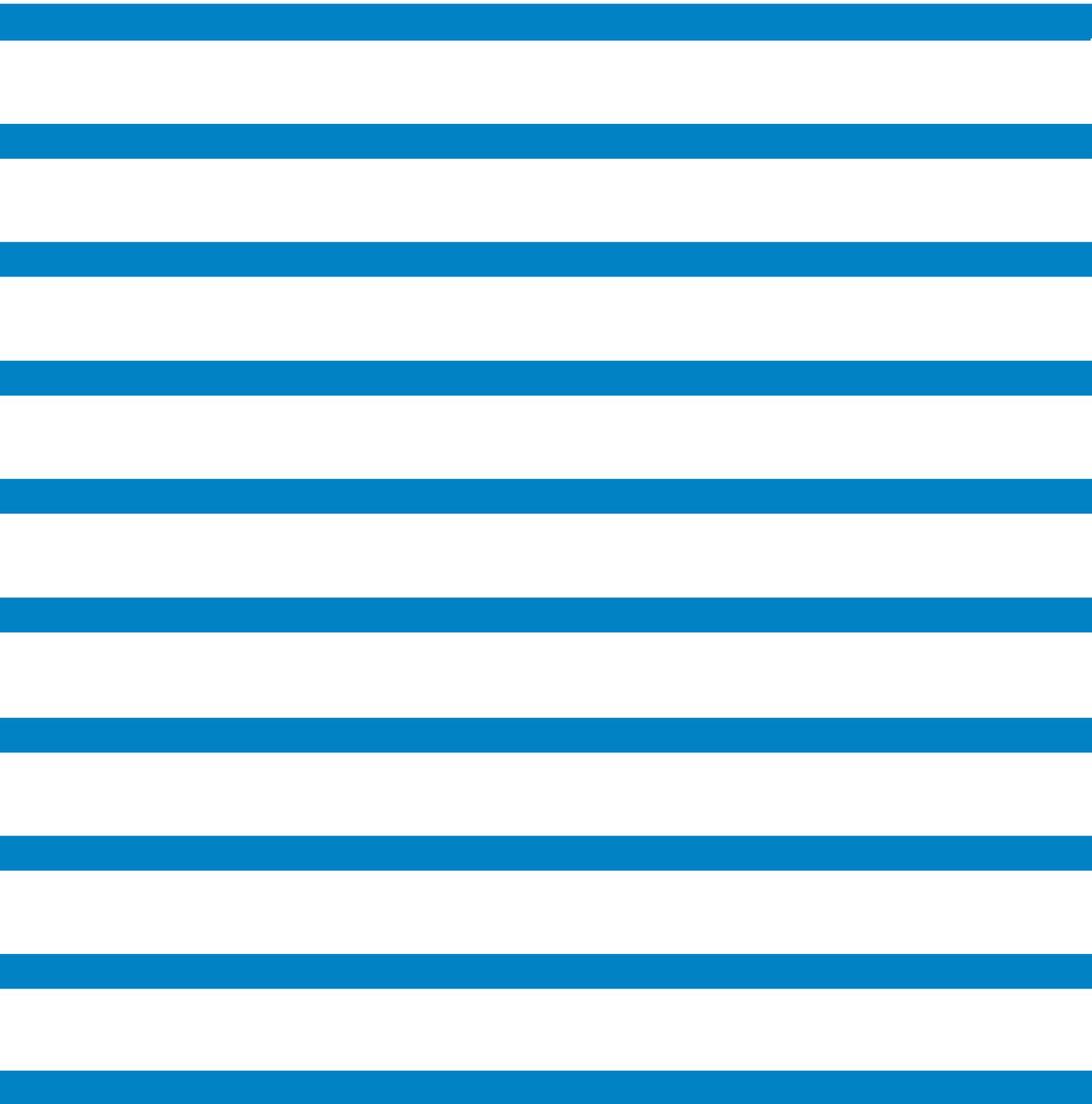


BUSINESS REPORT

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HIGHLIGHTS

HIGHLIGHTS

	in '000 of SIT		in '000 of SIT
PERFORMANCE	2004		2003
Gross Premium	14,308,259		14,612,407
Net Premium	6,033,474		4,946,143
Gross Losses	6,145,796		6,481,431
Net Losses	3,368,880		3,030,064
Gross Technical Provisions	9,218,705		8,102,141
Net Technical Provisions	6,449,374		5,452,433
Net Technical provisions as % of Net Premium	106.9		110.2
Loss Ratio (in %)	64.9		81.9
Expense Ratio (in %)	5.8		6.4
Combined Ratio (in %)	85.9		103.6
Expenses as % of Gross Premium	2.3		2.1
Shareholder's Funds	2,541,955		1,849,061
Profit before Tax	939,565		352,954
Return on Equity (in %)	33.0		17.8

CHAIRMAN'S MESSAGE



CHAIRMAN'S MESSAGE

I am proud to announce that Triglav Re achieved its best result since the company's foundation in 1999. With the entry of Slovenia into European Union in May 2004, and with the accompanying changes ranging from legislative alterations to increased competition from foreign insurance and reinsurance companies, we achieved all the main aims of business operations.

The profit before tax amounted to almost one billion Slovenian tolar. This very favourable result is primarily due to favourable loss pattern since we were not affected by any major individual loss, nor by any large-scale natural disaster. We were also able to successfully control growth of our operational costs and maintain our efficient investment policy.

Following the years of steep growth, gross premium volume remained on the same level as in the year before. We have nevertheless strongly improved our net premium position, which is in line with our short-term commitment to shift the retention ratio over the fifty percent threshold. The growth of net premium can be credited mostly to the increased operation of our company on foreign markets. We have thus fully compensated for the decline of cessions from our mother company. Traditionally, we are present on the reinsurance market of the European Union, yet we are increasing our presence on the markets of Central and Eastern Europe and Asia.

Notwithstanding the above, the main cedant of Triglav Re continues to be Triglav Insurance Company Slovenia together with its subsidiaries abroad and it is the good business operation of Triglav which deserves a great deal of the credit for the excellent results achieved by the Triglav Re in 2004. We endeavour to the very best of our abilities to assist all the insurance companies from the Triglav Group in optimising the reinsurance programme and also in transferring knowledge and developing new products and services.

In the forthcoming years our main efforts will be put into adoption of International Accounting Standards and Solvency II Regulations, consolidation of investment management within Triglav Group, acquirement of insurer credit rating from established agencies and further geographical dispersal of our business.

In accordance with the development strategy adopted by Triglav Re for the period up till the year 2007, our employees will endeavour to justify the confidence of our shareholders and cedants. We are determined to achieve ambitiously set aims to ensure favourable underwriting results, stable capital base, an appropriate return from investments and a satisfactory return for our shareholders.

Benjamin Polak
Chairman of the Board of
Management of Triglav Re
Benjamin Polak

1. General Economic Environment

In 2004, gross domestic product increased by 4.6% in real terms, which is the highest growth after 1999; in 2004, gross domestic product in current prices amounted to SIT 6,191,161 million, which is by 7.7% more than in 2003. At the current exchange rate GDP amounted to EUR 25,919 million (EUR 12,977 per capita) or USD 32,182 million (USD 16,112 per capita).

In 2004, domestic expenditure growth was on the same level as in 2003 (4.7%). Private consumption growth was slightly higher than in the previous years and government consumption growth slower by one percentage point than in 2003 and substantially slower than GDP growth. Gross fixed capital formation increased by 6.8% in volume terms and its growth was decreasing from the second quarter of 2004 on. Changes in inventories contributed 0.7 of a percentage point to the GDP volume growth. The contribution was the highest in the second quarter, whereas in the second half of 2004 it gradually decreased.

Compared to 2003, external trade balance was the determining factor which accounted for higher GDP growth in 2004 (4.6% in 2004 compared to 2.5% in 2003). Although it negatively affected economic growth (-0.2 of a percentage point), its negative influence was less strong than in 2003 (-2.2 percentage points). The volume of exports and imports increased by 12.6% and 12.4%, respectively, with the highest growth rates recorded in the second quarter.

In 2004, employment rate was on the increase, resulting in an above-average growth (1.3%) by the end of the year. At the same time the rate of registered unemployment decreased by 0.9 of a percentage point to 10.1%, whereas according to the ILO method estimates show that unemployment dropped by 0.3 of a percentage point to 6.4%. Compared to 2003, productivity per employee increased as well (by 0.8 of a percentage point to 3.6%). By co-coordinating fiscal and monetary policies the Slovene government and the Bank of Slovenia (the BoS)

continued the process of approximation to the European Monetary Union (EMU). In line with the Maastricht rules Slovenia entered the ERM2 mechanism at the end of June 2004 and the central rate was set at 239.64 EUR/SIT. Since then the market rate remained almost unchanged, slightly above parity (by 0.03%). Until entering the EMU, Slovenia will have to continue curbing inflation. As planned, inflation is on the decrease, however, in December Slovenia still did not meet the Maastricht criterion (the inflation rate was 3.2% compared to the Maastricht criterion of 2.2%).

Simultaneously with the disinflation process and entering the ERM2, the BoS adjusted key interest rates to those applicable in the EMU. Market yields of the treasury bills of the Republic of Slovenia followed the interest rates stipulated by the BoS. Thus, the yield of 3-month and 12-month treasury bills dropped by 150 basis points to 3.55% and 3.6%, respectively. Convergence with the European Union continued not only on the money market but also on the bond market. The required yield of a 10-year Slovenian tolar government bond thus decreased by 120 basis points to 4.1% in one year. Consequently, the yield margin over the German bond with the same maturity decreased to 40 basis points.

In 2004, world stock markets were primarily marked by extremely high volatility. In 2004, the DAX (German share index) and the S&P 500 (American index) increased by 7.4% and 9%, respectively. In 2004, the SBI20 (Slovene share index) reached its all-time-high level, exceeding 5,100 points. Throughout the year it increased slightly less than 25%.

The business of Slovenian insurance companies felt the influence of Slovenia's accession to the EU and a series of reforms, undertaken for the purpose of harmonization with the common European market:

- Simplified penetration of foreign competitive financial institutions into the Slovene market and prospects of

Slovene participation in foreign markets - on 1 May, 2004 Slovenia became a part of a common EU insurance market. Pursuant to the adopted European legislation, the insurance companies with their registered offices in the countries of the European Union may, without formal objections, set up their branches or directly market insurance products. Foreign and domestic insurance brokers may market insurance products carried by any European insurance company, and the supervisory regime is also being changed. The Slovene Agency for Insurance Supervision retained its autonomous competence to supervise only the insurance companies to which it granted operating licences itself. The Agency will also supervise their operations abroad (i.e. in the EU countries). The foreign insurance companies which started business in the Republic of Slovenia after 1 May, 2004 have to report on the volume and type of insurance operations to their home supervisors. In this case the Slovene supervisor only checks the adequacy of insurance terms offered by the foreign insurance companies but not their operations. This means that formal obstacles to competition from Europe have been removed.

- Fiscal, income tax, health and other system reforms in economy and social sphere.
- Liberalization of the financial market.
- Alliances between foreign and Slovene providers of insurance and banking services.

The above mentioned changes will lead to significantly tougher competition on the Slovene insurance market. These changes will considerably affect especially companies' marketing strategy and sales of unit-linked insurance including standard and unit-linked life insurance policies as well as supplementary voluntary pension insurance. Poorer level of social security provided by the state and employers, pushed up the demand for insurance providing social security to individuals and their families. This has also helped raise the demand for quality supplementary voluntary pension insurance, accident insurance, and voluntary health insurance. A relatively small share of life, health and accident insurance in Slovene GDP is predicted to improve relatively rapidly, as a result of amended legislation.

2. Slovenian Insurance and Reinsurance Market in 2004

During recent years the insurance business in Slovenia was characterized by promising trends, evident in the increasingly competitive environment. These trends mainly reflect Slovenia's EU accession efforts, its actual accession to the EU and a rapid adaptation of the insurance business to the foreign competition entering the Slovene market.

In 2004, 18 insurance and reinsurance companies with their registered offices in the Republic of Slovenia operated in the Slovene insurance market. Among them 13 commercial insurance companies, regulated exclusively by the Insurance Companies Act, 3 insurance companies, members of the Slovenian Insurance Association, operating under other laws and only partly under the Insurance Act (Slovenian Export Corporation, Capital Corporation of Pension and Disability Insurance, and Fund for Craftsmen and Entrepreneurs) and 2 reinsurance companies (Triglav Re and Sava Re). In 2004, Arag, a German insurance company, specialised in legal protection insurance policies, started to operate in the Slovene insurance market.

Among the 16 insurance companies, 9 are composite, 3 specialised in life insurance and only 4 in non-life insurance. In terms of corporate form, 14 are public limited companies, there is one mutual company and one fund. Generali, Grawe, Merkur and Arag are majority-owned by foreign capital.

Pursuant to the adopted European legislation the insurance companies with their registered offices in the countries of the European Union may, without formal objections, set up their branches or directly market insurance products. Around 120 insurance companies with registered offices in the EU, which will perform insurance operations in the Republic of Slovenia, registered with the Agency for Insurance Supervision. All of them stated they would directly perform insurance operations. The only exceptions are the Austrian insurance companies Wiener Staedtische and Victoria-Volksbanken, which already established their branches in Slovenia.

According to the data for 2004, the premium collected by all thirteen commercial insurance companies with their registered offices in the Republic of Slovenia amounted to SIT 318.3 billion, representing a nominal annual growth of 11%. Premiums in non-life insurance business totaled SIT 244.1 billion (growth index of 108), while premiums in life insurance reached SIT 74.2 billion (growth index of 123). In 2004, a considerable increase was recorded in the share of gross written premium in life insurance in gross domestic product (market penetration indicator). It increased from 1.26% in 2003 to 1.65% in 2004. The increase resulted from the establishment of the single premium life insurance market and the pension reform.

Among commercial insurance companies Triglav retained its leading position in 2004. The market share, measured by gross written premium, increased by 0.6 of a percentage point compared to 2003 (43.1% in 2004 versus 42.5% in 2003). Triglav was followed by mono-line health insurance company Vzajemna (17.6% in 2004) and Maribor Insurance (13.2% in 2004).

The reinsurance market is still split between two domestic reinsurance companies, Sava Re and Triglav Re. Both companies are part of larger insurance groups and, as far as Slovenian market is concerned, are mainly focused on reinsuring group business. The market reinsurance premium in the year 2004 amounted to SIT 35.6 billion, representing an increase of 8% compared to the previous year. The market share of Triglav Re in 2004 was 40.2%.

3. Business Review

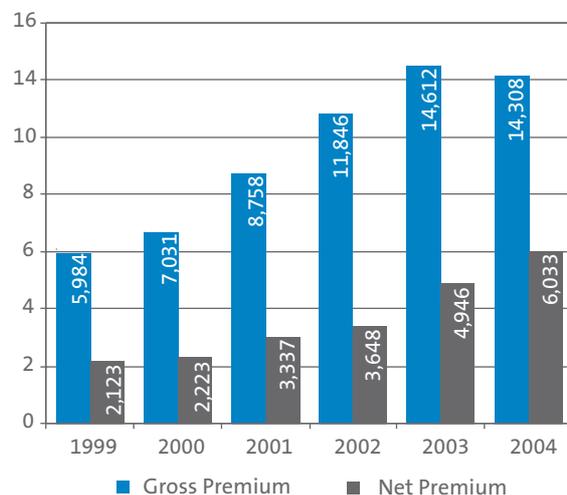
PREMIUM

Gross premium written in the financial year 2004 amounted to SIT 14.3 billion. This represents a decrease of 2% in comparison to the year before. The reason for such a decrease is a reduction of cessions from our mother company Triglav Insurance Slovenia.

As the business from Triglav Insurance Slovenia is to a larger extent retroceded and due to the fact that we managed to increase our non group acceptances, there was no significant impact on our retained premium. Net written premium even rose by 22% compared to the previous year thus reaching SIT 6.0 billion.

Retention ratio in 2004 amounted to 42.2% which is an increase of 8.5 percentage points compared to the year 2003.

GROSS & NET PREMIUM WRITTEN IN THE PERIOD 1999-2004 (IN SIT MILLION)



PREMIUM STRUCTURE BY ORIGIN

Also in 2004 the greater part of our business originated from our mother company. Cessions of Triglav Insurance Slovenia thus accounted for 86.4% of our gross premium written in 2004. Business we received from Triglav's subsidiary companies in Croatia, Czech Republic and Bosnia & Herzegovina amounted to 3.4% and the residual 10.2% came out of our acceptances outside Triglav Group.

The depiction of premium by origin considerably changes when observing our net account. In 2004, the non group acceptances accounted for 24.2% and Triglav Group business accounted for 75.8% of net premium written respectively.

PREMIUM STRUCTURE BY ORIGIN

	Gross Premium Written		Net Premium Written	
	2004	2003	2004	2003
Group	89.8%	92.6%	75.8%	78.1%
Non Group	10.2%	7.4%	24.2%	21.9%

PREMIUM STRUCTURE BY TERRITORY

Due to the facts described in the foregoing lines our country remained our key market also in the year 2004. Business coming from Slovenian cedants accounted for 87% of our gross premium written.

Other important European markets of Triglav Re in 2004 were countries of former Yugoslavia, Austria, Spain, Germany and Scandinavian countries. From non European business it is worth mentioning our stronger presence in the Asian markets, especially the market of South Korea.

GROSS PREMIUM WRITTEN 2004 BY TERRITORY

Market / Territory	SIT million	%
Slovenia	12,433	86.9
European Economic Community	1,176	8.2
Former Yugoslavia	446	3.1
Asia	221	1.5
Eastern Europe & Russia	24	0.2
Americas	8	0.1
TOTAL	14,308	100

PREMIUM STRUCTURE BY CLASS

In 2004, the strongest business segment* of Triglav Re remained Property. Property lines of business accounted for 55% of gross premium written and are followed by Motor and Marine & Aviation with 28% and 7% respectively. The largest growth was recorded in the

segments of Credit and Motor with 43% and 14% respectively. Marine & Aviation and Property have weakened in comparison to the year before, showing a drop of 11% and 8% respectively, exclusively due to reduction of cessions from Triglav Insurance Slovenia.

BREAKDOWN OF GROSS PREMIUM WRITTEN BY CLASS

	2004 in SIT	2003 in SIT	Share in 2004	Index 2004/2003
Accident insurance	367,659,958	370,843,322	2.57%	99
Health insurance	5,530,583	11,674,963	0.04%	47
Land motor vehicle insurance	1,333,988,700	1,120,300,812	9.32%	119
Railway rolling stock insurance	187,507,234	412,089,155	1.31%	46
Aircraft insurance	505,406,580	322,865,481	3.53%	157
Ships insurance	38,246,836	54,143,572	0.27%	71
Insurance of transportation of goods	263,485,998	267,209,711	1.84%	99
Fire and natural forces insurance	4,539,932,106	4,802,603,786	31.73%	95
Other damage to property insurance	2,812,928,413	3,060,501,279	19.66%	92
Motor vehicle liability insurance	2,709,398,140	2,432,828,771	18.94%	111
Aircraft liability insurance	237,965,456	470,395,338	1.66%	51
Ships liability insurance	19,924,130	79,976,388	0.14%	25
General liability insurance	495,507,012	528,788,077	3.46%	94
Credit insurance	297,761,209	236,156,193	2.08%	126
Suretyship insurance	102,863,715	44,454,055	0.72%	231
Miscellaneous financial loss insurance	322,911,036	295,342,645	2.26%	109
Legal expenses insurance	3,510,387	3,532,517	0.02%	99
Assistance insurance	28,009,252	22,213,496	0.20%	126
Life insurance	35,722,716	76,487,716	0.25%	47
TOTAL	14,308,259,458	14,612,407,276	100%	98

*Business segments comprise various classes of insurance.

BUSINESS REVIEW

Motor retained its dominant position in the structure of our net premium written, accounting for 47% of total figure. In 2004, we continued to increase non group acceptances in property business and this helped to

improve the position of this business segment, which accounted for 39% of our net premium written. Property classes of business thus show the most significant growth of 34% in comparison to the year before.

BREAKDOWN OF NET PREMIUM WRITTEN BY CLASS

	2004 in SIT	2003 in SIT	Share in 2004	Index 2004/2003
Accident insurance	312,669,563	327,221,242	5.18%	96
Health insurance	5,530,583	11,674,963	0.09%	47
Land motor vehicle insurance	870,240,741	691,678,186	14.42%	126
Railway rolling stock insurance	341,316	1,133,097	0.01%	30
Aircraft insurance	22,164,463	5,131,612	0.37%	432
Ships insurance	29,206,279	21,934,972	0.48%	133
Insurance of transportation of goods	50,653,408	63,401,269	0.84%	80
Fire and natural forces insurance	1,255,741,631	869,076,358	20.81%	144
Other damage to property insurance	1,071,655,015	869,648,342	17.76%	123
Motor-vehicle liability insurance	1,953,691,779	1,704,932,227	32.38%	115
Aircraft liability insurance	14,857,520	11,070,676	0.25%	134
Ships liability insurance	6,292,767	11,810,726	0.10%	53
General liability insurance	170,922,346	137,681,958	2.83%	124
Credit insurance	200,247,042	176,650,480	3.32%	113
Suretyship insurance	12,863,453	4,358,723	0.21%	295
Miscellaneous financial loss insurance	50,388,453	34,614,768	0.84%	146
Legal expenses insurance	3,510,387	3,266,872	0.06%	107
Assistance insurance	2,271,246	275,456	0.04%	825
Life insurance	225,780	581,387	0.00%	39
TOTAL	6,033,473,770	4,946,143,313	100%	122

LOSSES

Gross losses paid in 2004 amounted to SIT 6.15 billion, which represents a decrease of 5% compared to the year before. On the other hand, net losses paid increased for roughly 11%, yet this is still substantially lower than the increase in net premium written.

Most important events on the loss side in the year 2004 were:

- Series of summer hail storms across Slovenia, particularly in the region of Celje in the beginning of August. The gross loss of Triglav Re amounted to SIT 360 million and was to a larger extent retroceded.
- Minor earthquake in Posočje in July. Again the loss was predominantly retroceded and did not have a substantial impact on the net result of Triglav Re.
- A few medium-sized losses from our non group portfolio. The losses were all retained net, but did not have significant impact on the result of Triglav Re.

BREAKDOWN OF GROSS LOSSES PAID BY CLASS

	2004 in SIT	2003 in SIT	Index
Accident insurance	216,221,703	192,807,839	112
Health insurance	15,491,888	6,266,598	247
Land motor vehicle insurance	824,024,922	573,852,069	144
Railway rolling stock insurance	-2,650,787	144,368,302	-2
Aviation insurance	904,636	253,081	357
Ships insurance	10,129,041	22,930,917	44
Insurance of transportation of goods	21,555,188	35,715,357	60
Fire and natural disaster insurance	1,820,158,662	2,747,127,717	66
Other damage to property insurance	1,388,998,360	946,193,909	147
Motor-vehicle liability insurance	1,264,855,799	922,556,294	137
Aviation liability insurance	5,144,578	2,557,929	201
Ships liability insurance	14,944,326	447,474,062	3
General liability insurance	125,326,322	102,386,112	122
Credit insurance	78,967,042	104,402,371	76
Suretyship insurance	8,459,454	2,623,268	322
Miscellaneous financial loss insurance	317,580,393	160,539,573	198
Legal expenses insurance	61,880	-47,981	-129
Assistance insurance	10,333,084	9,844,290	105
Life insurance	25,289,024	59,579,579	42
TOTAL	6,145,795,514	6,481,431,286	95

BUSINESS REVIEW

BREAKDOWN OF NET LOSSES PAID BY CLASS

	2004 in SIT	2003 in SIT	Index
Accident insurance	196,292,370	175,083,679	112
Health insurance	15,491,888	6,266,598	247
Land motor vehicle insurance	673,110,502	516,955,764	130
Railway rolling stock insurance	-1	-65,518	0
Aviation insurance	889,814	198,766	448
Ships insurance	10,064,074	17,987,940	56
Insurance of transportation of goods	20,970,075	19,753,208	106
Fire and natural disaster insurance	580,668,995	683,871,101	85
Other damage to property insurance	574,136,333	634,503,823	90
Motor-vehicle liability insurance	1,099,273,403	805,881,033	136
Aviation liability insurance	1,178,793	760,795	155
Ships liability insurance	938,536	-1,436,970	-65
General liability insurance	115,082,539	90,526,619	127
Credit insurance	61,209,989	68,358,489	90
Suretyship insurance	1,031,155	361,154	286
Miscellaneous financial loss insurance	18,043,561	11,225,262	161
Legal expenses insurance	55,692	-43,055	-129
Assistance insurance	389,805	459,968	85
Life insurance	52,824	-584,962	-9
TOTAL	3,368,880,347	3,030,063,695	111

TECHNICAL PROVISIONS

In comparison to the year before the net provisions for unearned premium increased for 22 percent, which is in line with the growth of net written premium.

The growth of net provisions for outstanding losses was, on the other hand, less significant in 2004. These provisions increased by only 10 percent, reflecting already mentioned favorable loss development in our portfolio in 2004.

Due to very favorable loss ratio for 2004 we were able to increase our equalization provisions by roughly 120 percent. As at 31 December 2004 the figure stands at SIT 611 million.

The provisions for bonuses and rebates were established exclusively in credit insurance and on basis of the information reported by the cedants.

Other technical provisions increased marginally in comparison to the year before.

BREAKDOWN OF NET TECHNICAL PROVISIONS

	2004 in SIT	2003 in SIT	Index
Net provisions for unearned premium	1,830,371,765	1,500,895,143	122
Net provisions for outstanding losses	3,608,951,331	3,276,868,855	110
Equalisation provisions	610,558,369	277,713,846	220
Provisions for Bonuses and Rebates	307,211	0	-
Other technical provisions	399,492,529	396,954,768	101
- Provisions for nuclear risks	323,013,379	317,834,245	102
- Provisions for unexpired risks	76,479,150	79,120,523	97
TOTAL	6,449,681,205	5,452,432,612	118

CAPITAL ADEQUACY

The capital adequacy figures were calculated in accordance with Slovenian insurance regulation. At the end of 2004, the minimum capital requirement stood at

SIT 1,533 million whereas the Insurance undertaking's capital of Triglav Re amounted to SIT 1,929 million.

CAPITAL ADEQUACY

	SIT million 2004	SIT million 2003
Insurance undertaking's capital	1,929	1,800
Minimum capital requirements	1,533	1,533
Surplus	396	267

REINSURANCE

Triglav Re arranges reinsurance protection for the whole insurance part of Triglav Group, and also acts as a professional reinsurer for the companies outside the group. Group premium represents a major share of our gross premium, thus the retrocession of the risks from the group is of high importance.

The level of retrocessions in 2004 decreased substantially compared to the year before due to increased non group acceptances as well as increased retention on group business. Average retention ratio in 2004 stood at 42.2%, but it varies considerably in different classes, mainly depending on types of risks ceded to us from Triglav Group.

RETENTION RATIO BY CLASS IN 2004

	Gross Premium Written in SIT	Net Premium Written in SIT	Retention Ratio
Accident insurance	367,659,958	312,669,563	85.04%
Health insurance	5,530,583	5,530,583	100.00%
Land motor vehicle insurance	1,333,988,700	870,240,741	65.24%
Railway rolling stock insurance	187,507,234	341,316	0.18%
Aircraft insurance	505,406,580	22,164,463	4.39%
Ships insurance	38,246,836	29,206,279	76.36%
Insurance of transportation of goods	263,485,998	50,653,408	19.22%
Fire and natural forces insurance	4,539,932,106	1,255,741,631	27.66%
Other damage to property insurance	2,812,928,413	1,071,655,015	38.10%
Motor-vehicle liability insurance	2,709,398,140	1,953,691,779	72.11%
Aircraft liability insurance	237,965,456	14,857,520	6.24%
Ships liability insurance	19,924,130	6,292,767	31.58%
General liability insurance	495,507,012	170,922,346	34.49%
Credit insurance	297,761,209	200,247,042	67.25%
Suretyship insurance	102,863,715	12,863,453	12.51%
Miscellaneous financial loss insurance	322,911,036	50,388,453	15.60%
Legal expenses insurance	3,510,387	3,510,387	100.00%
Assistance insurance	28,009,252	2,271,246	8.11%
NON-LIFE INSURANCE TOTAL	14,272,536,743	6,033,247,990	42.27%
Life insurance	35,722,716	225,780	0.63%
NON-LIFE AND LIFE INSURANCE TOTAL	14,308,259,458	6,033,473,770	42.17%

Due to afore mentioned high retrocession level, we put particularly strong emphasis on top security of our reinsurers, especially for long-tail business. As far as

markets are concerned we work basically with all major continental reinsurers, London market and also, mainly for short term CAT exposures, with Bermuda.

UNDERWRITING RESULT

Due to very favorable loss pattern amongst the most important classes, the 2004 underwriting result of our company was very satisfactory. Overall loss ratio (measured by net incurred losses to net earned premium) was 64.9%, showing a substantial improvement compared to 81.9% in the year 2003. Among the more important classes (by premium volume) the most profitable classes were Motor Third Party Liability with a loss ratio of 67.2% and Other property with 68.2%. The biggest improvement in the result from the year before was in MTPL, where the

loss ratio decreased for roughly 13 percentage points. The reason for this is mainly healthy growth of premium rates in Slovenian market, from where most of our MTPL premium originates. We have also noted an improvement in the result in Fire insurance, although the loss ratio is still above 80%. On the other hand the loss ratio in Motor Hull slightly worsened (from 82.6% to 83.1%), which is also in line with the results in the Slovenian direct market where this class is currently not a profitable one.

LOSS RATIO BY CLASS

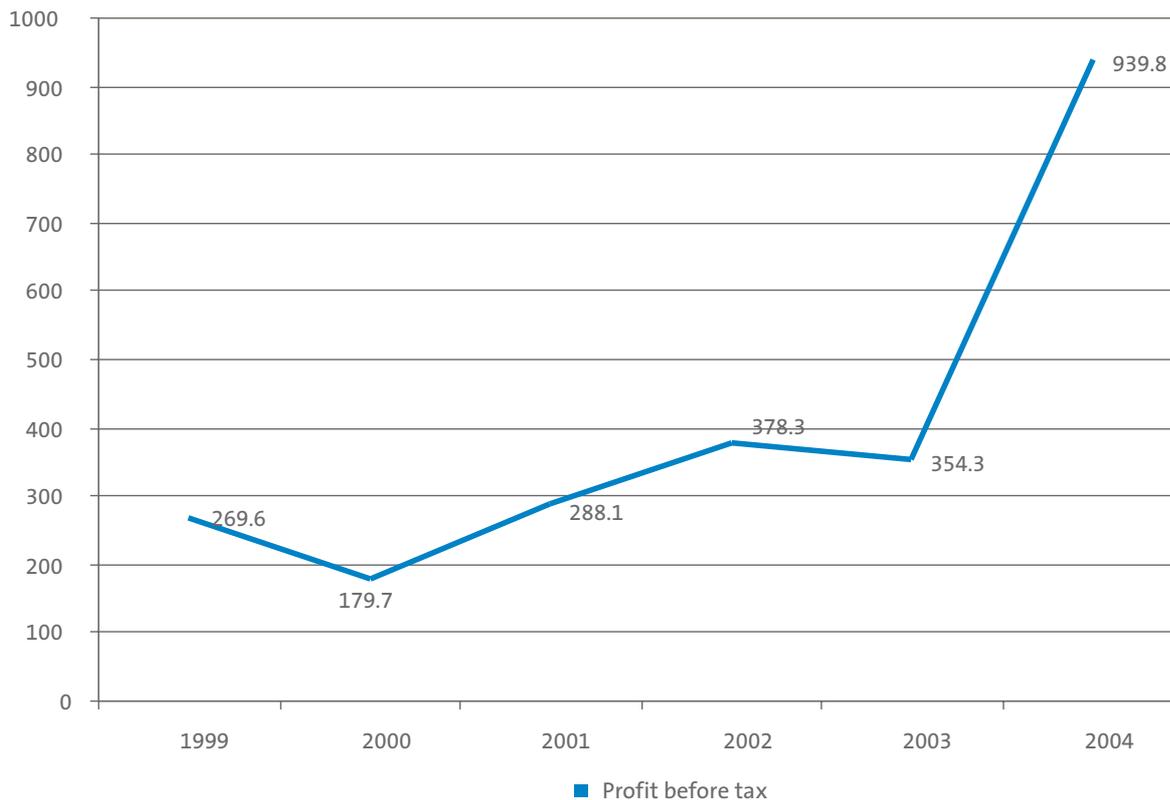
	Loss Ratio 2004	Loss Ratio 2003
Accident insurance	57,9%	80,1%
Health insurance	106.4%	194.5%
Land motor vehicle insurance	83.1%	82.6%
Railway rolling stock insurance	0.0%	-5.8%
Aircraft insurance	7.4%	-1.9%
Ships insurance	28.9%	156.6%
Insurance of transportation of goods	-67.1%	116.6%
Fire and natural forces insurance	80.4%	86.0%
Other damage to property insurance	68.2%	75.8%
Motor-vehicle liability insurance	67.2%	79.9%
Aircraft liability insurance	7.7%	4.7%
Ships liability insurance	29.1%	7.9%
General liability insurance	-15.8%	193.3%
Credit insurance	2.5%	63.0%
Suretyship insurance	64.4%	-207.9%
Miscellaneous financial loss insurance	-19.3%	-144.8%
Legal expenses insurance	-0.5%	10.0%
Assistance insurance	-165.5%	1777.8%
Life insurance	-13.8%	-122.7%
TOTAL	64.9%	81.9%

FINANCIAL RESULT

The profit before tax for the financial year 2004 amounted to SIT 939.8 million which was 165% more than in the previous year. This very substantial increase in

profit was a result of the very favourable loss ratio in the year 2004, satisfactory investment return and strict control of expenses.

PROFIT BEFORE TAX IN SIT MILLION



Despite unfavorable situation in financial markets, especially in the field of bonds and bank deposits, Triglav Re successfully managed its investments. Total income from investments amounted to SIT 574 million, which is 4% higher than in the year before. In the same year, expenses from investments totaled SIT 83 million, which is

33% higher than in the year 2003. Return on investments, i.e. the difference between investment income and expenses, reached SIT 491 million. In 2004, return on investments of the average assets covering technical provisions was 6.41 % (8.23 % in 2003), while return on investments of the average own assets was 5.79%.

FINANCIAL RESULT INDICATORS

	2004	2003
Ratio between net losses incurred and net premium earned	64.9%	81.9%
Share of operating expenses in gross premium	2.3%	2.1%
Share of operating expenses in net premium	5.8%	6.4%
Share of commissions in net premium	15.2%	15.3%
Gross written premium per employee (in '000 of SIT)	706,581	811,800
Return on investment per average total investment	6.4%	8.1%

Operating expenses (excluding paid commissions) in the year 2004 amounted to SIT 328.5 million which is an increase of 9% compared to a year before. Since the total gross premium written in 2004 slightly decreased, the operating expenses expressed as a percentage of gross premium therefore increased to 2.3%. On the other hand,

due to higher growth of net premium, expense ratio (operating expenses as percentage of net earned premium) decreased from 6.4% in 2003 to 5.8% in 2004. Commission ratio in 2004 was almost the same as in the year before and represented 15.2% of the net earned premium.

FINANCIAL POSITION

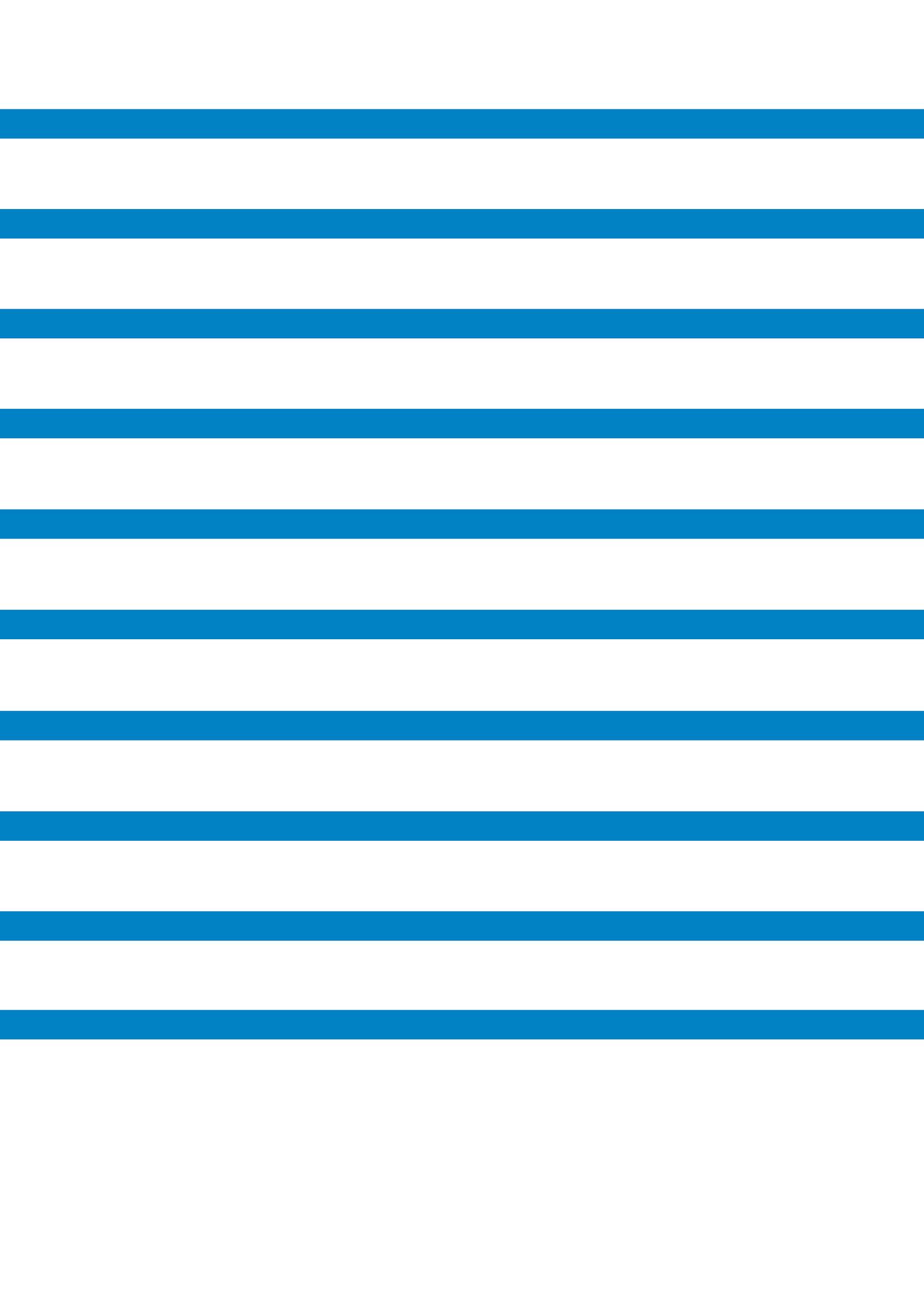
Triglav Re's total assets as at 31 December 2004 amounted to SIT 14.22 billion, which represented a 23% increase in comparison with the previous year. In 2004, Triglav Re further strengthened its financial position based on growth and structural changes of the assets.

As at 31 December 2004 total capital stood at SIT 2.54 billion, meaning that it increased by 37% in comparison to 2003. In total assets the share of capital rose to 18%.

Net technical provisions, as at 31 December, amounted to SIT 6.45 billion, which represented an increase of 18% compared to a year before.

FINANCIAL POSITION INDICATORS

	2004	2003
Capital in total liabilities	17.9%	16.0%
Available capital as a % of minimum capital	125.8%	117.4%
Net written premium as a % of average capital	274.8%	281.2%
Return on equity	33.0%	17.8%
Net technical provisions as a % of total liabilities	45.3%	47.3%
Net technical provisions as a % of net written premium	63.3%	69.2%
Investments as a % of total assets	64.3%	56.9%
Ratio between investments and net technical provisions	141.7%	120.4%



4. Notes on the Accounts

DOMINANT COMPANY

Triglav Re Reinsurance Company Ltd. is a subsidiary company of Triglav Insurance Company Ltd., the Head Office of which is located at Miklošičeva c. 19, in Ljubljana. Triglav Insurance Company owns 87.0% of share capital of Triglav Re Reinsurance Company Ltd. Triglav Insurance Company draws up a consolidated annual report in compliance with all regulations in force. The consolidated annual report can be obtained at the Head Office of Triglav Insurance Company Ltd., Miklošičeva c. 19, Ljubljana, Slovenia.

BASIC ACCOUNTING POLICIES*

The balance sheet on 31 December 2004, profit and loss account for 2004, indirectly established cash-flow account for financial year 2004 and disposition of profits account for 2004 were drawn up in accordance with the Slovenian Accounting Standards, Companies Act, Insurance Act and executive acts referring to accounts and basic accounting assumptions:

- no temporal restrictions of business operations,
- consistent constancy,
- strict observance of occurrence of business event.

The balance sheet items which are standardised in foreign currencies are calculated into tolar according to the middle exchange rate of the Bank of Slovenia on the date of balance. In the explanations of individual balance sheet items, an amount which exceeds 2.0% of total assets, which amounts to SIT 284,477 thousand in the balance sheet of non-life insurance, is considered an important amount in the disclosures.

The bases for the conversion of items included in the profit and loss account for 2004, which were primarily denominated in a foreign currency, are calculated according to the middle exchange rate of the Bank of Slovenia on the date of record of the business event.

In the explanations of individual profit and loss account

items an amount which exceeds 5.0% of net profit of the financial year, which amounts to SIT 36,130 thousand, is considered an important amount in the disclosures. Revenue and expenditure of investments change directly according to sources. Since in 2004 the value of EUR did not increase for more than 5.5% the purchasing power of capital did not change or increase. In spite of that, in the subparagraph 7.1.8 changes which would occur if the capital was revalued in accordance with the value of EUR or if the growth of consumer goods prices was used for revaluation are shown.

EXPOSURE TO RISK AND RISK MANAGEMENT

CURRENCY RISK

Currency risk is a risk that the value of financial instruments will fluctuate due to change of currency rates. Currency risks mostly occur with financial investments. Management of this kind of risk is performed by ensuring conformity of this kind of investments with the amount of liabilities or with the amount of technical provisions, which are denominated by currency clause. Currency risk occurs also with liabilities and receivables, especially from reinsurance abroad due to exchange rate fluctuation. Currency risk in relation to receivables and liabilities is reduced by reciprocal consolidation of the accounts with partners.

INTEREST RISK

Interest risk is a risk that the value of financial instrument will fluctuate due to the change of market interest rates. Interest risk occurs with financial investments. Management of interest risk is performed on the global level by adequate strategic division of investments to investments with fixed revenue (debt securities) and investments with variable revenue (shares and other investments) and division of the provisions covered by these investments.

*Due to computer processing of the data calculation differences can appear when adding the rounded amounts.

NOTES ON THE ACCOUNTS

CREDIT RISK

Credit risk is a risk that the client included in the contract on financial instrument will not fulfil the obligations and will cause a financial loss to the company. Credit risks occur with financial investments in equity securities and debt securities, given loans and deposits.

Management of credit risk is performed in accordance to the principle of adequate investment diversification. The largest total investment in one financial organisation amounts to SIT 557,938 thousand. Due to the legal restrictions investments in home securities still represent by far the largest share of portfolio; however it is due to the principle of risk spread that the share of investments in foreign securities is increasing. At the moment, the amount of investments in foreign securities is SIT 436,721 thousand. The home securities are on the greater part guaranteed for by the Republic of Slovenia. Investments in securities of the Republic of Slovenia, including treasury bonds, represent 65.94% of all investments.

The reinsurance company does not use any financial instruments for hedging credit risk.

Receivables and liabilities are also exposed to credit risk. For the management of credit risk there is a possibility of reciprocal settlement of receivables and liabilities referring to the same partner (settlement of receivables for premiums and liabilities for losses and commissions of active reinsurance, and settlement of receivables for losses and commissions, and liabilities for premiums of passive reinsurance).

VALUATION METHODS USED IN ACCOUNTING STATEMENTS

For accounting and valuation of entries the provisions of Insurance Act and executive acts referring to statements, and provisions of Slovenian Accounting Standards and of Decision on Annual Reports of Insurance Companies - SKL2002 are used directly.

INTANGIBLE FIXED ASSETS

Depreciation of intangible fixed assets is accounted individually, according to the method of straight-line depreciation. The assets eliminated during the current year

are depreciated for the period up to the elimination. The assets start to be depreciated on the first day of the following month, after they began to be used for activities which they were destined to.

Intangible fixed assets include investments in acquired long-term rights to industrial property (in concessions, patents, licenses, trade marks and similar rights), long-term deferred charges and investments in good reputation of the taken-over company. Intangible fixed assets are admitted when purchased according to their purchase value. The basis for accounting of depreciation is the purchase value increased by import and non-refundable purchase charges, and dependent charges.

For calculation of intangible fixed assets depreciation, a depreciation rate of 20% was used. In 2004 there was no revaluation of intangible fixed assets due to reinforcement.

TANGIBLE FIXED ASSETS

Depreciation of fixed assets is accounted individually, according to the method of straight-line depreciation. The assets eliminated during the current year are depreciated for the period up to the elimination. The assets start to be depreciated on the first day of the following month, after they began to be used for activities which they were destined to.

Fixed assets are admitted when purchased according to their purchase value. The basis for accounting of depreciation is the purchase value increased by dependent charges. If the costs incurred extend the period of usefulness, the correction of value accounted by then is the first to be reduced.

For calculation of depreciation of tangible fixed assets for 2004 the following depreciation rates, which did not change compared to 2003, were used:

TANGIBLE FIXED ASSETS

	Depreciation rate in %
Computer equipment	50.0
Means of transport	12.5
Telecommunication equipment	25.0
Equipment	25.0

In 2004 there was no revaluation of tangible fixed assets due to reinforcement.

FINANCIAL INVESTMENTS

At the initial admission financial investments of assets covering technical provisions are valued according to their purchase value, which is equal to the paid amount of money. Costs incurred directly at the investment are stated among financial expenditures, and in accordance with the Slovenian Accounting Standard 3 they can be attributed directly to the investment. Long-term and short-term investments are stated separately. Within the long-term financial investments all investments in debt securities, bank deposits and loans with maturity longer than one year are stated. Short-term financial investments include investments owned for trading. Within the long-term financial investments we did not define any investments which will be owned until the maturity date, since we expect a possibility of sale before their maturity. On the balance sheet date the reinsurance company does not have any financial investments due for payment or that are not cashed in. All financial investments denominated in foreign currency are calculated into tolar according to the middle exchange rate of the Bank of Slovenia on the date of balance. Their increase from this title increases financial revenues, and their reduction increases financial expenditures connected to investments. Financial investments are valued quarterly and were valued last on 31 December 2004. Due to the nature of investments participation of an appraiser is not necessary. Valuation is not conditioned by tax regulations; therefore the methods of valuation for tax relief were not used.

Shares and other variable-yield securities

Shares and other variable-yield securities are stated according to their purchase value. If the market value is known and it is lower than the purchase value, revaluation corrections are made for the difference between them. Revaluation corrections of value for shares the market value of which is not known are made on the basis of individual judgement of the individual investment.

For revaluation of shares and other variable-yield securities in order to remedy the impairment same rules apply as for bonds and other fixed-yield debt securities (see next article).

Bonds and other fixed-yield debt securities

Bonds and other fixed-yield debt securities denominated in foreign currencies were calculated into tolar according to the middle exchange rate of the Bank of Slovenia on the date of balance. Bonds denominated in tolar were revalued in

accordance with the definitions in the terms of issue of bonds. The revaluation differences increase or reduce financial revenues. For valuation the weighted average exchange rate or lower stock exchange quotation on the date of balance was used. For bonds and other fixed-yield securities with maturity of coupons on the dates different from the date of balance, a proportional share of interest was accounted for the period from maturity of the last coupon to the date of balance and stated among the revenues from investments of the current year and among deferred charges. For bonds of issuers who do not fulfil their obligations a value correction is made according to the expected realisable value.

Revaluation in order to remedy impairment is performed for financial investments when the proved fair value is higher than theirs due to impairment of reduced accounting value. The accounting value of financial investment is increased by the difference and the revaluation financial expenditure connected to financial investments is remedied. Revaluation in order to remedy impairment of financial investment is performed also when the made revaluation correction of financial investment due to impairment is not justified anymore, which can be proved by accounting value of the investment or on the basis of individual judgement on the basis of financial indicators. In this case the revaluation in order to remedy impairment shows to be an elimination of revaluation financial expenditure connected to financial investments.

Bank deposits

Bank deposits are stated according to the denomination value; interest up to the date of balance is accounted and they increase the revenues of accounting period.

FINANCIAL INVESTMENTS FROM REINSURANCE CONTRACTS WITH CEDANTS

The company has no financial investments from reinsurance contracts with cedants from the country; however it has them with two partners from retrocessions received from abroad.

RECEIVABLES

Receivables are stated according to the invoiced amounts. Receivables denominated in foreign currencies were calculated into tolar according to the middle exchange rate of the Bank

NOTES ON THE ACCOUNTS

of Slovenia on the date of balance. Collectibility of receivables was verified individually on the basis of credit status of individual debtors and maturity of receivables. In this manner, it was established that the making of corrections on the date of balance was not necessary.

Receivables are mainly exposed to currency risk due to changes of currency rates. They are also exposed to credit risk and are not hedged.

PECUNIARY RESOURCES

Pecuniary resources are stated according to the denominated values. Pecuniary resources denominated in foreign currencies are calculated into tolar according to the middle exchange rate of the Bank of Slovenia on the date of balance.

Pecuniary resources include resources in foreign currency transaction accounts, resources in tolar transaction accounts and cash in hand.

SHORT-TERM DEFERRALS

Short-term deferrals include deferred charges and deferred credits. Deferred charges are receivables and other assets which according to expectations will occur in a year and the occurrence of which is probable, while their amount is reliably assessed. Deferred charges include charges deferred for a short term and/or expenditures deferred for a short term and revenues deferred for a short term, for which a payment has not been received up to that moment (accrued interest up to 31 December 2004).

Deferred credits are debts in a wider sense and include charges deferred for a short term and/or short-term expenditure provisions and revenues deferred for a short term, which are stated separately and broken down to more important categories. Deferred credits include audit cost provisions for 2004 and cost provisions for account statement's media publication for 2004.

CAPITAL

Subscribed capital, capital reserves, profit reserves (statutory reserves, reserves for own shares, reserves under articles of association and other profit reserves) except for the legal restrictions, net profits brought forward from previous years, revaluation corrections of capital referring to them and unallocated net profit of the financial year comprise the total capital of the company. Subscribed capital is admitted when cash and non-cash contributions of capital subscribers occur.

Profit reserves are admitted when they are formed by an authority that draws up the annual report and/or by a decision of competent authority.

General revaluation of capital was not performed since the exchange rate of EURO compared to tolar increased by less than 5.5% in the previous calendar year.

TECHNICAL PROVISIONS

An appointed actuary examined and approved the formed technical provisions. The provisions were formed in accordance with the Insurance Act and executive acts, technical principles and standards, and rules adopted for formation of individual categories of technical provisions in the reinsurance company. Shares submitted to retrocession were fully agreed upon with reinsurance contracts. When forming net technical provisions, own shares from the Tables of maximum retention were taken into account. In 2004 provisions for unearned premiums, provisions for outstanding losses, equalisation provisions, provisions for nuclear risks, provisions for unexpired risks, provisions for incurred but not reported losses (IBNR) and for incurred but not enough reported losses (IBNER) and provisions for bonuses and rebates were established.

Provisions for bonuses and rebates were formed by the company on the basis of advance notice of cedant with which they concluded a reinsurance contract for export credits.

Mathematical provisions were not formed by the company since with the life insurance they reinsure only the risk of death, which they fully retrocede.

Gross provisions for unearned premiums were formed on the basis of advance notices of cedants. A provision for unearned premium on the basis of the rules and according to the method of fraction was formed for operations from the title of acquired retrocessions and for retrocedants for which the company did not receive statements of account for unearned premium.

Provisions for outstanding losses were formed on the basis of advance notices of cedants and retrocedants. To allow for inflation additional adjustment of these provisions was applied.

Provisions for incurred but not reported losses (IBNR) and for incurred but not enough reported losses (IBNER) were formed on the basis of advance notices of cedants. Part of these provisions was formed by Triglav Re on the basis of our own calculations. A projection was prepared according to the method of triangles for cumulative active, passive and net

losses with final payments according to insurance classes and/or groups of insurance classes, if the extent of premiums and/or losses was too small. When preparing the triangles with data on paid losses according to the underwriting years for projection of future payments for incurred losses, extremely high losses accounted from 2000 to 2004 were excluded. To allow for not enough developed years the company supplemented the chain ladder method, which was used in the previous year together with Bornhueter-Ferguson method on the level of individual insurance classes and/or group of insurance classes. The company compared the IBNR losses calculated in this manner according to the insurance classes and/or groups of insurance classes to the calculation of IBNR loss provisions, acquired on the basis of data of cedants, and considered the larger one as the end result for individual insurance class and/or group of insurance classes.

Supplementary provisions for outstanding losses were not formed.

Equalisation provisions were formed in accordance with the Act Amending the Insurance Companies Act (ZZavar-A, Official Journal of the Republic of Slovenia no. 21/2002) and the Decision Amending the Decision Regulating the Provision of Insurance Statistical Figures - SKL 2002 (Official Journal of the Republic of Slovenia no.69/2002).

The prescribed methodology of forming equalisation provisions on 31 December 2004 did not change compared to the previous financial year. In the treated financial year equalisation provisions were formed in insurance classes, which complied with all three prescribed conditions. When calculating the share of losses, net amounts of premiums, losses, unearned premiums and provisions for outstanding losses were considered as well as revenues from investment interest, which refer to net provisions for outstanding losses. To consider the uniformity of approach when forming technical provisions within the Triglav Group, the shares of losses of Triglav Insurance Company, which took into account external as well as internal appraisal charges when calculating the share of losses, were considered for the previous observation period 1994-1998, for which the reinsurance company does not have their own data.

For the following insurance classes from the non-life insurance group: accident insurance, health insurance, motor vehicle insurance, motor vehicle liability insurance, legal expenses insurance and assistance insurance, the obligation of forming the equalisation provisions in accordance with the prescribed legislation fully terminated, therefore the status of

equalisation provisions in these insurance classes has to be decomposed in the next five years, namely every year for one fifth of the amount of these provisions when the conditions for their formation terminated.

Provisions for nuclear risks were formed on the basis of calculation and decisions of the Pool for Insurance and Reinsurance of Nuclear Risks GIZ approved by an actuary. The provisions were formed in accordance with the Instruction for Actuary Verification of Formation of Technical Provisions and Reserves. For the formation of provision the Pool prepared a calculation for formation in the amount of 20% of annual formation from 25% of value of assumed risks, which can increase by 50% and by minimum annual amount of formation of provisions for nuclear risks. For 2003 the reinsurance company filled the provisions for nuclear risks in the minimum offered amount prepared by the Nuclear Pool for Insurance and Reinsurance of Nuclear Risks GIZ. In the previous years the provisions were filled in an accelerated manner according to the maximum method of three calculations prepared by the Nuclear Pool. The change in the practice used up to that point occurred due to the reached already comparatively high status of formed provisions and the fact that there is no undisputedly valid regulation for the calculation of formation of provisions for nuclear risks.

The Nuclear Pool calculates the amounts of filling of provisions for nuclear risks in accordance with the Instruction for Actuary Verification of Formation of Technical Provisions and Reserves issued by the Insurance Supervision Agency of the Republic of Slovenia on 19 December 1996. Since the day when the Decision on the Technical Provisions, which does not regulate provisions for nuclear risks, came in force, the instruction issued by the Insurance Supervision Agency of the Republic of Slovenia is not in force anymore, although one could argue that the part regulating the nuclear risks is still in force.

Provisions for unexpired risks were formed on the basis of and in accordance with the Article 6 of Decision on Detailed Rules and Minimum Standards to Be Applied in the Calculation of Technical Provisions. They are defined as the difference between the actual needed amount for cover of unexpired risk and unearned premium. The provisions are formed in insurance classes in which the average share of losses in the last three years (the current year and two previous years) exceeded 100%.

NOTES ON THE ACCOUNTS

LIABILITIES

The liabilities were stated according to payable amounts. The liabilities denominated in foreign currencies were calculated into tolar according to the middle exchange rate of the Bank of Slovenia on 31 December 2004. The fair value of liabilities is equal to the payable value. The liabilities are stated as short-term and they comprise the liabilities from co-insurance and reinsurance, other liabilities from direct reinsurance operations and other short-term liabilities (to employees and from financing).

The liabilities are exposed to currency risk, but not to credit and interest risk.

REVENUES

The revenues comprise net revenues from reinsurance premium, other net insurance revenues, revenues due to reduction of equalisation provisions and other technical provisions, revenues from investments, other revenues from regular operations and extraordinary revenues.

Net revenues from reinsurance premiums were calculated from gross reinsurance premiums reduced by shares of retrocedants and are corrected by the difference of gross unearned premium, which is adjusted by the share of retrocedants in the unearned premium. Other net insurance revenues represent revenues due to revaluation of other business revenues related to receivables. The investment revenues comprise revenues from the shares of companies, revenues from other investments (interest and other revenues from investments), revenues due to corrections of investments value and profit from disposal of investments. The extraordinary revenues comprise revenues for settlement of losses from the previous years, collected indemnities and other extraordinary revenues.

EXPENDITURES

The expenditures comprise: net expenditures for losses, expenditures for increase of other net technical provisions (except unearned premiums), net operating costs, expenditures of investments, other net insurance expenditures, other expenditures for regular operating and extraordinary expenditures.

Net expenditures for losses are gross amounts of losses (indemnities and appraisal costs) reduced by the shares of retrocedants and corrected by the change of gross provisions for outstanding losses, which are corrected by the share of retrocedants in these provisions.

Net operating costs comprise costs of insurance acquisition, other operating costs: depreciation of value of assets for insurance activity, labour costs, costs of services of individuals who do not carry out the activity together with charges encumbering the company and other operating costs, all of the stated only in the part that refers to other functional groups (costs of assets management) and they are increased and/or reduced by expenditures and/or revenues from reinsurance commissions and from participations in the positive technical result from individual reinsurance contracts (active and passive).

The reinsurance company breaks down the costs according to natural classes and for the preparation of accounting statements the costs are classified according to the functional categories. These are: settlement costs, costs of assets management, costs of insurance acquisition and other operating costs. Due to the manner of settlement of losses in the reinsurance company no costs connected to the evaluation of entitlement and amount of losses occur. Therefore these costs are not classified into the functional group of appraisal costs.

A part of costs according to natural classes can be attributed directly to an individual functional group, the rest of costs were classified into functional groups on the basis of a key. The key is represented by working time of employees for individual functions and accordingly classified costs of their salaries. With the structure of salaries acquired in this manner, other operating costs are also classified into individual functional groups.

The expenditures of investments comprise interest and other expenditures of investments, written off values of investments and losses from disposals of investments. Other net insurance expenditures comprise expenditures for the charge for cover of costs of supervisory authority.

PROFIT AND LOSS

Profit and loss from reinsurance activity, regular operations, extraordinary profit and loss and net profit and loss of the accounting period are established separately on the basis described hereinafter.

The revenues from gross reinsurance premiums, accounted reinsurance premiums from retrocession, costs of losses, participation of retrocedants in the settlement costs, changes of unearned premiums and provisions of outstanding losses according to advanced notices of cedants and retrocedants (for

gross amounts and reinsurers' shares), changes of equalisation provisions and other technical provisions, paid and collected reinsurance commissions are booked by individual insurance class. The formed amount for provisions of outstanding losses for unreported losses incurred (IBNR) and for not enough reported losses (IBNER), which were formed additionally by the reinsurance company on the basis of their estimates, were classified into underwriting years proportionally with the structure of sum of provisions of outstanding losses for reported and IBNR losses, calculated on the basis of statements of accounts handed in by the cedants. The rest of the revenues and expenditures are transferred to cost-holders - insurance classes according to the key. The key for classification according to individual cost-holders is the premium structure by insurance classes. The gross operating costs are transferred to cost-holders on the basis of the premium structure.

CHANGES OF ACCOUNTING POLICIES AND VALUATION

PROVISIONS FOR NUCLEAR RISKS

The reinsurance company formed provisions for nuclear risks in the minimum amount of calculation prepared by the Pool for Insurance and Reinsurance of Nuclear Risks, GIZ. In the previous years the provisions were filled in an accelerated manner according to the maximum method of three calculations prepared by the Pool. The change of the practice used up to now occurred due to the reached comparatively high status of formed provisions and the fact that there is no undisputedly valid regulation for the calculation of formation of provisions for nuclear risks. The Nuclear Pool calculates the amounts of filling of provisions for nuclear risks in accordance with the Instruction for Actuary Verification of Formation of Technical Provisions and Reserves issued by the Insurance Supervision Agency of the Republic of Slovenia on 19 December 1996. Since the day when the Decision on the Technical Provisions, which does not regulate provisions for nuclear risks, came in force, the instruction issued by the Insurance Supervision Agency of the Republic of Slovenia is not in force anymore, although one could argue that the part regulating the nuclear risks is still in force. The minimum amount of calculation for formation of provisions prepared by the Pool for Insurance and Reinsurance of Nuclear Risks, GIZ amounts to SIT 5,179 thousand, and if the maximum method of filling of nuclear provisions was taken into account, it would amount to SIT 92,945 thousand.

SUPPLEMENTARY PROVISIONS FOR OUTSTANDING LOSSES

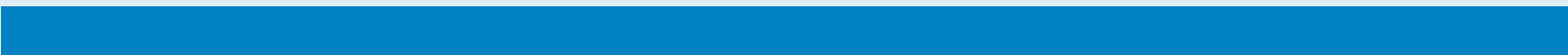
Supplementary provisions for outstanding losses are formed on the basis of Article 4 of the Rules on the Manner of Formation and the Amount of Provisions for Outstanding Losses in Reinsurance. Supplementary provisions for outstanding losses were established by the company from 2000 to 2003 in those insurance classes in which during the current year for the operations from the previous underwriting years net expenditures for losses exceeded net revenues from premiums increased by the revenue from investments of a share of unearned premiums and provisions for outstanding losses formed for the previous years. The company formed the supplementary provisions for outstanding losses because they did not have long enough time series yet, on the basis of which they could reliably estimate the amount of provisions for outstanding losses with other actuarially acknowledged methods. By prolongation of time series the reliability of calculations according to other methods increased, therefore the company started to gradually abandon formation of supplementary provisions for outstanding losses already in 2003; therefore they were not formed in the fire and natural forces insurance. As recommended by the appointed actuary the company did not form supplementary provisions for outstanding losses for 2004 in any of the insurance classes. If the company formed supplementary provisions for outstanding losses altogether on 31 December 2004, they would amount to SIT 90,594 thousand and/or SIT 3,620 thousand if they were not formed in the fire and natural forces insurance as in 2003. The latter amount could be the effect of method change if the abandon of formation of supplementary provisions for outstanding losses was not taken into account in the assumptions for calculation of provisions according to other actuarial methods.

PROVISIONS FOR INCURRED BUT NOT REPORTED LOSSES (IBNR) AND FOR INCURRED AND NOT ENOUGH REPORTED LOSSES (IBNER)

Provisions for incurred but not reported losses (IBNR and IBNER) were formed by the company on the basis of data obtained from the cedants and a part of them were formed on the basis of company's own calculations and estimates. When calculating according to the chain ladder method, the calculation on portfolio basis was replaced by the calculation according to individual insurance classes and/or groups of insurance classes. To allow for the underdeveloped years the chain ladder method was supplemented by Bornhueter-Ferguson method. For the projection of future payments of losses already incurred the triangles with data on net paid losses, arranged according to underwriting years, were used. Some large losses were not taken into account since they can substantially deform the relations between cumulative paid losses in different underwriting years on the active and passive side, since their influence on net losses is not that important. The calculations according to the chain ladder method were verified by Bornhueter-Ferguson method. Projection of ultimate losses calculated in the described manner, reduced by reported outstanding losses, represents IBNR and IBNER provisions and also losses that may occur in the future. The company has not calculated the exact effect of the change of transition on a more accurate calculation method based on a longer time series of data. Comparison of corrections in 2003 and 2004 shows that in 2004 the company formed net IBNR provisions for outstanding losses that were SIT 848,674 thousand higher than the net IBNR provisions for outstanding losses formed on the basis of data obtained from the cedants. The stated amount is by SIT 77,906 thousand or 8% lower than the correction in 2003.

DEVELOPMENTS AFTER THE BALANCE SHEET DATE

After the date of balance there were no important events which would effect the drawn up accounting statements and would require their change or supplementary explanations.





5. Financial Statements of Triglav Re

BALANCE SHEET AS AT 31 DECEMBER 2004

BALANCE SHEET AS AT 31 DECEMBER 2004

	in '000 of SIT as at 31/12-2004	in '000 of SIT as at 31/12-2003
ASSETS	14,223,835	11,531,173
A Intangible fixed assets	34,445	27,211
B Land, buildings and financial investments	9,138,125	6,563,628
I. Land and buildings	0	0
a) for direct insurance operations	0	0
b) other	0	0
II. Investments in the group and associated companies	0	0
III. Other financial investments	8,972,191	6,484,647
IV. Deposits with cedants	165,934	78,981
C Unit - linked investments	0	0
D Receivables	4,690,181	4,689,140
I. Receivables arising out of direct insurance operations	0	0
II. Receivables from co-insurance and reinsurance	4,686,679	4,650,585
III. Other receivables	3,501	38,555
IV. Unpaid subscribed capital	0	0
E Other assets	116,325	13,867
I. Tangible fixed assets, except land and buildings	7,731	11,978
II. Cash	108,593	1,890
III. Own shares	0	0
IV. Inventories and other assets	0	0
F Deferred costs and accrued income	244,760	237,327
G Off- balance sheet items	0	0

FINANCIAL STATEMENTS OF TRIGLAV RE

BALANCE SHEET AS AT 31 DECEMBER 2004

	in '000 of SIT as at 31/12-2004	in '000 of SIT as at 31/12-2003
LIABILITIES	14,223,835	11,531,173
A Capital	2,541,955	1,849,061
I. Subscribed capital	750,000	750,000
II. Capital reserves	130,135	130,135
III. General equity revaluation adjustment	144,661	144,661
IV. Specific equity revaluation adjustment	0	0
V. Reserves	273,123	273,123
VI. Retained net profit or loss carried forward from previous years	520,442	402,574
VII. Undistributed net profit/loss for the accounting period	723,594	148,567
B Subordinated liabilities	0	0
C Net technical provisions	6,449,681	5,452,433
I. Net provisions for unearned premiums	1,830,372	1,500,895
II. Net mathematical provisions	0	0
III. Net provisions for outstanding losses	3,608,951	3,276,869
IV. Net provisions for bonuses and discounts	307	0
V. Equalization provisions	610,558	277,714
VI. Other net technical provisions	399,493	396,955
D Net technical provisions - unit linked	0	0
E Provisions for other risks and expenses	0	0
F Liabilities for financial investments from reinsurers, based on reinsurance contracts with cedants	0	0
G Other liabilities	5,228,441	4,224,596
I. Liabilities arising out of direct insurance operations	0	0
II. Liabilities from co-insurance and reinsurance	4,996,275	4,173,129
III. Loans secured by debt securities with a fixed yield	0	0
IV. Bank loans	0	0
V. Other liabilities	232,166	51,467
H Accrued costs and deferred income	3,758	5,083
I Off-balance sheet items	0	0

The highest amount of total investment in an individual financial organisation (exposure) as at 31.12.2004 amounted to 557.938.310,97 SIT.

PROFIT AND LOSS STATEMENT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2004

PROFIT AND LOSS STATEMENT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2004

	in '000 of SIT 2004	in '000 of SIT 2003
Technical account - non-life insurance, except health insurance		
I. Net premiums earned	5,703,997	4,732,658
II. Allocated investment return transferred from the non-technical account	448,145	454,683
III. Other net insurance income	0	374
IV. Net losses incurred	3,700,963	3,874,922
V. Change in other net technical provisions	2,538	-21,951
VI. Net expenses for bonuses and discounts	307	0
VII. Net operating expenses	1,180,402	1,024,091
1. Expenses for work contracts, contracts for professional services provided and other	1,262	2,134
2. Expenses for entertainment, advertising and trade affairs	2,882	4,720
3. Other net operating expenses	1,176,258	1,017,237
VIII. Other net insurance expenses	17,909	16,954
IX. Change in equalization provisions	332,845	-28,015
X. Result of the technical account for non-life insurance, except health insurance (I+II+III-IV+/-V-VI-VII-VIII+/-IX)	917,179	321,713
Technical account - life insurance		
Technical account - health insurance		
Non technical account		
I. Result of the technical account for non-life insurance, except health insurance	917,179	321,713
II. Result of the technical account for life insurance	0	0
III. Result of the technical account for health insurance		
IV. Investment income	574,187	553,701
V. Allocated investment return transferred from the technical account of life insurance	0	0
VI. Allocated investment return transferred from the technical account of health insurance	0	0
VII. Investment expenses	83,354	62,387
1. Value adjustments and write-offs on investments	0	0
2. Other investment expenses	83,354	62,387
VIII. Allocated investment return transferred to the technical account of non-life insurance, except health insurance	448,145	454,683
IX. Other operating income	0	0

FINANCIAL STATEMENTS OF TRIGLAV RE

PROFIT AND LOSS STATEMENT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2004

	in '000 of SIT 2004	in '000 of SIT 2003
X. Other operating expenses	20,302	5,390
XI. Corporate income tax on ordinary activities	0	0
XII. Profit/loss from ordinary activities after tax	939,565	352,954
Profit/loss from extraordinary activities		
I. Extraordinary income	221	1,302
II. Extraordinary expenses	1	1
III. Extraordinary profit/loss	220	1,301
Corporate income tax	216,190	41,482
Other taxes not included in preceding items	0	0
Net profit or net loss for the accounting period	723,594	312,773

* Due to electronic data processing there may be some calculation differences in the sums of rounded amounts.

6. Audit Report

PRICEWATERHOUSECOOPERS 

PricewaterhouseCoopers d.o.o.

Parmova 53, 1000 Ljubljana
Telephone (01) 4750 100
Facsimile (01) 4750 109
Matična št.: 5717199
Davčna št.: 35498161

AUDITOR'S REPORT ON SUMMARIZED FINANCIAL STATEMENTS

The accompanying summarized financial statements have been derived from the financial statements of Pozavarovalnica Triglav Re, d.d. for the year ended 31 December 2004. These summarized financial statements are the responsibility of the Pozavarovalnica Triglav Re's, d.d. management. Our responsibility is to express an opinion on whether these summarized financial statements are consistent, in all material aspects, with the financial statements from which they were derived.

We have audited the financial statements of Pozavarovalnica Triglav Re, d.d. for the year ended 31 December 2004, from which these summarized financial statements were derived, in accordance with International Standards on Auditing. In our report dated 20 April 2005 we expressed an unqualified opinion on the financial statements from which the summarized financial statements were derived.

In our opinion, the accompanying summarized financial statements are consistent, in all material respects, with the financial statements from which they were derived.

For a better understanding of the Pozavarovalnica Triglav Re's, d.d. financial position and the results of its operations for the period and of the scope of our audit, the summarized financial statements should be read in conjunction with the financial statements from which the summarized financial statements were derived and our audit report thereon.

Ljubljana, 9 June 2005

PricewaterhouseCoopers d.o.o.

This auditor's report has been translated from the Slovenian original. This translation is provided for reference purposes only and is not to be signed.



7. Explanations of Individual Items of Accounting Statements

7.1

BALANCE SHEET ON 31 DECEMBER 2004

7.1.1

INTANGIBLE LONG-TERM ASSETS

INTANGIBLE LONG-TERM ASSETS 2004

	in '000 of SIT Purchase value	in '000 of SIT Correction of value	in '000 of SIT Depreciated value	% Depreciation level
Software	58,709	-27,032	31,677	20
Other intangible long-term assets	0	0	0	0
TOTAL FOR 2004	58,709	-27,032	31,677	20

INTANGIBLE LONG-TERM ASSETS 2003

	in '000 of SIT Purchase value	in '000 of SIT Correction of value	in '000 of SIT Depreciated value	% Depreciation level
Software	44,183	-16,972	27,211	20
Other intangible long-term assets	0	0	0	0
TOTAL FOR 2003	44,183	-16,972	27,211	20

TREND OF INTANGIBLE LONG-TERM ASSETS

	in '000 of SIT
Status on 31 December 2003	27,211
Acquisitions	14,526
Disposals	0
Depreciation	-10,060
Status on 31 December 2004	31,677

For the acquisition of intangible long-term assets the company does not disclose the liabilities on the closing date. On 31 December 2004 the company discloses on the account item Intangible long-term assets under construction and manufacturing the amount of SIT 2,767 thousand, which refers to computer application TRIGLAV RE which is still being developed.

7.1.2

OTHER FINANCIAL INVESTMENTS

	31 Dec. 2004		31 Dec. 2003		Index
	in '000 of SIT	in %	in '000 of SIT	in %	
Shares and other variable-yield securities	576,825	6.5	338,787	5.2	170
Debt securities and other fixed-yield securities	7,800,410	86.9	5,592,010	86.2	139
Shares in investment funds	0	0	0	0	0
Given mortgage loans	0	0	0	0	0
Given loans insured by lien	0	0	0	0	0
Other given loans					
Bank deposits	594,956	6.6	553,850	8.6	107
Other financial investments	0	0	0	0	0
TOTAL OF OTHER FINANCIAL INVESTMENTS	8,972,191	100.0	6,484,647	100.0	138

The largest total investment into one financial organisation, that is Nova Ljubljanska Banka Ltd., amounts to SIT 557,938 thousand. The investments in related companies amount to SIT 236,307 thousand, of which the investment in financial organisation Abanka Vipa d.d. amounts to SIT 225,077 thousand, and the total investment in Triglav Insurance Company Ltd. amounts to SIT 11,230 thousand (TG1R).

EXPLANATIONS OF INDIVIDUAL ITEMS OF ACCOUNTING STATEMENTS

TREND OF FINANCIAL INVESTMENTS

	in '000 of SIT Shares	in '000 of SIT Bonds	in '000 of SIT Deposits
PURCHASE VALUE			
Status on 31 December 2003	352,251	5,594,428	553,850
Increases	267,632	3,390,900	7,018,741
Reductions	-9,267	-1,211,894	-6,987,660
General revaluation correction in order to maintain the value of principal	0	34,673	10,025
Status on 31 December 2004	610,616	7,808,107	594,956
CORRECTION OF VALUE			
Status on 31 December 2003	13,464	2,418	0
Increases	7,170	5,262	0
Reductions	0	0	0
General revaluation correction due to impairment	13,157	17	0
Status on 31 December 2004	33,791	7,697	0
DEPRECIATED VALUE			
Status on 31 December 2003	338,787	5,592,010	553,850
Status on 31 December 2004	576,825	7,800,410	594,956

The costs of investments acquisition are not attributed to the purchase value of a security; in 2004 they amounted to SIT 2,663 thousand in total and occurred at acquisition of shares abroad and in the country.

7.1.2.1

Shares and other
variable-yield securities

SHARES AND OTHER VARIABLE-YIELD SECURITIES		
	in '000 of SIT 31 Dec. 2004	in '000 of SIT 31 Dec. 2003
Purchase value	610,616	352,251
Correction of value	-33,791	-13,464
Net value	576,825	338,787
Investments in shares in Slovenia	381,962	208,606
Investments in shares abroad	194,863	130,181
- in member countries of the EU	0	0
- in member countries of the OECD	0	0
- in other countries	194,863	130,181
TOTAL	576,825	338,787

On the cut-off date 31 December 2004 the company did not have any capital investments which would exceed a 10 percent share in the capital of the issuer.

In the structure of portfolio investments, which include all investments in shares in companies which do not exceed a 10% share in the capital, the investment in DDOR Bank, Novi Sad has the largest share, where our

share is 6.7 percent of capital and investment in Bosna Reosiguranje, Sarajevo, where our share is 1.3 percent of capital.

The largest total investment in shares and other variable-yield securities amounts to SIT 112,221 thousand, namely investment in shares of DDOR Bank, Novi Sad.

7.1.2.2 Debt securities and other fixed-yield securities

DEBT SECURITIES AND OTHER FIXED-YIELD SECURITIES		
	in '000 of SIT 31 Dec. 2004	in '000 of SIT 31 Dec. 2003
Purchase value	7,808,107	5,594,428
Correction of value	-7,697	-2,418
Net value	7,800,410	5,592,010
Investments in debt securities in Slovenia	7,558,552	5,401,938
Investments in debt securities abroad	241,858	190,072
- in member countries of the EU	192,523	190,072
- in member countries of the OECD	0	0
- in other countries	49,335	0
TOTAL	7,800,410	5,592,010

Compared to last year the debt securities increased for 39 percent and they represent the largest share in all financial investments, they amount to 87 percent. Structurally, the largest share of all debt securities is represented by bonds issued by the Republic of Slovenia; they are followed by bonds of the rest of financial companies and bonds of banks.

Investments in debt securities abroad are represented by bonds of Allianz Finance, which represent 2.5 percent of all investments in debt securities.

The largest investment in debt securities refers to several debt securities of one issuer (Nova Ljubljanska Banka Ltd.) and it amounts to SIT 455,263 thousand.

7.1.2.3

Bank deposits

BANK DEPOSITS

	in '000 of SIT 31 Dec. 2004	in '000 of SIT 31 Dec. 2003
Short-term part		
- purchase value	394,956	353,850
- correction of value	0	0
- net value	394,956	353,850
Long-term part	200,000	200,000
TOTAL	594,956	553,850
Deposits given to banks in the Republic of Slovenia	594,956	553,850
Deposits given to banks abroad	0	0
- in a member country of the EU	0	0
- in a member country of the OECD	0	0
TOTAL	594,956	553,850

In this year the deposits increased by 7.4 percent and they represent a 6.6 percent share of all other financial investments. Taking the restrictions into account, the deposits were given to six different banks in the Republic of Slovenia. The time-limit for tying up the short-term deposits is from 1 to 12 months. They are dispersed into different banks; therefore exposure to different types of risks is at a minimum. The interest of short-term deposits is accounted according to nominal interest rate, which was agreed from 3.7 to 5.5% depending on the amount and maturity of tied up assets. For the deposit tied up for

12 months fixed interest rate of 5.1% is agreed. At the end of the year we also have a deposit in foreign currency with interest rate 1.0%.

The long-term deposits are tied up for 5 years in two different banks. The real interest rate for long-term deposits is fixed and it amounts to from 4.6% to 4.75%. The deposits are valued by the currently valid base interest rate defined by the Bank of Slovenia.

On 31 December the largest deposit with one bank amounts to SIT 100,000 thousand.

7.1.2.4

Financial investments which represent subordinated instruments with the issuer

At the end of the year there is one investment in the company's portfolio, which represents subordinated instrument with the issuer, i.e. the Postal Bank of Slovenia 2nd edition bond (PBS2) in the amount of SIT 29,120 thousand.

7.1.2.5

Loans and advances to members of the Board of Management and the Supervisory Board

On the date of balance the company does not give loans and advances to members of the Board of Management and the Supervisory Board.

7.1.2.6

Risk management - assets covering mathematical provisions and assets covering technical provisions

The Insurance Act defines assets covering technical provisions as assets of the insurance company designated to cover future liabilities from insurances concluded by the insurance company and possible losses due to risks emerging from insurance operations performed by the insurance company and for which the insurance company is obliged to form technical provisions.

Therefore, the insurance company has to form and invest assets in the amount which is at least equal to the amount of all technical provisions. The Insurance Act explicitly states the type and extent of permitted investments of assets covering technical provisions.

EXPLANATIONS OF INDIVIDUAL ITEMS OF ACCOUNTING STATEMENTS

STRUCTURE OF INVESTMENTS OF ASSETS COVERING TECHNICAL PROVISIONS

Type of Investment	31 Dec. 2004		31 Dec. 2003	
	in '000 of SIT	in %	in '000 of SIT	in %
Land and buildings	0	0.0	0	0.0
Financial investments in related companies	0	0.0	0	0.0
Other financial investments	8,082,091	97.1	5,901,179	96.2
1. Shares and other variable-yield securities and mutual funds' coupons	381,962	4.6	208,606	3.4
2. Government bonds	5,916,663	71.1	4,326,248	70.5
3. Bonds of commercial banks	666,772	8.0	238,781	3.9
4. Bonds of other companies	521,739	6.3	513,694	8.4
5. Certificates of deposit	0	0.0	60,000	1.0
6. Deposits	594,956	7.1	553,850	9.0
Divided interest of securities and deposits	238,844	2.9	232,985	3.8
TOTAL	8,320,935	100.0	6,134,164	100

It is evident from the structure of investments of assets covering technical provisions that the investment policies of the Triglav Re is conservative and accordingly safe since the largest share is represented by fixed-yield securities and within them bonds issued by the Republic of Slovenia.

The yield of assets covering technical provisions in 2004 amounts to 6.41% and is calculated in the following manner:

*(Revenues-expenditures from investments from technical provisions)*100/average status of investments from technical provisions= SIT 448,145 thousand*100 /SIT 6,991,635 thousand = 6.41%*

Revenues and expenditures include all received and given interest from investments of technical provisions, received dividends, profits and losses from disposals, corrections and write-offs of investments' values, revaluation financial revenues and expenditures referring to investments of technical provisions and costs of assets management referring to technical provisions.

In the structure of all investments from technical provisions 92.1% are market investments and the rest of them are non-market investments. These are securities which are not quoted in regulated Stock Exchanges in the

share of 0.6% of all investments from technical provisions and deposits which represent 7.4% of all investments from technical provisions.

The maturity of investments is adjusted to financial needs of the company. When investing the assets covering technical provisions into individual types of investments, the company takes into account legally defined restrictions regarding the type and maximum share of these investments. The investments of assets covering technical provisions are appropriately diverse and dispersed among individual issuers and financial investors, and do not exceed the financial restrictions. When investing the assets covering technical provisions the company takes into account the territorial matching of investments and liabilities. Triglav Re also ensures currency matching of investments, which means that the assets covering technical provisions are invested in securities in the currency which corresponds to currency exposure of liabilities on the basis of reinsurance contracts.

The largest single investment of the assets covering technical provisions are bonds of Allianz Finance (ALZ12) in the amount of SIT 192,523 thousand.

EXPLANATIONS OF INDIVIDUAL ITEMS OF ACCOUNTING STATEMENTS

7.1.3 RECEIVABLES FROM REINSURANCE

RECEIVABLES FROM REINSURANCE

	in '000 of SIT 31 December 2004	in '000 of SIT 31 December 2003
Receivables for reinsurance premium		
- gross value	2,554,056	3,430,673
- correction of value	0	0
- depreciated value	2,554,056	3,430,673
Receivables for reinsurance premiums from retrocession		
- gross value	318,483	168,934
- correction of value	0	0
- depreciated value	318,483	168,934
Receivables for commission against the reinsurance companies		
- gross value	453,492	399,726
- correction of value	0	0
- depreciated value	453,492	399,726
Receivables for participation in losses		
- gross value	1,360,648	651,252
- correction of value	0	0
- depreciated value	1,360,648	651,252
TOTAL	4,686,679	4,650,585
Receivables for reinsurance premium	2,554,056	3,430,673
- against companies in the group	2,548,460	3,428,401
- against associated companies	0	0
- against other companies	5,596	2,272
Receivables for reinsurance premiums from retrocession	318,483	168,934
- against companies in the group	0	0
- against associated companies	0	0
- against other companies	318,483	168,934
Receivables for commission against the reinsurance companies	453,492	399,726
- against companies in the group	0	0
- against associated companies	0	0
- against other companies	453,492	399,726
Receivables for shares in losses	1,360,648	651,252
- against companies in the group	0	0
- against associated companies	0	0
- against other companies	1,360,648	651,252
TOTAL	4,686,679	4,650,585

EXPLANATIONS OF INDIVIDUAL ITEMS OF ACCOUNTING STATEMENTS

RECEIVABLES FROM REINSURANCE			
	in '000 of SIT		in '000 of SIT
	31 December 2004		31 December 2003
Receivables for reinsurance premium	2,554,056		3,430,673
-in the country	2,334,863		3,370,183
-abroad	219,193		60,490
Receivables for reinsurance premiums from retrocession	318,483		168,934
-in the country	8,542		8,496
-abroad	309,941		160,438
Receivables for commission against the reinsurance companies	453,492		399,726
-in the country	5,940		2,470
-abroad	447,553		397,256
Receivables for shares in losses	1,360,648		651,252
-in the country	3,798		3,135
-abroad	1,356,850		648,117
TOTAL	4,686,679		4,650,585

The receivables derive from direct reinsurance operations and they have the characteristics of short-term receivables. Correction of value of the receivables is therefore not necessary. With the receivables there is a possibility of settlement with liabilities.

EXPLANATIONS OF INDIVIDUAL ITEMS OF ACCOUNTING STATEMENTS

7.1.4 OTHER RECEIVABLES

OTHER RECEIVABLES			
	in '000 of SIT		in '000 of SIT
	31 December 2004		31 December 2003
Other short-term receivables from reinsurance operations			
- gross value	5		5
- correction of value	0		0
- depreciated value	5		5
Short-term receivables from financing			
- gross value	3,023		4,565
- correction of value	0		0
- depreciated value	3,023		4,565
Other short-term receivables			
- gross value	473		33,984
- correction of value	0		0
- depreciated value	473		33,984
TOTAL	3,501		38,555
Other short-term receivables from reinsurance operations			
- against companies in the group	0		0
- against associated companies	0		0
- against other companies	5		5
Short-term receivables from financing			
- against companies in the group	0		0
- against associated companies	0		0
- against other companies	3,023		4,565
Other short-term receivables			
- against companies in the group	48		0
- against associated companies	0		0
- against other companies	425		33,984
TOTAL	3,501		38,555
Other short-term receivables from reinsurance operations			
- in the country	0		0
- abroad	5		5
Short-term receivables from financing			
- in the country	3,023		4,565
- abroad	0		0

EXPLANATIONS OF INDIVIDUAL ITEMS OF ACCOUNTING STATEMENTS

OTHER RECEIVABLES

	in '000 of SIT 31 December 2004	in '000 of SIT 31 December 2003
Other short-term receivables	473	33,984
- in the country	473	33,984
- abroad	0	0
TOTAL	3,501	38,555

Receivables are short-term. Corrections of value of receivables are not necessary.

7.1.5 TANGIBLE FIXED ASSETS EXCEPT LAND AND BUILDINGS

7.1.5.1 Tangible fixed assets except land and buildings

TANGIBLE FIXED ASSETS EXCEPT LAND AND BUILDINGS

	in '000 of SIT 31 December 2004	in '000 of SIT 31 December 2003
Equipment		
- purchase value	54,519	55,021
- correction of value	-46,788	-43,044
- depreciated value	7,731	11,978
Small inventory		
- purchase value	1,339	980
- correction of value	-1,339	-980
- depreciated value	0	0
Other tangible fixed assets		
- purchase value	0	0
- correction of value	0	0
- depreciated value	0	0
Advances for equipment for insurance activity	0	0
Equipment which is being acquired	0	0
TOTAL	7,731	11,978

7.1.5.2 Trend of tangible fixed assets except land and buildings

TREND OF INTANGIBLE LONG-TERM ASSETS

	in '000 of SIT
Status on 31 December 2003	11,977
Acquisitions	2,965
Disposals	16
Depreciation	7,195
Status on 31 December 2004	7,731

Liabilities for acquisition of tangible fixed assets are not stated in company's books as at 31 December 2004.

Fixed assets are owned by the reinsurance company and were not acquired by financial leasing.

7.1.6. CASH

CASH

	in '000 of SIT 31 December 2004	in '000 of SIT 31 December 2003
Foreign currency accounts	108,575	1,872
Cash in giro and current accounts	16	14
Cash in tolar	2	3
TOTAL	108,593	1,890

7.1.7 DEFERRED CHARGES

DEFERRED CHARGES

	in '000 of SIT 31 December 2004	in '000 of SIT 31 December 2003
Provisionally uncharged revenues from interest	244,613	237,197
Deferred charges of insurance acquisition	0	0
Other deferred charges	148	130
TOTAL	244,760	237,327

Among short-term deferred charges deferred interest of deposits and securities in the amount of SIT 244,613 thousand are stated. Due to the nature and bases of formation (actual contracts and depreciation plans) only

minimum differences can occur between imputations and amounts incurred which are mainly a consequence of change in exchange rates and will influence the profit and loss of 2005.

7.1.8

CAPITAL

The capital of the Triglav Re is divided into 15,000 ordinary shares with the nominal value of SIT 50 thousand. All shares are subscribed and paid up. The largest shareholder of the Triglav Re is Triglav Insurance Company Ltd. with 87.00 percent of all paid up shares, followed by the Nova Ljubljanska banka Ltd. with 5.00 percent, Kovinoplastika Lož Ltd., Petrol Ltd. and Sava Ltd. each with 2.00 percent of all votes, FMR Ltd. with 1.33 percent and Helios Domžale Ltd. with 0.67 percent share in the capital.

Net profit of 2003 amounted to SIT 312,773 thousand. According to the decision of the Board of Management

and the Supervisory Board reserves under Articles of association in the amount of SIT 15,639 thousand and profit reserves in the amount of SIT 148,567 thousand were formed from it already at the preparation of annual report. According to the decision of the General Assembly held on 20 July 2004 the remaining part of net profit of 2003 (SIT 148,567 thousand) remained unallocated. The part of balance sheet profit from 2000 in the amount of SIT 30,700 thousand is allocated for payment of dividends. The profit of previous years brought forward remained unallocated. Net profit of 2004 amounted to SIT 723,594 thousand.

CAPITAL ADJUSTMENT FOR PRESERVING THE PURCHASING POWER OF THE CAPITAL

	Status on 1 January 2004	Revaluation with the value of EUR 1.0129	Revaluation with the growth of consumer goods prices 0.032
Capital	750,000	9,616	24,000
Capital reserves	130,135	1,669	4,164
Profit reserves	273,123	3,502	8,740
General revaluation correction of subscribed capital	144,661	1,855	4,629
Net profit brought forward from previous years	551,142	6,714	16,654
Payments of prizes and dividends	-30,700	0	0
TOTAL OF CAPITAL	1,818,361	0	0
General revaluation correction		23,356	58,187

Assuming that the prizes and dividends were paid on 1 January 2004, the business result was calculated according to the value of EUR and growth of consumer goods prices in 2004. Since the value of EUR did not increase by more than 5.5% in 2004, the purchasing power of the capital did not change. Assuming that the capital in 2004 was revaluated with the value of EUR, the business result would be reduced by SIT 23,356 thousand, and if a general revaluation correction of capital with the growth of consumer goods prices was made, the business result would be reduced by SIT 58,187 thousand.

The reinsurance company has capital reserves formed in the amount of SIT 130,135 thousand, which represent payment in excess of the nominal amounts of shares. Profit reserves at the end of 2004 amounted to SIT 273,123 thousand. Profit reserves comprise formed

statutory reserves, reserves under Articles of association and other profit reserves. The purpose of formation and use of statutory reserves is defined by the law. Reserves under Articles of association can be formed up to the amount of 20% of subscribed capital of the insurance company. They are formed by allocating 5% of the net profit, which is reduced by possible amounts used for compensation of losses brought forward, for formation of statutory reserves and profit reserves respectively. Reserves under Articles of association can be used either for compensation of net loss of the financial year, for compensation of loss brought forward, for own shares reserves or for increase of subscribed capital from the assets of the company. Other profit reserves were formed to strengthen the capital adequacy. The Board of Management of the reinsurance company is authorised to increase subscribed capital by 50% by

EXPLANATIONS OF INDIVIDUAL ITEMS OF ACCOUNTING STATEMENTS

issuing new shares or hybrid securities in the period of five years after the entry of Statute changes into the register of companies. In 2004 Triglav Re did not increase the amount of subscribed capital.

7.1.8.1

Net technical provisions

NET TECHNICAL PROVISIONS

	in '000 of SIT 2004	in %	in '000 of SIT 2003	in %	Index
Net unearned premiums	1,830,372	28.4	1,500,895	27.6	122
Net provisions for outstanding losses	3,608,951	56.0	3,276,869	60.0	110
Net provisions for bonuses and rebates	307	0.0	0	0.0	-
Equalisation provisions	610,558	9.4	277,714	5.1	220
Other net technical provisions	399,493	6.2	396,955	7.3	100
Net technical provisions total	6,449,681	100.0	5,452,433	100.0	118

7.1.8.2

Net unearned premiums

NET UNEARNED PREMIUMS

	in '000 of SIT 31 December 2004	in '000 of SIT 31 December 2003
Unearned premiums before reduction		
by costs of insurance acquisition	2,599,737	2,356,508
Reduction by proportional share of costs of insurance acquisition	0	0
Provisions from accepted co-insurance	0	0
Share of co-insurers	-769,365	-855,613
Net unearned premiums	1,830,372	1,500,895

EXPLANATIONS OF INDIVIDUAL ITEMS OF ACCOUNTING STATEMENTS

7.1.8.3

Net provisions for outstanding losses

NET PROVISIONS FOR OUTSTANDING LOSSES

	in '000 of SIT 31 December 2004	in '000 of SIT 31 December 2003
Provisions for incurred but not reported losses		
- gross provisions	2,645,753	2,256,553
- share of reinsurers	-74,426	-73,472
- net provisions	2,571,327	2,183,082
Provisions for incurred and reported losses		
- gross provisions	2,962,857	2,661,241
- share of reinsurers	-1,925,232	-1,720,624
- net provisions	1,037,625	940,617
Supplementary provisions for outstanding losses		
- gross provisions	0	153,170
- share of reinsurers	0	0
- net provisions	0	153,170
Provisions for appraisal costs	0	0
Provisions for expected inflation	0	0
Provisions from accepted co-insurance	0	0
TOTAL GROSS PROVISIONS FOR OUTSTANDING LOSSES	5,608,610	5,070,964
TOTAL SHARE OF REINSURERS	-1,999,659	-1,794,096
TOTAL NET PROVISIONS FOR OUTSTANDING LOSSES	3,608,951	3,276,869

7.1.8.4

Equalisation provisions

EQUALISATION PROVISIONS

	in '000 of SIT 31 December 2004	in '000 of SIT 31 December 2003
Initial status of equalisation provisions (on 1 January)	277,714	305,729
Increase	407,510	53,830
Reduction	-74,666	-81,845
Final status of equalisation provisions (on 31 December)	610,558	277,714

The status of equalisation provisions on 31 December 2004 generally increased due to filling of these provisions in the insurance categories Insurance of Transportation of Goods (SIT 35,814 thousand), Other Damage to Property Insurance (SIT 79,250 thousand), General Liability

Insurance (SIT 183,256 thousand) and Credit Insurance (SIT 109,190 thousand). The whole reduction of equalisation provisions in the period is to be attributed to the decomposition (SIT 74,666 thousand).

7.1.8.5 Other net technical provisions

OTHER NET TECHNICAL PROVISIONS

	in '000 of SIT 31 December 2004	in '000 of SIT 31 December 2003
Provisions for nuclear risks	323,013	317,834
Provisions for unexpired risks	76,479	79,121
TOTAL	399,493	396,955

7.1.9 LIABILITIES FROM REINSURANCE

LIABILITIES FROM REINSURANCE

	in '000 of SIT 31 December 2004	in '000 of SIT 31 December 2003
Liabilities to reinsurance companies for reinsurance premiums	1,381,830	1,477,759
- to companies in the group	0	0
- to associated companies	0	0
- to other companies	1,381,830	1,477,759
Liabilities to insurance companies for commissions	530,204	673,466
- to companies in the group	528,533	672,839
- to associated companies	0	0
- to other companies	1,671	627
Liabilities to reinsurance companies for commissions	111,812	73,364
- to companies in the group	0	0
- to associated companies	0	0
- to other companies	111,812	73,364
Liabilities to insurance companies for shares in damages	2,814,772	1,847,339
- to companies in the group	2,813,777	1,847,263
- to associated companies	0	0
- to other companies	995	76
Liabilities to reinsurance companies for shares in damages	157,658	67,964
- to companies in the group	0	0
- to associated companies	0	0
- to other companies	157,658	67,964
Other liabilities from direct reinsurance operations to other companies		
- to companies in the group	0	0
- to associated companies	0	0
- to other companies	0	33,237
TOTAL	4,996,275	4,173,129

EXPLANATIONS OF INDIVIDUAL ITEMS OF ACCOUNTING STATEMENTS

LIABILITIES FROM REINSURANCE

	in '000 of SIT 31 December 2004	in '000 of SIT 31 December 2003
Liabilities to reinsurance companies for reinsurance premiums	1,381,830	1,477,759
- in the country	8,573	8,818
- abroad	1,373,257	1,468,941
Liabilities to insurance companies for commissions	530,204	673,466
- in the country	490,389	663,472
- abroad	39,815	9,994
Liabilities to reinsurance companies for commissions	111,812	73,364
- in the country	1,672	1,632
- abroad	110,140	71,732
Liabilities to insurance companies for shares in losses	2,814,772	1,847,339
- in the country	2,735,611	1,818,857
- abroad	79,161	28,482
Liabilities to reinsurance companies for shares in losses	157,658	67,964
- in the country	6,507	770
- abroad	151,151	67,194
Other liabilities from direct reinsurance operations to other companies	0	33,237
- in the country	0	0
- abroad	0	33,237
TOTAL	4,996,275	4,173,129

Liabilities from co-insurance and reinsurance have a short-term nature. Liabilities are stated according to their original value, which reflects the fair value.

Among the liabilities from reinsurance, the liabilities to

the insurance companies in the Triglav group amount to SIT 3,342,310 thousand, thereof liabilities for shares in losses account for 82 % and the rest stands for liabilities for commissions.

7.1.10 OTHER LIABILITIES

OTHER LIABILITIES

	in '000 of SIT 31 December 2004	in '000 of SIT 31 December 2003
Other long-term liabilities		
- long-term liabilities from financial leasing	0	0
- other long-term liabilities	0	0
Other short-term liabilities		
- short-term liabilities to employees	37,645	38,675
- other short-term liabilities from insurance operations	0	0
- short-term liabilities from financing	525	525
- other short-term liabilities	193,997	12,268
TOTAL	232,166	51,467

The short-term liabilities to employees in the amount of SIT 37,645 thousand represent liabilities for salaries for December, salary provisions, unpaid salaries for 2004 and liabilities to employees for reimbursement of other costs connected to work. Among liabilities to employees also liabilities to the Board of Management in the amount of SIT 14,878 thousand for salary for December and counted in salary for 2004 are shown. The amount of SIT 525 thousand is the liability for payment of prizes to employees from profit, and other short-term liabilities in the amount of SIT 193,997 thousand represent liabilities to suppliers in the amount of SIT 5,271 thousand, liabilities from the

title of contracts in the amount of SIT 1,210 thousand, liability for deductions from salaries of employees in the amount of SIT 945 thousand, short-term liability to Triglav Insurance Company Ltd. in the amount of SIT 5,136 thousand and liabilities for taxes and contributions in the amount of SIT 4,125 thousand. Among short-term liabilities we state the liability to company in the group, that is the Triglav Insurance Company Ltd. with the Head Office at Miklošičeva c. 19, Ljubljana, Slovenia, in the amount of SIT 5,136 thousand. Liabilities are stated according to their original value, which reflects the fair value.

7.1.10.1 Liabilities from taxes

Among other short-term liabilities to state institutions from different taxes are stated among others. The amounts include contributions for salaries, taxes for salaries and profit tax. The trend of liabilities from the title of taxes is shown in the following table:

Liabilities from taxes have not expired yet. The majority of liabilities refer to liabilities from profit tax on legal entities (SIT 177,308 thousand). Other liabilities of accounted tax in 2004 in the amount of SIT 4,855 thousand refer to tax on salaries and tax on contracts of employment.

LIABILITIES FROM TAXES

	in '000 of SIT 31 December 2003
Status of liabilities from taxes on 1 January 2004	-28,494
Accounted taxes in the current year	281,652
Paid taxes in the current year	-70,995
Status of liabilities on 31 December 2004	182,163

7.1.11

DEFERRED CREDITS

Deferred credits in the amount of SIT 3,758 thousand refer to provisions of audit costs and publications of accounts for the financial year 2004 in daily newspapers and provisions of costs of reporting to Agency of the Republic of Slovenia for Public Legal Records and Related Services. They are formed on the basis of actual contracts.

7.1.12

REVIEW OF ASSETS AND LIABILITIES ACCORDING TO FOREIGN CURRENCIES

7.1.12.1

Assets and liabilities denominated in foreign currencies and calculated into tolar

ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES AND CALCULATED INTO TOLARS

	in '000 of SIT	in '000 of SIT	in '000 of SIT
	Part of item denominated in foreign currencies	Part of item with currency clause	Part of item denominated in SIT
ASSETS	3,092,324	909,904	10,221,607
Intangible long-term assets	0	0	34,445
Investments in land and buildings	0	0	0
Financial investments	1,688,144	882,056	6,401,991
Financial investments of the reinsurance company from reinsurance contracts with cedants	165,934	0	0
Receivables	1,078,146	0	3,612,034
Miscellaneous assets	108,575	0	7,750
Deferred charges	51,525	27,848	165,387
LIABILITIES	2,028,356	0	12,195,479
Capital and reserves	0	0	2,541,955
Subordinated liabilities	0	0	0
Net technical provisions	1,487,259	0	4,962,422
Liabilities for financial investments from reinsurance contracts with cedants	0	0	0
Other liabilities	541,097	0	4,687,344
Deferred credits	0	0	3,758

7.1.13

OFF-BALANCE RECORDS

The reinsurance company does not have assets and/or liabilities which would have to be stated in the off-balance records

7.2

PROFIT AND LOSS ACCOUNT FOR 2004

7.2.1

NET REVENUES FROM REINSURANCE PREMIUMS

NET REVENUES FROM REINSURANCE PREMIUMS		
	in '000 of SIT 2004	in '000 of SIT 2003
Accounted gross reinsurance premiums	14,308,259	14,612,407
- premiums deriving from contracts concluded in Slovenia	12,451,539	13,330,517
- premiums deriving from contracts concluded in member countries of the EU	1,351,336	919,370
- premiums deriving from contracts concluded in other countries	505,384	362,520
Accounted co-insurance premiums	0	0
- in the country	0	0
- abroad	0	0
Shares of retrocedants in reinsurance premiums	-8,274,786	-9,666,264
- in the country	-40,157	-46,581
- abroad	-8,234,628	-9,619,683
Change of gross unearned premiums	-243,229	-310,984
- in the country	-69,515	-225,767
- abroad	-173,714	-85,217
Change for shares of retrocedants in unearned premiums	-86,248	97,499
- in the country	-85	1,362
- abroad	-86,163	96,137
TOTAL	5,703,997	4,732,658

EXPLANATIONS OF INDIVIDUAL ITEMS OF ACCOUNTING STATEMENTS

NET REVENUES FROM REINSURANCE PREMIUMS

	in '000 of SIT 2004	in '000 of SIT 2003
Accounted gross reinsurance premiums	14,308,259	14,612,407
- in companies in the group	12,849,287	13,530,187
- in associated companies	0	0
- in other companies	1,458,972	1,082,220
Accounted co-insurance premiums	0	0
- in companies in the group	0	0
- in associated companies	0	0
- in other companies	0	0
Shares of retrocedants in reinsurance premiums	-8,274,786	-9,666,264
- in companies in the group	0	0
- in associated companies	0	0
- in other companies	-8,274,786	-9,666,264
Change of gross unearned premiums	-243,229	-310,984
- in companies in the group	-116,635	-233,351
- in associated companies	0	0
- in other companies	-126,594	-77,633
Change for shares of retrocedants in unearned premiums	-86,248	97,499
- in companies in the group	0	0
- in associated companies	0	0
- in other companies	-86,248	97,499
TOTAL	5,703,997	4,732,658

SPLIT OF WRITTEN PREMIUM IN 2004

	in '000 of SIT Gross written premiums	in '000 of SIT Shares of reinsurers	in '000 of SIT Net written premiums
Non-life	14,272,537	8,239,289	6,033,248
Life	35,722	35,497	225
TOTAL	14,308,259	8,274,786	6,033,473

SPLIT OF EARNED PREMIUM IN 2004

	in '000 of SIT Gross earned premiums	in '000 of SIT Shares of reinsurers	in '000 of SIT Net earned premiums
Non-life	14,029,322	8,325,537	5,703,785
Life	35,708	35,497	211
TOTAL	14,065,030	8,361,034	5,703,996

EXPLANATIONS OF INDIVIDUAL ITEMS OF ACCOUNTING STATEMENTS

7.2.2 NET EXPENDITURES FOR LOSSES

NET EXPENDITURES FOR LOSSES

	in '000 of SIT 2004	in '000 of SIT 2003
Accounted gross amounts of losses	6,145,796	6,481,431
- in the country	5,482,309	5,716,665
- abroad	663,487	764,766
Shares of retrocedants in indemnities	-2,776,915	-3,451,367
- in the country	-9,195	-6,687
- abroad	-2,767,720	-3,444,680
Changes of gross provisions for outstanding losses	537,645	-471,323
- in the country	468,603	-447,574
- abroad	69,042	-23,749
Changes of provisions for outstanding losses from retrocession	-205,563	1,316,182
- in the country	-2,209	-585
- abroad	-203,354	1,316,767
TOTAL	3,700,963	3,874,923
Accounted gross amounts of losses	6,145,796	6,481,431
- companies in the group	5,591,429	5,753,016
- associated companies	0	0
- other companies	554,367	728,415
Shares of retrocedants in indemnities	-2,776,915	-3,451,367
- in companies in the group	0	0
- in associated companies	0	0
- in other companies	-2,776,915	-3,451,367
Changes of gross provisions for outstanding losses	537,645	-471,323
- companies in the group	468,356	-495,323
- associated companies	0	0
- other companies	69,289	24,000
Changes of provisions for outstanding losses from retrocession	-205,563	1,316,182
- companies in the group	0	0
- associated companies	0	0
- other companies	-205,563	1,316,182
TOTAL	3,700,963	3,874,923

SPLIT OF GROSS AND NET EXPENDITURES FOR LOSSES IN 2004

	in '000 of SIT Gross expenditures for losses	in '000 of SIT Shares of reinsurers	in '000 of SIT Net expenditures for losses
Non-life	6,663,700	2,962,708	3,700,992
Life	19,741	19,770	-29
TOTAL	6,683,441	2,982,478	3,700,963

EXPLANATIONS OF INDIVIDUAL ITEMS OF ACCOUNTING STATEMENTS

SPLIT OF PROVISIONS FOR OUTSTANDING LOSSES AND UNEARNED PREMIUMS FOR THE PAST UNDERWRITING YEARS

	in '000 of SIT	in '000 of SIT	in '000 of SIT	in '000 of SIT	in %
	Provisions on 1 January	Payments	Provisions on 31 December	Difference	Share
1	2	3	4	5=2-3-4	6 = 5/2
Non-life insurance	7,409,796	3,129,255	3,395,550	884,991	11.94
Life insurance	17,677	137	-27	17,566	99.37
TOTAL	7,427,473	3,129,392	3,395,523	902,557	12.15

In the table the data are shown according to underwriting years since the accounts of cedants and regulated reinsurance contracts are prepared in this manner. In the second column the sum of the provisions for outstanding losses and unearned premiums for 2003 and previous years is shown. It is necessary to include unearned premiums since they are designated for

payment of losses incurred in the current year from contracts which started in the previous year and have not expired before formation of the provisions for outstanding losses. In the fourth column besides provisions for outstanding losses of previous years residual unearned premiums from previous years are included.

BREAKDOWN OF CHANGES IN GROSS PROVISIONS FOR OUTSTANDING LOSSES

	in '000 of SIT	in '000 of SIT
	2004	2003
Incurred and reported losses	301,616	-1,189,320
Incurred but not reported losses	389,199	738,156
Supplementary provisions for outstanding losses	-153,170	-20,161
Change of gross prov. for outstanding losses total	537,645	-471,323

7.2.3 CHANGE OF OTHER NET TECHNICAL PROVISIONS

CHANGE OF OTHER NET TECHNICAL PROVISIONS

	in '000 of SIT	in '000 of SIT
	2004	2003
Change in provisions for unexpired risks	-2,641	-25,861
Change in provisions for nuclear risks	5,179	3,909
TOTAL	2,538	-21,952

EXPLANATIONS OF INDIVIDUAL ITEMS OF ACCOUNTING STATEMENTS

7.2.4 OTHER OPERATING COSTS

OTHER OPERATING COSTS

	in '000 of SIT 2004	in '000 of SIT 2003
Depreciation of value of assets required for operating	11,061	12,056
Labour costs	146,762	123,746
- salaries of employees	100,643	86,352
- costs of social and pension insurance	19,828	14,557
- other labour costs	26,291	22,837
Costs of services of natural persons who do not perform an activity (costs according to contracts of employment, contracts for copyright work and referring to other legal relations), total with charges chargeable to the company	1,262	2,134
Other operating costs	51,515	63,928
TOTAL OTHER OPERATING COSTS	210,600	201,864

BREAKDOWN OF OPERATING COSTS ACCORDING TO FUNCTIONAL GROUPS AND NATURAL CLASSES

	in '000 of SIT Total	in '000 of SIT Acquisition of Insurance	in '000 of SIT Appraisal Costs	in '000 of SIT Assets Management	in '000 of SIT Other Costs
Operating costs total	328,548	103,427	0	14,522	210,599
Depreciation of value of assets required for operating	17,256	5,432	0	763	11,061
Labour costs	228,958	72,076	0	10,120	146,762
Salaries of employees	157,010	49,427	0	6,940	100,643
Costs of social and pension insurance	30,934	9,738	0	1,367	19,828
Other labour costs	41,015	12,911	0	1,813	26,291
Costs of services of natural persons who do not perform an activity	1,969	620	0	87	1,262
Other operating costs	80,366	25,299	0	3,552	51,515

EXPLANATIONS OF INDIVIDUAL ITEMS OF ACCOUNTING STATEMENTS

BREAKDOWN OF INSURANCE ACQUISITION COSTS IN 2004

	in '000 of SIT
Accident insurance	2,658
Health insurance	40
Land motor vehicle insurance	9,643
Railway rolling stock insurance	1,355
Aircraft insurance	3,653
Ships insurance	276
Insurance of transportation of goods	1,905
Fire and natural forces insurance	32,817
Other damage to property insurance	20,333
Motor-vehicle liability insurance	19,585
Aircraft liability insurance	1,720
Ships liability insurance	144
General liability insurance	3,582
Credit insurance	2,152
Suretyship insurance	744
Miscellaneous financial loss insurance	2,334
Legal expenses insurance	25
Assistance insurance	203
Non-life insurance total (1-18)	103,169
Life insurance	258
Non-life and life insurance total	103,427

7.2.4.1**Labour costs**

In 2004 total labour costs amounted to SIT 146,762 thousand thereof SIT 100,643 thousand is attributed to costs of salaries, the amount of SIT 17,112 thousand is attributed to costs of social insurance and the amount of

SIT 2,716 thousand is attributed to costs of pension insurance. The average number of employees in 2004 amounted to 19.17.

BREAKDOWN OF EMPLOYEES BY LEVEL OF EDUCATION

	Number of employees in 2004	Number of employees in 2003
I	0	0
II	0	0
III	0	0
IV	0	0
V	5	5
VI	0	1
VII	13	9
VIII	3	2
IX	0	0
TOTAL	21	17

7.2.4.2

Other operating costs

OTHER OPERATING COSTS			
	in '000 of SIT		in '000 of SIT
	2004		2003
Banking services costs	7,247		9,236
Reimbursements of costs connected to work	9,385		7,136
Costs of entertainment, advertising and fairs	2,882		4,720
Costs of services and material	5,584		5,147
Rents	12,241		9,007
- Share which refers to companies in the group	11,456		8,398
Costs of stationery and forms	2,350		1,800
Costs of intellectual and personal services	5,849		13,913
Costs of services of professional education	372		912
Costs of insurance premiums	1,817		1,731
Maintenance costs	15,847		34,121
Costs of other services	16,792		7,693
Other operating costs total	80,366		95,416

The breakdown refers to costs according to natural categories regardless of the functional group they are stated in.

7.2.4.3

Payments to members of the Board of Management, employees employed with an individual contract and members of the Supervisory Board in the financial year

In 2004 the payments to members of the Board of Management amounted to SIT 62,690 thousand, they referred to the participation in profit, which was paid in 2004, and to gross salaries and other receipts paid in 2004. The employees employed on the basis of a contract which the tariff part of the collective contract does not apply to received payments in the total amount of SIT 76,396 thousand in 2004. The payments include gross salaries and other receipts paid in 2004. The Supervisory Board of the reinsurance company had no payments in 2004 which would refer to participation in profit or any other payments.

In 2004 there were no programmes of other long-term earnings of the employees in the reinsurance company. On the date of balance there were no demands of the employees for payments on the basis of statutory provisions, collective contract, general legal act or contract of employment which the reinsurance company does not agree with.

7.2.4.4

Division of gross operating costs according to insurance groups

Gross accounted costs according to the natural categories amount to SIT 328,548 thousand in the current year, of this the amount of SIT 327,728 thousand, that is 99.75%, is attributed to non-life insurance; the remaining 0.25% in the amount of SIT 820 thousand is attributed to life insurance.

The total insurance acquisition costs amount to SIT 103,427 thousand, out of this the amount of SIT 103,169 thousand refers to non-life insurance, and the amount of SIT 258 thousand refers to life insurance. The operating costs in the narrower sense amount to SIT 210,599 thousand, out of this the amount of SIT 210.074 thousand refers to non-life insurance, and the amount of SIT 525 thousand refers to life insurance. The costs of assets management amount to SIT 14,522 thousand, out of this the amount of SIT 14,486 thousand refers to non-life insurance, and the amount of SIT 36 thousand refers to life insurance.

EXPLANATIONS OF INDIVIDUAL ITEMS OF ACCOUNTING STATEMENTS

7.2.5 REVENUES FROM REINSURANCE COMMISSIONS AND PARTICIPATION IN PROFIT

	in '000 of SIT 2004	in '000 of SIT 2003
Collected reinsurance commissions	-1,527,508	-1,456,853
- from retrocedants in the country	-11,829	-8,445
- from retrocedants abroad	-1,515,679	-1,448,408
Given reinsurance commissions to insurance companies	2,000,925	1,873,312
- cedants in the country	1,941,579	1,850,187
- cedants abroad	59,346	23,125
Given reinsurance commissions to reinsurance companies	392,958	310,621
- retrocedants in the country	10,006	5,642
- retrocedants abroad	382,952	304,979
TOTAL	866,375	727,080
Collected reinsurance commissions	-1,527,508	-1,456,853
- in associated companies	0	0
- in other companies	-1,527,508	-1,456,853
Given reinsurance commissions to insurance companies	2,000,925	1,873,312
- in associated companies	1,995,438	1,870,608
- in other companies	5,487	2,704
Given reinsurance commissions to reinsurance companies	392,958	310,621
- in associated companies	0	0
- in other companies	392,958	310,621
TOTAL	866,375	727,080

SPLIT OF REVENUES FROM REINSURANCE COMMISSIONS IN 2004

	in '000 of SIT Participation in profit	in '000 of SIT Revenues from reinsurance commissions	in '000 of SIT Total
Non-life	0	866,288	866,288
Life	0	87	87
TOTAL	0	866,375	866,375

7.2.6

ALLOCATED YIELD FROM INVESTMENTS, TRANSFERRED FROM THE PROFIT AND LOSS ACCOUNT FROM REGULAR OPERATIONS

The allocated revenue of investments from technical provisions amounts to SIT 448,145 thousand and it is calculated as the difference between the revenues of investments from assets covering technical provisions in the total amount of SIT 507,866 thousand and expenditures of investments from assets covering technical provisions in the amount of SIT 59,721 thousand (see subparagraphs 7.3.1 and 7.3.2).

EXPLANATIONS OF INDIVIDUAL ITEMS OF ACCOUNTING STATEMENTS

7.3 NON-TECHNICAL ACCOUNT

7.3.1 REVENUES FROM INVESTMENTS

REVENUES FROM INVESTMENTS

	in '000 of SIT 2004	in '000 of SIT 2003
Revenues from shares	4,602	4,529
- in the country	4,579	4,123
- abroad	23	406
Revenues from other investments	566,911	548,299
1. Revenues from land and buildings	0	0
- in the country	0	0
- abroad	0	0
2. Revenues from interest	496,172	457,315
- in the country	488,035	446,661
- abroad	8,137	10,653
3. Other revenues from investments	70,740	90,985
3.1. Revaluation financial revenues	70,007	90,754
- in the country	45,055	78,389
- abroad	24,952	12,365
3.2. Other financial revenues	733	230
- in the country	733	230
- abroad	0	0
Revenues due to corrections of investments values	0	0
- in the country	0	0
- abroad	0	0
Profits at disposals of investments	2,673	873
- in the country	2,673	0
- abroad	0	873
TOTAL	574,187	553,701

BREAKDOWN OF REVENUES FROM INTEREST

	in '000 of SIT 2004	in '000 of SIT 2003
Revenues from interest of securities	458,541	420,060
Revenues from interest of deposits	37,532	36,717
Revenues from a vista assets	99	268
Other revenues from interest	0	269
TOTAL	496,172	457,315

EXPLANATIONS OF INDIVIDUAL ITEMS OF ACCOUNTING STATEMENTS

BREAKDOWN OF REVENUES FROM INVESTMENTS BY TYPE OF ASSETS

	in '000 of SIT	in '000 of SIT	in '000 of SIT	in '000 of SIT
	Investments which are not financed from technical provisions in 2004	Assets covering technical provisions in 2004	Investments which are not financed from technical provisions in 2003	Assets covering technical provisions in 2003
Revenues from shares	23	4,579	406	4,123
- in companies in the group	0	0	0	0
- in associated companies	0	0	0	0
- in other companies	23	4,579	406	4,123
Revenues from land and buildings	0	0	0	0
- in companies in the group	0	0	0	0
- in associated companies	0	0	0	0
- in other companies	0	0	0	0
Revenues from interest	38,780	457,392	48,639	408,676
- in companies in the group	0	0	0	0
- in associated companies	0	0	0	0
- in other companies	38,780	457,392	48,639	408,676
Other revenues from investments	26,232	44,508	9,981	81,003
1.Revaluation financial revenues	26,025	43,982	9,751	81,003
- in companies in the group	1,139	0	1,842	0
- in associated companies	0	0	0	0
- in other companies	24,886	43,982	62,052	199,090
2.Other financial revenues	207	526	0	100
- in companies in the group	0	0	0	0
- in associated companies	0	0	0	0
- in other companies	207	526	0	100
Revenues due to correction of investments values	0	0	0	0
Profits at disposals of investments	1,287	1,387	523	18,017
TOTAL	66,322	507,866	88,244	485,233

The reached revenues from investments in 2004 amount to SIT 574,187 thousand and are 3.7% higher than the revenues from investments in 2003. The majority of this

item is represented by revenues from investments in securities and deposits and revaluation financial revenues.

EXPLANATIONS OF INDIVIDUAL ITEMS OF ACCOUNTING STATEMENTS

7.3.2 EXPENDITURES FROM INVESTMENTS

EXPENDITURES FROM INVESTMENTS

	in '000 of SIT 2004	in '000 of SIT 2003
Depreciation of investments of assets which are not required for operating	0	0
- in the country	0	0
- abroad	0	0
Interest and other expenditures from investments	80,230	59,217
a) expenditures for assets management, expenditures for interest and other financial expenditures	48,983	38,332
- in the country	48,870	38,332
- abroad	113	0
b) revaluation financial expenditures	31,247	20,887
- in the country	10,494	17,466
- abroad	20,753	3,420
Write-offs of investments value	0	0
- in the country	0	0
- abroad	0	0
Losses at disposals of investments	3,124	3,169
- in the country	3,124	0
- abroad	0	3,169
TOTAL	83,354	62,387
Depreciation of investments of assets which are not required for operating	0	0
Interest and other expenditures from investments	80,230	59,218
- expenditures for assets management, expenditures for interest and other financial expenditures	48,983	38,332
- revaluation financial expenditures	31,247	20,887
Write-offs of investments value	0	0
Losses at disposals of investments	3,124	3,169
TOTAL	83,354	62,387

Total expenditures from investments in 2004 amounted to SIT 83,354 thousand and they increased by 33.6% compared to the previous year. The largest share of

expenditures from investments is represented by expenditures for assets management, expenditures for interest and other financial expenditures.

EXPLANATIONS OF INDIVIDUAL ITEMS OF ACCOUNTING STATEMENTS

BREAKDOWN OF EXPENDITURES FROM INVESTMENTS BY TYPE OF ASSETS				
	in '000 of SIT	in '000 of SIT	in '000 of SIT	in '000 of SIT
	Investments which are not financed from technical provisions in 2004	Assets covering technical provisions in 2004	Investments which are not financed from technical provisions in 2003	Assets covering technical provisions in 2003
Depreciation of investments of assets which are not required for operating	0	0	0	0
Interest and other expenditures from investments	22,743	57,488	23,268	35,951
1. Expenditures for assets management, expenditures for interest and other financial expenditures	3,076	45,907	3,923	34,409
2. Revaluation financial expenditures	19,666	11,581	19,345	1,542
Write-offs and corrections of investments value	0	0	0	0
Losses at disposals of investments	891	2,233	0	3,169
TOTAL	23,633	59,721	23,268	39,120

7.3.3

OTHER OPERATING EXPENDITURES

Other operating expenditures include revaluation operating expenditures of labour costs in the amount of SIT 20,286 thousand, which refer to shares for prizes for the employees in the amount of SIT 7,000 thousand and prizes for the Board of Management in the amount of SIT 13,286 thousand.

The revaluation operating expenditures of labour costs occurred

according to the decision of the Board of Management and Supervisory Board and they reduce the extended profit which amounted to SIT 743,880 thousand after tax and/or to SIT 960,070 thousand before tax. The share of revaluation operating expenditures in the extended profit amounts to 2.16%. The amount of SIT 16 thousand represents expenditures at disposal of fixed assets.

7.4 PROFIT/LOSS FROM EXTRAORDINARY ACTIVITIES

EXTRAORDINARY BUSINESS RESULT		
	in '000 of SIT 2004	in '000 of SIT 2003
Extraordinary revenues:		
- Revenues from previous years	0	0
- collected indemnities from insurance companies from non-life insurance	221	201
- revenues from change of insurance beneficiaries	0	0
- other extraordinary revenues	0	1,101
Extraordinary revenues total	221	1,302
Extraordinary expenditures:		
- expenditures from previous years	0	0
- pecuniary penalties	0	0
- other extraordinary expenditures	1	1
Extraordinary expenditures total	1	1
Extraordinary profit and loss	220	1,301



GENERAL DATA ON TRIGLAV RE

REGISTERED OFFICE:

Triglav Re, Reinsurance Company Ltd.
Miklošičeva 19, 1000 Ljubljana, Slovenia
Tel. ++386 1 474 79 00, Fax. ++386 1 433 14 19
e-mail: mail@triglavre.si

SUPERVISORY BOARD OF TRIGLAV RE

Chairman - Jože Lenič
Members - Andrej Hazabent, Jože Obersnel, Gabrijel Škof,
Milan Tomaževič

BOARD OF MANAGEMENT OF TRIGLAV RE

Benjamin Polak - President of the Management Board
Milena Uršič - Member of the Management Board

DIRECTORS:

Tomaž Senčar - Director of Property Reinsurance
Andrej Slapar - Director of Casualty,
Marine and Aviation Reinsurance
Nadja Pivk - Director of Reinsurance Accounts
Maja Omahen Petrič - Director of Finance and Accounting

TRIGLAV GROUP - PRINCIPAL INFORMATION

The following companies within the Triglav Group are consolidated:

Zavarovalnica Triglav d.d.

Miklošičeva 19, 1000 Ljubljana, Slovenia
Tel. ++386 1 474 72 00, Fax. ++386 1 432 63 02
Management Board: Andrej Kocič - President,
Borut Eržen, Vladimir Mišo Čeplak

Triglav Zdravstvena zavarovalnica d.d.

Ferrarska 10, SLO - 6000 Koper
Tel. ++386 5 66 22 000, fax: ++386 5 66 22 002
Management Board: Gregor Strmčnik - President, Zdravko
Bratuš, Ivan Gracar, Simon Vidmar;
Shareholding of Zavarovalnica Triglav d.d.: 98.42%

Triglav Osiguranje d.d.

Erazma Barčiča 3, HR - 51000 Rijeka
Tel. ++385 51 358 200, fax: ++385 51 334 194
Management Board: Igor Burić - President, Uroš Klenovšek;
Shareholding of Zavarovalnica Triglav d.d.: 95.78%

Triglav BH Osiguranje d.d. Sarajevo

Ul. Augusta Brauna br. 2, BiH - 71000 Sarajevo
Tel. ++387 33 252 111, fax: ++387 33 252 117
Management Board: Fejsal Hrustanović - President,
Edib Galijatović, Aida Lačević;
Shareholding of Zavarovalnica Triglav d.d.: 68.94%

Triglav Pojišť'ovna a.s.

Novobranska 544/1, CZ - 602 00 Brno
Tel. ++420 5 422 122 16, fax: ++420 5 422 179 10
Management Board: Vaclav Stix - President, Miloš Kubin;
Shareholding of Zavarovalnica Triglav d.d.: 100%



