



Pozavarovalnica Sava, d. d.

This is a non-official English language translation by Sava Reinsurance Company. The official original document is in Slovenian and is available from the Company.

**Translation of the  
UNAUDITED FINANCIAL REPORT OF THE  
SAVA RE GROUP AND  
SAVA REINSURANCE COMPANY FOR THE  
THREE MONTHS TO 31 MAREC 2013**

**Ljubljana, 20 May 2013**





# CONTENTS

## INTRODUCTION

<b>1</b>	<b>INTRODUCTION .....</b>	<b>7</b>
1.1	Summary of key performance indicators .....	9
1.2	Company profile of Sava Reinsurance Company .....	10
1.3	Bodies of the Company .....	11
1.4	Significant events in the three months to 31 March 2013 .....	13
1.5	Significant events after the reporting period .....	13
1.6	Sava Re Group structure including associate companies .....	15
<b>2</b>	<b>SHAREHOLDERS AND SHARE TRADING .....</b>	<b>16</b>

## INTERIM BUSINESS REPORT

<b>3</b>	<b>SAVA RE GROUP BUSINESS RESULTS .....</b>	<b>21</b>
3.1	Consolidated net earned premiums .....	22
3.2	Consolidated net claims incurred .....	23
3.4	Net investment income of the Sava Re Group investment portfolio .....	26
3.5	Segment reporting .....	28
3.6	Realisation of the 2013 budget .....	29
<b>4</b>	<b>FINANCIAL POSITION OF THE GROUP .....</b>	<b>30</b>
4.1	Composition of assets and liabilities .....	30
4.2	Financial investments of the Sava Re Group .....	32
4.3	Technical provisions of the Sava Re Group .....	35
4.4	Capital adequacy .....	35
4.5	Sources of finance and their maturities .....	35
4.6	Cash flow .....	36
4.7	Credit rating .....	36
<b>5</b>	<b>PERSONNEL .....</b>	<b>37</b>
<b>6</b>	<b>RISK MANAGEMENT .....</b>	<b>38</b>
6.1	Underwriting risk .....	38
6.2	Financial risks .....	38
	Market risks includes interest rate risk, equity securities risk and currency risk. ....	38
6.3	Operational risks .....	41
6.4	Exposure to risk up until the end of 2013 .....	41
6.5	Insolvency risk .....	42



## **SUMMARY OF SAVA RE GROUP FINANCIAL STATEMENTS WITH NOTES**

<b>7</b>	<b>UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS .....</b>	<b>45</b>
7.1	Unaudited consolidated statement of financial position .....	45
7.2	Unaudited consolidated income statement .....	46
7.4	Unaudited consolidated statement of comprehensive income .....	47
7.5	Unaudited consolidated statement of cash flows .....	48
7.6	Unaudited consolidated statement of changes in equity for the three months to 31 March 2013 .....	49
7.7	Unaudited consolidated statement of changes in equity for the three months to 31 March 2012 .....	49
<b>8</b>	<b>NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS.....</b>	<b>50</b>
8.1	Overview of major accounting policies .....	50
8.2	Seasonality and cyclicity of interim operations .....	50
8.3	The nature and amount of unusual items .....	50
8.4	Issues, repurchases, and repayments of debt and equity securities .....	50
8.5	Key accounting estimates and judgements .....	50
8.6	Analysis of operating segments .....	51
8.7	Notes to significant changes in the statement of financial position.....	56
<b>9</b>	<b>BUSINESS COMBINATIONS .....</b>	<b>57</b>
<b>10</b>	<b>RELATED-PARTY DISCLOSURES .....</b>	<b>57</b>

## **UNAUDITED SEPARATE FINANCIAL STATEMENTS OF SAVA REINSURANCE COMPANY**

<b>11</b>	<b>UNAUDITED SEPARATE FINANCIAL STATEMENTS .....</b>	<b>63</b>
11.1	Unaudited statement of financial position .....	63
11.2	Unaudited income statement .....	64
11.3	Consolidated statement of comprehensive income.....	65
11.4	Unaudited statement of changes in equity for the three months to 31 March 2013 .....	66
11.5	Unaudited statement of changes in equity for the three months to 31 March 2012 .....	66
11.6	Unaudited statement of cash flows .....	67
11.7	Earnings per share .....	68

## **APPENDIX**

APPENDIX – Glossary of selected terms and computation methods for indicators



# INTRODUCTION







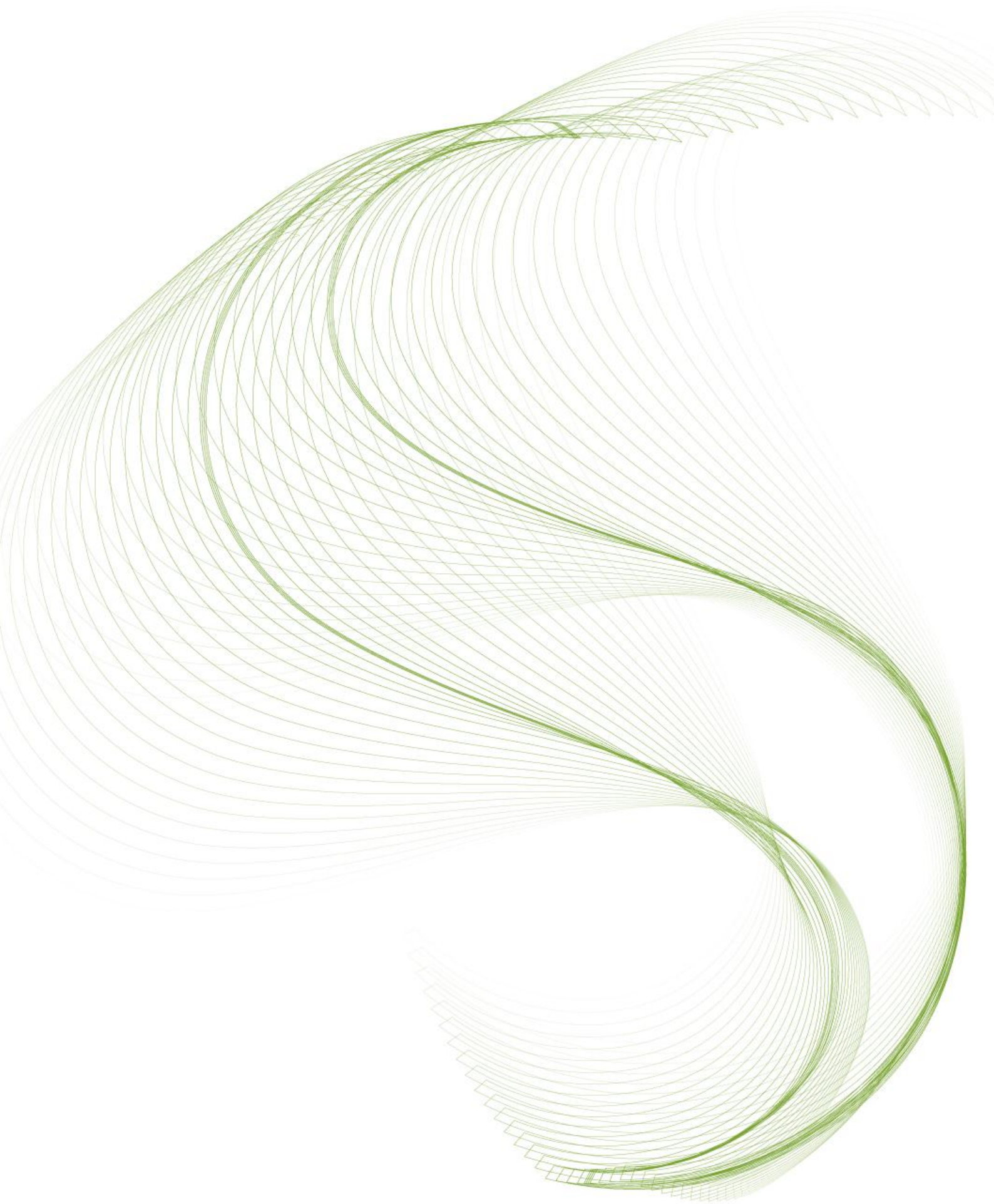
# 1 INTRODUCTION

In accordance with the Financial Instruments Market Act and the Rules of the Ljubljana Stock Exchange, Pozavarovalnica Sava, d.d. ("Sava Reinsurance Company"), with registered office at Ljubljana, Dunajska 56, hereby publishes the Unaudited Financial Report of the Sava Re Group and Sava Reinsurance Company for the Three Months to 31 March 2013.

Published data and interim financial statements for both the Sava Re Group and Sava Reinsurance Company for the three months to 31 March 2013 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 2012. The interim financial statements have not been audited.

The Unaudited Financial Report of the Sava Re Group and Sava Reinsurance Company for the Three Months to 31 March 2013 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](http://www.sava-re.si) as from 30 May 2013.







## 1.1 Summary of key performance indicators

(€)	Sava Re Group		Sava Reinsurance Company	
	1-3/2013	1-3/2012	1-3/2013	1-3/2012
<b>Gross premiums written</b>	<b>85,841,763</b>	<b>92,378,003</b>	<b>52,981,672</b>	<b>58,783,712</b>
Year-on-year change	-7.1%	11.3%	-9.9%	16.9%
<b>Gross claims paid</b>	<b>32,682,967</b>	<b>29,041,002</b>	<b>17,981,695</b>	<b>15,351,362</b>
Year-on-year change	12.5%	-8.1%	17.1%	-9.1%
Net incurred loss ratio	55.0%	61.1%	53.8%	64.5%
<b>Operating expenses including reinsurance commission income</b>	<b>18,889,759</b>	<b>18,431,834</b>	<b>9,938,460</b>	<b>9,520,001</b>
Year-on-year change	2.5%	-3.9%	4.4%	2.0%
Net expense ratio	32.8%	32.1%	34.0%	31.4%
<b>Net combined ratio (total expenses net of investment expenses / total income net of investment income)</b>	<b>92.2%</b>	<b>97.8%</b>	<b>87.5%</b>	<b>96.5%</b>
<b>Net investment income incl. finance costs*</b>	<b>5,378,737</b>	<b>4,179,887</b>	<b>2,447,127</b>	<b>1,064,796</b>
Annualised realised investment return including finance costs*	5.5%	4.5%	3.0%	1.3%
<b>Net investment income excl. finance costs*</b>	<b>5,803,788</b>	<b>4,764,904</b>	<b>2,757,144</b>	<b>1,474,399</b>
Annualised realised investment return excluding finance costs*	5.9%	5.1%	3.4%	1.8%
<b>Profit/loss, net of tax</b>	<b>7,796,380</b>	<b>3,690,474</b>	<b>5,158,566</b>	<b>1,707,759</b>
Year-on-year change	111.3%	95.8%	202.1%	132.1%
Comprehensive income	4,022,867	10,631,536	3,026,138	6,355,447
Return on equity	4.5%	2.4%	2.9%	1.1%
	31, 3, 2013	31, 12, 2012	31, 3, 2013	31, 12, 2012
<b>Total assets</b>	<b>686,376,845</b>	<b>640,591,738</b>	<b>497,799,199</b>	<b>463,035,873</b>
Year-on-year change	7.1%	10.1%	7.5%	11.0%
<b>Shareholders' equity</b>	<b>175,376,264</b>	<b>171,353,442</b>	<b>177,815,949</b>	<b>174,789,811</b>
Year-on-year change	2.3%	15.7%	1.7%	10.3%
<b>Net technical provisions</b>	<b>370,887,375</b>	<b>349,759,210</b>	<b>197,651,830</b>	<b>184,400,328</b>
Year-on-year change	6.0%	8.3%	7.2%	10.9%
No. of employees (full-time equivalent basis)	1,502	1,490	76	70

\*The net investment income and the annualised realised investment return do not include income and expenses of assets pertaining to policyholders who bear the investment risk since such assets do not affect the income statement. The mathematical provision of policyholders who bear the investment risk moves in line with this line item. Annualised data include all fixed-interest income and expenses on an annualised basis, other income and expenses are included on an unannualised basis.

\*\*The calculation of ratios is explained in the appended glossary.

## 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):	+386 (1) 47 50 200
Facsimile:	+386 (1) 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:	€ 39,069,099
Shares:	9,362,519 no-par-value shares
Governance and supervision bodies:	<u>MANAGEMENT BOARD</u> Zvonko Ivanušič (Chairman) Jošt Dolničar Srečko Čebren Mateja Treven <u>SUPERVISORY BOARD</u> Branko Tomažič (Chairman) Mateja Lovšin Herič (Deputy Chairperson) Slaven Mičković Gregor Hudobivnik Martin Albreht (employee representative) Andrej Gorazd Kunstek (employee representative)
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% + 1 share (2,340,631 no-par value shares)
Credit rating: (AM Best)	A- /stable/; October 2012
Credit rating (S&P):	BBB+ /negative/; November 2012
The Company has no branches.	



### 1.3 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.

In the three months to 31 March 2013 there were no changes in the composition of the Management Board.

#### Members of the Management Board as at 31 March 2013:

Member	Title	Term of office	Beginning of term of office
Zvonko Ivanušič	Chairman	5 years	31. 12. 2008
Jošt Dolničar	Member	5 years	31. 12. 2008
Srečko Čebren	Member	5 years	1. 2. 2009
Mateja Treven	Member	5 years	3. 2. 2011

#### Notes on membership of governance or supervisory bodies of third parties:

Zvonko Ivanušič:

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

Jošt Dolničar:

- Veslaška zveza Slovenije, Župančičeva cesta 9, Bled – President.

#### The Supervisory Board

In the three months to 31 March 2013, there were no changes in the composition of the Supervisory Board. On 15 January 2013, Samo Selan resigned as Supervisory Board member – employee representative. The Workers' Council appointed Andrej Gorazd Kunstek new member of the Supervisory Board (employee representative) for the period 23 January 2013 – 10 June 2015.

#### Composition of the Supervisory Board at 31 March 2013:

Branko Tomažič	Chairman
Mateja Lovšin Herič	Deputy Chairperson
Slaven Mičković	Member
Gregor Hudobivnik	Member
Martin Albreht	Member (employee representative)
Andrej Gorazd Kunstek	Member (employee representative)


#### Notes on membership of governance or supervisory bodies of third parties:

Branko Tomažič:

- Daimond, d.d., Žnidarčičeva ulica 19, Šempeter pri Gorici – Supervisory Board Member.



Gregor Hudobivnik:

 ABANKA SKLADI, družba za upravljanje, d.o.o., Pražakova ulica 8, Ljubljana –  
Chairman of the Supervisory Board.

## **Supervisory Board Committees**

### *The Audit Committee*

In the three months to 31 March 2013, there were no changes in the composition of the Supervisory Board Audit Committee.

#### Members of the Supervisory Board Audit Committee at 31 March 2013:

Mateja Lovšin Herič	Chairperson
Slaven Mičković	Member
Blanka Vezjak	External member

### *The Nomination Committee*

Pursuant to the recommendations of the Corporate Governance Code for Public Joint-Stock Companies, in 2011 the Supervisory Board appointed 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 candidates to propose to the General Meeting for election.

In the three months to 31 March 2013, there were no changes in the composition of the Supervisory Board Nomination Committee.

#### Members of the Supervisory Board Nomination Committee at 31 March 2013:

Branko Tomažič	Chairman
Mateja Lovšin Herič	member
Vesna Razpotnik	external member

## **The General Meeting of Shareholders**

There was one General Meeting of Shareholders held in the three months to 31 March 2013. On 11 January 2013, the 26th General Meeting of Sava Reinsurance Company took place at the Horus Hall of the Austria Trend Hotel in Ljubljana. The General Meeting passed a resolution on increasing the Company's capital through monetary contributions.

In the Meeting, a challenging action was announced but was subsequently not filed.

In line with the financial calendar, the regular annual General Meeting of the Shareholders of Sava Reinsurance Company is scheduled to take place on 12 July 2013.



## **1.4 Significant events in the three months to 31 March 2013**

- S** On 11 January 2013, the 26<sup>th</sup> General Meeting of Shareholders of Sava Reinsurance Company was held. The resolution on the increase in share capital determined that the issue price (bid price) per new share is to be not less than € 7 and not more than € 9. The issue price for one newly issued share is to be determined by the Management Board of Sava Reinsurance Company, subject to consent of the Supervisory Board, while the total issue amount of all newly issued shares as per the resolution is not to exceed € 55,000,001, with regard to which the final number of newly issued shares is to be adjusted accordingly. Newly issued shares are to be or have been offered to the public, in accordance with regulations applicable to the financial instruments market, in several rounds, where in the first round shares are offered to all existing shareholders. Existing shareholders are to have the right to subscribe and pay in newly issued shares in proportion to their existing holdings in Sava Reinsurance Company. Newly issued shares that will not be subscribed and paid in the first round are to be offered by the Management Board of Sava Reinsurance Company subject to consent of the Supervisory Board for subscription and payment to all the public or part of the public or third parties in subsequent round(s).
- S** On 11 February 2013, Sava Reinsurance Company received a decision of the Insurance Supervision Agency on the increase in the qualifying shareholding in Zavarovalnica Maribor based on which the Company can directly acquire voting rights and shares of Zavarovalnica Maribor of 50% or more, within six months of service of such decision, whereafter such approval ceases to be effective. Furthermore, the Insurance Supervision Agency issued an approval for Sava Reinsurance Company and the Slovenian Restitution Fund to jointly and directly acquire, based on their share purchase agreement (Option Agreement) titled "Agreement on rights associated with Zavarovalnica Maribor shares", voting rights and shares in the equity of Zavarovalnica Maribor of 50% or more, within six months of service of such decision, whereafter such approval ceases to be effective.
- S** On 25 February 2013, Sava Reinsurance Company received a decision from the Slovenian Competition Protection Agency stating that the Agency does not object to the announced concentration of Sava Reinsurance Company and Zavarovalnica Maribor and that such concentration is in compliance with competition rules.
- S** On 28 March 2013, the Belgrade companies register agency entered the capital increase in the subsidiary life insurer Sava životno osiguranje, resulting in share capital of RSD 344,060,419. The recapitalisation of Sava životno osiguranje, owned 99.9% by Sava Reinsurance Company, involved the subscription of 85,760 new shares for a total amount of RSD 47,201,446.

## **1.5 Significant events after the reporting period**

- S** On 9 April 2013, Sava Reinsurance Company received a notice from the Slovenian Competition Protection Agency that on 28 March 2013 the decision of the Competition Protection Agency dated 20 February 2013 had become final. The date 28 March 2013 marked the cumulative fulfilment of all suspensive conditions of the Purchase and Sale Agreement ("Agreement on the Purchase and Sale of Zavarovalnica Maribor Shares") signed by the Slovenian Restitution Fund d.d. and Sava Reinsurance Company as one party and Nova Kreditna banka Maribor d.d. as the other party on 11 December 2012. This date also marks the beginning of the 30-day time period within which the purchase price as set out in the Purchase and Sale Agreement was to be settled.



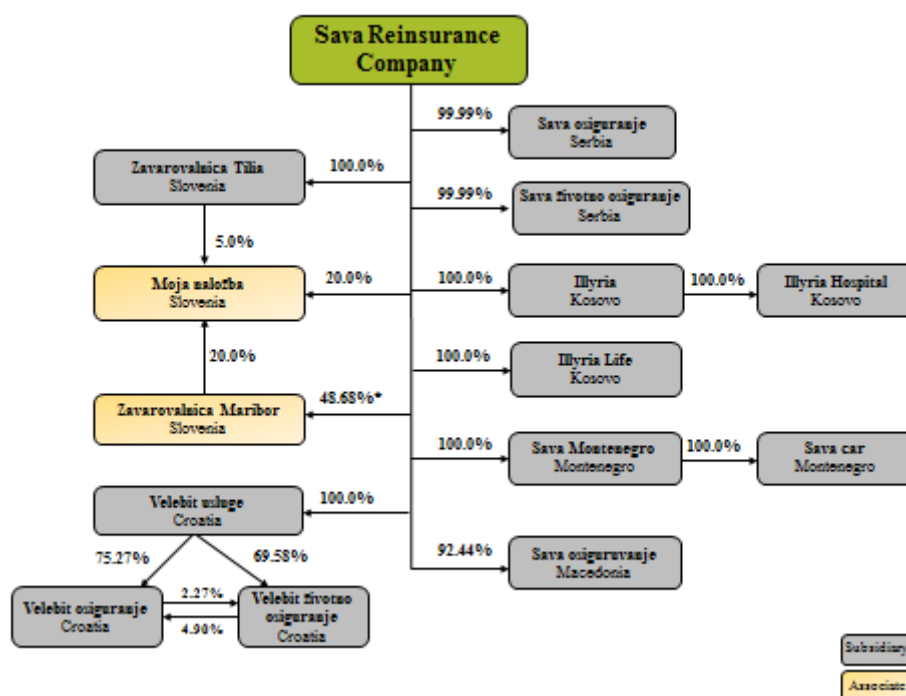
- S** On 25 April 2013, all conditions of the Purchase and Sale Agreement were fulfilled for the implementation of the Agreement. This means that on that day Sava Reinsurance Company acquired 1,468,175 shares of Zavarovalnica Maribor. This triggered the enforcement of the Option Agreement.
- S** On 26 April 2013, Sava Reinsurance Company announced its takeover bid for all shares of Zavarovalnica Maribor that were neither owned by the Company nor by the Slovenian Restitution Fund.
- S** On 8 May 2013, Sava Reinsurance Company obtained a decision from the Slovenian Securities Market Agency on the approval of the Prospectus for the Offering of New Shares of Sava Reinsurance Company d.d. and on 9 May 2013 a decision on the correction of the operative part of the decision dated 8 May 2013, for the offering of no more than 7,857,143 new shares of Sava Reinsurance Company (with ticker POSR) for a maximum total issue amount of € 50,000,001.00 in the Republic of Slovenia. On 9 May 2013, Sava Reinsurance Company published the Prospectus. Thereby the procedure for the public offering of new shares of Sava Reinsurance Company officially commenced. In the period up until 20 May 2013, Sava Reinsurance Company will collect non-binding bids from invited Existing Shareholders, Large Investors, Institutional Investors and an Invited Investor. Existing Shareholders will be able to exercise their pre-emptive rights from 23 May 2013 to 6 June 2013. The second and third rounds of subscribing and paying-in new shares will be held from 10 June 2013 to 17 June 2013 and 21 June 2013, respectively. More detailed information on the offering will be set out in the Prospectus available from the Company's website [www.sava-re.si](http://www.sava-re.si).
- S** On 20 May 2015, the Management Board of Sava Reinsurance Company, with the consent of the Supervisory Board, determined the price of one newly issued share at € 7.
- S** On 21 May 2013, Sava Reinsurance Company received a decision of the Slovenian Securities Market Agency, confirming the Takeover Bid and Prospectus for the acquisition of Zavarovalnica Maribor shares. On 22 May 2013, Sava Reinsurance Company publicly announced its Takeover Bid, which is to be valid from 24 May 2013 to 24 June 2013 noon.
- S** In its meeting of 21 May 2013, the Supervisory Board of Sava Reinsurance Company reappointed the current four-member Management Board – consisting of Zvonko Ivanušič (Chairman), Srečko Čebren, Jošt Dolničar and Mateja Treven. The term of office of the first three listed Board members was to expire at the end of the year, while that of Mateja Treven was to expire on 3 February 2016. The new term of office of the Chairman and all three other Board members will run for five years, beginning 1 June 2013.



## 1.6 Sava Re Group structure including associate companies

In addition to Sava Reinsurance Company, the controlling company, at 31 March 2013, the insurance part of the Sava Re Group comprised nine insurers based in Slovenia and other countries of the former Yugoslavia as well as two associate companies – an insurer and a pension company, both based in Slovenia. On 25 April 2013, Sava Reinsurance Company acquired 1,468,175 shares of Zavarovalnica Maribor, increasing its stake to 60.47%. Thus Zavarovalnica Maribor became a subsidiary company.

*Sava Re Group structure including associate companies as at 31 March 2013*

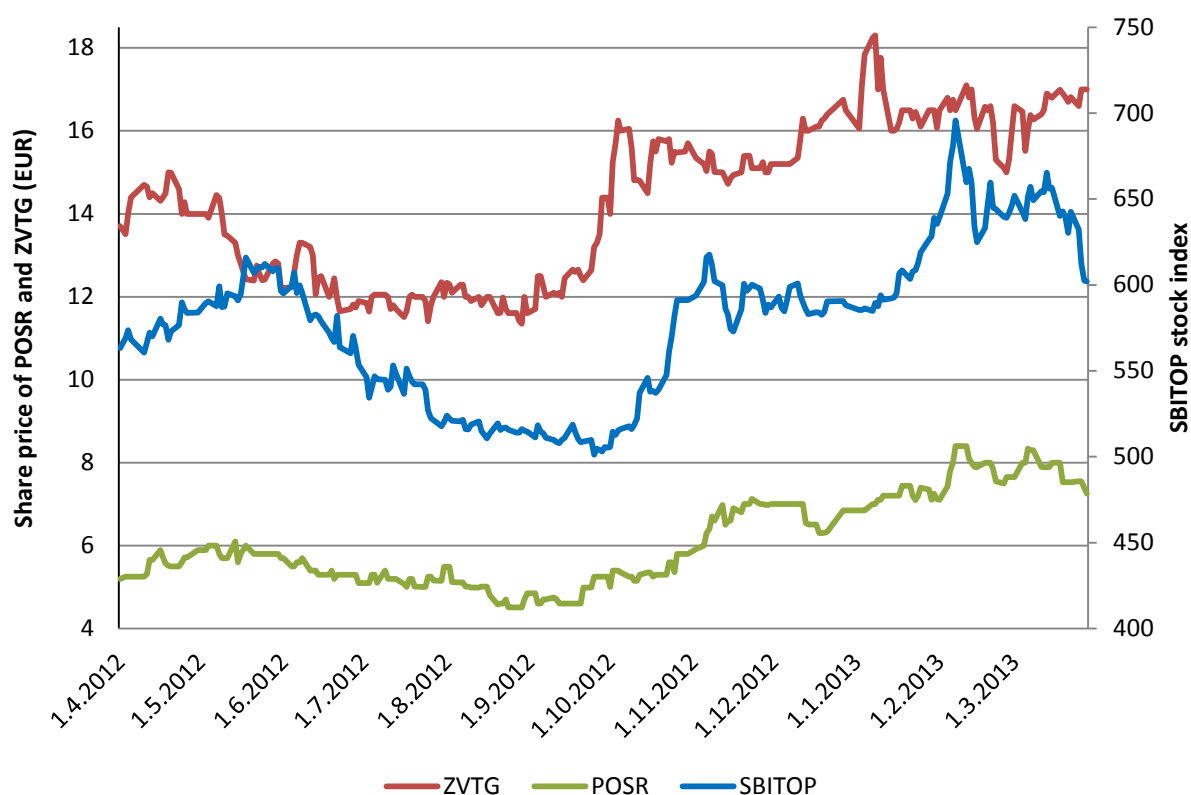


*Company names of subsidiary and associate companies:*

Long company name	Short forms used in this document
Pozavarovalnica Sava, d.d. / Sava Reinsurance Company d.d.	Sava Reinsurance Company
Zavarovalnica Tilia d.d.	Zavarovalnica Tilia
Velebit usluge d.o.o.	Velebit usluge
Velebit osiguranje, d.d.	Velebit osiguranje
Velebit životno osiguranje d.d.	Velebit životno osiguranje
Sava osiguranje, a.d.o. Beograd	Sava osiguranje
Sava životno osiguranje, a.d.o. Beograd	Sava životno osiguranje
Kompania e Sigurimeve Illyria, sh.a., Priština	Illyria
Illyria Hospital, sh.p.k., Priština	Illyria Hospital
Kompania për Sigurimin e Jetës Illyria Life, sh.a., Priština	Illyria Life
Sava Montenegro AD Podgorica	Sava Montenegro
Sava Car doo	Sava Car
Sava osiguruvanje, a.d.o., Skopje	Sava osiguruvanje
Zavarovalnica Maribor d.d	Zavarovalnica Maribor
Moja naložba pokojninska družba d.d. - Skupina Nove KBM	Moja naložba

## 2 SHAREHOLDERS AND SHARE TRADING

*Movements in the POSR share price in the period 1 April 2012 – 31 March 2013 compared to the Zavarovalnica Triglav share and the SBITOP share index*



### *Basic details about the POSR share*

	31. 3. 2013	31. 3. 2012
Share capital	39,069,099	39,069,099
No. of shares	9,362,519	9,362,519
Ticker symbol	POSR	POSR
No. of shareholders	4,968	5,020
Type of share	ordinary	ordinary
Listing	Ljubljana Stock Exchange, prime market	Ljubljana Stock Exchange, prime market
Number of treasury shares	210	210
Net earnings/loss per share (€)*	0.55	0.18
Consolidated net earnings/loss per share (€)	0.83	0.39
Book value per share (€)**	18.99	17.60
Consolidated book value per share (€)	18.73	16.95
Share price at year-end (€)	7.15	5.80
	1. 1. 2013–31. 3. 2013	1. 1. 2012–31. 3. 2012
Average share price in reporting period (€)	7.64	5.38
Minimum share price in reporting period (€)	7.00	5.00
Maximum share price in reporting period (€)	8.40	6.00
Trade volume in reporting period (€)	1,444,245	798,649

\*Net earnings/loss per share = net profit/loss for the period / no. of shares outstanding excl. treasury shares (9,362,309).

\*\*Book value per share = equity at 31 March / no. of shares outstanding excluding treasury shares (9,362,519).



The controlling company paid no dividend in the first quarter 2013. In this period, the controlling company did not have conditional equity. At 31 March 2013, 94.1% of shareholders were Slovenian and 5.9% foreign. The largest shareholder of POSR shares is the Slovenska odškodninska družba (Slovenian Restitution Fund) with 25.0% plus one share.

*Top ten shareholders of Sava Reinsurance Company at 31 March 2013*

Shareholder	No. of shares	Holding (%)
Slovenska odškodninska družba, d.d.	2,340,631	25.00%
Abanka d.d.	655,000	7.00%
Poteza naložbe d.o.o. - in bankruptcy proceedings	468,125	5.00%
Pišljari Marjan	445,626	4.76%
NFD 1, delniški podsklad	437,007	4.67%
Nova KBM d.d.	435,925	4.66%
Zavarovalnica Maribor	416,433	4.45%
SOP Ljubljana	408,732	4.37%
Modra Zavarovalnica d.d. – ZVPS	320,346	3.42%
KD Galileo, flexible investment structure	250,754	2.68%
<b>Total</b>	<b>6,178,579</b>	<b>65.99%</b>

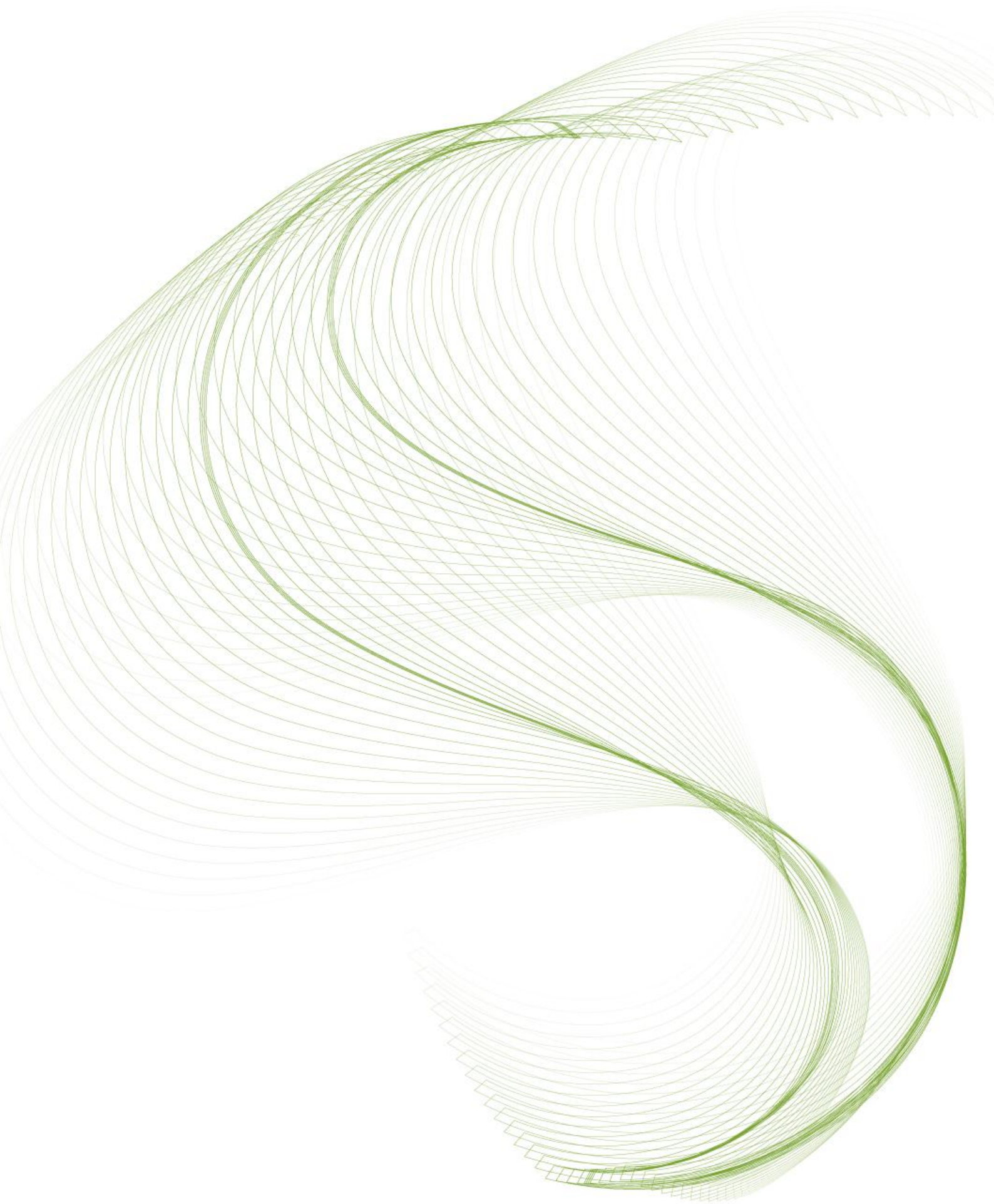
*Shareholder Structure of Sava Reinsurance Company at 31 March 2013*

	Domestic investors	Foreign investors
Other financial institutions*	30.2%	2.6%
Insurers and pension companies	17.5%	0.0%
Natural persons	17.9%	0.2%
Banks	14.5%	1.9%
Investment funds and mutual funds	11.7%	1.3%
Other commercial companies	2.2%	0.0%
<b>Total</b>	<b>94.1%</b>	<b>5.9%</b>

\*The "other financial institutions" item includes the Slovenian Restitution Company with a holding of 25% plus one share.

Source: Central securities register KDD d.d. and own sources.







# INTERIM BUSINESS REPORT









### 3 SAVA RE GROUP BUSINESS RESULTS

*Key financials of the Sava Re Group by operating segment (consolidated)*

(€)	Reinsurance business		Non-life insurance business		Life insurance business		Total consolidated	
	1–3/2013	1–3/2012	1–3/2013	1–3/2012	1–3/2013	1–3/2012	1–3/2013	1–3/2012
Net earned premiums	24,226,220	25,046,100	29,943,117	28,940,473	3,426,243	3,405,267	57,595,580	57,391,840
Other technical income	725,941	758,228	428,430	584,453	21,226	12,635	1,175,597	1,365,717
Net claims incurred	-13,697,968	-16,626,421	-17,069,453	-17,482,479	-1,321,351	-1,335,847	-32,088,772	-35,444,747
Change in other technical provisions	0	0	-132,419	53,395	-397,539	-240,772	-529,958	-187,377
Expenses for bonuses and rebates	18,176	35,535	-117,324	-74,275	0	0	-99,148	-38,740
Operating expenses	-8,794,257	-8,154,007	-8,932,877	-9,275,024	-1,437,128	-1,520,755	-19,234,061	-19,012,284
Other technical expenses	-252,185	-444,312	-2,027,694	-2,030,930	-112,148	-47,965	-2,392,027	-2,523,207
Net unrealised gains on investments of life insurance policyholders who bear the investment risk	0	0	0	0	972,485	1,500,528	972,485	1,500,528
Net unrealised losses on investments of life insurance policyholders who bear the investment risk	0	0	0	0	-210,087	-262,215	-210,087	-262,215
Change in technical provisions for policyholders who bear the investment risk	0	0	0	0	-1,444,389	-1,761,739	-1,444,389	-1,761,739
<b>Underwriting result</b>	<b>2,225,927</b>	<b>615,123</b>	<b>2,091,780</b>	<b>715,613</b>	<b>-502,688</b>	<b>-250,863</b>	<b>3,745,220</b>	<b>1,027,776</b>
Income from investments in subsidiaries and associates	1,527,450	995,642	0	0	0	0	1,527,450	995,642
Investment income	3,250,318	2,360,745	1,316,957	1,746,051	330,120	395,831	4,897,395	4,884,044
Expenses for investments in subsidiaries and associates	0	0	0	0	0	0	0	0
Expenses for financial assets and liabilities	-889,840	-1,419,146	-85,716	-233,232	-73,458	-54,623	-1,049,538	-1,707,001
<b>Investment result</b>	<b>3,887,928</b>	<b>1,937,241</b>	<b>1,231,241</b>	<b>1,512,819</b>	<b>256,662</b>	<b>341,208</b>	<b>5,375,307</b>	<b>4,172,685</b>
Other income	5,298	312	230,062	122,557	17,585	2,318	275,320	126,451
Other expenses	0	0	-92,043	-231,909	-1,346	-1,499	-94,420	-233,409
<b>Result of other items</b>	<b>5,298</b>	<b>312</b>	<b>138,019</b>	<b>-109,352</b>	<b>16,239</b>	<b>819</b>	<b>180,900</b>	<b>-106,958</b>
Profit/loss before tax	6,119,153	2,552,676	3,461,040	2,119,080	-229,787	91,164	9,301,427	5,093,503
Income tax expense	-1,051,118	-430,199	-437,247	-894,745	-16,682	-78,085	-1,505,047	-1,403,029
<b>Net profit/loss for the period</b>	<b>5,068,035</b>	<b>2,122,477</b>	<b>3,023,793</b>	<b>1,224,335</b>	<b>-246,469</b>	<b>13,079</b>	<b>7,796,380</b>	<b>3,690,474</b>

\*The table does not include the "other" segment, which is why all segments do not add up to the "Total consolidated" sum. The "other" segment accounts for less than 1% of all income.



### 3.1 Consolidated net earned premiums

#### *Net premiums earned by operating segment*

(€)	Reinsurance business		Non-life insurance business		Life insurance business		Total consolidated	
	1–3/2013	1–3/2012	1–3/2013	1–3/2012	1–3/2013	1–3/2012	1–3/2013	1–3/2012
Gross premiums written	44,890,642	50,872,307	37,516,127	38,180,070	3,434,994	3,325,626	85,841,763	92,378,003
Net premiums written	35,870,194	40,636,579	36,801,804	36,691,876	3,434,553	3,325,122	76,106,551	80,653,577
Change in net unearned premiums	-11,643,974	-15,590,479	-6,858,687	-7,751,403	-8,310	80,145	-18,510,971	-23,261,737
Net premiums earned	24,226,220	25,046,100	29,943,117	28,940,473	3,426,243	3,405,267	57,595,580	57,391,840

#### *Non-consolidated gross premiums written by Group insurer*

(€)	1–3/2013	1–3/2012	Index
Sava Reinsurance Company	52,981,672	58,783,712	90.1
Zavarovalnica Tilia	27,978,092	27,044,934	103.5
Sava osiguruvanje	2,600,875	3,148,858	82.6
Velebit osiguranje	2,447,097	2,255,158	108.5
Sava Montenegro	2,430,982	2,349,167	103.5
Sava osiguranje	2,373,670	2,681,644	88.5
Illyria	2,227,445	3,290,959	67.7
Velebit životno osiguranje	403,142	331,602	121.6
Illyria Life	374,249	257,795	145.2
Sava životno osiguranje	216,705	181,999	119.1

#### *Consolidated gross premiums written by region*

(€)	1–3/2013	1–3/2012	Index	Structure 1–3/2013
Slovenia	44,627,421	46,922,370	95.1	52.0%
International	41,214,342	45,455,633	90.7	48.0%
Total	85,841,763	92,378,003	92.9	100.0%

#### *Consolidated gross premiums written by operating segment*

(€)	1–3/2013	1–3/2012	Index	Structure 1–3/2013
Reinsurance business*	44,890,642	50,872,298	88.2	52.3%
Non-life insurance business	37,516,127	38,180,070	98.3	43.7%
Life insurance business	3,434,994	3,325,626	103.3	4.0%
Total	85,841,763	92,378,003	92.9	100.0%

\*Consolidated reinsurance premiums comprise gross premiums written by Sava Reinsurance Company less premiums received from subsidiaries.

The Sava Re Group wrote € 85.8m of gross premiums in the first quarter 2013, down 7.1% year-on-year.

Consolidated **reinsurance** premiums fell by 11.8% year-on-year in the first quarter 2013. Due to a decrease in quota-share reinsurance with Zavarovalnica Maribor, Slovenia-sourced reinsurance premiums fell by 16.2%, while consolidated foreign-sourced reinsurance premiums dropped by 8.9%. Foreign-sourced reinsurance business shrank year-on-year due to the exceptionally high growth rate in 2012, the cancellation of certain large contracts that did not meet profitability criteria and due to a reduced offer following the S&P rating downgrade. The reduction in gross premiums written is reflected in a reduced change in net unearned premiums, resulting in a smaller decline in net earned premiums compared to gross premiums written.



**Non-life insurance** premiums also experienced a decline in the first quarter 2013, by 1.7%. The largest growth in gross non-life premiums in absolute terms was recorded by Zavarovalnica Tilia (€ 1.0m). The largest decline in non-life premiums was recorded by the Kosovan, the Macedonian and the Serbian insurer. In Kosovo and Macedonia, premium decline is a result of both the loss of large insurance clients and a change in the time when certain large insurance transactions are being recorded (to be recorded in the next quarter). Premiums in Serbia continued to decline because of Group-imposed restrictions on writing motor business.

**Life insurance** premiums, on the other hand, grew by 3.3% in the first quarter, year-on-year. In the Group, Zavarovalnica Tilia is the only life insurer to have experienced a premium decline in life business. Conditions in life insurance markets remain tough in both Slovenia and Croatia, as these life markets continue to shrink. In the other markets with low life insurance penetration, this operating segment continues enjoying modest growth, however, one that is much lower than what could be generated in a more favourable economic environment.

The structure of consolidated gross premiums written is about the same as in the first quarter 2012.

### 3.2 Consolidated net claims incurred

#### *Net claims incurred by operating segment*

(€)	Reinsurance business		Non-life insurance business		Life insurance business		Total consolidated	
	1-3/2013	1-3/2012	1-3/2013	1-3/2012	1-3/2013	1-3/2012	1-3/2013	1-3/2012
Gross claims paid	15,619,818	13,172,229	15,743,943	14,506,675	1,319,206	1,362,098	32,682,967	29,041,002
Net claims paid	14,837,274	12,121,787	15,473,018	14,319,900	1,319,206	1,362,098	31,629,498	27,803,785
Change in the net provision for outstanding claims	-1,139,306	4,504,634	1,596,435	3,162,579	2,145	-26,251	459,274	7,640,962
Net claims incurred	13,697,968	16,626,421	17,069,453	17,482,479	1,321,351	1,335,847	32,088,772	35,444,747

#### *Non-consolidated gross claims paid by Group insurer*

(€)	1-3/2013	1-3/2012	Index
Sava Reinsurance Company	17,981,695	15,351,362	117.1
Zavarovalnica Tilia	11,654,909	9,972,963	116.9
Illyria	1,314,916	1,521,978	86.4
Sava osiguruvanje	1,159,344	1,417,211	81.8
Sava osiguranje	1,068,081	1,076,869	99.2
Sava Montenegro	920,340	805,708	114.2
Velebit osiguranje	847,592	996,645	85.0
Velebit životno osiguranje	50,116	64,903	77.2
Illyria Life	28,178	2,754	1,023.2
Sava životno osiguranje	27,404	11,041	248.2



*Consolidated gross claims paid by region*

(€)	1–3/2013	1–3/2012	Index	Structure 1–3/2013
Slovenia	17,509,144	16,025,653	109.3	53.6%
International	15,173,823	13,015,349	116.6	46.4%
Total	32,682,967	29,041,002	112.5	100.0%

*Consolidated gross claims paid by operating segment*

(€)	1–3/2013	1–3/2012	Index	Structure 1–3/2013
Reinsurance business	15,619,818	13,172,229	118.6	47.8%
Non-life insurance business	15,743,943	14,506,675	108.5	48.2%
Life insurance business	1,319,206	1,362,098	96.9	4.0%
Total	32,682,967	29,041,002	112.5	100.0%

In the first quarter of 2013 the Sava Re Group recorded consolidated gross claims paid of € 32.7m, an increase of 12.5% year-on-year.

Consolidated gross **reinsurance** claims recorded an 18.6% increase in the first quarter 2013 against an 11.8% decline in gross premiums written. The increase in consolidated gross reinsurance claims paid is a result of claims paid on the foreign-sourced portfolio (37.2% increase in claims against an 8.9% drop in gross premiums written) for which claims provisions had been set aside in previous financial periods (some large claims relating to prior underwriting years – Korean crop losses, partial payments for the Thai floods), which is why net provisions for outstanding claims decreased in the first quarter 2013. Net claims incurred in the reinsurance segment were thus 17.6% lower year-on-year (net premiums earned shrank 3.3%). The Slovenian reinsurance portfolio (especially Zavarovalnica Maribor) experienced a more benign loss development than in 2012, contributing to the overall improvement in both net claims incurred as well as the net incurred loss ratio for the reinsurance segment. While gross claims paid for Slovenia-sourced business increased moderately, the figures when combined with claims provisions show more favourable trends than in 2012 (as mentioned above).

Consolidated gross claims paid for non-life insurance business increased 8.5% year-on-year against a 1.7% increase in gross premiums written. A considerable increase in gross claims paid (16.9%) was recorded by Zavarovalnica Tilia. The largest increase was in motor casco (increase in individual types of casco combinations and larger claims volume relating to vandalism). In addition, in the period two large liability claims were settled with two construction companies. Almost all other Group companies recorded lower claims compared to the same period in 2012. The largest absolute drop in claims was recorded by the Macedonian insurer (€ 0.2m). This decrease is largely due to the loss of a large client. Claims were additionally reduced through the Group's systematic stance towards implementing the information system and through optimising claims settlement processes over the recent years. The largest increase in net provisions for outstanding claims in the period were recorded by Zavarovalnica Tilia (€ 1.3m).

Consolidated net claims incurred dropped by 9.5% year-on-year (against a 0.4% increase in net premiums earned), which is also reflected in an improved consolidated net incurred loss ratio (improvement of 6.3 percentage points year-on-year).



### Consolidated incurred loss ratio<sup>1</sup>

	Reinsurance business		Non-life insurance business		Total consolidated	
	1–3/2013	1–3/2012	1–3/2013	1–3/2012	1–3/2013	1–3/2012
Net incurred loss ratio	56.5%	66.4%	57.0%	60.4%	55.7%	61.8%

### 3.3 Consolidated operating expenses

#### Operating expenses by operating segment

(€)	Reinsurance business			Non-life insurance			Life insurance business			Total consolidated		
	1–3/2013	1–3/2012	Index	1–3/2013	1–3/2012	Index	1–3/2013	1–3/2012	Index	1–3/2013	1–3/2012	Index
Gross operating expenses	8,794,257	8,154,007	107.9	8,932,877	9,275,024	96.3	1,437,128	1,520,755	94.5	19,234,061	19,012,284	101.2
Net operating expenses	8,465,738	7,650,893	110.7	8,917,094	9,197,688	96.9	1,437,128	1,520,755	94.5	18,889,759	18,431,834	102.5

In the **reinsurance** segment, the policy acquisition expenses rose due to the dynamics involved in the portfolio; however, in the next quarters these are expected to move in line with premiums as in previous years.

In the **non-life** segment, Zavarovalnica Tilia managed to lower its expenses by 10.4%, especially through lower acquisition costs. Other insurers saw an increase in expenses, mostly due to acquisition costs.

In the **life insurance** segment, Zavarovalnica Tilia also decreased its costs, by 18.3%, especially as a result of a lower premium volume. Other insurers saw their costs increase, but by less than the corresponding premium increase in the segment.

#### Consolidated expense ratios

	Reinsurance business		Non-life insurance business		Life insurance business		Total consolidated	
	1–3/2013	1–3/2012	1–3/2013	1–3/2012	1–3/2013	1–3/2012	1–3/2013	1–3/2012
Gross expense ratio	24.6%	20.8%	26.8%	26.4%	41.2%	45.9%	26.3%	24.1%
Administrative expense ratio	3.5%	3.1%	14.3%	16.3%	21.0%	21.4%	9.0%	9.3%
Net expense ratio	34.9%	30.5%	29.8%	31.8%	41.9%	44.7%	32.8%	32.1%

\*The calculation of ratios is explained in the appended glossary.

<sup>1</sup> The calculation of ratios is explained in the appended glossary.



### 3.4 Net investment income of the Sava Re Group investment portfolio

#### *Consolidated net investment income of the Sava Re Group*

(€)	1–3/2013	Reinsurance business	Non-life insurance business	Life insurance business	Total
Deposits and money market instruments		367,841	528,554	96,985	993,380
Government bonds		1,214,620	487,620	124,899	1,827,139
Corporate bonds		896,216	204,947	33,835	1,134,998
Shares (excluding strategic shares)		129,126	3,180	-5,944	126,362
Mutual funds		12,088	1,593	9,909	23,590
Loans granted		0	106,721	2,788	109,510
Other		0	0	0	0
Deposits with cedants*		50,891	0	0	50,891
<b>Total net investment income</b>		<b>2,670,782</b>	<b>1,332,615</b>	<b>262,473</b>	<b>4,265,870</b>
Land and buildings		-74	10,537	217	10,681
Financial investments in associates		1,527,237	0	0	1,527,237
<b>Total net investment income excl. financing costs</b>		<b>4,197,945</b>	<b>1,343,153</b>	<b>262,690</b>	<b>5,803,788</b>
<b>Total net investment income incl. financing costs</b>		<b>3,887,928</b>	<b>1,234,155</b>	<b>256,654</b>	<b>5,378,737</b>

(€)	1–3/2012	Reinsurance business	Non-life insurance business	Life insurance business	Total
Deposits and money market instruments		469,791	703,415	129,039	1,302,245
Government bonds		332,818	490,442	158,267	981,527
Corporate bonds		933,964	205,822	53,189	1,192,976
Shares (excluding strategic shares)		-131,502	350,643	-14,043	205,098
Mutual funds		-271,267	3,947	11,185	-256,135
Loans granted		0	304,793	8,807	313,600
Other		0	4,484	0	4,484
Deposits with cedants*		17,922	0	0	17,922
<b>Total net investment income</b>		<b>1,351,726</b>	<b>2,063,547</b>	<b>346,445</b>	<b>3,761,718</b>
Land and buildings		-343	7,933	135	7,725
Financial investments in associates		995,461	0	0	995,461
<b>Total net investment income excl. financing costs</b>		<b>2,346,844</b>	<b>2,071,480</b>	<b>346,580</b>	<b>4,764,904</b>
<b>Total net investment income incl. financing costs</b>		<b>1,937,241</b>	<b>1,901,436</b>	<b>341,210</b>	<b>4,179,887</b>

\*Deposits with cedants comprise financial investments of reinsurers i.r.o. reinsurance contracts with cedants (retained premiums).

Net investment income does not include net investment income of policyholders who bear the investment risk of € 762,398(2012: € 1,238,313) as it has no effect on the income statement. This is because the mathematical provision of policyholders who bear the investment risk moves in line with this item.

The net investment income of the Sava Re Group including finance costs increased by € 1.2m year-on-year. Net investment income excluding financing costs was higher by € 1.0m.



Investment income in the first quarter 2013 increased compared to the first quarter 2012 especially with government bonds. The larger first quarter investment income on government bonds is a result of both the losses recognised on the sale of Greek government bonds in 2012 and the foreign currency translation gains on USD-denominated government bonds recognised in the first quarter 2013.

In addition to an improved net investment income from government bonds in the first quarter 2013, a better net investment income was achieved with financial investments in associates. This is due to the larger income generated by associates (especially Zavarovalnica Maribor), an improvement of € 0.6m (resulting from attribution of profits of € 1.5m and negative effect of change in fair value reserve of € 0.9m, both established in accounting for investments in equity-accounted associates).

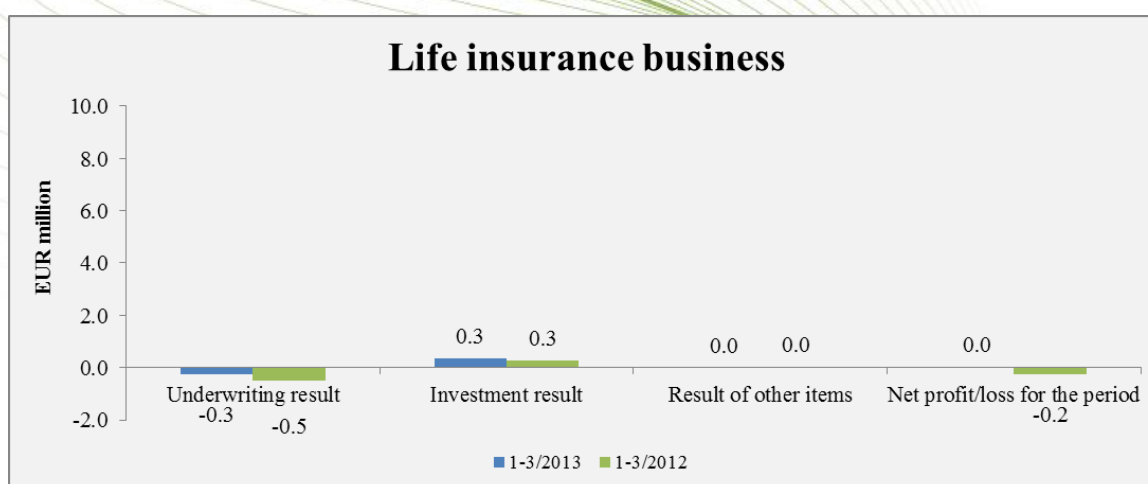
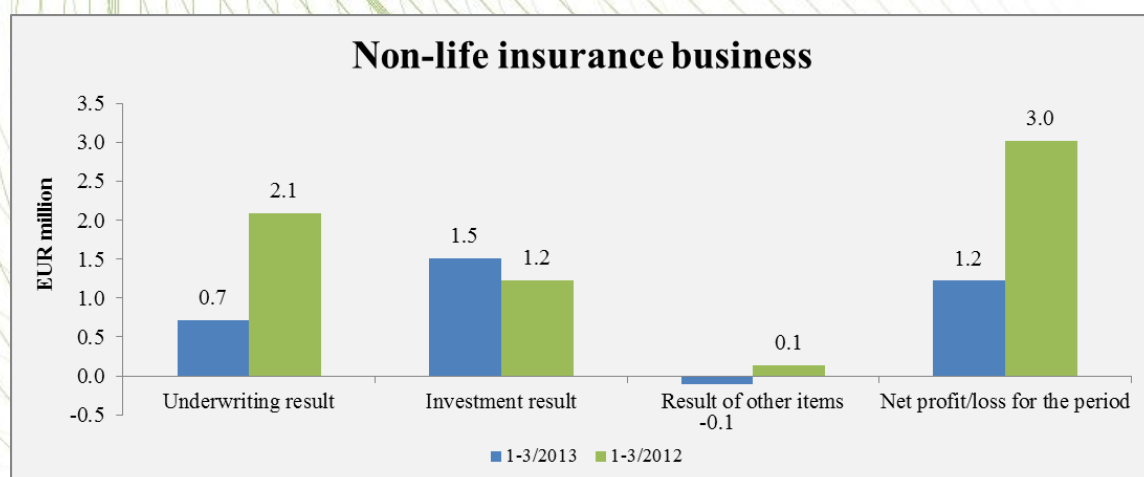
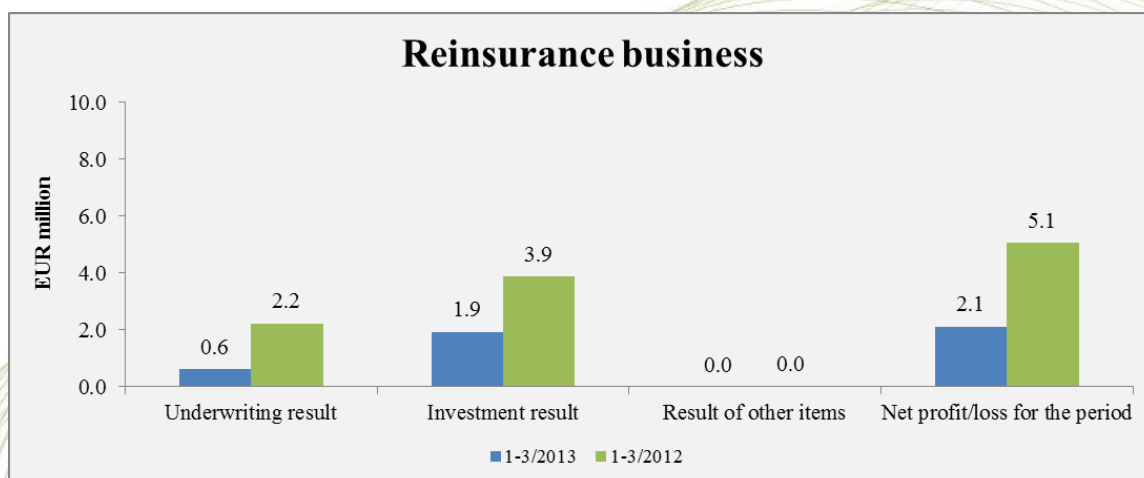
The net investment income also improved with mutual funds: a positive return was realised in the first quarter 2013, while in the first quarter 2012 mutual funds incurred impairment losses.

Deposits and money market instruments generated a lower investment income as a result of lower invested assets.



### 3.5 Segment reporting

The graphs below show consolidated results by operating segment.



Net unrealised gains and losses on investments of life insurance policyholders who bear the investment risk are included in the underwriting result, which also includes movements in mathematical provisions of policyholders who bear the investment risk.



### 3.6 Realisation of the 2013 budget

#### *Realisation of budgeted consolidated gross premiums written by operating segment*

(€ million)	1–3/2013	Plan 2013	%
Reinsurance business	44.9	90.4	49.7%
Non-life insurance business	37.5	254.2	14.8%
Life insurance business	3.4	73.6	4.7%
Total	85.8	418.2	20.5%

In the first quarter 2013, the Group realised 20.5% of the budgeted annual gross premiums written. The reason for such a modest share of realised premiums is because Zavarovalnica Maribor will be included in the consolidated statements only in the second quarter 2013. Sava Reinsurance Company considers that the premium growth target will be achieved by the end of the year.

The most significant ratios deviate from planned ones because Zavarovalnica Maribor was not included in the consolidated statements of the Sava Re Group in the first quarter. A clearer picture of how the budget is being realised will be revealed in subsequent quarters.

#### *Realisation of budgeted ratios*

	1–3/2013	Plan 2013	%
Net expense ratio	32.8%	31.0%	105.8
Net incurred loss ratio	58.9%	62.5%	94.2
Return on equity	4.5%	over 15%	-

The budgeted return on equity for 2013 is based on the assumption that a change in the fair value of the existing 48.68% share in Zavarovalnica Maribor of € 9m will be recognised.



## 4 FINANCIAL POSITION OF THE GROUP

### 4.1 Composition of assets and liabilities

At 31 March 2013, total assets of the Sava Re Group stood at € 686.4m, an increase of 7.1% over year-end 2012.

#### *Consolidated total assets by type*

(€)	31. 3. 2013	As % of total 31. 3. 2013	31. 12. 2012	As % of total 31.12.2012
ASSETS	686,376,845	100.0%	640,591,738	100.0%
Intangible assets	17,635,826	2.6%	17,767,943	2.8%
Property and equipment	24,430,340	3.6%	24,583,379	3.8%
Deferred tax assets	2,390,571	0.3%	1,929,136	0.3%
Investment property	5,145,390	0.7%	5,105,302	0.8%
Financial investments in associates	55,853,413	8.1%	55,265,651	8.6%
Financial investments	356,594,240	52.0%	350,245,812	54.7%
Funds for the benefit of policyholders who bear the investment risk	29,120,920	4.2%	27,623,903	4.3%
Reinsurers' share of technical provisions	42,061,986	6.1%	37,429,870	5.8%
Receivables	128,537,189	18.7%	99,025,730	15.5%
Deferred acquisition costs	18,892,691	2.8%	16,058,701	2.5%
Other assets	940,219	0.1%	1,146,698	0.2%
Cash and cash equivalents	4,428,819	0.6%	4,058,488	0.6%
Non-current assets held for sale	345,241	0.1%	351,125	0.1%

The largest part of assets were financial investments, which increased by 1.8% compared to end of 2012. This increase was driven by positive operating cash flow of € 5.4m.

The second largest asset item is receivables, which increased both in absolute terms – by 29.8% over 31 December 2012 – and also slightly as an asset type. This increase is due to timing factors in the controlling company (€ 24.1m of increase) where this item was largest in the first quarter: the first quarter is the largest in reinsurance premiums written in Slovenia; however, as premium due dates are after the close of the quarter, these premiums are recorded under receivables. Estimated premiums from abroad are also largest in the first quarter due to typical portfolio movements (about 80% of total premiums are written on 1 January), which is again reflected in receivables. The increase in receivables is not unusual and does not entail increased risks for bad debts as Sava Reinsurance Company only transacts business with legal entities (insurance and reinsurance companies) and there have been very few write-downs in the past. In the non-life insurance segment, which had also recorded an increase in receivables compared to end-of-2012, this increase is likewise related to the timing of policy underwriting for large policyholders.

Financial investments in associates accounted for 8.1% of assets, up by 1.1%. This item increased by € 0.6m compared to year-end 2012, resulting from attribution of profits of € 1.5m generated by associates Zavarovalnica Maribor and Moja naložba in the first quarter 2013 and the negative effect of change in fair value reserve of € 0.9m, both established in accounting for investments in equity-accounted associates.

Another item that changed by more than € 4m was the reinsurers' share of technical provisions, which increased by 12.4% or € 4.6m. The increase in retroceded unearned premiums by € 5.1m – as a result of ordinary movements in unearned premiums – affects both liabilities (gross unearned premiums) and assets (reinsurers' share of unearned premiums). Over 50% of the increase of this item relates to the change in unearned premiums in the controlling company. This item tends to decrease towards the end of the year.



### Consolidated liabilities by type

(€)	31. 3. 2013	As % of total 31. 3. 2013	31. 12. 2012	As % of total 31.12.2012
<b>EQUITY AND LIABILITIES</b>	<b>686,376,845</b>	<b>100.0%</b>	<b>640,591,738</b>	<b>100.0%</b>
Equity	175,376,264	25.6%	171,353,442	26.7%
Share capital	39,069,098	5.7%	39,069,098	6.1%
Capital reserves	25,352,645	3.7%	25,352,645	4.0%
Profit reserves	96,730,005	14.1%	96,925,773	15.1%
Treasury shares	-1,774	0.0%	-1,774	0.0%
Fair value reserve	-2,362,784	-0.3%	1,527,689	0.2%
Retained earnings	9,478,577	1.4%	4,016,817	0.6%
Net profit/loss for the period	8,072,504	1.2%	5,461,807	0.9%
Translation reserve	-2,894,823	-0.4%	-3,014,477	-0.5%
Subordinated liabilities	31,255,711	4.6%	31,244,573	4.9%
Technical provisions	384,527,571	56.0%	360,148,216	56.2%
Technical provision for the benefit of life insurance policyholders who bear the investment risk	28,421,790	4.1%	27,040,864	4.2%
Other provisions	1,360,472	0.2%	1,350,999	0.2%
Deferred tax liabilities	4,559	0.0%	3,498	0.0%
Other financial liabilities	9,390,015	1.4%	3,038,565	0.5%
Liabilities from operating activities	46,367,203	6.8%	36,638,022	5.7%
Other liabilities	9,673,260	1.4%	9,773,559	1.5%

The technical provisions item was the largest item of equity and liabilities; technical provisions grew by 6.8% compared to year-end 2012. Gross unearned premiums grew by € 23.7m. Typically unearned premiums are highest in the first quarter and gradually decrease towards the end of the year, which is a result of underwriting dynamics, especially for reinsurance contracts, which are mainly concluded at the beginning of the year.

The next largest item was equity, at 25.6%. The increase in equity of 2.3% is a result of movements in its components as follows:

- There was a decrease in the fair value reserve from € 1.5m at year-end 2012 to € -2.4m as a result of capital market trends, with most effects relating to the controlling company.
- Net profit for the year as recognised in equity was € 8.1m.

Liabilities from operating activities, which represented 6.8% of the liabilities side, increased by 26.6%, with the largest effect on the increase coming from the controlling company.

Another item that changed by more than € 4m is the "other financial liabilities" item, which increased by € 6.3m mostly because the controlling company raised a loan for € 5m in the first quarter 2013.



## 4.2 Financial investments of the Sava Re Group

The Sava Re Group followed a conservative investment policy in the third quarter 2013.

Owing to unstable capital market conditions and due to Solvency II requirements, the Company's investment policy continues to be oriented towards more secure and liquid investments with high credit ratings.

At 31 March 2013, the Sava Re Group portfolio totalled € 417.6m, an increase of € 7.0m since year-end 2012. This increase is a result of positive cash flows from insurance business and drawdowns from the credit line.

The share of deposits increased by € 7.3m or 7.3% as a result of larger drawdowns from the credit line, which increased by € 6.5m from year-end 2012. The credit line was utilised only temporary due to uncertainties about the new method for calculating the liability fund, i.e., assets covering technical provisions. As no conclusive clarifications have been received by the close of the quarter, we utilised the credit line for reasons of prudence. On the basis of conclusive data on the coverage at 31 March 2013, we established that there would have been a large excess of assets over technical provisions even without utilising the credit line, which is why we returned the loan at the beginning of April.

Bonds decreased by € 3.4m or 2.7% as some government bonds matured.

The corporate bond portfolio has an increased weighting in covered bonds and government-guaranteed corporate bonds, while the weighting in regular corporate bonds decreased (by € 4.5m or 6.7%).

In the reporting period, the Group reduced its equity holdings, while increasing mutual fund holdings by € 1.5m as a result of both additional investments in money market mutual funds and recognition of fair value gains.

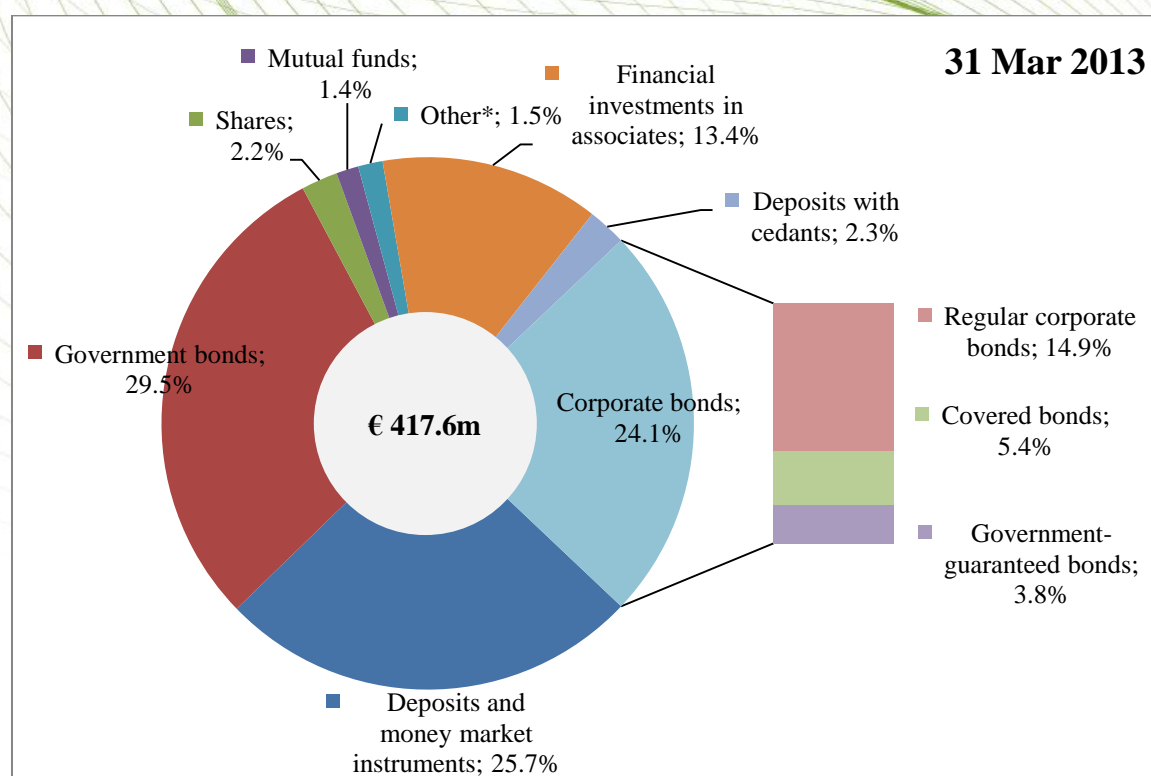
The increase in financial investments in associates (of 1.1% compared to 31 December 2012) is a result of the recognition of profits generated by both Zavarovalnica Maribor and Moja naložba using the equity method.



*Sava Re Group investment portfolio by operating segment at 31 March 2013 as compared to 31 December 2012*

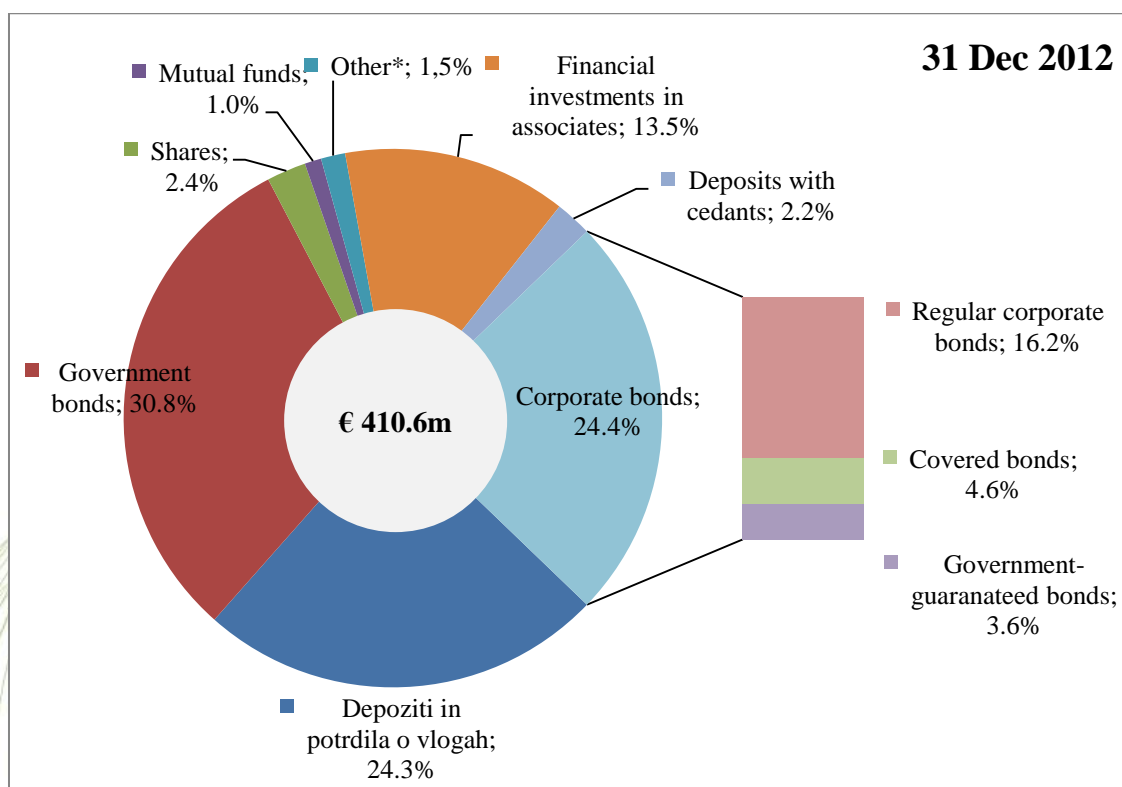
(€)	Reinsurance business 31.3.2013	Non-life insurance business 31.3.2013	Life insurance business 31.3.2013	Total 31.3.2013	Total 31.12.2012	Index 31.3.2013/ 31.12.2012
Deposits and money market instruments	42,419,722	54,477,130	10,353,178	107,250,030	99,972,269	107.3
Government bonds	69,834,553	43,088,284	10,199,826	123,122,662	126,476,058	97.3
Corporate bonds	78,715,127	18,238,835	3,742,439	100,696,401	100,105,813	100.6
<i>Regular corporate bonds</i>	<i>48,113,790</i>	<i>11,683,336</i>	<i>2,456,899</i>	<i>62,254,025</i>	<i>66,720,407</i>	<i>93.3</i>
<i>Covered bonds</i>	<i>19,340,524</i>	<i>2,084,777</i>	<i>1,035,879</i>	<i>22,461,180</i>	<i>18,734,971</i>	<i>119.9</i>
<i>Government-guaranteed bonds</i>	<i>11,260,813</i>	<i>4,470,722</i>	<i>249,661</i>	<i>15,981,196</i>	<i>14,650,435</i>	<i>109.1</i>
Shares	8,651,637	365,764	224,350	9,241,751	9,688,110	95.4
Mutual funds	3,115,636	1,479,794	1,060,514	5,655,944	4,102,974	137.8
Loans granted	833	493,387	280,647	774,867	824,605	94.0
Other	0	0	82,425	82,425	59,801	137.8
Deposits with cedants	9,770,156	0	0	9,770,156	9,016,183	108.4
<b>Total financial investments</b>	<b>212,507,664</b>	<b>118,143,194</b>	<b>25,943,378</b>	<b>356,594,236</b>	<b>350,245,814</b>	<b>101.8</b>
Land and buildings	155,670	5,045,267	163,661	5,145,389	5,105,301	100.8
Financial investments in associates	55,602,321	31,883	0	55,853,412	55,265,651	101.1
<b>Total</b>	<b>268,265,655</b>	<b>123,220,344</b>	<b>26,107,039</b>	<b>417,593,038</b>	<b>410,616,766</b>	<b>101.7</b>
Investments for the benefit of life-insurance policyholders who bear the investment risk	0	0	29,120,920	29,120,920	27,623,903	105.4
<b>Total</b>	<b>268,265,655</b>	<b>123,220,344</b>	<b>55,227,959</b>	<b>446,713,958</b>	<b>438,240,669</b>	<b>101.9</b>

*Structure of the investment portfolio*



\*The "other" item comprises loans, land and buildings, and other types of investment.





\*The "other" item comprises loans, land and buildings, and other types of investment.



### 4.3 Technical provisions of the Sava Re Group

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

#### *Movements in consolidated gross technical provisions (TP) by operating segment*

(€)	Reinsurance business		Non-life insurance business		Life insurance business	
	31. 3. 2013	31. 12. 2012	31. 3. 2013	31. 12. 2012	31. 3. 2013	31. 12. 2012
Gross unearned premiums	52,803,641	36,718,702	61,160,947	53,567,417	417,711	405,761
Gross mathematical provisions	0	0	0	0	18,148,372	17,767,312
Gross provision for claims	155,649,346	157,537,505	92,058,990	90,403,112	321,511	260,180
Other gross technical provisions	32,708	50,884	3,934,345	3,437,343	0	0
Total gross technical provisions	208,485,695	194,307,091	157,154,282	147,407,872	18,887,594	18,433,253
Gross technical provisions for the benefit of policyholders who bear the investment risk	0	0	0	0	28,421,790	27,040,864

Consolidated gross unearned premiums relating to the **reinsurance** segment increased by 43.8% compared to year-end 2012, which is ordinary interim movement as large risks are typically written on 1 January and unearned premiums for these risks are gradually reducing over the year. The consolidated gross provision for claims outstanding decreased by 1.2% as a consequence of claim payments made out of provisions.

Consolidated gross unearned premiums relating to non-life business increased by 14.2% compared to year-end 2012, while the consolidated gross provision for claims outstanding grew by 1.8%.

Consolidated gross unearned premiums relating to **life insurance** business increased by 2.9% compared to year-end 2012. The consolidated gross mathematical provision increased 2.1%, while the provision for the benefit of life insurance policyholders who bear the investment risk grew by 5.1%.

### 4.4 Capital adequacy

At 31 March 2013, Sava Reinsurance Company recorded a € 23.4m surplus of available solvency margin over the required solvency margin, with the solvency ratio at 198.3%. The ratio compares favourably with the ratios of other European reinsurers and ensures stable operations.

All Group companies met capital adequacy requirements at 31 March 2013.

### 4.5 Sources of finance and their maturities

At 31 March 2013, the Sava Re Group had € 175.4m of equity, € 31.2m of subordinated liabilities and € 9.4m of other financial liabilities. From the above, it is evident that debt accounted for 23.2% of equity (year-end 2012: 20%). Sava Reinsurance Company and other Group companies are planning to reduce the debt-to-equity ratio as equity will suffice for day-to-day operations of the Group.

The subordinate loan of € 31.2m taken out by Sava Reinsurance Company is scheduled to mature in 2026 and was intended to finance the Groups expansion to the Western Balkans.



At 31 March 2013, the controlling company's loans granted to its subsidiaries totalled € 7.2m (31 December 2012: € 7.2m).

#### 4.6 Cash flow

Net cash from operating activities totalled € 5.4m; net cash used in investing activities totalled € 11.2m and net cash from financing activities was € 6.2m. The net increase in cash and cash equivalents was thus € 0.4m.

#### 4.7 Credit rating

*Credit ratings of Sava Reinsurance Company*

	Standard & Poor's		A.M. Best	
	Rating <sup>2</sup>	Outlook	Rating <sup>3</sup>	Outlook
Sava Reinsurance Company	BBB+	negative	A-	stable

After its regular periodic rating review in March 2013, S&P elected to retain Sava Reinsurance Company on its negative watch list (CreditWatch with negative implications), intending to resolve the CreditWatch placement in the following three months. The Agency anticipated that by then the capital increase would be concluded, which would give S&P a clearer understanding of Sava Re's ability to acquire the remaining shares in Zavarovalnica Maribor from the Slovenian Restitution Fund.

<sup>2</sup> Standard & Poor's credit rating agency uses the following ratings to evaluate financial strength: AAA (extremely strong), AA (very strong), A (strong), BBB (adequate), BB (less vulnerable), B (more vulnerable), CCC (currently vulnerable), CC (highly vulnerable), R (under regulatory supervision), SD (selectively defaulted), D (defaulted), NR (not rated). Plus (+) or minus (-) following the credit rating from AA to CCC indicates the relative ranking within the major credit categories.

<sup>3</sup> A. M. Best uses the following credit rating categories to evaluate the financial strength: A++, A+ (superior), A, A- (excellent), B++, B+ (Good), B, B- (fair), C++, C+ (marginal), C, C- (weak), D (poor), E (under regulatory supervision), F (in liquidation), S (suspended).



## 5 PERSONNEL

*No. of employees in the Sava Re Group*

	31. 3. 2013	31. 12. 2012	Change
Zavarovalnica Tilia	362	350	12
Sava osiguranje	247	250	-3
Velebit osiguranje	168	165	3
Sava Montenegro	157	159	-2
Sava osiguruvanje	124	124	0
Illyria	98	96	2
Illyria Life	89	99	-10
Sava životno osiguranje	85	78	7
Velebit životno osiguranje	81	87	-5
Sava Reinsurance Company	76	70	6
Sava Car	16	14	2
<b>Total</b>	<b>1,502</b>	<b>1,490</b>	<b>12</b>

\*No. of employees on a full-time equivalent basis.



## **6 RISK MANAGEMENT**

### **6.1 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 will result 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 will be 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.

### **6.2 Financial risks**

In the course of their financial operations, individual Group companies are exposed to financial risks, such as market risk, liquidity risk and credit risk.

#### **6.2.1 Market risks**

Market risks include interest rate risk, equity securities risk and currency risk.

##### **6.2.1.1 Interest rate risk**

Interest rate risk is the risk of exposure to losses resulting from fluctuations in interest rates. These can cause a decrease in investments or an increase in liabilities.



Interest rate risk sensitivity is monitored by the Group 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.

In the first quarter of 2013, interest rate risk for non-life business continued decreasing due to the purchase of shorter-term bonds.

Interest rate risk in life business affects both mathematical provisions and the value of investments covering mathematical provisions. An increase in interest rates would result in a decrease in both the mathematical provision as well as in invested assets. An increase in invested assets would fully offset an increase in mathematical provisions only if maturities of liabilities and investments were fully matched.

We consider that interest rate risk on the Group level did not change significantly in the first quarter 2013 compared to the end of the prior year.

#### 6.2.1.2 Equity securities risk

Equity securities risk is the risk that the value of investments will decrease due to fluctuations in equity markets.

Equity securities risk is measured through a stress test assuming a 20-percent drop in equity prices. The value of the equity portfolio changes linearly with stock prices. Equity securities risk affects equities, equity mutual funds and mixed mutual funds (in stress tests, we include half of the amount).

To assess the Group's sensitivity of investments to equity securities risk, we assume a 20% drop in the value of all equity securities. At 31 March 2013, this would decrease the value of the Group portfolio by € 2.6m (31 December 2013: € 2.6m). Based on the results of the stress test, we consider that equity securities risk did not change from year-end 2012.

#### 6.2.1.3 Currency risk

Currency risk is the risk that changes in exchange rates will decrease the value of foreign-currency investments or increase liabilities denominated in foreign currencies.

At 31 March 2013, the Group had a deficit of assets relative to liabilities in euro of € 7.9m (31 December 2012: € 5.6m) and a surplus in MKD, HRK and RSD. The currency mismatch is mainly a result of eliminating intragroup business, investments and equity in the consolidation process.

The Group continues its investment policy of maintaining well-matched assets and liabilities in USD. Thus at 31 March 2013, the Group succeeded in matching its assets and liabilities in USD (31 December 2012: surplus of € 0.6m).

The Group recorded a deficit in certain currencies of assets relative to liabilities, in KRW in the amount of € 6.1m (31 December 2012: € 9.3m). The deficit is a result of an increased business volume of the controlling company in Asian markets. At 31 March 2013, the Group had a considerable deficit also with other currencies (several other currencies) of € 18.9m



(31 December 2012: € 17.9m). It is very difficult to match all these currencies as capital markets do not offer opportunities for maintaining liquid investments in these currencies.

### 6.2.2 Liquidity risk

Liquidity risk is the risk that an entity will not have sufficient liquid assets to meet its obligations as they fall due, and will have to sell its less liquid assets at an inopportune time or raise loans outside the schedule.

The Group mitigates liquidity risk by having Group companies draw up annual liquidity plans with daily planned cash-flows (investments, reinsurance, expenses). In addition, the Group avoids liquidity risk by diversifying the maturities of deposits, which serve to meet day-to-day liquidity needs. The bond portfolio consists mainly of highly liquid listed bonds. Sudden liquidity needs arising in any Group subsidiary could be met by the controlling company through short-term bridge loans. In the event of large losses, so-called cash call provisions in reinsurance contracts are triggered and provide for immediate payments in the chain cedant – controlling company – retrocessionaire. For extraordinary liquidity situations, the controlling company has arranged a credit line with a commercial bank in the total amount of € 5m.

We consider liquidity risk to be low in the first quarter 2013 and not substantially different from year-end 2012.

### 6.2.3 Credit risk

Credit risk is the risk that issuers or other counter-parties will fail to meet their obligations to the Group. The Group assesses concentration risk as part of credit risk.

In accordance with local legislations, implementing regulations and internal acts, Group members invest their cash surpluses only in (i) deposits with adequately performing banks (as per local credit rating standards), (ii) debt securities issued exclusively by entities with an adequate rating (if existing in local markets), and (iii) adequately liquid equity securities of companies with sufficient market capitalisation.

The Group is also exposed to credit risk in relation to its retrocession programme. As a rule, subsidiaries conclude reinsurance contracts directly with the controlling company, unless they are subject to localisation requirements. Even if this is the case, the subsidiary would still transfer at least part of its risk exposure to the controlling company so that the actual exposure of reinsurers to credit risk is smaller than the otherwise correctly reported one.

Retrocession programmes are mostly placed with first-class reinsurers with an adequate credit rating. This is at least A– according to Standard & Poor's for long-term business, and at least BBB+ for short-term business. Reinsurers rated A– or better accounted for over 80% of the credit risk exposure relating to reinsurers.

Given the large diversification and the low probability of default by reinsurers rated BBB+ or better, this part of credit risk is deemed to be low and substantially the same as in 2012.



Concentration risk is the risk that due to excessive concentration of investments in a geographic area, economic sector or issuer, unfavourable movements could result in a concurrent decrease in the value of investments.

The Group's investment portfolio is reasonably diversified in order to avoid large concentration of a certain type of investment, large concentration of a certain counterparty or industry or other potential forms of concentration. Thus assets are diversified by type of investment (e.g., time deposits, debt and equity securities, structured products, mutual funds), by maturity and by currency.

In terms of geography, the Group is most strongly exposed to Slovenia, while by industry, its largest exposure is to the banking sector and to government bonds. Concentration by geography and industry is related to investment types as the bulk of the investment portfolio consists of bank deposits and government bonds.

The largest single issuer of securities that the Group is exposed to is the Republic of Slovenia; at 31 March 2013 the Group's exposure was € 55.5m (31 December 2012: € 60.1m). The remaining portfolio is diversified between over 30 countries.

While we seek to decrease concentration risk by diversification, we are unable to neutralise the (global) systemic risk by diversification only, when all developments in capital markets are unfavourable.

### **6.3 Operational risk**

Operational risk includes human capital risk, management control risk, system risk, process risk and 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.

### **6.4 Exposure to risk until the end of 2013**

We expect that in the remaining nine 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 major increase in realised risks could be expected as a result of an increased frequency of storms with massive losses or as a result of unfavourable trends in financial markets.



## 6.5 Insolvency risk

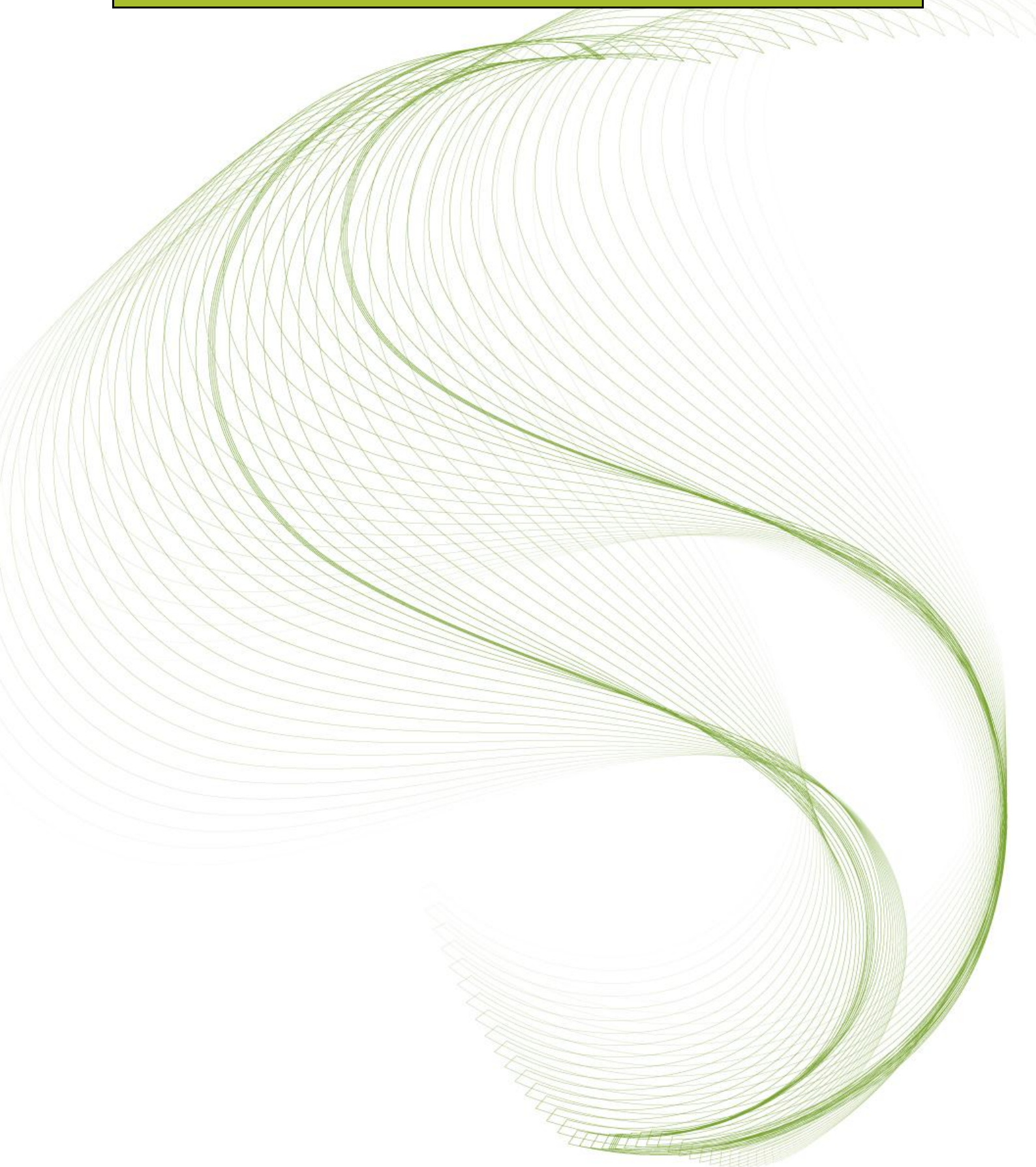
Sava Reinsurance Company meets capital adequacy requirements and so do all its subsidiary companies under local regulations. At 31 March 2013 Sava Reinsurance Company's surplus of available solvency margin over the required solvency margin was € 2.9m higher than at 31 December 2012. The available solvency margin exceeded by € 23.4m the required solvency margin of € 23.8m at the reporting date.

### *Statement of capital adequacy for Sava Reinsurance Company*

(€)		31. 3. 2013	31. 3. 2012
<b>CORE CAPITAL (Article 106 of the Slovenian Insurance Act (IA))</b>			
Paid-up share capital, other than paid-up share capital arising from cumulative preference shares, or initial capital	1	39,069,099	39,069,099
Capital reserves, other than capital reserves arising from cumulative preference shares	2	33,003,752	33,003,752
Profit reserves, other than the reserve for treasury shares and the reserves for credit and catastrophe risk equalisation	3	83,289,825	79,811,779
Net profit brought forward from previous years	4	12,717,998	7,915,508
Fair value reserve relating to assets not financed from technical provisions	5	-17,694	-213,470
Treasury shares and own interests	6	1,774	1,774
Intangible assets	7	139,176	175,779
<b>Core capital (1 + 2 + 3 + 4 + 5 – 6 – 7)</b>	8	167,922,030	159,409,115
<b>Guarantee fund</b>	9	7,941,876	7,941,876
<b>Compliance with Article 106 (4) of the IA (8 – 9)</b>	10	159,980,154	151,467,239
<b>ADDITIONAL CAPITAL (Article 107 of the IA)</b>			
Subordinated debt instruments	11	5,956,407	5,956,407
<b>Additional capital (11), however not more than 50% of the lower of core capital and required solvency margin</b>	12	5,956,407	5,956,407
<b>AVAILABLE SOLVENCY MARGIN AND STATEMENT OF CAPITAL ADEQUACY (Article 108 of the IA)</b>			
Total of core and additional capital (8 + 12)	13	173,878,437	165,365,522
Participations within the meaning of Article 108 (1), point 1 of the IA	14	125,239,868	118,124,536
Participations within the meaning of Article 108 (1), point 2 of the IA	15	1,390,000	2,902,404
<b>Available solvency margin of insurer (13 – 14 - 15)</b>	16	47,248,569	44,338,582
<b>Required solvency margin</b>	17	23,825,629	23,825,629
<b>Surplus/deficit of available solvency margin (16 – 17)</b>	18	23,422,940	20,512,953



# SUMMARY OF SAVA RE GROUP FINANCIAL STATEMENTS WITH NOTES









## 7 UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

### 7.1 Unaudited consolidated statement of financial position

(€)	31. 3. 2013	31. 12. 2012
<b>ASSETS</b>	<b>686,376,845</b>	<b>640,591,738</b>
Intangible assets	17,635,826	17,767,943
Property and equipment	24,430,340	24,583,379
Deferred tax assets	2,390,571	1,929,136
Investment property	5,145,390	5,105,302
Financial investments in associates	55,853,413	55,265,651
Financial investments:	356,594,240	350,245,812
- Loans and deposits	117,371,635	106,348,182
- Held to maturity	15,373,039	16,563,481
- Available for sale	220,297,150	224,279,160
- At fair value through profit or loss	3,552,416	3,054,989
Funds for the benefit of policyholders who bear the investment risk	29,120,920	27,623,903
Reinsurers' share of technical provisions	42,061,986	37,429,870
Receivables	128,537,189	99,025,730
Receivables arising out of primary insurance business	33,370,537	25,687,383
Receivables arising out of reinsurance and co-insurance business	75,843,165	54,479,304
Tax receivables	1,575,750	2,114,354
Other receivables	17,747,737	16,744,689
Deferred acquisition costs	18,892,691	16,058,701
Other assets	940,219	1,146,698
Cash and cash equivalents	4,428,819	4,058,488
Non-current assets held for sale	345,241	351,125
<b>EQUITY AND LIABILITIES</b>	<b>686,376,845</b>	<b>640,591,738</b>
Equity	175,376,264	171,353,442
Share capital	39,069,098	39,069,098
Capital reserves	25,352,645	25,352,645
Profit reserves	96,730,005	96,925,773
Treasury shares	-1,774	-1,774
Fair value reserve	-2,362,784	1,527,689
Retained earnings	9,478,577	4,016,817
Net profit/loss for the period	8,072,504	5,461,807
Translation reserve	-2,894,823	-3,014,477
Equity attributable to owners of the controlling company	173,443,450	169,337,580
Non-controlling interest in equity	1,932,815	2,015,862
Subordinated liabilities	31,255,711	31,244,573
Technical provisions	384,527,571	360,148,216
Unearned premiums	114,382,299	90,691,880
Mathematical provisions	18,148,372	17,767,312
Provision for outstanding claims	248,029,847	248,200,797
Other technical provisions	3,967,053	3,488,227
Technical provision for the benefit of life insurance policyholders who bear the investment risk	28,421,790	27,040,864
Other provisions	1,360,472	1,350,999
Deferred tax liabilities	4,559	3,498
Other financial liabilities	9,390,015	3,038,565
Liabilities from operating activities	46,367,203	36,638,022
Liabilities from primary insurance business	2,126,046	1,506,763
Liabilities from reinsurance and co-insurance business	43,835,018	34,951,358
Current income tax liabilities	406,138	179,900
Other liabilities	9,673,260	9,773,559



## 7.2 Unaudited consolidated income statement

(€)	1–3/2013	1–3/2012
<b>Net earned premiums</b>	<b>57,595,580</b>	<b>57,391,840</b>
Gross premiums written	85,841,763	92,378,003
Written premiums ceded to reinsurers and co-insurers	-9,735,212	-11,724,426
Change in net unearned premiums	-18,510,971	-23,261,737
<b>Income from investments in associates</b>	<b>1,527,450</b>	<b>995,642</b>
Profit from investments in equity-accounted associate companies	1,527,450	995,642
<b>Investment income</b>	<b>5,869,880</b>	<b>6,384,572</b>
Interest income	3,002,593	3,386,942
Other investment income	1,894,802	1,497,102
Net unrealised gains on investments of life insurance policyholders who bear the investment risk	972,485	1,500,528
<b>Other technical income</b>	<b>1,175,597</b>	<b>1,355,316</b>
Commission income	344,302	580,450
Other technical income	831,295	774,866
<b>Other income</b>	<b>275,320</b>	<b>136,852</b>
<b>Net claims incurred</b>	<b>-32,088,772</b>	<b>-35,444,747</b>
Gross claims paid less income from recourse receivables	-32,682,967	-29,041,002
Reinsurers' and co-insurers' share of claims paid	1,053,469	1,237,217
Change in the net provision for outstanding claims	-459,274	-7,640,962
<b>Change in other technical provisions</b>	<b>-529,958</b>	<b>-325,692</b>
<b>Change in technical provisions for policyholders who bear the investment risk</b>	<b>-1,444,389</b>	<b>-1,623,424</b>
<b>Expenses for bonuses and rebates</b>	<b>-99,148</b>	<b>-38,741</b>
<b>Operating expenses</b>	<b>-19,234,061</b>	<b>-19,012,283</b>
Acquisition costs	-11,498,174	-10,467,222
Other operating expenses	-7,735,887	-8,545,061
<b>Expenses for financial assets and liabilities</b>	<b>-1,259,625</b>	<b>-1,969,216</b>
Impairment losses on financial assets not at fair value through profit or loss	-49,829	-136,098
Interest expense	-331,431	-462,956
Other investment expenses	-668,278	-1,107,947
Net unrealised losses on investments of life insurance policyholders who bear the investment risk	-210,087	-262,215
<b>Other technical expenses</b>	<b>-2,392,027</b>	<b>-2,523,207</b>
<b>Other expenses</b>	<b>-94,420</b>	<b>-233,409</b>
Profit/loss before tax	9,301,427	5,093,504
<b>Income tax expense</b>	<b>-1,505,047</b>	<b>-1,403,029</b>
<b>Net profit/loss for the period</b>	<b>7,796,380</b>	<b>3,690,475</b>
<b>Net profit/loss attributable to equity holders of the controlling company</b>	<b>7,876,735</b>	<b>4,029,082</b>
<b>Net profit/loss attributable to non-controlling interests</b>	<b>-80,355</b>	<b>-338,607</b>
<b>Net diluted earnings/loss per share</b>	<b>0.84</b>	<b>0.43</b>



## 7.4 Unaudited consolidated statement of comprehensive income

(€)	1–3/2013			1–3/2012		
	Attributable to owners of the controlling company	Attributable to non-controlling interests	Total	Attributable to owners of the controlling company	Attributable to non-controlling interests	Total
<b>PROFIT/LOSS FOR THE PERIOD, NET OF TAX</b>	<b>7,876,735</b>	<b>-80,355</b>	<b>7,796,380</b>	<b>4,029,082</b>	<b>-338,607</b>	<b>3,690,475</b>
<b>OTHER COMPREHENSIVE INCOME, NET OF TAX</b>	<b>-3,770,820</b>	<b>-2,692</b>	<b>-3,773,512</b>	<b>6,927,222</b>	<b>13,843</b>	<b>6,941,063</b>
Net change in fair value of available-for-sale financial assets	-3,405,762	3,863	-3,401,900	7,239,479	9,784	7,249,262
Gains/losses recognised in fair value reserve	-3,236,759	3,863	-3,232,896	6,717,177	9,784	6,726,961
Net change transferred from fair value reserve to profit or loss	-169,003	0	-169,003	522,302	0	522,302
Net gains/losses attributable to the Group recognised in fair value reserve and retained profit/loss relating to investments in equity-accounted associate companies	-939,687	0	-939,687	1,561,828	0	1,561,828
Tax on other comprehensive income	454,976	-261	454,715	-1,445,459	-825	-1,446,284
Net gains/losses from translation of financial statements of non-domestic companies	119,654	-6,294	113,360	-428,626	4,884	-423,743
<b>COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX</b>	<b>4,105,914</b>	<b>-83,047</b>	<b>4,022,867</b>	<b>10,956,304</b>	<b>-324,764</b>	<b>10,631,536</b>
Attributable to owners of the controlling company	0	0	4,105,914	0	0	10,956,300
Attributable to non-controlling interests	0	0	-83,047	0	0	-324,764



## 7.5 Unaudited consolidated statement of cash flows

(€)		1-3/2013	1-3/2012
<b>A. Cash flows from operating activities</b>			
a.)	Items of the income statement	<b>28,321,401</b>	<b>29,533,745</b>
1.	Net premiums written	76,106,551	80,653,577
2.	Investment income (other than financial income), financed from:	2,795,987	2,990,440
	- technical provisions	2,697,762	2,533,685
	- other sources	98,225	456,755
3.	Other operating income (excl. revaluation income and releases from provisions) and financial income from operating receivables	1,450,917	1,492,168
4.	Net claims paid	-31,629,498	-27,803,785
5.	Expenses for bonuses and rebates	-99,148	111,445
6.	Net operating expenses excl. depreciation/amortisation and change in deferred acquisition costs	-15,383,720	-22,244,195
7.	Investment expenses (excluding depreciation/amortisation and financial expenses), financed from:	-928,194	-1,506,260
	- technical sources	-898,939	-429,299
	- other sources	-29,255	-1,076,961
8.	Other operating expenses excl. depreciation/amortisation (other than for revaluation and excl. additions to provisions)	-2,486,447	-2,756,616
9.	Tax on profit and other taxes not included in operating expenses	-1,505,047	-1,403,029
b.)	Changes in net operating assets (receivables for premium, other receivables, other assets and deferred tax assets/liabilities) of operating items of the statement of financial position	<b>-22,887,430</b>	<b>-25,206,848</b>
1.	Change in receivables from primary insurance	-7,683,154	-8,461,198
2.	Change in receivables from reinsurance	-21,363,861	-21,972,635
3.	Change in other receivables from re/insurance business	-103,745	-69,624
4.	Change in receivables and assets	-2,971,273	-927,786
5.	Change in deferred tax assets	-461,435	1,422,826
6.	Change in inventories	-16,939	-1,848
7.	Change in liabilities arising out of primary insurance	619,283	396,709
8.	Change in liabilities arising out of reinsurance business	8,883,659	4,240,446
9.	Change in other operating liabilities	256,082	413,244
10.	Change in other liabilities (except unearned premiums)	-47,108	-246,982
11.	Change in deferred tax liabilities	1,061	0
c.)	Net cash from/used in operating activities (a + b)	<b>5,433,971</b>	<b>4,326,897</b>
<b>B. Cash flows from investing activities</b>			
a.)	Cash receipts from investing activities	<b>97,865,671</b>	<b>134,755,426</b>
1.	Interest received from investing activities relating to:	3,002,593	3,386,941
	- investments financed from technical provisions	2,825,710	3,034,716
	- other investments	176,883	352,225
2.	Cash receipts from dividends and from participation in the profit of others, relating to:	71,300	1,002,833
	- investments financed from technical provisions	23,163	7,191
	- other investments	48,137	995,642
3.	Proceeds from sale of intangible assets, financed from:	9,317	46,963
	- other sources	9,317	46,963
4.	Proceeds from sale of property and equipment, financed from:	3,698	1,101,012
	- technical provisions	0	1,101,012
	- other sources	3,698	0
5.	Proceeds from sale of long-term financial investments, financed from:	30,456,468	34,009,358
	- technical provisions	13,796,933	26,929,432
	- other sources	16,659,535	7,079,926
6.	Proceeds from sale of short-term financial investments, financed from:	64,322,295	95,208,319
	- technical provisions	62,124,846	47,597,126
	- other sources	2,197,449	47,611,193
b.)	Cash disbursements in investing activities	<b>-109,097,882</b>	<b>-138,338,099</b>
1.	Purchase of intangible assets	-31,391	-64,678
2.	Purchase of property and equipment, financed from:	-142,818	-377,666
	- technical provisions	0	-40,038
	- other sources	-142,818	-337,628
3.	Purchase of long-term financial investments, financed from:	-32,541,550	-35,633,857
	- technical provisions	-38,093	-33,441,136
	- other sources	-32,503,457	-2,192,721
4.	Purchase of short-term financial investments, financed from:	-76,382,123	-102,261,898
	- technical provisions	-71,600,742	-88,170,634
	- other sources	-4,781,381	-14,091,264
c.)	Net cash from/used in investing activities (a + b)	<b>-11,232,211</b>	<b>-3,582,674</b>
<b>C. Cash flows from financing activities</b>			
a.)	Cash receipts from financing activities	<b>6,500,000</b>	<b>0</b>
3.	Proceeds from short-term borrowing	6,500,000	0
b.)	Cash disbursements in financing activities	<b>-331,431</b>	<b>-462,956</b>
1.	Interest paid	-331,431	-462,956
c.)	Net cash from/used in financing activities (a + b)	<b>6,168,569</b>	<b>-462,956</b>
<b>C2. Closing balance of cash and cash equivalents</b>		<b>4,428,819</b>	<b>4,991,719</b>
x.)	Net increase/decrease in cash and cash equivalents for the period (Ac + Bc + Cc)	<b>370,329</b>	<b>281,268</b>
<b>D. Opening balance of cash and cash equivalents</b>		<b>4,058,488</b>	<b>4,710,452</b>



## 7.6 Unaudited consolidated statement of changes in equity for the three months to 31 March 2013

(€)	I. Share capital	II. Capital reserves	III. Profit reserves					IV. Fair value reserve	V. Retained earnings	VI. Net profit/loss for the period	VII. Treasury shares (contra account)	VIII. Translation reserve	IX. Equity attributable to owners of the controlling company	X. Non-controlling interest in equity	Total equity (13 + 14)
			legal reserves and reserves provided for in the articles of association	reserve for treasury shares	reserves for credit risks	catastrophe equalisation reserve	other								
	1.	2.	3.	4.	5.	6.	7.	8.	9.	10.	11.	12.	13.	14.	15.
Opening balance in the financial period	39,069,099	25,352,645	16,677,980	1,774	753,026	9,950,193	69,542,800	1,527,689	4,016,817	5,461,807	-1,774	-3,014,477	169,337,580	2,015,862	171,353,442
Comprehensive income for the period, net of tax	0	0	0	0	0	0	0	-3,890,473	0	7,876,735	0	119,654	4,105,915	-83,047	4,022,867
Additions/uses of credit risk equalisation reserve and catastrophe equalisation reserve	0	0	0	0	-224,631	28,863	0	0	0	195,768	0	0	0	0	0
Transfer of profit	0	0	0	0	0	0	0	0	5,461,807	-5,461,807	0	0	0	0	0
Other	0	0	0	0	0	0	0	0	-48	0	0	0	-48	0	-48
Closing balance in the financial period	39,069,099	25,352,646	16,677,980	1,774	528,395	9,979,056	69,542,800	-2,362,784	9,478,577	8,072,504	-1,774	-2,894,823	173,443,449	1,932,815	175,376,264

## 7.7 Unaudited consolidated statement of changes in equity for the three months to 31 March 2012

(€)	I. Share capital	II. Capital reserves	III. Profit reserves					IV. Fair value reserve	V. Retained earnings	VI. Net profit/loss for the period	VII. Treasury shares (contra account)	VIII. Translation reserve	IX. Equity attributable to owners of the controlling company	X. Non-controlling interest in equity	Total equity (13 + 14)
			legal reserves and reserves provided for in the articles of association	reserve for treasury shares	reserves for credit risks	catastrophe equalisation reserve	other								
	1.	2.	3.	4.	5.	6.	7.	8.	9.	10.	11.	12.	13.	14.	15.
Opening balance in the financial period	39,069,099	25,417,397	16,673,828	1,774	745,290	7,996,935	64,825,254	-10,809,738	2,878,547	1,147,009	-1,774	-2,338,007	145,605,616	2,474,433	148,080,049
Comprehensive income for the period, net of tax	0	0	0	0	0	0	0	7,355,848	0	4,029,081	0	-428,627	10,956,301	-324,764	10,631,536
Additions/uses of credit risk equalisation reserve and catastrophe equalisation reserve	0	0	0	0	-172,760	30,708	0	0	0	142,052	0	0	0	0	0
Acquisition of non-controlling interests	0	0	0	0	0	0	0	0	580	0	0	0	580	211	791
Transfer of profit	0	0	0	0	0	0	0	0	1,147,009	-1,147,009	0	0	0	0	0
Closing balance in the financial period	39,069,099	25,417,397	16,673,828	1,774	572,530	8,027,643	64,825,254	-3,453,891	4,026,139	4,171,135	-1,774	-2,766,634	156,562,502	2,149,880	158,712,385



## **8 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

The selected notes to the financial statements for the three months to 31 March 2013 are significant to an understanding of the changes in financial position and performance of the Group in the first three months of 2013 as compared to both the first three months of 2012 and end-of-year 2012.

### **8.1 Overview of major accounting policies**

The 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 2012.

The financial statements with notes as at and for the three months to 31 March 2013 have not been audited.

The interim financial statements as at and for the three months to 31 March 2013 have been prepared following the same accounting policies and computation methods as in the annual financial statements for 2012.

### **8.2 Seasonality and cyclicalities of interim operations**

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

### **8.3 The nature and amount of unusual items**

There were no items unusual because of their nature, size or incidence that would affect assets, liabilities, equity, net profit or cash flows in the three months to 31 March 2013.

### **8.4 Issues, repurchases, and repayments of debt and equity securities**

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

### **8.5 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 three months to 31 March 2013, the Group recognised impairment losses on investments, mainly equities, of € 50k.



## 8.6 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<sup>4</sup> (Chief Operating Decision Maker) 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. All figures reviewed by CODM are included in the quarterly financial report submitted to the Management Board.

Operating segments include reinsurance business, non-life insurance business, life insurance business, and other. Performance of these segments is monitored based on different indicators, a common performance indicator for all segments being net profit, calculated in accordance with IFRSs.

The reinsurance and non-life insurance segments exceed the 10-percent threshold of total income, total assets and share in profit/loss, and are therefore presented separately. The life insurance 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.

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<sup>4</sup> CODM may refer to a person responsible for monitoring an operating segment or to a group of persons responsible for allocating resources, and monitoring and assessing performance. CODM is a function and not a title.



*Statement of financial position by operating segment – assets*

(€)	Reinsurance business		Non-life insurance business		Life insurance business		Other		Total	
	31. 3. 2013	31. 12. 2012	31. 3. 2013	31. 12. 2012	31. 3. 2013	31. 12. 2012	31. 3. 2013	31. 12. 2012	31. 3. 2013	31. 12. 2012
<b>ASSETS</b>	<b>396,279,625</b>	<b>367,940,913</b>	<b>224,755,418</b>	<b>209,558,843</b>	<b>62,122,375</b>	<b>59,839,087</b>	<b>3,219,427</b>	<b>3,252,893</b>	<b>686,376,845</b>	<b>640,591,738</b>
Intangible assets	14,761,701	14,771,840	1,538,358	1,634,893	261,184	280,234	1,074,583	1,080,976	17,635,826	17,767,943
Property and equipment	2,414,240	2,454,001	15,660,957	15,838,842	4,400,955	4,331,098	1,954,188	1,959,438	24,430,340	24,583,379
Deferred tax assets	2,292,059	1,900,320	60,103	0	38,409	28,816	0	0	2,390,571	1,929,136
Investment property	155,670	156,253	4,826,058	4,785,758	163,662	163,291	0	0	5,145,390	5,105,302
Financial investments in associates	55,602,321	55,014,558	251,093	251,093	0	0	-1	0	55,853,413	55,265,651
Financial investments:	212,507,664	208,205,429	118,096,049	116,755,667	25,943,381	25,284,716	47,146	0	356,594,240	350,245,812
- Loans and deposits	52,190,711	45,478,509	54,923,371	51,832,055	10,210,407	9,037,618	47,146	0	117,371,635	106,348,182
- Held to maturity	4,056,267	5,118,283	7,290,704	7,322,197	4,026,068	4,123,001	0	0	15,373,039	16,563,481
- Available for sale	155,167,073	157,019,599	54,524,034	56,244,977	10,606,043	11,014,584	0	0	220,297,150	224,279,160
- At fair value through profit or loss	1,093,613	589,038	1,357,940	1,356,438	1,100,863	1,109,513	0	0	3,552,416	3,054,989
Funds for the benefit of policyholders who bear the investment risk	0	0	0	0	29,120,920	27,623,903	0	0	29,120,920	27,623,903
Reinsurers' share of technical provisions	10,833,865	9,906,763	31,181,702	27,479,251	46,419	43,856	0	0	42,061,986	37,429,870
- From unearned premiums	-2,887,208	-4,267,138	12,284,576	8,523,784	26,514	23,527	0	0	9,423,882	4,280,173
- From mathematical provisions	0	0	0	0	117	175	0	0	117	175
- From provisions for claims outstanding	13,889,125	14,315,541	17,925,627	18,274,754	19,788	20,154	0	0	31,834,540	32,610,449
- From provisions for bonuses and rebates	-168,052	-141,640	168,057	141,640	0	0	0	0	5	0
- From other technical provisions	0	0	803,442	539,073	0	0	0	0	803,442	539,073
Receivables	87,036,322	66,337,124	40,504,890	31,827,463	954,398	720,669	41,579	140,474	128,537,189	99,025,730
- Receivables arising out of primary insurance business	0	0	33,012,880	25,357,563	357,657	329,820	0	0	33,370,537	25,687,383
- Receivables arising out of reinsurance and co-insurance business	74,795,092	53,767,568	1,048,073	711,176	0	560	0	0	75,843,165	54,479,304
- Tax receivables	1,307,210	1,840,414	268,540	273,940	0	0	0	0	1,575,750	2,114,354
- Other receivables	10,934,020	10,729,142	6,175,397	5,484,784	596,741	390,289	41,579	140,474	17,747,737	16,744,689
Deferred acquisition costs	9,742,492	7,917,639	9,094,178	7,949,404	56,021	191,658	0	0	18,892,691	16,058,701
Other assets	209,545	264,314	580,561	747,548	86,197	105,787	63,916	29,047	940,219	1,146,696
Cash and cash equivalents	723,746	1,012,672	2,616,228	1,948,311	1,050,829	1,054,547	38,016	42,958	4,428,819	4,058,488
Non-current assets held for sale	0	0	345,241	340,613	0	10,512	0	0	345,241	351,125



*Statement of financial position by operating segment – equity and liabilities*

(€)	Reinsurance business		Non-life insurance business		Life insurance business		Other		Total	
	31. 3. 2013	31. 12. 2012	31. 3. 2013	31. 12. 2012	31. 3. 2013	31. 12. 2012	31. 3. 2013	31. 12. 2012	31. 3. 2013	31. 12. 2012
<b>EQUITY AND LIABILITIES</b>	<b>488,839,987</b>	<b>455,303,441</b>	<b>155,909,204</b>	<b>145,476,989</b>	<b>44,278,927</b>	<b>42,345,774</b>	<b>-2,651,269</b>	<b>-2,534,464</b>	<b>686,376,845</b>	<b>640,591,738</b>
Equity	199,135,409	193,214,573	-15,754,588	-14,459,376	-5,317,098	-4,812,690	-2,687,459	-2,589,064	175,376,264	171,353,442
Share capital	39,069,099	39,069,099	0	0	-1	0	1	0	39,069,098	39,069,098
Capital reserves	25,689,938	25,689,938	0	0	4	4	-337,297	-337,297	25,352,645	25,352,645
Profit reserves	92,134,710	92,359,341	4,258,804	4,229,941	336,491	336,491	0	0	96,730,005	96,925,773
Treasury shares	-1,774	-1,774	0	0	0	0	0	0	-1,774	-1,774
Fair value reserve	-1,607,909	1,464,206	-338,639	208,009	-416,236	-144,526	0	0	-2,362,784	1,527,689
Retained earnings	36,925,506	30,253,712	-20,010,043	-20,155,571	-5,633,092	-4,264,106	-1,803,794	-1,817,218	9,478,577	4,016,817
Net profit/loss for the period	6,910,647	4,371,655	1,400,713	2,445,672	-219,877	-1,368,989	-18,979	13,469	8,072,504	5,461,807
Translation reserve	15,192	15,192	-1,572,988	-1,735,406	-809,637	-846,244	-527,390	-448,019	-2,894,823	-3,014,477
<i>Equity attributable to owners of the controlling company</i>	<i>199,135,409</i>	<i>193,221,369</i>	<i>-16,262,153</i>	<i>-15,007,355</i>	<i>-6,742,348</i>	<i>-6,287,370</i>	<i>-2,687,459</i>	<i>-2,589,065</i>	<i>173,443,449</i>	<i>169,337,580</i>
<i>Non-controlling interest in equity</i>	<i>0</i>	<i>0</i>	<i>507,565</i>	<i>537,994</i>	<i>1,425,250</i>	<i>1,477,868</i>	<i>0</i>	<i>0</i>	<i>1,932,815</i>	<i>2,015,862</i>
Subordinated liabilities	31,255,711	31,244,573	0	0	0	0	0	0	31,255,711	31,244,573
Technical provisions	208,485,695	194,307,091	157,154,282	147,407,872	18,887,594	18,433,253	0	0	384,527,571	360,148,216
- Unearned premiums	52,803,641	36,718,702	61,160,947	53,567,417	417,711	405,761	0	0	114,382,299	90,691,880
- Mathematical provisions	0	0	0	0	18,148,372	17,767,312	0	0	18,148,372	17,767,312
- Provision for outstanding claims	155,649,346	157,537,505	92,058,990	90,403,112	321,511	260,180	0	0	248,029,847	248,200,797
- Other technical provisions	32,708	50,884	3,934,345	3,437,343	0	0	0	0	3,967,053	3,488,227
Technical provision for the benefit of life insurance policyholders who bear the investment risk	0	0	0	0	28,421,790	27,040,864	0	0	28,421,790	27,040,864
Other provisions	328,361	324,745	924,801	919,290	107,310	106,964	0	0	1,360,472	1,350,999
Deferred tax liabilities	0	0	575	0	486	0	3,498	3,498	4,559	3,498
Other financial liabilities	5,000,692	205	3,218,929	2,368,228	1,170,000	670,000	394	132	9,390,015	3,038,565
Liabilities from operating activities	43,211,568	34,449,993	2,912,559	2,002,572	232,210	174,637	10,866	10,821	46,367,203	36,638,022
- Liabilities from primary insurance business	0	0	1,921,284	1,396,180	194,616	110,583	10,146	0	2,126,046	1,506,763
- Liabilities from reinsurance and co-insurance business	43,211,568	34,449,993	623,451	499,259	0	2,108	0	0	43,835,019	34,951,358
- Current income tax liabilities	0	0	367,824	117,234	37,594	61,946	720	720	406,138	179,900
Other liabilities	1,422,551	1,762,261	7,452,646	7,238,403	776,635	732,746	21,432	40,149	9,673,260	9,773,559



## Income statement by operating segment

(€)	Reinsurance business		Non-life insurance business		Life insurance business		Other		Total	
	1–3/2013	1–3/2012	1–3/2013	1–3/2012	1–3/2013	1–3/2012	1–3/2013	1–3/2012	1–3/2013	1–3/2012
<b>Net earned premiums (1)</b>	<b>24,226,220</b>	<b>25,046,100</b>	<b>29,943,117</b>	<b>28,940,473</b>	<b>3,426,243</b>	<b>3,405,267</b>	<b>0</b>	<b>0</b>	<b>57,595,580</b>	<b>57,391,839</b>
Gross premiums written	44,890,642	50,872,307	37,516,127	38,180,070	3,434,994	3,325,626	0	0	85,841,763	92,378,002
- of this third-party clients	44,890,642	50,872,307	37,516,127	38,180,070	3,434,994	3,325,626	0	0	85,841,763	92,378,002
Written premiums ceded to reinsurers and co-insurers	-9,020,448	-10,235,728	-714,323	-1,488,194	-441	-504	0	0	-9,735,212	-11,724,426
Change in net unearned premiums	-11,643,974	-15,590,479	-6,858,687	-7,751,403	-8,310	80,145	0	0	-18,510,971	-23,261,737
<b>Net claims incurred (2)</b>	<b>-13,697,968</b>	<b>-16,626,421</b>	<b>-17,069,453</b>	<b>-17,482,479</b>	<b>-1,321,351</b>	<b>-1,335,847</b>	<b>0</b>	<b>0</b>	<b>-32,088,772</b>	<b>-35,444,747</b>
Gross claims paid less income from subrogation receivables	-15,619,818	-13,172,229	-15,743,943	-14,506,675	-1,319,206	-1,362,098	0	0	-32,682,967	-29,041,002
Reinsurers' and co-insurers' shares	782,544	1,050,442	270,925	186,775	0	0	0	0	1,053,469	1,237,217
Change in the net provision for outstanding claims	1,139,306	-4,504,634	-1,596,435	-3,162,579	-2,145	26,251	0	0	-459,274	-7,640,962
<b>Change in other technical provisions (3)</b>	<b>0</b>	<b>0</b>	<b>-132,419</b>	<b>53,395</b>	<b>-397,539</b>	<b>-240,772</b>	<b>0</b>	<b>0</b>	<b>-529,958</b>	<b>-187,377</b>
<b>Change in the technical provision for policyholders who bear the investment risk (4)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-1,444,389</b>	<b>-1,761,739</b>	<b>0</b>	<b>0</b>	<b>-1,444,389</b>	<b>-1,761,739</b>
<b>Operating expenses (5)</b>	<b>-8,794,257</b>	<b>-8,154,007</b>	<b>-8,932,877</b>	<b>-9,275,024</b>	<b>-1,437,128</b>	<b>-1,520,755</b>	<b>-69,799</b>	<b>-62,498</b>	<b>-19,234,061</b>	<b>-19,012,283</b>
Depreciation/amortisation	-55,955	-50,376	0	-337,816	-45,557	-42,661	0	-4,142	-101,512	-434,995
<b>Other technical income (6)</b>	<b>725,941</b>	<b>758,228</b>	<b>428,430</b>	<b>584,453</b>	<b>21,226</b>	<b>12,635</b>	<b>0</b>	<b>10,401</b>	<b>1,175,597</b>	<b>1,365,717</b>
<b>Other technical expenses (7)</b>	<b>-252,185</b>	<b>-444,312</b>	<b>-2,027,694</b>	<b>-2,030,930</b>	<b>-112,148</b>	<b>-47,965</b>	<b>0</b>	<b>0</b>	<b>-2,392,027</b>	<b>-2,523,207</b>
<b>Income from investments in subsidiaries and associates (8)</b>	<b>1,527,450</b>	<b>995,642</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,527,450</b>	<b>995,642</b>
Shares of profit/loss in equity-accounted associates	1,527,450	995,642	0	0	0	0	0	0	1,527,450	995,642
<b>Investment income (9)</b>	<b>3,250,318</b>	<b>2,360,745</b>	<b>1,316,957</b>	<b>1,746,051</b>	<b>1,302,605</b>	<b>1,896,359</b>	<b>0</b>	<b>381,417</b>	<b>5,869,880</b>	<b>6,384,572</b>
- Interest income	1,457,267	1,814,077	1,272,057	1,314,979	273,269	255,702	0	2,184	3,002,593	3,386,942
<b>Expenses for financial assets and liabilities (10)</b>	<b>-889,840</b>	<b>-1,419,146</b>	<b>-85,716</b>	<b>-233,232</b>	<b>-283,545</b>	<b>-316,838</b>	<b>-524</b>	<b>0</b>	<b>-1,259,625</b>	<b>-1,969,216</b>
- Interest expense	-310,017	-409,603	-14,854	-43,688	-6,036	-9,665	-524	0	-331,431	-462,956
<b>Other income (11)</b>	<b>5,298</b>	<b>312</b>	<b>230,062</b>	<b>122,557</b>	<b>17,585</b>	<b>2,318</b>	<b>22,375</b>	<b>1,264</b>	<b>275,320</b>	<b>126,448</b>
<b>Expenses for bonuses and rebates (12)</b>	<b>18,176</b>	<b>35,535</b>	<b>-117,324</b>	<b>-74,275</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-99,148</b>	<b>-38,739</b>
<b>Other expenses (13)</b>	<b>0</b>	<b>0</b>	<b>-92,043</b>	<b>-231,909</b>	<b>-1,346</b>	<b>-1,499</b>	<b>-1,031</b>	<b>-1</b>	<b>-94,420</b>	<b>-233,408</b>
<b>A) Profit before tax (1+2+3+4+5+6+7+8+9+10+11+12+13)</b>	<b>6,119,153</b>	<b>2,552,676</b>	<b>3,461,040</b>	<b>2,119,080</b>	<b>-229,787</b>	<b>91,164</b>	<b>-48,979</b>	<b>330,583</b>	<b>9,301,427</b>	<b>5,093,503</b>
<b>B) Income tax expense</b>	<b>-1,051,118</b>	<b>-430,199</b>	<b>-437,247</b>	<b>-894,745</b>	<b>-16,682</b>	<b>-78,085</b>	<b>0</b>	<b>0</b>	<b>-1,505,047</b>	<b>-1,403,029</b>
<b>C) Net profit/loss for the period (A+B)</b>	<b>5,068,035</b>	<b>2,122,477</b>	<b>3,023,793</b>	<b>1,224,335</b>	<b>-246,469</b>	<b>13,079</b>	<b>-48,979</b>	<b>330,583</b>	<b>7,796,380</b>	<b>3,690,475</b>



*Inter-segment business*

(€)	Reinsurance business		Non-life insurance business		Life insurance business		Other		Consolidation		Total	
	1-3/2013	1-3/2012	1-3/2013	1-3/2012	1-3/2013	1-3/2012	1-3/2013	1-3/2012	1-3/2013	1-3/2012	1-3/2013	1-3/2012
Net earned premiums	8,091,030	7,911,406	101,136	36,420	0	0	0	0	-8,192,166	-7,947,826	0	0
Net claims incurred	-2,361,877	-2,179,133	-7,731	-1,299	0	0	0	0	2,369,608	2,180,432	0	0
Operating expenses	-1,472,722	-1,869,108	-35,848	-520,043	-11,952	-9,990	0	-3,647	1,520,522	2,402,788	0	0
Investment income	86,649	123,197	0	2,388	0	0	0	0	-86,649	-125,585	0	0
Other income	39,912	38,448	23,395	12,891	10	7	30,000	0	-93,317	-51,346	0	0



## **8.7 Notes to significant changes in the statement of financial position**

### **8.7.1 Financial investments in associates**

In the consolidated financial statements, investments in associate companies are accounted for using the equity method. The increase in investments is mainly due to the attribution of the profit of Zavarovalnica Maribor.

### **8.7.2 Financial investments**

Financial investments increased by € 6.3m in the first quarter 2013. Investments in deposits increased by € 11m, while available-for-sale investments decreased by € 4m. There was also a decrease in held-to-maturity investments, of € 1.2m, whereas investments at fair value through profit or loss increased by € 0.5m.

Pursuant to accounting policies, the Group recognised impairment losses of € 48,829.

### **8.7.3 Receivables**

Receivables increased by € 30m. The largest increase in receivables was recorded in receivables arising out of reinsurance and co-insurance. These include receivables due to the controlling company of € 21.3m. There was also an increase in receivables arising out of primary insurance business of € 7.6m.

Receivables are discussed in greater detail in section 4.1.

### **8.7.4 Technical provisions**

Technical provisions grew by € 24.4m. The largest increase was in unearned premiums (€ 23.7m).

Technical provisions are described in greater detail in sections 4.1 and 4.3.

### **8.7.5 Liabilities from operating activities**

Liabilities from operating activities increased by € 9.7m mainly due to the increase in liabilities arising out of reinsurance business (€ 8.9m).



## 9 BUSINESS COMBINATIONS

In the first quarter 2013, the controlling company paid € 0.4m for a capital increase in Sava životno osiguranje.

The recapitalisation in the above company did not change the proportion of holdings.

## 10 RELATED-PARTY DISCLOSURES

### Key management personnel

Fixed remunerations received by members of the Management Board in the three months to 31 March 2013 amounted to € 147,390 (1–3/2012: € 147,149), while bonuses and other income were € 5,435 (1–3/2012: € 8,902). No variable remunerations were paid out.

Remunerations paid to Supervisory Board members and members of the Supervisory Board Audit Committee in the three months of 2013 amounted to € 32,154 (1–3/2012: € 34,549).

#### *Remuneration paid to Management Board members in 1–3/2013*

(€)	Gross salary - fixed amount	Fringe benefits – insurance premium	Fringe benefits – use of company car	Total
Zvonko Ivanušič	39,840	1,556	1,020	42,416
Jošt Dolničar	35,850	1,287	1,122	38,259
Srečko Čebren	35,850	1,307	351	37,508
Mateja Treven	35,850	1,287	0	37,137
Total	147,390	5,435	2,493	155,318

#### *Liabilities to Management Board members*

(€)	31. 3. 2013
Zvonko Ivanušič	6,129
Jošt Dolničar	5,756
Srečko Čebren	5,622
Mateja Treven	5,790
Total	23,296



*Remuneration paid to members of the Supervisory Board and the Auditing Committee in 1–3/2013*

(€)	Position	Attendance fees	Remuneration for performing the function	Expenses reimbursed	Total
<b>Supervisory Board members</b>					
Branko Tomažič	Chairman of the Supervisory Board	825	4,875	619	6,319
Mateja Lovšin Herič	Deputy Chairman of the Supervisory Board	825	3,575	0	4,400
Slaven Mičković	Member of the SB	825	3,250	30	4,105
Gregor Hudobivnik	Member of the SB	825	3,250	30	4,105
Samo Selan	Member of the SB	275	524	0	799
Gorazd Andrej Kunstek	Member of the SB	550	2,481	0	3,031
Martin Albreht	Member of the SB	825	3,250	0	4,075
Total Supervisory Board members		4,950	21,205	678	26,833
<b>Auditing Committee members</b>					
Mateja Lovšin Herič	Chairman of the AC	440	1,219	0	1,659
Slaven Mičković	Member of the AC	440	812	0	1,252
Blanka Vezjak	external member of the AC	2,175	0	235	2,410
Total Auditing Committee members		3,055	2,031	235	5,321

*Liabilities to member of the Supervisory Board and Audit Committee*

(€)	31. 3. 2013
Branko Tomažič	1,712
Mateja Lovšin Herič	1,622
Slaven Mičković	1,433
Gregor Hudobivnik	1,053
Martin Albreht	1,053
Gorazd Andrej Kunstek	1,053
Blanka Vezjak	1,254
Total	9,179

**Transactions with associates**

*Receivables due from associates*

(€)		31. 3. 2013	31. 12. 2012
Receivables for premiums arising out of reinsurance assumed	gross	18,243,600	9,765,715
	allowance	0	0
	net	18,243,600	9,765,715
Total		18,243,600	9,765,715



*Liabilities to associates*

(€)	31. 3. 2013	31. 12. 2012
Liabilities for shares in reinsurance claims	8,775,823	8,981,556
Other short-term liabilities	3,857,490	2,518,631
<b>Total</b>	<b>12,633,313</b>	<b>11,500,187</b>

*Operating income from and expenses for associate companies*

(€)	1–3/2013	1–3/2012
Gross premiums written	16,541,001	19,198,971
Gross claims paid	-5,929,363	-5,966,139
Income from recourse receivables	165,326	240,962
Interest income	0	28,386
Acquisition costs	-3,054,894	-3,625,474
Additional pension insurance premiums	-16,226	-16,216
<b>Total</b>	<b>7,705,845</b>	<b>9,860,490</b>

*Investments in and receivables due from the state and companies that are majority state-owned*

(€)	31. 3. 2013	31. 12. 2012
Debt securities	63,223,241	60,618,154
Receivables for premiums arising out of reinsurance assumed from an associate company	18,248,285	9,765,715
<b>Total</b>	<b>81,471,526</b>	<b>70,383,869</b>

*Liabilities to the state and majority state-owned companies*

(€)	31. 3. 2013	31. 12. 2012
Liabilities for shares in reinsurance claims due to an associate	8,775,823	8,981,556
Other short-term liabilities to an associate company	3,857,490	2,518,631
<b>Total</b>	<b>12,633,313</b>	<b>11,500,187</b>

*Income from and expenses for majority state-owned companies*

(€)	1–3/2013	1–3/2012
Gross premiums written	16,541,001	19,198,971
Gross claims paid	-5,929,363	-5,966,139
Income from recourse receivables	165,326	240,962
Income from dividends	48,137	0
Interest income	567,405	676,043
Gains on disposal of securities	3,382,889	4,097
Acquisition costs	-3,054,894	-3,625,474
Additional pension insurance premiums	-16,226	-16,216
<b>Total</b>	<b>11,704,276</b>	<b>10,512,244</b>



## Transactions with Group companies

### *Investments in and amounts due from Group companies*

(€)		31. 3. 2013	31. 12. 2012
Debt securities and loans granted to Group companies	gross	7,190,000	7,190,000
	allowance	0	0
	net	7,190,000	7,190,000
Receivables for premiums arising out of reinsurance assumed	gross	12,720,172	9,349,100
	allowance	0	0
	net	12,720,172	9,349,100
Short-term receivables arising out of investments	gross	304,301	256,494
	allowance	0	0
	net	304,301	256,494
Other short-term receivables	gross	1,836	2,396
	allowance	0	0
	net	1,836	2,396
Short-term deferred acquisition costs	gross	2,215,308	1,810,591
	allowance	0	0
	net	2,215,308	1,810,591
<b>Total</b>		<b>22,431,617</b>	<b>18,608,581</b>

### *Liabilities to Group companies*

(€)	31. 3. 2013	31. 12. 2012
Liabilities for shares in reinsurance claims due to Group companies	2,770,261	2,409,388
Other liabilities due from co-insurance and reinsurance	2,553,288	1,559,107
Other short-term liabilities	3,130	1,662
<b>Total (excl. provisions)</b>	<b>5,326,679</b>	<b>3,970,157</b>

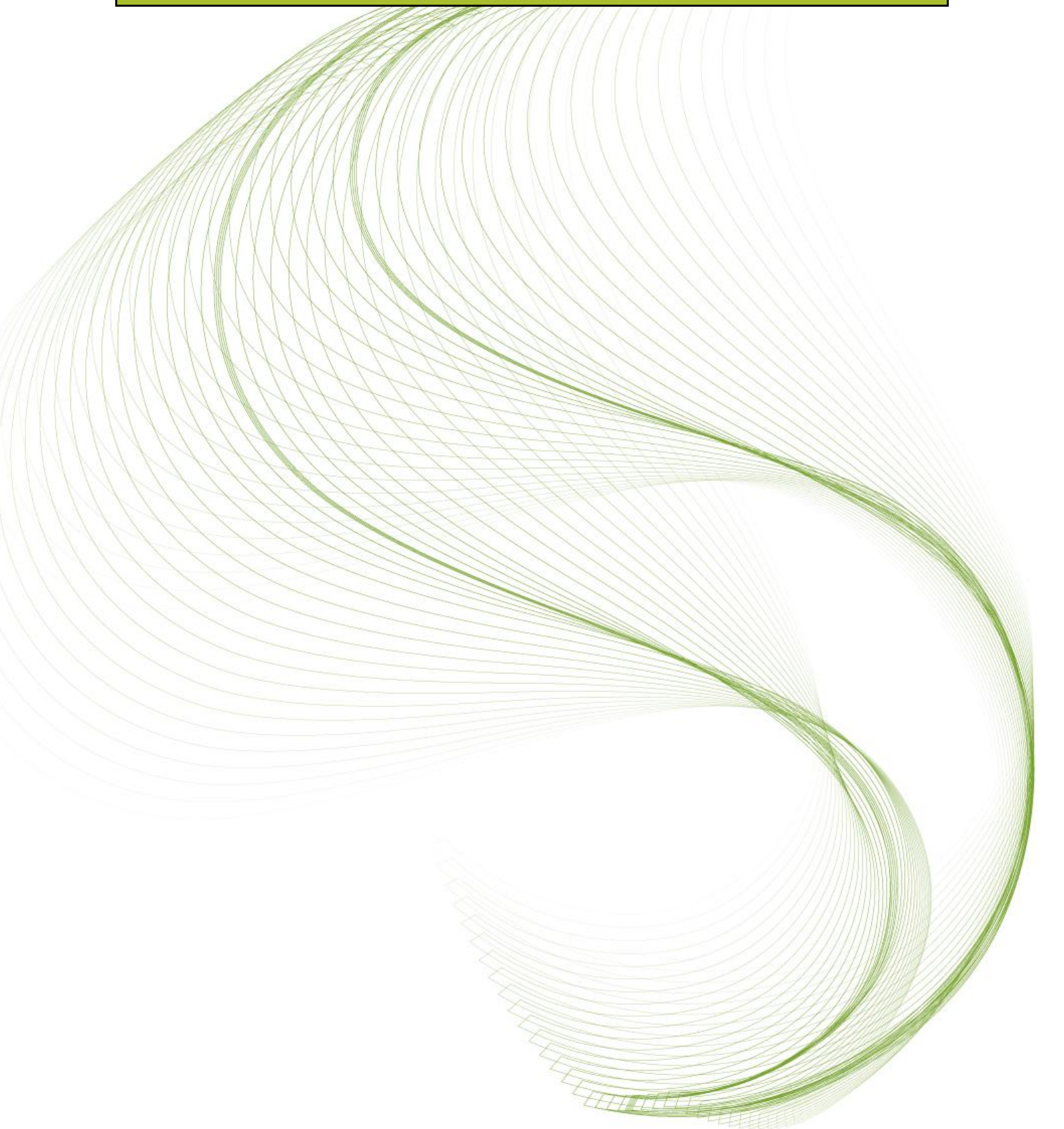
### *Intra-group transactions*

(€)	1–3/2013	1–3/2012
Gross premiums written	8,091,030	7,911,406
Gross claims paid	-2,450,905	-2,279,337
Income from recourse receivables	89,028	100,204
Other operating expenses	-23,397	-15,378
Other investment income	3,824	3,824
Interest income	82,825	119,373
Acquisition costs	-1,853,679	-2,254,406
Other non-life income	39,912	37,042
<b>Total</b>	<b>3,978,638</b>	<b>3,622,728</b>

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



**UNAUDITED SEPARATE FINANCIAL  
STATEMENTS OF  
SAVA REINSURANCE COMPANY**









## 11 UNAUDITED SEPARATE FINANCIAL STATEMENTS

### 11.1 Unaudited statement of financial position

(€)	31. 3. 2013	31. 12. 2012
<b>ASSETS</b>	<b>497,799,199</b>	<b>463,035,873</b>
<b>Intangible assets</b>	<b>139,176</b>	<b>149,315</b>
<b>Property and equipment</b>	<b>2,414,240</b>	<b>2,454,001</b>
<b>Deferred tax assets</b>	<b>2,292,059</b>	<b>1,900,320</b>
<b>Investment property</b>	<b>155,670</b>	<b>156,253</b>
<b>Financial investments in Group companies and in associates</b>	<b>124,360,762</b>	<b>123,936,431</b>
<b>Financial investments:</b>	<b>219,697,664</b>	<b>215,395,429</b>
- Loans and deposits	59,380,711	52,668,509
- Held to maturity	4,056,267	5,118,283
- Available for sale	155,167,073	157,019,599
- At fair value through profit or loss	1,093,613	589,038
<b>Reinsurers' share of technical provisions</b>	<b>35,785,906</b>	<b>32,093,794</b>
<b>Receivables</b>	<b>100,062,631</b>	<b>75,945,114</b>
Receivables arising out of reinsurance and co-insurance business	87,515,264	63,116,668
Tax receivables	1,307,210	1,840,414
Other receivables	11,240,157	10,988,032
<b>Deferred acquisition costs</b>	<b>11,957,800</b>	<b>9,728,230</b>
<b>Other assets</b>	<b>209,545</b>	<b>264,313</b>
<b>Cash and cash equivalents</b>	<b>723,746</b>	<b>1,012,672</b>
<b>EQUITY AND LIABILITIES</b>	<b>497,799,199</b>	<b>463,035,873</b>
<b>Equity</b>	<b>177,815,949</b>	<b>174,789,811</b>
Share capital	39,069,099	39,069,099
Capital reserves	33,003,753	33,003,753
Profit reserves	92,134,710	92,359,341
Treasury shares	-1,774	-1,774
Fair value reserve	-4,491,034	-2,358,606
Retained earnings	12,717,998	7,915,508
Net profit/loss for the period	5,383,197	4,802,490
<b>Subordinated liabilities</b>	<b>31,255,711</b>	<b>31,244,573</b>
<b>Technical provisions</b>	<b>233,437,736</b>	<b>216,494,122</b>
Unearned premiums	63,196,765	44,050,792
Provision for outstanding claims	170,040,211	172,250,806
Other technical provisions	200,760	192,524
<b>Other provisions</b>	<b>328,361</b>	<b>324,745</b>
<b>Other financial liabilities</b>	<b>5,000,645</b>	<b>212</b>
<b>Liabilities from operating activities</b>	<b>48,535,117</b>	<b>38,418,488</b>
Liabilities from reinsurance and co-insurance business	48,535,117	38,418,488
<b>Other liabilities</b>	<b>1,425,680</b>	<b>1,763,922</b>



## 11.2 Unaudited income statement

(€)	1–3/2013	1–3/2012
<b>Net earned premiums</b>	<b>29,256,215</b>	<b>30,288,515</b>
Gross premiums written	52,981,672	58,783,712
Written premiums ceded to reinsurers and co-insurers	-9,020,448	-10,235,728
Change in net unearned premiums	-14,705,009	-18,259,469
<b>Investment income</b>	<b>3,336,967</b>	<b>2,483,944</b>
Interest income	1,540,092	1,933,451
Other investment income	1,796,875	550,493
<b>Other technical income</b>	<b>764,924</b>	<b>795,271</b>
Commission income	328,519	503,115
Other income	436,405	292,156
<b>Other income</b>	<b>6,227</b>	<b>1,718</b>
<b>Net claims incurred</b>	<b>-15,737,409</b>	<b>-19,536,875</b>
Gross claims paid less income from recourse receivables	-17,981,695	-15,351,362
Reinsurers' and co-insurers' share of claims paid	782,544	1,050,442
Change in the net provision for outstanding claims	1,461,742	-5,235,955
<b>Expenses for bonuses and rebates</b>	<b>-8,236</b>	<b>-8,040</b>
<b>Operating expenses</b>	<b>-10,266,979</b>	<b>-10,023,115</b>
Acquisition costs	-8,659,309	-8,442,819
Other operating expenses	-1,607,670	-1,580,296
<b>Expenses for financial assets and liabilities</b>	<b>-889,840</b>	<b>-1,419,147</b>
Impairment losses on financial assets not measured at fair value through profit or loss	-35,002	-133,113
Interest expenses	-310,017	-409,604
Diverse other expenses	-544,821	-876,431
<b>Other technical expenses</b>	<b>-252,185</b>	<b>-444,313</b>
<b>Profit/loss before tax</b>	<b>6,209,684</b>	<b>2,137,958</b>
<b>Income tax expense</b>	<b>-1,051,118</b>	<b>-430,199</b>
<b>Net profit/loss for the period</b>	<b>5,158,566</b>	<b>1,707,759</b>
<b>Net diluted earnings/loss per share</b>	<b>0.55</b>	<b>0.18</b>



### 11.3 Consolidated statement of comprehensive income

(€)	1–3/2013	1–3/2012
<b>PROFIT/LOSS FOR THE PERIOD, NET OF TAX</b>	<b>5,158,566</b>	<b>1,707,759</b>
<b>OTHER COMPREHENSIVE INCOME, NET OF TAX</b>	<b>-2,132,428</b>	<b>4,647,688</b>
<b>Net change in fair value of available-for-sale financial assets</b>	<b>-2,518,497</b>	<b>5,809,610</b>
Gains/losses recognised in fair value reserve	-2,349,494	5,287,688
Net change transferred from fair value reserve to profit or loss	-169,003	521,922
<b>Tax on other comprehensive income</b>	<b>386,069</b>	<b>-1,161,921</b>
<b>COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX</b>	<b>3,026,138</b>	<b>6,355,447</b>



#### 11.4 Unaudited statement of changes in equity for the three months to 31 March 2013

(€)	I. Share capital	II. Capital reserves	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	reserves for credit risks	catastrophe equalisation reserve	other					
	1.	2.	3.	4.	5.	6.	7.	8.	9.	10.	11.	12.
Opening balance in the financial period	39,069,099	33,003,752	14,986,525	1,774	753,026	8,314,716	68,303,300	-2,358,606	7,915,508	4,802,490	-1,774	174,789,811
Comprehensive income for the period, net of tax	0	0	0	0	0	0	0	-2,132,428	0	5,158,566	0	3,026,137
Additions/uses of credit risk equalisation reserve and catastrophe equalisation reserve	0	0	0	0	-224,631	0	0	0	0	224,631	0	0
Transfer of profit	0	0	0	0	0	0	0	0	4,802,490	-4,802,490	0	0
Closing balance in the financial period	39,069,099	33,003,752	14,986,525	1,774	528,395	8,314,716	68,303,300	-4,491,034	12,717,998	5,383,197	-1,774	177,815,949
Distributable profit	0	0	0	0	0	0	0	0	12,717,998	5,383,197	0	18,101,195

#### 11.5 Unaudited statement of changes in equity for the three months to 31 March 2012

(€)	I. Share capital	II. Capital reserves	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	reserves for credit risks	catastrophe equalisation reserve	other					
	1.	2.	3.	4.	5.	6.	7.	8.	9.	10.	11.	12.
Opening balance in the financial period	39,069,099	33,003,752	14,986,525	1,774	745,290	6,998,007	64,825,254	-9,088,910	3,596,862	4,318,646	-1,774	158,454,526
Comprehensive income for the period, net of tax	0	0	0	0	0	0	0	4,647,688	0	1,707,759	0	6,355,447
Additions/uses of credit risk equalisation reserve and catastrophe equalisation reserve	0	0	0	0	-172,760	0	0	0	0	172,760	0	0
Transfer of profit	0	0	0	0	0	0	0	0	4,318,646	-4,318,646	0	0
Closing balance in the financial period	39,069,099	33,003,752	14,986,525	1,774	572,530	6,998,007	64,825,254	-4,441,222	7,915,508	1,880,519	-1,774	164,809,973
Distributable profit	0	0	0	0	0	0	0	0	7,915,508	1,880,519	0	9,796,027



## 11.6 Unaudited statement of cash flows

(€)		1-3/2013	1-3/2012
<b>A. Cash flows from operating activities</b>			
a.)	<b>Items of the income statement</b>	<b>14,516,507</b>	<b>20,882,904</b>
	Net premiums written	43,961,224	48,547,984
	Investment income (other than financial income), financed from:	1,725,575	550,493
	- technical provisions	1,630,785	541,764
	- other sources	94,790	8,729
	Other operating income (excl. revaluation income and releases from provisions) and financial income from operating receivables	771,151	796,988
	Net claims paid	-17,199,151	-14,300,920
	Expenses for bonuses and rebates	-8,236	-8,040
	Net operating expenses excl. depreciation/amortisation and change in deferred acquisition costs	-12,886,515	-12,820,713
	Investment expenses (excluding depreciation/amortisation and financial expenses), financed from:	-544,238	-1,008,377
	- technical sources	-542,426	-881,344
	- other sources	-1,812	-127,033
	Other operating expenses excl. depreciation/amortisation (other than for revaluation and excl. additions to provisions)	-252,185	-444,313
	Tax on profit and other taxes not included in operating expenses	-1,051,118	-430,199
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>-15,516,656</b>	<b>-18,915,806</b>
	Change in receivables from reinsurance	-25,419,584	-25,445,427
	Change in receivables and assets	366,447	-10,575
	Change in deferred tax assets	-391,739	1,135,299
	Change in liabilities arising out of reinsurance business	10,266,029	5,535,872
	Change in other operating liabilities	-254,154	-208,796
	Change in other liabilities (except unearned premiums)	-83,655	77,820
	Change in deferred tax liabilities	0	0
c.)	<b>Net cash from/used in operating activities (a + b)</b>	<b>-1,000,148</b>	<b>1,967,099</b>
<b>B. Cash flows from investing activities</b>			
a.)	<b>Cash receipts from investing activities</b>	<b>53,584,155</b>	<b>87,820,612</b>
	Interest received from investing activities relating to:	1,540,092	1,933,451
	- investments financed from technical provisions	1,294,240	1,512,807
	- other investments	245,852	420,644
	Cash receipts from dividends and from participation in the profit of others, relating to:	71,300	0
	- investments financed from technical provisions	23,163	0
	- other investments	48,137	0
	Proceeds from sale of long-term financial investments, financed from:	30,441,143	38,399,340
	- technical provisions	13,781,608	31,830,859
	- other sources	16,659,535	6,568,481
	Proceeds from sale of short-term financial investments, financed from:	21,531,620	47,487,821
	- technical provisions	19,857,620	40,919,661
	- other sources	1,674,000	6,568,160
b.)	<b>Cash disbursements in investing activities</b>	<b>-57,138,584</b>	<b>-86,936,355</b>
	Purchase of intangible assets	-3,688	0
	Purchase of property and equipment, financed from:	-2,368	-96,215
	- other sources	-2,368	-96,215
	Purchase of long-term financial investments, financed from:	-32,461,078	-35,264,237
	- technical provisions	0	-33,071,631
	- other sources	-32,461,078	-2,192,606
	Purchase of short-term financial investments, financed from:	-24,671,450	-51,575,903
	- technical provisions	-20,878,450	-43,779,270
	- other sources	-3,793,000	-7,796,633
c.)	<b>Net cash from/used in investing activities (a + b)</b>	<b>-3,554,430</b>	<b>884,257</b>
<b>C. Cash flows from financing activities</b>			
a.)	<b>Cash receipts from financing activities</b>	<b>5,000,000</b>	<b>0</b>
	Proceeds from short-term borrowing	5,000,000	0
b.)	<b>Cash disbursements in financing activities</b>	<b>-734,348</b>	<b>-2,847,161</b>
	Interest paid	-310,017	-409,604
	Repayment of short-term financial liabilities	-424,331	-2,437,557
c.)	<b>Net cash from/used in financing activities (a + b)</b>	<b>4,265,652</b>	<b>-2,847,161</b>
C2.	<b>Closing balance of cash and cash equivalents</b>	<b>723,746</b>	<b>158,108</b>
x.)	<b>Net increase/decrease in cash and cash equivalents for the period (Ac + Bc + Cc)</b>	<b>-288,926</b>	<b>4,195</b>
D.	<b>Opening balance of cash and cash equivalents</b>	<b>1,012,672</b>	<b>153,913</b>



## 11.7 Earnings per share

The weighted average number of shares outstanding in the financial period was 9,362,309.

### *Net earnings/loss per share*

(€)	31. 3. 2013	31. 3. 2012
Net profit/losses for the period	5,158,566	1,707,759
Weighted number of shares outstanding	9,362,309	9,362,309
<b>Net earnings/loss per share</b>	<b>0.55</b>	<b>0.18</b>

### *Comprehensive income per share*

(€)	31. 3. 2013	31. 3. 2012
Comprehensive income	3,026,138	6,355,447
Weighted number of shares outstanding	9,362,309	9,362,309
<b>Comprehensive income per share</b>	<b>0.32</b>	<b>0.68</b>



# APPENDIX









## Appendix – Glossary of selected terms and computation methods for indicators

<b>Administrative expense ratio</b>
The ratio of operating expenses net of acquisition costs and change in deferred acquisition costs as a percentage of gross premiums written.
<b>Associate</b>
An entity over which the investor has significant influence (the power to participate in the financial and operating policy decisions) and that is neither a subsidiary nor an interest in a joint venture.
<b>Capital fund</b>
Assets representing the capital of the Company.
<b>Cedant, cede, cession</b>
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.
<b>Claims incurred</b>
Claims paid in the period (including loss adjustment expenses) gross of the change in the provision for outstanding claims and net of recourse receivables in the period. Gross/net – before/after deduction of reinsurance.
<b>Claims paid</b>
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.
<b>Combined ratio</b>
Calculated using the S&P computation method: ratio of total expenses net of investment expenses as a percentage of total income net of investment income.
<b>Composite insurer</b>
Insurer that writes both life and non-life business.
<b>Excess of loss reinsurance</b>
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 the specified currency amount or "retention".
<b>Expense ratio (net)</b>
The ratio of operating expenses, net of commission income, as a percentage of (net) earned premiums
<b>Facultative reinsurance</b>
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.
<b>Expense ratio (gross)</b>
The ratio of operating expenses as a percentage of (gross) premiums written.
<b>Gross/net</b>
In insurance terminology, the terms gross and net usually denote figures before and after deduction of reinsurance.
<b>Guarantee fund</b>
One third of the required solvency margin.
<b>IBNR - provision for claims that are Incurred But Not Reported.</b>
<b>IBNER – provision for claims that are Incurred But Not Enough Reported</b>
<b>RBNS – provision for claims that are Reported But Not Settled</b>
<b>Insurance density</b>
The ratio of gross premiums written as a percentage of the number of inhabitants.
<b>Insurance penetration</b>
The ratio of gross premiums written as a percentage of gross domestic product.
<b>Liability fund</b>
Assets covering technical provisions.
<b>Life insurance liability fund</b>
Assets covering mathematical provisions.
<b>Loss ratio, incurred / "Loss ratio"</b>
The net incurred loss ratio is calculated as net claims incurred gross of change in other technical provisions as a percentage of net premiums earned Gross incurred loss ratio = gross claims incurred / gross premiums earned
<b>Non-proportional reinsurance (excess reinsurance)</b>
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



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exceeding that amount is paid by the reinsurer.

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**Loss ratio, paid**

The ratio of (gross/net) claims paid as a percentage of (gross/net) premiums written.

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**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.

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**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.

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**Primary insurer**

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

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**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.

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**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.

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**Retention ratio**

Ratio of net premiums written as a percentage of gross premiums written.

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**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.

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**Return on equity (ROE)**

The ratio of net profit for the period as a percentage of average equity in the period.

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**Retrocession**

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

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**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.

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**Solvency ratio**

The ratio of the available solvency margin as a percentage of the required solvency margin.

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**Subsidiary entity**

An entity that is controlled by another entity.

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**Underwriting result**

Profit or loss realised from insurance operations as opposed to that realised from investments or other items.

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**Unearned premiums**

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.

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## ***DECLARATION OF THE MANAGEMENT BOARD***

"To the best of our knowledge, and in accordance with the International Financial Reporting Standards, the summary financial report gives 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 for the three months to 31 March 2013."

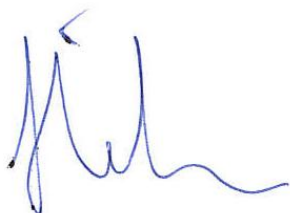
Zvonko Ivanušič, Chairman of the Management Board



Jošt Dolničar, Member of the Management Board



Srečko Čebren, Member of the Management Board



Mateja Treven, Member of the Management Board



Ljubljana, 20 May 2013