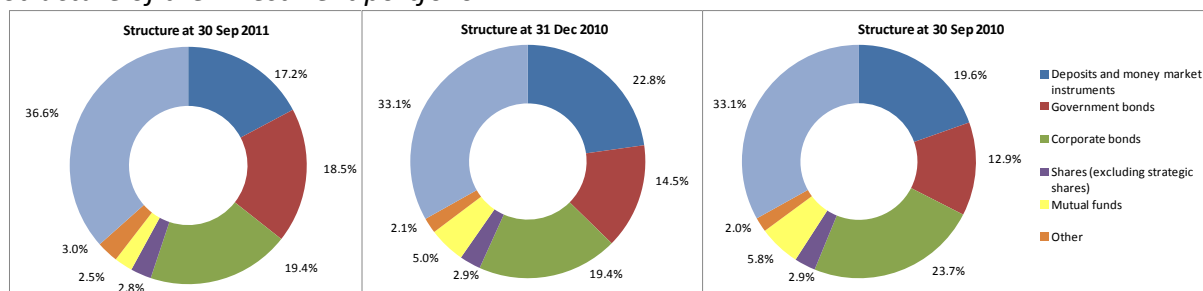
(EUR)	30. 9. 2011	31. 12. 2010	30. 9. 2010	Index 9m/2011 – 12m/2010
Deposits and money market instruments	54,980,459	73,003,230	61,948,902	75.3
Government bonds	59,076,498	46,620,807	40,985,852	126.7
Corporate bonds	62,176,807	62,258,372	74,912,805	99.9
Shares (excluding strategic shares)	9,044,993	9,350,409	9,279,101	96.7
Mutual funds	7,999,139	16,172,633	18,257,254	49.5
Loans	9,311,832	6,702,331	5,702,498	138.9
Land and buildings	159,170	160,920	693,123	98.9
Strategic shares and participating interests	117,030,606	106,236,355	104,787,508	110.2
<b>Total</b>	<b>319,779,503</b>	<b>320,505,056</b>	<b>316,567,043</b>	<b>99.8</b>

The structure of the investment portfolio has changed somewhat since the end of 2010. This is because the Company changed its investment policy in order to reduce volatility of return and hedge against losses. The Company increased its weighting in government bonds (by 3.9 percentage points) and decreased its weighting in deposits (by 5.6 percentage points) and shares and mutual funds (by 2.7 percentage points).

In order to ensure capital adequacy and sufficient assets to cover technical provisions in Group companies, Sava Reinsurance Company increased its holding in Group companies. Accordingly, holdings increased by 3.5 percentage points compared to year-end 2010.

<sup>3</sup> Invested assets at 30 September 2011 do not include deposits with cedants of EUR 7.6m.

### Structure of the investment portfolio



### Investment return

The annualised return on the entire investment portfolio of Sava Reinsurance Company was 1.3% in the first three quarters of 2011. In the same period last year, the investment return was 1.2%. At the end of 2010, it was 0.8%.

### Investment return

	30. 9. 2011	31. 12. 2010	30. 9. 2010
Deposits and money market instruments	3.2%	2.4%	2.5%
Government bonds	1.9%	5.0%	5.0%
Corporate bonds	4.7%	2.5%	4.7%
Shares (excluding strategic shares)	-21.2%	-15.7%	-17.0%
Mutual funds	-5.9%	3.7%	2.4%
Loans	3.8%	2.0%	2.0%
Land and buildings	9.3%	8.0%	9.0%
Strategic shares and participating interests	2.4%	-0.4%	0.0%
<b>Total</b>	<b>1.3%</b>	<b>0.8%</b>	<b>1.2%</b>
Excl. expenses relating to subordinate debt	1.9%	1.3%	1.7%
Excluding affiliates	0.7%	1.4%	1.8%
Excluding affiliates and subsidiary debt	1.6%	2.1%	2.5%

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

The investment return was boosted by the high dividends paid out by Zavarovalnica Maribor and Zavarovalnica Tilia (EUR 4.5m). Negative impacts on the investment return mainly came from impairment losses, especially on Greek government bonds (EUR 0.9m), shares and mutual funds (EUR 2m) and on the goodwill of Sava osiguruvanje (EUR 2.5m), Macedonia.

## 2.3. Major risk exposures

### 2.3.1. Insolvency risk

Sava Reinsurance Company's available solvency margin exceeds the required solvency margin by EUR 12,702,759.

### 2.3.2. Underwriting risk

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

Due to underwriting process risk, losses could be incurred because of incorrect selection and approval of risks to be (re)insured. This risk is mainly mitigated by following established or prescribed underwriting procedures, underwriting guidelines and instructions, by having in place a system of powers, an adequate pricing and reinsurance policy, and through actuarial review.

Pricing risk is the risk that (re)insurance premiums charged will be insufficient to cover future obligations arising from (re)insurance contracts. Pricing risk is mainly controlled by using actuarial analyses of loss ratios, monitoring their trends and 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 by 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. The mentioned risk is mitigated through adequate retrocession, especially through a catastrophe cover.

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

### 2.3.3. Market, liquidity and credit risk

Sava Reinsurance Company is very alert to risks related to the investment portfolio. Sava Reinsurance Company 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, industry and issuer. The Company's largest geographic exposure is to Slovenia (30 September 2011: 61%

against 31 December 2010: 60%); in terms of industry, its largest exposure is to the financial sector (30 September 2011: 27% to banks and 41% to insurance companies; 31 December 2010: 33% to banks and 36% to insurance companies). The investment structure by region and industry is related to the fact that on 30 September 2011, 17.1% of the Company's investments were bank deposits (banking sector) and 36.8% were invested in affiliated companies (insurance sector). When analysing exposure by issuer, the Company excludes affiliated companies. On 30 September 2011, the 10 largest issuers accounted for 49.5% of the investment portfolio (31 December 2010: 44.3%). In this regard, the Company is mainly exposed to the Republic of Slovenia through government bonds (30 September 2011: 18.7%; 31 December 2010: 10.4%).

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 September 2011, the loss would total EUR 7.9m (or 6.6% of the bond portfolio). At 31 December 2010, the potential loss totalled EUR 8.2m (or 7.1% of the bond portfolio).

Equity securities risk is monitored through a stress test assuming a 20-percent drop in equity prices. The calculation is based on the Company's equity holdings, 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, in September 2011 the Company would have suffered a loss of EUR 2.7m. From December 2010, the risk decreased by EUR 1m.

In addition, the Company monitors whether the liability fund matches liabilities in terms of currency. At 30 September 2011, the currency mismatch was EUR 31.9m or 15.8% of the liability fund (31 December 2010: EUR 16.2m or 7.8% of the liability fund).

The credit risk of fixed-income investments is monitored through issuers' credit rating. Fixed-income investments totalled EUR 176.2m and accounted for 55.6% of the investment portfolio. At 30 September 2011, the lion's share of the Company's fixed-income portfolio was investment grade (56.1%). Of this, 41.9% of the portfolio was rated A or better.

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

Liquidity risk is primarily mitigated through investing a large proportion of funds in highly liquid marketable securities. 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.

#### 2.3.4. Operational risk

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

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

#### 2.3.5. Exposure to risk up until the end of 2011

We expect that in the remaining three months of the year, the risk exposure of Sava Reinsurance Company will not change significantly. Due to the nature of its business, the main risks that the reinsurance company 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 (e.g., hail). A major increase realised risks may be expected as a result of an increased frequency of storms with massive losses or as a result of unfavourable trends in financial markets.

The Japanese earthquake is expected to have no major impact on the results of Sava Reinsurance Company in 2011 as estimates show that the Company's loss related to the disaster will total between EUR 2 and 3m. Claims provisions at 30 September 2011 already include estimated case reserves, which have not changed during the year. At the time this report is being prepared, we have no estimated loss data relating to the Thailand flood losses to be covered by Sava Reinsurance Company under its reinsurance contracts. Based on our exposure in these contracts, we believe that these losses will have no major impact on the results of the Company.



## 2.4. Personnel

In the first three quarters 2011, four new staff members joined the Company: one as member of the Management Board responsible for finance and internal audit, one in Reinsurance Operations responsible for the Russian market and the markets of the former Soviet Union, one in the Accounting Department and one in the Risk Management Department. One staff member's employment contract expired. As at 30 September 2011, the Company employed 70 people; calculated on the full-time equivalent basis, Sava Reinsurance Company employed 66 people, which is one more than one year earlier. Six employees work under temporary employment contracts.

### *Employees of Sava Reinsurance Company by degree of education (FTE<sup>4</sup>)*

Degree of formal education	30. 9. 2011	31. 12. 2010
Secondary (V)	12	14
Higher (VI)	4	3
University (VII)	33	32
Master's degree (VIII)	17	16
<b>Total</b>	<b>66</b>	<b>65</b>

<sup>4</sup> Full-time equivalent basis

## 2.5. Performance indicators

### Development of gross premiums written

(EUR, except indices)	1-9 2011	1-9 2010	Index
	1	2	1/2
Personal accident	7,651,766	6,828,279	112.1
Health	52,605	0	-
Land vehicles casco	15,846,709	17,084,997	92.8
Aircraft hull	293,502	323,009	90.9
Ships hull	1,733,783	1,466,709	118.2
Goods in transit	2,580,192	2,867,334	90.0
Fire and natural forces	41,920,196	39,623,343	105.8
Other damage to property	17,723,550	21,897,381	80.9
Motor liability	16,759,967	18,218,550	92.0
Aircraft liability	33,909	202,664	16.7
Liability for ships	254,254	217,486	116.9
General liability	4,283,893	3,069,035	139.6
Credit	596,315	577,170	103.3
Suretyship	336,218	127,758	263.2
Miscellaneous financial loss	638,254	637,777	100.1
Legal expenses	6,381	33,415	19.1
Assistance	24,408	16,344	149.3
Life business	115,289	117,969	97.7
Unit-linked life	82,725	80,829	102.3
Total non-life	110,735,902	113,191,250	97.8
Total life	198,014	198,797	99.6
<b>Total</b>	<b>110,933,916</b>	<b>113,390,047</b>	<b>97.8</b>

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

(EUR, except percentages)	Gross premiums written	Net premiums written	1-9 2011	1-9 2010
	1	2	2/1	
Personal accident	7,651,766	7,576,331	99.0%	98.4%
Health	52,605	52,605	100.0%	-
Land vehicles casco	15,846,709	13,082,727	82.6%	79.5%
Aircraft hull	293,502	293,591	100.0%	100.0%
Ships hull	1,733,783	1,665,569	96.1%	89.1%
Goods in transit	2,580,192	2,456,520	95.2%	93.0%
Fire and natural forces	41,920,196	34,737,230	82.9%	78.0%
Other damage to property	17,723,550	13,250,140	74.8%	80.5%
Motor liability	16,759,967	15,862,066	94.6%	91.7%
Aircraft liability	33,909	-4,014	-11.8%	75.6%
Liability for ships	254,254	249,804	98.2%	97.8%
General liability	4,283,893	3,609,693	84.3%	84.1%
Credit	596,315	596,315	100.0%	100.0%
Suretyship	336,218	336,218	100.0%	100.0%
Miscellaneous financial loss	638,254	312,042	48.9%	38.1%
Legal expenses	6,381	6,381	100.0%	100.0%
Assistance	24,408	24,408	100.0%	100.0%
Life business	115,289	51,352	44.5%	90.8%
Unit-linked life	82,725	30,590	37.0%	41.3%
Total non-life	110,735,902	94,107,625	85.0%	82.5%
Total life	198,014	81,942	41.4%	77.5%
<b>Total</b>	<b>110,933,916</b>	<b>94,189,567</b>	<b>84.9%</b>	<b>82.5%</b>

*Development of gross claims paid*

(EUR, except indices)	1-9 2011	1-9 2010	Index
	1	2	1/2
Personal accident	3,355,807	2,906,538	115.5
Health	676	0	-
Land vehicles casco	9,096,220	12,331,253	73.8
Aircraft hull	122,428	65,099	188.1
Ships hull	626,671	1,438,063	43.6
Goods in transit	983,507	1,370,395	71.8
Fire and natural forces	16,710,783	15,392,943	108.6
Other damage to property	8,784,105	11,084,336	79.2
Motor liability	8,825,810	9,842,040	89.7
Aircraft liability	90,136	77,864	115.8
Liability for ships	29,897	13,243	225.8
General liability	1,188,907	1,230,214	96.6
Credit	679,443	913,634	74.4
Suretyship	94,255	75,726	124.5
Miscellaneous financial loss	241,888	142,326	170.0
Assistance	14,935	30,087	49.6
Life business	123,678	13,904	889.5
Unit-linked life	23,558	22,725	103.7
Total non-life	50,845,470	56,913,761	89.3
Total life	147,235	36,629	402.0
Total	50,992,706	56,950,390	89.5

*Loss ratios*

(EUR, except percentages)	Gross premiums written	Gross claims paid	1-9 2011	1-9 2010
	1	2	2/1	
Personal accident	7,651,766	3,355,807	43.9%	34.4%
Health	52,605	676	1.3%	-
Land vehicles casco	15,846,709	9,096,220	57.4%	71.4%
Aircraft hull	293,502	122,428	41.7%	37.6%
Ships hull	1,733,783	626,671	36.1%	69.9%
Goods in transit	2,580,192	983,507	38.1%	57.7%
Fire and natural forces	41,920,196	16,710,783	39.9%	35.4%
Other damage to property	17,723,550	8,784,105	49.6%	41.3%
Motor liability	16,759,967	8,825,810	52.7%	46.1%
Aircraft liability	33,909	90,136	265.8%	43.2%
Liability for ships	254,254	29,897	11.8%	9.3%
General liability	4,283,893	1,188,907	27.8%	28.7%
Credit	596,315	679,443	113.9%	123.8%
Suretyship	336,218	94,255	28.0%	0.4%
Miscellaneous financial loss	638,254	241,888	37.9%	18.0%
Legal expenses	6,381	0	-	-
Assistance	24,408	14,935	61.2%	54.2%
Life business	115,289	123,678	107.3%	-0.3%
Unit-linked life	82,725	23,558	28.5%	46.8%
Total non-life	110,735,902	50,845,470	45.9%	44.3%
Total life	198,014	147,235	74.4%	12.3%
Total	110,933,916	50,992,706	46.0%	44.2%

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

Gross premiums written	Administrative expenses	1-9 2011	1-9 2010
1	2	2/1	
110,933,916	4,578,978	4.1%	4.0%

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

Gross premiums written	Acquisition costs	1-9 2011	1-9 2010
1	2	2/1	
110,933,916	25,069,098	22.6%	22.5%

**Net investment income as percentage of average investments**

(EUR)	Average investments	Investment income	Investment expenses	Net investment income 1-9 2011	Net investment income 1-9 2010
Liability fund	137,927,150	4,030,862	1,211,507	2.0%	2.9%
Capital fund	176,428,105	6,606,674	6,331,031	0.2%	-0.4%
Total	314,355,255	10,637,536	7,542,538	1.0%	0.9%

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

(EUR, except percentages)	Net provision for outstanding claims	Net premiums earned	1-9 2011	1-9 2010
	1	2	1/2	
Personal accident	8,341,161	7,618,773	109.5%	108.2%
Health	44,865	40,018	112.1%	-
Land vehicles casco	7,195,512	12,748,410	56.4%	52.7%
Aircraft hull	576,776	327,076	176.3%	14.2%
Ships hull	2,470,844	1,641,913	150.5%	145.0%
Goods in transit	2,842,637	2,275,699	124.9%	100.0%
Fire and natural forces	36,358,653	34,369,115	105.8%	89.0%
Other damage to property	18,792,564	13,133,691	143.1%	137.4%
Motor liability	36,788,056	15,808,503	232.7%	209.3%
Aircraft liability	163,940	-8,977	-1826.2%	208.5%
Liability for ships	397,645	215,685	184.4%	226.7%
General liability	11,898,433	2,636,690	451.3%	435.9%
Credit	809,039	664,143	121.8%	134.5%
Suretyship	31,653	312,607	10.1%	51.8%
Miscellaneous financial loss	500,740	315,972	158.5%	152.1%
Legal expenses	3	55,386	0.0%	0.0%
Assistance	36,950	39,132	94.4%	49.1%
Life business	308,220	53,798	572.9%	123.5%
Unit-linked life	6,154	17,694	34.8%	-0.7%
Total non-life	127,249,471	92,193,836	138.0%	127.0%
Total life	314,374	71,492	439.7%	101.3%
Total	127,563,844	92,265,324	138.3%	127.0%

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

Gross profit/loss	Net premiums written	1-9 2011	1-9 2010
1	2	1/2	
9,224,156	94,189,567	9.8%	2.2%

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

Gross profit/loss	Average equity	1-9 2011	1-9 2010
1	2	1/2	
9,224,156	158,345,624	5.8%	1.4%

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

Gross profit/loss	Average assets	1-9 2011	1-9 2010
1	2	1/2	
9,224,156	420,643,975	2.2%	0.5%

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

Gross profit/loss	No. of shares	1-9 2011	1-9 2010
1	2	1/2	
9,224,156	9,362,519	0.99	0.22

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

Net profit/loss	Average equity	1-9 2011	1-9 2010
1	2	1/2	
7,092,030	158,345,624	4.5%	1.1%

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

Available solvency margin	Net premiums written	1-9 2011	1-9 2010
1	2	1/2	
33,843,199	94,189,567	35.9%	44.3%

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

Available solvency margin	Required solvency margin	1-9 2011	1-9 2010
1	2	1/2	
33,843,199	21,140,440	160.1%	208.2%

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

Available solvency margin	Technical provisions	1-9 2011	1-9 2010
1	2	1/2	
33,843,199	188,631,823	17.9%	22.5%

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

Available solvency margin	Reinsurance receivables plus reinsurers' share of technical provisions	1-9 2011	1-9 2010
1	2	1/2	
33,843,199	79,029,171	42.8%	46.6%

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

Net premiums written	Average equity	Average technical provisions	1-9 2011	1-9 2010
1	2	3	1/(2+3)	
94,189,567	158,345,624	181,286,899	27.7%	28.9%

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

Net premiums written	Average equity	1-9 2011	1-9 2010
1	2	1/2	
94,189,567	158,345,624	59.5%	63.3%

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

Average net technical provisions	Net premiums earned	1-9 2011	1-9 2010
1	2	1/2	
163,049,682	92,265,324	176.7%	193.4%

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

Equity	Net unearned premiums	1-9 2011	1-9 2010
1	2	1/2	
160,552,919	41,521,063	386.7%	338.9%

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

Equity	Liabilities and equity	1-9 2011	1-9 2010
1	2	1/2	
160,552,919	422,937,337	38.0%	35.2%

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

Net technical provisions	Liabilities and equity	1-9 2011	1-9 2010
1	2	1/2	
169,683,688	422,937,337	40.1%	38.1%

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

Gross premiums written	Number of employees in regular employment	1-9 2011	1-9 2010
1	2	1/2	
110,933,916	70	1,584,770	1,667,501

### 3. FINANCIAL STATEMENTS OF SAVA REINSURANCE COMPANY

#### 3.1. Statement of financial position as at 30 September 2011

(EUR)	30. 9. 2011	31. 12. 2010
<b>ASSETS</b>	422,937,337	418,350,613
<b>Intangible assets</b>	<b>192,138</b>	<b>178,615</b>
<b>Property and equipment</b>	<b>2,390,743</b>	<b>2,451,169</b>
<b>Deferred tax assets</b>	<b>2,635,281</b>	<b>2,073,687</b>
<b>Investment property</b>	<b>159,170</b>	<b>160,920</b>
<b>Financial investments in Group companies and in associates</b>	<b>117,030,606</b>	<b>106,236,355</b>
<b>Financial investments:</b>	<b>210,184,071</b>	<b>221,513,409</b>
- Loans and deposits	68,803,951	83,453,132
- Held to maturity	7,730,991	8,168,143
- Available for sale	133,649,129	129,892,133
<b>Reinsurers' share of technical provisions</b>	<b>18,948,135</b>	<b>17,526,300</b>
<b>Receivables</b>	<b>62,462,317</b>	<b>58,673,865</b>
Receivables arising out of reinsurance and co-insurance	60,081,036	57,510,223
Other receivables	2,381,281	1,163,641
<b>Deferred acquisition costs</b>	<b>8,640,873</b>	<b>9,191,801</b>
<b>Other assets</b>	<b>215,813</b>	<b>175,299</b>
<b>Cash and cash equivalents</b>	<b>78,190</b>	<b>169,193</b>
<b>EQUITY AND LIABILITIES</b>	422,937,337	418,350,614
<b>Equity</b>	<b>160,552,919</b>	<b>156,138,328</b>
Share capital	39,069,099	39,069,099
Share premium	33,003,752	33,003,752
Profit reserves	82,994,634	83,238,204
Treasury shares	-1,774	-1,774
Fair value reserve	-5,445,255	-2,767,816
Retained earnings	3,596,862	0
Net profit/loss for the year	7,335,600	3,596,862
<b>Subordinated liabilities</b>	<b>31,208,492</b>	<b>31,177,758</b>
<b>Technical provisions</b>	<b>188,631,823</b>	<b>173,941,974</b>
Unearned premiums	45,776,823	41,861,443
Provision for outstanding claims	142,256,220	131,492,898
Other technical provisions	598,780	587,633
<b>Other provisions</b>	<b>128,717</b>	<b>112,165</b>
<b>Deferred tax liabilities</b>	<b>0</b>	<b>86,161</b>
<b>Other financial liabilities</b>	<b>2,902,729</b>	<b>2,901,061</b>
<b>Liabilities from operating activities</b>	<b>25,302,554</b>	<b>31,997,763</b>
Liabilities from reinsurance and co-insurance business	24,251,243	30,408,949
Current income tax liabilities	1,051,310	1,588,814
<b>Other liabilities</b>	<b>14,210,103</b>	<b>21,995,403</b>

**3.2. Income statement for the nine months to 30 September 2011**

(EUR)	1-9 2011	1-9 2010
<b>Net earned premiums</b>	<b>92,265,324</b>	<b>92,527,580</b>
Gross premiums written	110,933,925	113,390,047
Written premiums ceded to reinsurers and co-insurers	-16,744,358	-17,928,879
Change in net unearned premiums	-1,924,243	-2,933,588
<b>Income from investments in affiliates</b>	<b>4,540,448</b>	<b>0</b>
<b>Investment income</b>	<b>6,186,996</b>	<b>7,598,794</b>
Interest income	5,341,975	4,571,495
Other investment income	845,020	3,027,299
<b>Other technical income</b>	<b>2,648,357</b>	<b>3,677,541</b>
Commission income	1,467,344	1,391,179
Other income	1,181,013	2,286,362
<b>Other income</b>	<b>1,779</b>	<b>21,256</b>
<b>Net claims incurred</b>	<b>-57,893,474</b>	<b>-65,084,044</b>
Gross claims paid less income from recourse receivables	-50,992,706	-56,950,390
Reinsurers' and co-insurers' share of claims paid	4,431,854	8,441,864
Change in the net provision for outstanding claims	-11,332,623	-16,575,518
<b>Change in other technical provisions</b>	<b>0</b>	<b>999</b>
<b>Expenses for bonuses and rebates</b>	<b>-11,147</b>	<b>0</b>
<b>Operating expenses</b>	<b>-29,648,047</b>	<b>-30,082,430</b>
Acquisition costs	-25,069,069	-25,551,845
Other operating expenses	-4,578,978	-4,530,585
<b>Expenses for investments in affiliates</b>	<b>-2,549,076</b>	<b>0</b>
<b>Expenses for financial assets and liabilities</b>	<b>-4,993,462</b>	<b>-4,684,447</b>
Impairment losses on financial assets not measured at fair value through profit or loss	-2,893,761	-2,951,511
Interest expenses	-1,304,637	-1,142,759
Other expenses	-795,064	-590,178
<b>Other technical expenses</b>	<b>-1,323,480</b>	<b>-1,894,594</b>
<b>Other expenses</b>	<b>-62</b>	<b>-158</b>
Profit/loss before tax	9,224,156	2,080,495
<b>Income tax expense</b>	<b>-2,132,125</b>	<b>-485,817</b>
<b>Net profit for the period</b>	<b>7,092,030</b>	<b>1,594,678</b>
<b>Net diluted earnings/losses per share</b>	<b>0.76</b>	<b>0.17</b>



### 3.3. Statement of comprehensive income for the nine months to 30 September 2011

(EUR)	1-9 2011	1-9 2010
<b>NET PROFIT/LOSS FOR THE PERIOD, NET OF TAX</b>	<b>7,092,030</b>	<b>1,594,678</b>
<b>OTHER COMPREHENSIVE INCOME, NET OF TAX</b>	<b>-2,677,440</b>	<b>145,589</b>
<b>Net change in fair value of available-for-sale financial assets</b>	<b>-3,346,800</b>	<b>181,986</b>
Net change recognised in the fair value reserve	-3,151,879	2,378,588
Net change transferred from fair value reserve to profit or loss	-194,920	-2,196,602
<b>Income tax on other comprehensive income</b>	<b>669,360</b>	<b>-36,397</b>
<b>COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX</b>	<b>4,414,591</b>	<b>1,740,267</b>

## 3.4. Statement of cash flows for the nine months to 30 September 2011

(EUR)		1-9 2011	1-9 2010
<b>A. Cash flows from operating activities</b>			
a.)	<b>Items of the income statement</b>	<b>11,839,211</b>	<b>17,885,134</b>
	Net premiums written	94,189,567	95,461,168
	Investment income (other than financial income), financed from:	667,252	2,682,261
	- technical provisions	268,647	2,682,261
	- other sources	398,605	0
	Other operating income (excl. revaluation income and releases from provisions) and financial income from operating receivables	2,650,136	3,698,797
	Net claims paid	-46,560,851	-48,508,526
	Expenses for bonuses and rebates	-11,147	0
	Net operating expenses excl. depreciation/amortisation and change in deferred acquisition costs	-29,402,179	-29,526,309
	Investment expenses (excluding depreciation/amortisation and financial expenses), financed from:	-6,237,901	-3,541,688
	- technical sources	-1,210,007	-3,541,688
	- other sources	-5,027,894	0
	Other operating expenses excl. depreciation/amortisation (other than for revaluation and excl. additions to provisions)	-1,323,542	-1,894,752
	Tax on profit and other taxes not included in operating expenses	-2,132,125	-485,817
b.)	<b>Changes in net operating assets (receivables for premium, other receivables, other assets and deferred tax receivables/liabilities) of operating items of the statement of financial position</b>	<b>-1,310,881</b>	<b>5,605,820</b>
	Change in receivables from reinsurance	5,761,774	-6,339,213
	Change in other receivables from (re)insurance business	5,607	258,827
	Change in receivables and assets	491,041	4,370,172
	Change in deferred tax assets	-561,593	502,240
	Change in liabilities arising out of reinsurance business	-7,105,111	-6,056,147
	Change in other operating liabilities	217,404	12,352,890
	Change in other liabilities (except unearned premiums)	-33,841	691,264
	Change in deferred tax liabilities	-86,161	-174,213
c.)	<b>Net cash from/used in operating activities (a + b)</b>	<b>10,528,330</b>	<b>23,490,954</b>
<b>B. Cash flows from investing activities</b>			
a.)	<b>Cash receipts from investing activities</b>	<b>287,580,082</b>	<b>353,903,751</b>
	Interest received from investing activities and from:	5,341,975	4,571,495
	- investments financed from technical provisions	3,813,824	3,128,459
	- other investments	1,528,152	1,443,036
	Cash receipts from dividends and from participation in the profit of others, relating to:	4,718,216	131,191
	- investments financed from technical provisions	70,429	52,715
	- other investments	4,647,787	78,476
	Proceeds from sale of property and equipment, financed from:	824	894
	- other sources	824	894
	Proceeds from sale of long-term financial investments, financed from:	50,266,217	65,418,062
	- technical provisions	25,510,209	43,551,622
	- other sources	24,756,008	21,866,440
	Proceeds from sale of short-term financial investments, financed from:	227,252,849	283,782,109
	- technical provisions	142,021,972	200,869,055
	- other sources	85,230,877	82,913,054
b.)	<b>Cash disbursements in investing activities</b>	<b>-293,137,019</b>	<b>-375,561,196</b>
	Purchase of intangible assets	-68,640	-80,199
	Purchase of property and equipment, financed from:	-45,255	-159,101
	- other sources	-45,255	-159,101
	Purchase of long-term financial investments, financed from:	-94,541,773	-64,987,601
	- technical provisions	-73,411,649	-48,938,267
	- other sources	-21,130,124	-16,049,334
	Purchase of financial investments in subsidiaries, financed from:	0	-6,365,938
	- other sources	0	-6,365,938
	Purchase of short-term financial investments, financed from:	-198,481,351	-303,968,358
	- technical provisions	-112,337,958	-207,400,323
	- other sources	-86,143,393	-96,568,035
c.)	<b>Net cash from/used in investing activities (a + b)</b>	<b>-5,556,937</b>	<b>-21,657,445</b>
<b>C. Cash flows from financing activities</b>			
b.)	<b>Cash disbursements in financing activities</b>	<b>-5,062,395</b>	<b>-1,142,759</b>
	Interest paid	-1,304,637	-1,142,759
	Repayment of short-term financial liabilities	-3,757,758	0
c.)	<b>Net cash from/used in financing activities (a + b)</b>	<b>-5,062,395</b>	<b>-1,142,759</b>
<b>C2. Closing balance of cash and cash equivalents</b>		<b>78,190</b>	<b>821,191</b>
x.)	<b>Net increase/decrease in cash and cash equivalents for the period (sum of Ac, Bc and Cc)</b>	<b>-91,002</b>	<b>690,749</b>
<b>D. Opening balance of cash and cash equivalents</b>		<b>169,193</b>	<b>130,442</b>

**3.5. Statement of changes in equity for the nine months to 30 September 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 (contra account)	Total (1–11)	
			Legal reserves and reserves provided for in the articles of association	Reserve for treasury shares	Reserve for credit risks	Reserve for catastrophe losses						Other
	1.	2.	3.	4.	5.	6.	7.	8.	9.	10.	11.	12.
<b>As at 1 January 2011</b>	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
<b>Comprehensive income for the year, net of tax</b>	0	0	0	0	0	0	0	-2,677,440	0	7,092,030	0	4,414,591
Additions/uses of credit risk equalisation reserve and catastrophe equalisation reserve	0	0	0	0	-243,569	0	0	0	0	243,569	0	0
Transfer of profit/loss	0	0	0	0	0	0	0	0	3,596,862	-3,596,862	0	0
<b>As at 30 September 2011</b>	39,069,099	33,003,752	14,986,525	1,774	1,017,618	6,126,333	60,862,385	-5,445,255	3,596,862	7,335,600	-1,774	160,552,918
Distributable profit	0	0	0	0	0	0	0	0	3,596,862	7,335,600	0	10,932,462

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

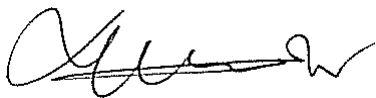
(EUR)	I. Share capital	II. Share premium	III. Profit reserves				IV. Fair value reserve	V. Net profit/loss for the period	VI. Treasury shares (contra account)	Total (1–10)	
			Legal reserves and reserves provided for in the articles of association	Reserve for treasury shares	Reserve for credit risks	Reserve for catastrophe losses					Other
	1.	2.	3.	4.	5.	6.	7.	8.	9.	10.	11.
<b>As at 1 January 2010</b>	39,069,099	33,003,752	14,986,525	1,774	1,217,874	3,868,365	59,566,803	-1,717,140	0	-1,774	149,995,280
<b>Comprehensive income for the year, net of tax</b>	0	0	0	0	0	0	0	145,589	1,594,678	0	1,740,267
Additions/uses of credit risk equalisation reserve and catastrophe equalisation reserve	0	0	0	0	-1,209,252	0	0	0	1,209,252	0	0
<b>As at 30 September 2010</b>	39,069,099	33,003,752	14,986,525	1,774	8,622	3,868,365	59,566,803	-1,571,551	2,803,931	-1,774	151,735,546
Distributable profit	0	0	0	0	0	0	0	0	2,803,931	0	2,803,931

### 3.7. Statement of capital adequacy

(EUR)		1-9 2011	1-9 2010
<b>CORE CAPITAL (Article 106 of the Insurance Act ("ZZavar"))</b>			
Subscribed capital other than share capital subscribed based on cumulative preference shares, or founding capital	1	39,069,099	39,069,099
Funds in accounts of members of mutual insurance companies	2	0	0
Share premium other than share premium related to cumulative preference shares	3	33,003,752	33,003,752
Profit reserves other than reserve for treasury shares and credit risk equalisation & catastrophe equalisation reserves	4	75,848,910	74,553,329
Retained earnings	5	3,596,862	0
Fair value reserve relating to assets not financed by technical provisions	6	-2,959,825	-1,801,259
Treasury shares and own interests	7	1,774	1,774
Intangible assets	8	192,138	159,777
<b>Core capital (1+2+3+4+5+6-7-8)</b>	9	148,364,886	144,663,370
<b>Minimum guarantee fund</b>	10	7,046,813	6,766,944
<b>Meeting the requirement under Article 106 of the ZZavar (9 - 10)</b>	11	141,318,073	137,896,426
<b>ADDITIONAL CORE CAPITAL (Article 107 of the ZZavar)</b>			
Subordinated debt	12	5,285,110	5,075,207
<b>Additional core capital, however not more than 50% of the lower of core capital and required solvency margin</b>	13	5,285,110	5,075,207
<b>AVAILABLE SOLVENCY MARGIN AND STATEMENT OF CAPITAL ADEQUACY (Article 108 of the ZZavar)</b>			
Total of core and additional core capital (9 + 13)	14	153,649,996	149,738,577
Participation according to Article 108, paragraph 1, indent 1 of the ZZavar	15	118,294,342	105,949,676
Participation according to Article 108, paragraph 1, indent 2 of the ZZavar	16	1,512,455	1,512,660
<b>Available solvency margin of insurer (14 – 15 – 16)</b>	17	33,843,199	42,276,241
<b>Required solvency margin</b>	18	21,140,440	20,300,831
<b>Surplus/deficit of available over/below required solvency margin (17 – 18)</b>	19	12,702,759	21,975,410

**CREDIBILITY OF THE UNAUDITED UNCONSOLIDATED FINANCIAL REPORT OF SAVA REINSURANCE COMPANY FOR THE NINE MONTHS TO 30 SEPTEMBER 2011**

The Management Board of Sava Reinsurance Company d.d. hereby confirms that the data in the Unaudited Unconsolidated Financial Report of Sava Reinsurance Company for the Nine Months to 30 September 2011 is accurate.



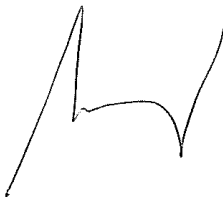
Zvonko Ivanušič, Chairman of the Management Board



Jošt Dolničar, Member of the Management Board



Srečko Čebren, Member of the Management Board



Mateja Treven, Member of the Management Board

In Ljubljana, 21 November 2011