

ANNUAL REPORT 2002



SALVA
KINDLUSTUS

Main Figures

	2002 mill. kroon	2001 mill. kroon	2000 mill. kroon	1999 mill. kroon	1998 mill. kroon	1997 mill. kroon
Gross premiums	161	113	79,4	68,3	55,9	70,9
Claims	91,7	53,2	39,6	42,3	39,3	27,6
Profit	7,1	0,5	2,9	0,7	-10,3	4,1
Full-time employees	111	96	88	78	71	65

Statement of Management Board



Endemic for the year of 2002 was the tightening grip of insecurity on the world economy, and the stagnation. Regardless of that discouraging trend, the economic upswing of Estonia, seconded by other Baltic States, was impressive. Contributory to the rapid development were investments and the increase of consumption in private sector, as well as the exports, which picked up in the second half of the year. Instrumental for the increase of consumption in private sector and for the growth of loan burden was the fact that domestic banks significantly lowered their interest rates.

Highlights in the past year were the invitations extended to Estonia at the end of the year to join the NATO and the European Union. The member status in the EU will necessitate a steady reform of economical environment, on the level of government, as well as the strategies to expedite the reorganisation process of enterprises.

The insurance sector witnessed stable progress, in the past year. Of changes, notable was the winding up of activities by Nordika Kindlustuse AS and Nordika Elukindlustuse AS, and the penetration of Nordea Kindlustuse Eesti AS into the market. The insurance companies continued putting into practice the strategies approved in previous years, and consolidating the market positions gained. The growth rate of the volume of premiums kept on the level of the previous year - at 21 per cent. Of EEK 2 163 million premiums collected, the non-life insurance accounted for EEK 1 717 million and the life insurance for EEK 446 million.

We are fully justified to declare the year ended successful for Salva Kindlustuse AS. The three basic targets set for 2002 - to increase the volume of insurance premiums, to decrease the benefit-cost ratio, and to maintain the loss ratio on the level of previous year - were met. The volume of insurance premiums grew to EEK 161 million, which lifted our market share, by the year end to 9.3 per cent. The cost-premium ratio, netted on reinsurance decreased to 34.18 per cent. The loss ratio was maintained on the prognosticated level - at 45.64 per cent.

In the past year, we continued to work at enhancing our sales structure. In autumn, we opened an office at Hiiumaa. Our Rakvere representation moved, in spring to a newly completed office building beside the central square.

An important area for us in 2003 will be work with our loyal customers. The personal customer service will be supported by MinuSalva, the Internet based system of management of insurance contracts, to be made available soon. The said system will enable the customer to look at their contracts, to make payments against invoices, and to trace the claims assessment process.

In the product development, the focus was on improvement of insurance conditions.

On 15 March the coming year, Salva Insurance will be ten. A decade is a sufficient interval of time to prove one's worth. We have experienced peaceful periods and been stuck in the survival-of-the-fittest competition. We have also been objects of aggressive raids. We have acquired valuable experience to operate both in the downward trend phase and the growth stage of the economy, which enables us to take an optimistic view of the future.

In the name of the Board, I thank our loyal customers and co-operation partners for trust they have put in us, and the employees of the company for excellent performance.

Tiit Pahapill
Chairman of the Management Board
of Salva Kindlustuse AS

Overview of Insurance Activities

Estonian Insurance Market

In the insurance market of Estonia, the insurance companies collected the total of EEK 2 163 million of premiums in 2002, which is 21.1% up on last year. The non-life insurance premiums were collected to the tune of EEK 1 717 million, which is 20% up on last year. The source of accelerated growth of life insurance market, as against the non-life insurance market is the obligatory retirement reform, successfully launched and attracting more people than one could initially reckon with. This increased, indirectly also the number of people joining the third pillar.

Dynamics of Estonian Insurance Market in the Period 1998-2002

mill. kroon	1998	1999	2000	2001	2002
Loss insurance	1 023	1 089	1 225	1 430	1 717
Increment	6,90%	6,45%	12,49%	16,73%	20,07%
Life insurance	206	217	304	356	446
Increment	60,94%	5,34%	40,09%	17,11%	25,28%
Total	1 229	1 306	1 529	1 786	2 163
Increment	13,27%	6,27%	17,08%	16,81%	21,11%

Non-life insurance accounted for 79.4% of the whole insurance market. As per types of non-life insurance, the motor TPL constituted a major part, 30.1%. Together with motor own damage the insurance types related to vehicles accounted for 65.0%, the property insurance for 23.1% and the remaining insurance types for 11.9% of the non-life insurance market.

Distribution of All-Risk Insurance Premiums as per Types

	Premiums		Increment	Share in total volume of premiums		
	2002	2001	%	2002	2001	Increment
Motor TPL	516 416	458 064	12,74%	30,1%	32,0%	-2,0%
Personal accident	37 008	35 710	3,63%	2,2%	2,5%	-0,3%
Travel insurance	47 171	43 271	9,01%	2,7%	3,0%	-0,3%
Motor own damage (private)	87 741	68 348	28,37%	5,1%	4,8%	0,3%
Motor own damage (corporate)	511 794	408 907	25,16%	29,8%	28,6%	1,2%
Other motor	8 652	7 564	14,38%	0,5%	0,5%	0,0%
Goods in transit	20 256	21 116	-4,07%	1,2%	1,5%	-0,3%
Property (private)	179 342	152 361	17,71%	10,4%	10,7%	-0,2%
Property (corporate)	216 519	170 337	27,11%	12,6%	11,9%	0,7%
Motor liability	24 871	21 935	13,39%	1,4%	1,5%	-0,1%
Civil liability insurance	43 778	29 760	47,10%	2,5%	2,1%	0,5%
Pecuniary loss	23 649	12 793	84,86%	1,4%	0,9%	0,5%
TOTAL	1 717 197	1 430 166	20,07%	100,0%	100,0%	

Operating in the insurance market, as of the end of the year, were 5 life insurance companies, 7 non-life insurance companies and the Estonian Traffic Insurance Fund.

As from the end February 2002 there has been a new actor in the market - Nordea Kindlustuse Eesti AS, who took over the insurance portfolio of Nordika Kindlustuse AS (except for the guarantee insurance).

Among life insurance companies, Nordika Elukindlustuse AS wound up. Its insurance portfolio was transferred, as from 1 July 2002 to ERGO Elukindlustuse AS.

Overview of Insurance Activities

Salva Kindlustus

In 2002, Salva Kindlustus collected 161 million kroons worth of premiums, which is 42% more than in 2001. Premiums increased in all types of insurance.

Compulsory motor TPL insurance (domestic motor TPL insurance plus green card) continued to form the biggest part of the premiums collected by Salva Kindlustus by totalling 45%.

In 2002, Salva Kindlustus paid insurance claims in the amount of 91,3 million kroons, the biggest part of this (49%) were claims paid in domestic motor TPL insurance.

Premiums Collected by Salva Kindlustus According to Types of Insurance:

Gross insurance premiums (thousand kr)	Salva Kindlustuse AS		Increment %	Share in total volume of premiums	
	2002	2001		2002	2001
Motor TPL	72 400	51 185	41,45%	44,9%	44,1%
Personal accident	1 991	1 325	50,26%	1,2%	1,1%
Travel insurance	7 542	6 734	12,00%	4,7%	5,8%
Motor own damage (private)	5 891	4 691	25,58%	3,7%	4,0%
Motor own damage (corporate)	46 961	34 494	36,14%	29,1%	29,7%
Other motor	1 698	484	250,83%	1,1%	0,4%
Goods in transit	1 493	2 671	-44,10%	0,9%	2,3%
Property (private)	9 036	5 172	74,71%	5,6%	4,5%
Property (corporate)	10 398	7 475	39,10%	6,5%	6,4%
Motor liability	534	176	203,41%	0,3%	0,2%
Civil liability insurance	1 067	532	100,56%	0,7%	0,5%
Pecuniary loss	2 164	1 221	77,23%	1,3%	1,1%
TOTAL	161 175	116 160	38,75%	100,0%	100,0%

Claims Paid According to Types of Insurance:

Claims paid (thousand kr)	Salva Kindlustuse AS		Increment %	Share in total volume of claims paid	
	2002	2001		2002	2001
Motor TPL	45 197	29 091	55,36%	49,51%	52,49%
Personal accident	872	872	0,00%	0,96%	1,57%
Travel insurance	1 743	1 413	23,35%	1,91%	2,55%
Motor own damage (private)	4 426	3 323	33,19%	4,85%	6,00%
Motor own damage (corporate)	29 546	17 871	65,33%	32,37%	32,24%
Other motor	1 139	0		1,25%	0,00%
Goods in transit	499	391	27,62%	0,55%	0,71%
Property (private)	1 707	602	183,55%	1,87%	1,09%
Property (corporate)	5 601	1 619	245,95%	6,14%	2,92%
Motor liability	343	0		0,38%	0,00%
Civil liability insurance	148	117	26,50%	0,16%	0,21%
Pecuniary loss	67	126	-46,83%	0,07%	0,23%
TOTAL	91 288	55 425	64,71%	100,00%	100,00%

Sales and Marketing

Past year witnessed the growth of insurance premiums, at the rate of 42%, bringing the annual sales figure to EEK 161 million. By its brisk sales, Salva Kindlustuse AS was the best performing non-life insurance company in Estonia, manifesting an impetuous growth.

Together with the volume of premiums, the market share of the company increased, too. By the end of the year it reached 9.3%. By its volume of premiums, Salva Insurance ranks the fourth among non-life insurance companies.

Most Important Events in 2002

- In 2002 the sales structure of Salva evidenced two significant changes. In the 1st quarter of past year the Rakvere representation moved to a new office building in 27 Laada St. At Hiiumaa, beside the central square of the Kärkla town, we opened a new office. By the end 2002, Salva Insurance had altogether 7 representations and 9 points of sales in major towns of Estonia.
- In September, in co-operation with the Safety Centre Tamrex OÜ, we started a campaign, with the aim to make the community aware of the imperative need to purchase fire safety equipment, in order to keep their property intact. For that purpose, a package Kodukindlustus PLUSS (Homeowners Insurance PLUS) was developed. The package contains the lucrative homeowners insurance and three fire safety devices: powder extinguisher, fire extinguishing quilt and smoke sensor.
- In the last quarter of 2002 we carried out the promotion campaign to increase the volume of the so-called "YES"-contracts and long term policies.

Main Ratios

	2002	2001	2000	1999	1998	1997	1996	1995
Net loss ratio	46,0%	55%	54%	58%	58%	46%	35%	55%
Deferred costs/earned net premiums	34,2%	46%	50%	48%	58%	37%	31%	36%
Average return on equity	31,0%	3,2%	21%	4%	-63%	20%	48%	33%
Yield per stock	7,22	0,51	2,93	0,71	10,31	4,08	10,00	5,21
Inngrease in gross premiums	42,45%	42 %	16%	22%	-21%	20%	81%	148%

Personnel and Organisational Structure

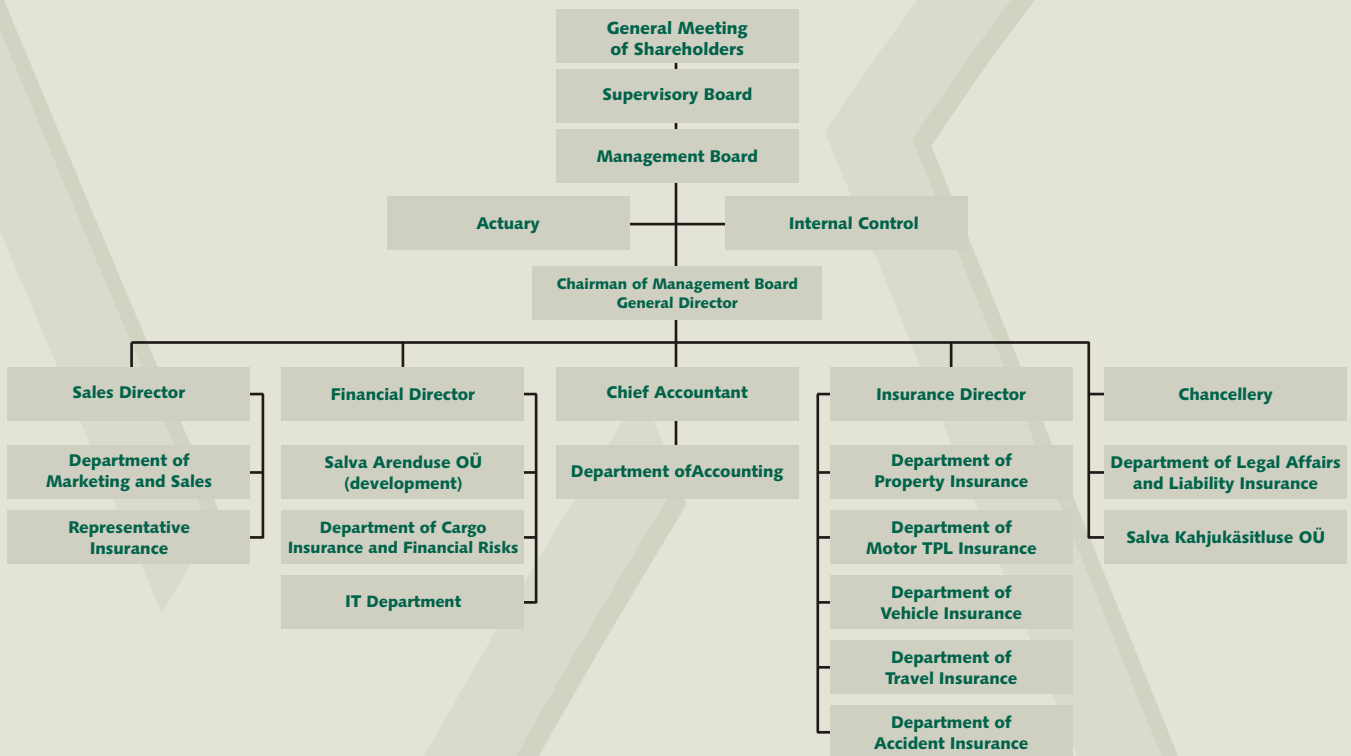
There were 111 employees in principal jobs in Salva Kindlustus as of the end of 2002.

The average age of Salva employees is 36 years, 41% of them have higher education, 58% have secondary and secondary-special education.

In the past year, we continued the training of the personnel, pursuant to the program earlier approved. The areas where training was outsourced, were customer service and sales management.

Most Important Events in 2002

- At the beginning 2002 the Internet based accrediting system was put in place. The new system makes it possible to more conveniently and quicker evaluate the level of knowledge of the salespersons, and to pick suitable training plans for them.
- At the end 2002 we opened the Hiiumaa office, staffed by two persons - the head of the office and the customer service attendant.





**FINANCIAL REPORT
2002**

Balance Sheet

Assets

		SALVA KINDLUSTUS 2002	Consolidated 2002	SALVA KINDLUSTUS 2001	Consolidated 2001
1. Cash and bank	Note 2	2 558 873	2 847 996	2 564 259	2 633 824
Receivables					
2.1. Direct insurance	Note 1	9 674 068	9 674 068	7 280 015	7 280 015
incl. 2.1.1. Policyholders		1 552 033	1 552 033	1 444 069	1 444 069
2.1.2. Intermediaries		8 122 035	8 122 035	5 835 946	5 835 946
2.2. Reinsurance		4 954 602	4 954 602	2 188 488	2 188 488
2.3. Other receivables	Note 9	12 560	0	21 316	0
2. Total		14 641 230	14 628 670	9 489 819	9 468 503
Accrued income and prepaid expenses					
3.1. Accrued income		203 832	514 343	170 213	425 751
3.2. Deferred acquisition cost		5 699 041	5 699 041	4 056 381	4 056 381
3.3. Other prepaid expenses		530 127	755 157	848 009	1 104 694
3. Total		6 433 000	6 968 541	5 074 603	5 586 826
Investments					
4.1. Land and buildings	Note 3	14 561 273	14 561 273	15 329 744	15 329 744
4.2. Affiliated Companies	Note 8	8 617 975	0	4 306 590	0
incl. 4.2.1. Stock and securities		8 167 975	0	2 916 590	0
4.2.2. Bonds and loans		450 000	0	1 390 000	0
4.3. Other financial investments		29 603 804	29 603 804	25 066 978	25 286 975
incl. 4.3.1. Stock and securities	Note 4	22 970 204	22 970 204	18 822 926	18 822 926
4.3.2. Bonds and other fixed yield securities	Note 5	0	0	2 750 035	2 750 035
4.3.3. Mortgages	Note 6	590 000	590 000	300 000	300 000
4.3.4. Other loans	Note 6	1 727 018	1 727 018	1 318 768	1 538 765
4.3.5. Deposits in credit institutions	Note 7	4 316 582	4 316 582	1 875 249	1 875 249
4. Total		52 783 052	44 165 077	44 703 312	40 616 719
5. Tangible assets	Note 10	411 644	3 913 988	274 766	3 776 438
TOTAL ASSETS		76 827 799	72 542 272	62 106 759	62 082 310

Balance Sheet

		SALVA KINDLUSTUS 2002	Consolidated 2002	SALVA KINDLUSTUS 2001	Consolidated 2001
Liabilities					
1.1. Direct insurance	Note 11	4 999 675	4 999 675	2 403 382	2 403 382
incl. 1.1.1. Policyholders		3 332 598	3 332 598	1 172 161	1 172 161
1.1.2. Intermediaries		1 249 323	1 249 323	899 706	899 706
1.1.3. Other		417 754	417 754	331 515	331 515
1.2. Reinsurance		4 455 567	4 455 567	7 192 060	7 192 060
1.3. Other	Note 9	5 095 083	0	487 872	1 309 209
1. Total		14 550 325	9 455 242	10 083 314	10 904 651
Accrued expenses and prepaid revenue					
2.1. Accrued expenses	Note 13	3 856 001	4 704 011	3 059 855	3 747 047
2.2. Reinsurer's share in deferred acquisition costs		7 813 214	7 813 214	5 052 847	5 052 847
2.3. Other prepaid revenue	Note 13	0	25 051	0	186 675
2. Total		11 669 215	12 542 276	8 112 702	8 986 569
Technical provisions					
3.1. Unearned premiums	Note 14	13 907 908	13 907 908	13 827 422	13 827 422
incl. 3.1.1. Gross amount		47 311 855	47 311 855	33 464 606	33 464 606
3.1.2. Reinsured		33 403 947	33 403 947	19 637 184	19 637 184
3.2. Claims outstanding		12 954 424	12 954 424	13 741 986	12 022 333
incl. 3.2.1. Gross amount		60 520 548	60 520 548	42 421 083	44 140 736
3.2.2. Reinsured		47 566 124	47 566 124	30 398 750	30 398 750
3.3. Other technical provisions		471 525	471 525	299 062	299 062
incl. 3.3.1. Gross amount		5 144 568	5 144 568	1 389 747	1 389 747
3.3.2. Reinsured		4 673 043	4 673 043	1 090 685	1 090 685
3. Total		27 333 857	27 333 857	27 868 470	26 148 817
Equity					
4.1. Stock capital		10 000 000	10 000 000	10 000 000	10 000 000
4.2. General reserve		1 910 578	1 934 578	1 858 965	1 882 965
4.3. Other reserves		1 008 085	1 008 085	1 008 085	1 008 085
4.4. Retained earnings		3 123 610	3 099 610	2 635 093	2 659 093
4.5. Profit for the financial year		7 232 129	7 150 624	516 130	516 130
4. Total		23 274 402	23 192 897	16 042 273	16 042 273
TOTAL LIABILITIES AND EQUITY		76 827 799	72 524 272	62 106 759	62 082 310

Income Statement

Technical Account

		SALVA KINDLUSTUS 2002	Consolidated 2002	SALVA KINDLUSTUS 2001	Consolidated 2001
Earned premiums net of reinsurance					
1.1. Gross premiums	Note 15	161 175 079	160 978 266	113 200 994	113 005 239
1.2. Reinsurance premiums		110 288 445	110 288 445	68 033 283	68 033 283
1.3. Change in unearned premiums	Note 14	-13 847 249	-13 847 249	-13 414 220	-13 414 220
1.4. Reinsurer's share of change in unearned premiums	Note 14	13 766 763	13 766 763	8 200 868	8 200 868
1. Total		50 806 148	50 609 335	39 954 359	39 758 604
2. Other technical income net from reinsurance		2 356	2 356	3 093 211	2 959 057
Claims incurred net of reinsurance					
3.1. Claims paid	Note 16	91 746 775	84 781 174	55 793 134	53 213 261
incl. 3.1.1. Damages paid		79 598 014	79 598 014	48 410 070	48 410 070
3.1.2. Claim handling expenses		15 267 630	9 520 263	8 816 022	6 825 599
3.1.3. Salvage and subrogation collected		-3 118 869	-4 337 103	-1 432 958	-2 022 408
3.2. Reinsurer's share in claims		62 304 364	62 304 364	35 477 343	35 477 343
3.3. Change in claims outstanding	Note 14	-16 379 812	-17 837 146	-15 971 056	-15 484 139
3.4. Reinsurance share of change in claims outstanding	Note 14	17 167 374	17 167 374	11 480 483	11 480 483
3. Total		28 654 849	23 146 582	24 806 364	21 739 574
Change in other technical allocations in net of reinsurance					
4.1. Total sum	Note 14	-3 754 821	-3 754 821	-240 082	-240 082
4.2. Reinsurance's share	Note 14	3 582 358	3 582 358	228 437	228 437
4. Total		-172 463	-172 463	-11 645	-11 645
Net operating expenses					
5.1. Acquisition costs	Note 18	29 415 980	29 415 980	23 100 130	23 100 130
5.2. Change in acquisition costs		1 642 660	1 642 660	2 249 768	2 249 768
5.3. Administrative expenses		10 858 344	12 049 251	9 792 218	11 656 836
5.4. Reinsurance commissions and profit participation		25 334 555	25 334 555	17 054 709	17 054 709
5.5. Change in prepaid reinsurance commission fees		-2 760 367	-2 760 367	-2 931 242	-2 931 242
5. Total		16 057 476	17 248 383	16 519 113	18 383 731
6. Other technical income net of reinsurance		5 791 886	5 791 886	3 858 455	3 858 455
7. TECHNICAL RESULT		131 830	4 252 377	-2 148 007	-1 275 744

Income Statement

Non-technical Account

		SALVA KINDLUSTUS 2002	Consolidated 2002	SALVA KINDLUSTUS 2001	Consolidated 2001
Technical result		131 830	4 252 377	-2 148 007	-1 275 744
Investment income					
8.1. Affiliates and associates	Note 8	5 264 322	0	2 210 902	
8.2. Land and buildings	Note 3	12 689	1 572 581	11 133	1 801 436
8.3. Other investments		774 853	724 352	702 970	620 585
8.4. Change in value of investments	Note 4, Note 5	176 105	176 105	135 151	135 151
8.5. Realised capital gains	Note 5	613 974	613 974	188 625	188 625
8. Total		6 841 943	3 087 012	3 248 781	2 745 797
Investment expenses					
9.1. Operating investment expenses		625 357	785 672	817 635	1 188 478
9.2. From affiliates and associates	Note 8	12 937	0	201 466	0
9.3. Change in value of investments	Note 4, Note 5	539 749	539 749	640 197	640 197
9.4. Realised capital losses	Note 5	29	29		0
9. Total		1 178 072	1 325 450	1 659 298	1 828 675
10. Other income		3 340 905	3 741 933	2 809 515	3 331 769
11. Other expenses		1 904 477	2 605 248	1 734 861	2 457 018
12. NET PROFIT (-LOSS)					
FOR THE FINANCIAL YEAR		7 232 129	7 150 624	516 130	516 130

Technical Account of Motor TPL

	2002	2001
Earned premiums net of reinsurance		
1.1. Gross premiums	72 399 792	48 226 384
1.2. Reinsurance premiums	54 982 929	26 902 693
1.3. Change in unearned premiums	-7 977 523	-5 188 193
1.4. Reinsurer's share on change in unearned premiums	9 391 309	2 604 196
1. Total	18 830 649	18 739 694
2. Other technical income net of reinsurance	0	2 959 057
incl. Service fees for the conclusion of contracts	0	2 959 057
Claims incurred net of reinsurance		
3.1. Claims paid	45 174 690	29 088 977
incl. 3.1.1. Damages paid	39 445 523	26 363 727
3.1.2. Claims handling expense	6 878 471	3 401 991
3.1.3. Salvage and subrogation collected	-1 149 304	-676 741
3.2. Reinsurer's share in claims	31 249 323	17 611 557
3.3. Change in claims outstanding	-12 967 563	-12 778 827
3.4. Reinsurer's share of change in claims outstanding	15 084 324	9 286 419
3. Total	11 808 606	14 969 828
Change on other technical provisions net of reinsurance		
4.1. Change in provision for pension insurance	-3 754 821	-240 082
4.2. Reinsurer's share in changes in the provision for pension insurance	3 582 358	228 437
4. Total	-172 463	-11 645
Net operating expenses		
5.1. Acquisition costs	7 542 011	5 578 192
5.2. Change in acquisition costs	663 689	1 017 745
5.3. Administrative expenses	2 759 211	2 364 613
5.4. Reinsurance commissions and profit participation	9 482 530	5 335 780
5.5. Change in prepaid reinsurance commission fees	-1 365 419	-1 531 488
5. Total	1 520 422	3 120 768
6. Other technical income net of reinsurance	5 791 886	3 858 455
incl. Transfers to ETIF	5 791 886	3 858 455
7. TECHNICAL RESULT	-462 728	-261 945

Change in Equity

		Parent Company	Consolidated	Parent Company	Consolidated
		31.12.2002	31.12.2002	31.12.2001	31.12.2001
Stock capital					
	Beginning of the year	10 000 000	10 000 000	10 000 000	10 000 000
	End of year	10 000 000	10 000 000	10 000 000	10 000 000
General reserve					
	Beginning of the year	1 858 965	1 882 965	1 565 859	1 589 859
	Increase from net profit	51 613	51 613	293 106	293 106
	End of year	1 910 578	1 934 578	1 858 965	1 882 965
Other reserve					
	Beginning of the year	1 008 085	1 008 085	1 008 085	1 008 085
	End of year	1 008 085	1 008 085	1 008 085	1 008 085
Retained earnings/losses					
	Beginning of the year	2 659 093	2 635 093	21 134	-2 866
	Profit from previous financial year	516 130	516 130	2 931 065	2 931 065
	To compulsory reserve	-51 613	-51 613	-293 106	-293 106
	End of year	3 123 610	3 099 610	2 659 093	2 635 093
Profit for financial year	7 232 129	7 150 624	516 130	516 130	
Total equity	23 274 402	23 192 897	16 042 273	16 042 273	

Stock capital as of 31.12.2002

Stock capital	10 000 000 kroons
Number of stocks	1 000 000
Nominal value per stock	10 kroons

The general reserve includes the mandatory legal reserve of Salva kindlustuse AS of 1 910 578 kroons pursuant to § 38 (1) of the Republic of Estonia Insurance Activities Act, the reserve capital of Salva Arenduse OÜ of 4 000 kroons pursuant to § 160 (2) of the Commercial Code, and the reserve capital of Salva Kahjukäsitluse OÜ 20 000 kroons pursuant to § 160 (2) of the Commercial Code. In the group accounts, the retained earnings have been decreased by the reserve capital of the subsidiary. Other reserve created on account of net profit, which is used to cover potential losses.

Cash Flow Statement

Income +, expenditures -	SALVA KINDLUSTUS 2002	Consolidated 2002	SALVA KINDLUSTUS 2001	Consolidated 2001
Insurance operations				
1.1. Premiums collected	163 232 323	163 066 164	113 836 752	113 460 470
1.2. Premiums returned upon cancellations and terminations	-1 832 981	-1 832 981	-1 651 646	-1 651 646
1.3. Claims paid	-75 990 410	-75 990 410	-46 977 112	-46 977 112
1.4. Claim handling expenses	-10 629 648	634 381	-8 935 899	-387 822
1.5. Amounts transferred to ETIF	-5 705 647	-5 705 647	-3 803 195	-3 803 195
1.6. Amounts transferred to reinsurers	-48 402 314	-48 402 314	-15 006 822	-15 006 822
1.7. Amounts collected from reinsurers	18 770 524	18 770 524	3 310 447	3 310 447
1.8. Operating expenses	-39 797 327	-37 082 349	-31 576 363	-29 448 569
1. Total	-355 480	13 457 368	9 196 162	19 495 751
Investment operations				
2.1. Amounts collected from investments	-76 535	1 722 662	-92 786	1 895 094
incl. 2.1.1. Variable yield securities	26 071	26 071	44 235	44 235
2.1.1.1. Fixed yield securities	51 694	51 694	279 743	279 743
2.1.1.2. Mortgages	149 745	149 745	45 969	45 969
2.1.1.3. Deposits	37 067	37 067	42 621	42 621
2.1.1.4. Uncollateral loans	148 994	91 737	137 442	63 462
2.1.1.5. Lease of property	16 392	1 872 846	12 695	2 049 116
2.1.1.6. Other investments	96 372	96 372	162 144	187 583
2.1.1.7. Investment expenses	-602 870	-602 870	-817 635	-817 635
2.2. Amounts collected from maturity, cancellation and (re)sales of investments	67 316 661	66 960 867	31 114 722	30 056 725
incl. 2.2.1. Variable yield securities	48 058 092	48 058 092	17 199 243	17 199 243
2.2.1.1. Fixed yield securities	2 000 000	2 000 000	1 300 000	1 300 000
2.2.1.2. Mortgages	2 499 734	2 499 734	1 200 000	1 200 000
2.2.1.3. Deposits	12 403 124	12 403 124	8 675 903	8 675 903
2.2.1.4. Uncollateral loans	2 355 711	1 429 044	2 739 576	1 681 579
2.2.1.5. Other investments	0	570 873	0	0
2.3. Investments	-70 295 567	-72 573 436	-41 224 101	-42 064 429
incl. 2.3.1. Variable yield securities	-50 722 350	-50 722 350	-29 625 052	-29 625 052
2.3.1.1. Mortgages	-3 089 734	-3 089 734	0	0
2.3.1.2. Deposits	-14 844 457	-14 844 457	-8 029 049	-8 029 049
2.3.1.3. Uncollateralized loans	-1 639 026	-1 652 359	-3 570 000	-3 122 000
2.3.1.4. Other investments	0	-2 264 536	0	-1 288 328
2. Total	-3 055 441	-3 889 907	-10 202 165	-10 112 610

Continues on next page >

Cash Flow Statement

Financing and other operations

3.1. Collected premiums of co-insurers	186 961	186 961	152 876	152 876
3.2. Other income	18 456 228	18 479 151	5 511 031	5 650 983
3.3. Other expenses	-15 237 654	-28 019 401	-4 505 217	-14 986 704
3. Total	3 405 535	-9 353 289	1 158 690	-9 182 845
Total change in cash (1. + 2. + 3.)	-5 386	214 172	152 687	200 296
4. Change in cash and bank	-5 386	214 172	152 687	200 296

Comments to Financial Statements

Basis for Presentation of the Annual Accounts

Basis for Presentation

The annual accounts have been prepared in accordance with the generally accepted accounting principles of the Republic of Estonia, which are based on the international generally accepted accounting principles, and the main requirements of which have been established in the Accounting Act of the Republic of Estonia and the relevant regulations of the Government of Estonia and the Ministry of Finance, and the instructions issued by the Accounting Board of the Republic of Estonia.

The interim annual accounts are prepared in Estonian kroons and rounded to full kroons. Assets and liabilities are presented in the accounts proceeding from their historic cost.

Principles of Consolidation

In preparing the consolidated accounts, the financial statements of Salva Kindlustuse AS, Salva Kahjukäsitluse OÜ and Salva Arenduse OÜ were consolidated line by line and the income, expenses, receivables and payables within the group were eliminated. A company in which Salva Kindlustus has a shareholding of over 50% is considered to be a subsidiary.

In the financial statements of the parent company, investments into subsidiaries are presented according to the extended capital equity method pursuant to which an investment is initially registered in its gross carrying amount and then later adjusted on the basis of the post-acquisition changes in the net assets of the investment object corresponding to the investor's share. In the income statement, the share of the investment is presented as a result of the activities of the investment object, taking into account the effect of inter-group transactions on the result.

Accounts and Transactions in Foreign Currency

Transactions in foreign currency are accounted for according to the corresponding exchange rate of the Bank of Estonia on the day of the transaction. In the annual accounts, the monetary accounts based on foreign currency have been revaluated according to the exchange rate of the Bank of Estonia on the balance sheet date. Gains or losses from such revaluations are accounted for in the income statement.

Cash and Bank

The balance of cash in cash registers and call deposits in banks as of 31.12.2002 are presented as cash and bank.

Receivables

This section presents receivables from policyholders, brokers and others at the end of the accounting period. The net amount of claims is indicated on the balance sheet, meaning that claims unlikely to be received and irrecoverable accounts have been subtracted. In assessing receivables, each of them has been analyzed individually. Claims unlikely to be received have been charged to expenses.

Conclusion Expenses and the Share of Reinsurance in Conclusion Expenses

Conclusions expenses, which are connected with the premiums transferred to the subsequent financial period, have been capitalized as prepaid expenses. The basis of capitalized conclusion expenses is gross premiums and expenses by their types. Capitalized conclusion expenses form the same percentage in direct conclusion expenses as the total amount of the provision for prepaid premiums has in the total amount of gross premiums. The share of reinsurance in capitalized conclusion expenses forms the same percentage

in the commission fees payable under reinsurance contracts as the percentage of reinsurance in the provision for prepaid premiums has in reinsurance premiums. The basis of accounting is reinsurance premiums and commission fees under reinsurance contract by their types.

Land and Buildings

Investments are accounted for their gross carrying amount, consisting of the purchase price and costs directly related to the acquisition. In the balance sheet, real estate indicated in the parent company's balance is accounted for at its residual value.

Stocks and Other Securities

Stocks and other securities are accounted for at their historical cost. The valuation of stocks and other securities is based on the FIFO method, according to which the sequence of purchases of securities determines the sequence of charges to expenses with selling transactions. As of 31.12.2002, stocks and other securities were revealed in the balance sheet according to the lowest of the purchase price and net sales value. An exception was made with stocks quoted at the public stock exchange of member states of the International Organisation of Securities Commission (IOSCO), being accounted for as short-term financial investments. These stocks are evaluated according to the stock quotation of the public stock exchange of the member state of IOSCO on the date of striking the balance sheet.

Bonds and Other Fixed Yield Securities

Bonds are accounted for at their gross carrying amount, consisting of the purchase price and costs directly related to the acquisition. The gains or losses from the difference are accounted for in the non-technical account.

Tangible Assets

Tangible assets are comprised of assets with a useful life longer than a year, the purchase price of which generally exceeds 10 000 kroons. In the balance sheet, tangible assets are presented at their residual value.

Tangible assets are taken into account at their historical cost and are depreciated by the linear method according to their life during the following depreciation periods.

Buildings	25 years
Other tangible assets	3.33 years
Hard- and software	3,33 years
Capital lease	2-4 years based on the length of the lease period and the redemption price of the leased property).

Renovation costs and improvements are presented on the basis of their nature - either as an expense at the moment of their acquisition if they do not add value to the tangible assets being renovated and do not substantially increase the useful lifetime of those assets, or as a capitalised expense which adds value to the assets under renovation.

Accounting for Leases

In differentiating between capital and operating lease agreements, the actual economic content was used as the basis. The lease transactions where the goal is to acquire the leased property after the end of the lease period or where the change of the ownership right is likely or where the estimated useful life of the leased property is limited to the lease period are treated as capital lease. All other lease transactions are presented as operating use.

Provisions for Prepaid Premiums

The provision for prepaid premiums is formed from provisions for prepaid premiums under single contracts and is calculated separately for each insurance contract and additional contract on the basis of gross premiums according to the Pro Rata Temporis method. The share of reinsurance in the provision for prepaid premiums forms the same percentage in the provision of prepaid premiums as the premiums of proportionate reinsurance have in respect of gross premiums.

Outstanding Claims Provision

Outstanding claims provision consists of:

- Claims settled but not paid
- Known and registered but unsettled claims (RBNS)
- Incurred but not reported claims (IBNR)

Outstanding claims provision also contains claim handling expenses and is calculated on a case-by-case basis. Reinsurer's share in outstanding claims provision comprises the part of outstanding claims provision for which the reinsurer is liable.

Other Provisions

The provision for motor insurance pensions (a pension designed to compensate for the loss of capacity to work or a family pension for the family of the deceased) is formed for the payment of traffic pensions paid from time to time. The share of the reinsurer in the provision is calculated on the basis of the terms of the reinsurance contract.

Membership Fee to the Estonian Traffic Insurance Fund

In motor insurance, 8% of the collected motor insurance and green card premiums are paid to the Estonian Traffic Insurance Fund. Since the 1st January 2003 the membership fee is 1,9 %.

Income

The technical result from insurance is reflected in the technical report of non-life insurance. Gross

premiums are premiums or partial premiums received and to be received under insurance contracts, whose term or enforcement date falls into the accounting period. Reinsurance premiums are the share of premiums under reinsurance contracts that have been transferred or are subject to be transferred to the reinsurer.

Other technical income net of reinsurance reflects the service fees of motor insurance and other technical income received until 1 June 2001. According to the new Motor Third Party Liability Insurance Act that entered into force on 1 June 2001, the service fees of motor insurance will be reflected as a part of insurance premiums.

Investment income reflects rent income from land and buildings calculated during the accounting period and the retained earnings of subsidiaries calculated by the equity method. This also reflects the interest income and financial income calculated in the accounting period.

Other non-technical income includes commission fees for brokerage of the insurance contracts of other insurers, retained earnings from foreign currency revaluation on the basis of the Bank of Estonia exchange rate as of the balance sheet date, interest income from call bank deposits and profit generated from currency exchange and other income that is not considered in the technical result.

Operating Expenses

Expenses related to insurance activities are divided into administrative, conclusion and claim handling expenses.

Administrative expenses are expenses related to collection of premiums, portfolio administration and reinsurance. Administrative expenses are divided between types of insurance according to the share the conclusion expenses of the certain type comprised of the total conclusion expenses.

Conclusion expenses are divided according to their nature into direct and indirect conclusion expenses. Direct conclusion expenses include expenses that are of a variable nature and arise from the conclusion of insurance contracts, i.e. commission fees to brokers, costs of formalisation and printing of insurance documents, and transportation and communication expenses. Indirect conclusion expenses include invariable expenses, such as the salaries of the Sales Department and Insurance Departments, advertising expenses, change in the value of tangible assets and other expenses in the extent to which they do not belong among administrative expenses, loss (claim) handling expenses or investment expenses.

Investment expenses reflect investment-related expenses on staff, expenses related to (income-yielding) assets let to third persons and other expenses related to investing activities. Devaluation of long-term investments, depreciation on buildings let

to third persons and retained loss related to changes in the value of investments are reflected as change in the value of investments.

Other non-technical expenses reflect other expenses made in the interests of the company as a whole. These expenses are fees and compensation to auditors, experts and tax consultants, expenses made on the maintenance of insurance supervision and payments to the Association of Insurance Companies, etc. These expenses also reflect retained loss from revaluation of currency on the basis of the Bank of

Estonia exchange rate as of the balance sheet date, loss from sales of fixed assets, fines, tax delays and other expenses.

Taxation

According to the applicable Income Tax Act, dividends are taxed at the rate of 26/74 of the sum paid in net dividend instead of net profit of the company since 1 January 2000. Subject to the peculiarity of the taxation concept, the notion of taxation base of assets and liabilities has no economic purport and, therefore, no deferred tax liabilities or assets can arise.

Until 31 December 2002, the retained profit was reduced upon announcement of dividend by the amount of the income tax payable on dividends. According to the directives issued by the Accounting Standards Board, which took effect from 1 January 2003, the corporate income tax payable on dividends in forthcoming periods shall be recorded in the income statement of the period, for which the dividend is announced.

The maximum possible income tax payable by the company upon payment of dividend has been set out in Note 20.

Other taxation rates under current tax law are:

Personal income tax	26% of the taxable disbursements
Social tax	33% of the payments and fringe benefits to the employees
VAT	18% of the taxable value of goods sold and services provided
Land tax	0.5-2% of the taxable value of land per year

Transaction with Connected Parties

Connected parties are subsidiaries, their management, members of the management and supervisory boards of the parent company, shareholders and employees of the group companies. All transactions with connected parties occurred on the basis of market conditions

General Reserve

Pursuant to Section 38(1) of the Republic of Estonia Insurance Activities Act, an insurance company must create a reserve from the net profit specified in the approved annual report. The insurance company must allocate at least 10 percent of the net profit in the approved annual report to the reserve capital until the reserve capital reaches the maximum amount of reserve capital specified in the articles of association of the insurer, i.e. 40 million kroons.

Potential Liabilities

Promises, guarantees and other liabilities that under certain circumstances may become liabilities in the future have been disclosed in the notes to the financial statements as potential liabilities.

Note 1. Receivables from Direct Insurance Activities

As of 31.12.2002, the receivables of Salva Kindlustuse AS from direct insurance activities amount to 9674068 kroons. Claims unlikely to be received were 121 593 kroons and irrecoverable accounts were 10 225 kroons. 14 012 kroons worth of written-off expenses were received

Note 2. Cash and Bank

	Parent Company 31.12.2002	Consolidated 31.12.2002	Parent Company 31.12.2001	Consolidated 31.12.2001
Cash	1 642 661	1 642 661	1 265 182	1 265 182
Call deposits in banks	916 212	1 205 335	1 299 077	1 368 641
Total	2 558 873	2 847 996	2 564 259	2 633 824

Note 3. Land and Building

Salva Kindlustuse AS own one real estate in Tallinn, Pärnu str. 16

	2002	2001
Gross carrying amount		
Beginning of year	19 984 162	19 938 237
Acquisition	31 000	45 925
End of year	20 015 162	19 984 162
Accumulated depreciation		
Beginning of year	- 4 654 418	-3 856 165
Book depreciation	-799 471	-798 253
End of year	-5 453 889	- 4 654 418
Residual value		
Beginning of year	15 329 744	16 082 072
End of year	14 561 273	15 329 744

Consolidated income from rent was 1 572 581 kroons in 2002 and 1 801 436 kroons in 2001.

Note 4. Stocks and Other Securities

The stocks and securities in the balance sheet as of 31.12.2002 have been reflected as short-term investments

	2002			2001		
	Stocks	Investments and money market fund	Total	Stocks	Investments and money market fund	Total
Balance sheet value at the beginning of year	608 711	18 964 221	19 572 932	843 650	7 160 436	8 004 086
Acquisition		50 725 351	50 725 351	279 615	28 487 776	28 767 391
Sold		-47 444 118	-47 444 118	-396 630	-17 525 927	-17 922 557
Realised gain		613 973	613 973	45 010	131 115	176 125
Gains from value adjustment	176 105	0	176 105	43 221	91 930	135 151
Losses from value adjustment	-54 216	-5 850	-60 066	161 145	0	161 145
Balance sheet value at the end of year	730 600	22 239 604	22 970 204	608 711	18 214 215	18 822 926
Market value at the end of period	730 600	23 184 706	23 915 306	608 711	18 159 132	18 767 843

Salva Kindlustuse AS owns 545 stocks in ASA Kindlustus which are valued at zero due to the bankruptcy of ASA Kindlustus. The same zero value applies to the stocks of SIA Krajibanka and ERGO Kindlustus.

The opening balances of the accounting period report LHV Arbitrage bonds in the sum of 750 006 kroons, which have been reclassified from the fixed-income securities account to the shares and other securities account. According to the conditions of the said bond issue, these bonds are similar to fund shares and their interest is reflected in the price. The entries of the last year have not been adjusted, wherefore these are incomparable. The same difference is set out in the bonds part of Note 5.

Note 5. Bonds and Fixed Yield Securities

	2002	2001
Balance sheet value in the beginning of the year	2 000 029	3 287 629
Acquired	0	750 006
Realised	2 000 000	1 287 500
Realised gains		12 500
Realised losses	-29	0
Losses from value adjustment	0	-100
Balance sheet value at the end of year	0	2 750 035

Note 6. Loans

	Parent company	Consolidated	Parent company	Consolidated
	31.12.2002	31.12.2002	31.12.2001	31.12.2001
Mortgage loans				
Redemption between up to 3 months and 1 year	390 000	390 000	300 000	300 000
Redemption between up to 1 month and 5 years	200 000	200 000	0	0
TOTAL	590 000	590 000	300 000	300 000
Other loans				
Loans with redemption up to 3 months	335 777	335 777	140 000	140 000
Loans with redemption from 3 months up to 1 year	450 607	450 607	359 221	579 218
Loans with redemption from 1 year to 3 years	940 634	940 634	819 547	819 547
TOTAL	1 727 018	1 727 018	1 318 768	1 538 765

The annual interest rates of issued loans are up to 24,3 % per year.

Note 7. Deposits in Credit Institutions

Sampo Pank	316 582	Liquid, notification 10 bank days in advance interest 3,5%
Ühispank	4 000 000	Term 25.03.2003, interest 4,35%
Total	4 316 582	

The income on deposit interest earned in the year 2002 171 735 kroon and in 2001 40 261 kroons.

Note 8. Subsidiaries

Area of activity	Sala Kahjukäsitluse OÜ	Salva Arenduse OÜ
	Claim handling, rent and repair of vehicles	Property management, advertising and consultation services
Founded	September 1997	April 1998
Shareholding %	100	100
Number of shares	1	1
Equity capital EEK	40 000	40 000
Acquisition EEK	40 000	10 000
Result of previous periods equity	2 863 653	2 937
Profit/loss in 2002 by the equity method	5 264 322	-12 937
Balance sheet value	8 167 975	0
Equity 31.12.2002		
Share capital	40 000	40 000
General reserve	20 000	4 000
Retained earnings	2 843 653	-31 063
Profit (loss) for the financial year	5 264 322	-94 442
Total equity	8 167 975	-81 505

Note 9. Transactions with Group Companies

Transactions with group companies

Salva Arenduse OÜ supplies administration and lease services to the consolidable group companies. It administers the property of Salva Kindlustuse AS at Pärnu mnt.16, Tallinn and other leaseable premises, which the parent company requires for its primary activity.

The principal activities of Salva Kahjukäsitluse OÜ are handling of insurance claims according to the effective cooperation agreements, organisation of preservation and resale of compensated property and remains, and rent of vehicles.

Transactions with other related parties

Companies named OÜ Amonest and OÜ Vidremo Invest, which are related to a management board member, supply investment and investment management services.

Accounts receivable

The balance sheet of Salva Kindlustuse AS reports receivables from the subsidiary company named Salva Arenduse OÜ in the total sum of 462 560 kroons, which divides as follows:

Short-term loan	450 000 kroons	(10% interest on loan balance)
Outstanding interest	11 342 kroons	
Accounts payable for services	1 218 kroons	

During the accounting period, Salva Kahjukäsitluse OÜ repaid loan in the sum of 790 000 kroons and as of 31 December 2002 it has no liabilities to the parent company.

The balance of loans given to the company's employees as of 31 December 2002 amounted to 420 760 kroons

Liabilities

The balance sheet of Salva Kindlustuse AS reports liabilities from the subsidiary company named Salva Arenduse OÜ in the total sum of 5 080 701 kroons, which divides as follows:

Fees paid for claim handling	4 795 218 kroons
Services for maintaining and selling compensated property	208 475 kroons
Other receivables	77 008 kroons
Liabilities for the electricity and phone	14 382 kroons.

Services purchased

Salva Kahjukäsitluse OÜ	16 783 160
incl. claim handling	14 683 778
Income from maintaining and selling compensated property	1 218 233
Rent income	755 479
Sold goods	125 670
Salva Arenduse OÜ	1 398 372
incl. use of inventory	1 045 318
arbitrated costs of electricity and phone	353 064
Amonest OÜ services	223 030
Vidremo Invest OÜ services	189 930

Services sold

Salva Kahjukäsitluse OÜ	203 563
incl. interest	3 160
insurance services	196 813
other services	3 590
Salva Arenduse OÜ	63 547
incl. interest	47 341
other services	16 206

Salva Kahjukäsitluse OÜ purchased 254 484 kroons worth of services from Salva Arendus. The said amounts have been eliminated upon the preparation of the consolidated report.

Note 10. Tangible Assets

In 2002, tangible assets were sold in the amount of 887 178 kroons. The loss made from the sale was 4 463 kroons and profit was 156 686 kroons. No tangible assets were purchased or sold within the group.

	Parent company	Consolidated
Beginning of year	3 019 600	10 417 190
Acquired tangible assets	305 383	2 263 019
Sold tangible assets	0	-887 178
Written-off tangible assets	-152 151	-951 040
End of year 31.12.2002	3 172 832	10 840 991
Accumulated depreciation		
Beginning of year	-2 744 834	-6 640 752
Book depreciation	-168 505	-1 921 236
Accumulated depreciation on sold tangible assets	0	682 945
Accumulated depreciation on written-off tangible assets	152 151	951 040
End of year 31.12.2002	-2 761 188	-6 928 003
Residual value		
Beginning of year	274 766	3 776 438
End of year 31.12.2002	411 644	3 913 988

Tangible assets (in residual value) grouped as follows:

	Parent company	Consolidated
Motor vehicle	31 025 kroons	2 939 240 kroons
Hard- and software	271 034 kroons	429 690 kroons
Office equipment	58 166 kroons	250 621 kroons
Other equipment	51 419 kroons	294 437 kroons

Note 11. Liabilities from Direct Insurance Activities

	31.12.2002	31.12.2001
Prepayments by policyholders	3 332 598	1 172 161
Payables to brokers incl. other brokers	465 553	456 707
Payables to ETIF for cross border policies	783 770	442 999
TOTAL payables to brokers	1 249 323	899 706
Payables to ETIF regarding 8% of membership fee	417 754	331 515
TOTAL liabilities from direct insurance activities	4 999 675	2 403 382

Note 12. Capital Lease and Operating Lease

Note 12.1 Capital Lease

	2002	2001
Balance of liability at the beginning period	1 387 006	1 753 707
Gross carrying amount	1 943 812	1 943 812
Acquired tangible assets	0	443 128
Book depreciation	162 282	645 086
Book interest expences	68 301	211 894
Total principal and redemption payments	1 387 006	1 471 913
Balance of liability at the end of period	0	1 387 006
Average interest rate	10,97%	10,97%

Note 12.2 Operating Lease

Assets taken on operating lease

The car lease expenses reflected in the financial year amount to 361 792 kroons, 47 617 kroons after consolidation. In addition to this, rent for premises in the amount of 1 729 624 kroons has been reflected in the financial year.

Assets given on operating lease

Motor cars, mobile telephones, etc., have been given on operating lease. Lease income in the amount of 876 347 kroons has been reflected in the financial year, which amounts to 120 868 after consolidation.

Historic cost of assets taken on operating lease is 4 745 159 kroons and accumulated depreciation is 1 940 625, incl depreciation for the financial year 1 159 075 kroons.

The gross carrying amount of assets given by subsidiaries on operating lease to the parent company is 4 187 319 kroons and accumulated depreciation is 1 679 101 kroons, incl depreciation for the financial year 985 949 kroons

Note 13. Accrued Expenses and Unearned Income

	Parent company 31.12.2002	Consolidated 31.12.2002	Parent company 31.12.2001	Consolidated 31.12.2001
Payables to employees	2 493 468	2 648 680	1 915 689	2 065 947
Taxes payable	1 080 546	1 364 320	758 164	1 005 975
Supplier payables	281 987	691 011	386 002	675 125
TOTAL	3 856 001	4 704 011	3 059 855	3 747 047

Prepaid rent in amount of 186 675 kroons in presented on the line "Other unearned income".

Note 14. Technical Provisions

	Beginning of year		End of year		Change (-decrease)	
	Total	Reinsurance share	Total	Reinsurance share	Total	Reinsurance share
Provision for prepaid premiums						
1 MTPL	14 010 908	7 100 014	21 988 431	16 491 323	7 977 523	9 391 309
2 Short-term health insurance	1 364 347	526 479	1 904 833	826 867	540 486	300 388
3 Land vehicle insurance	11 862 294	8 303 606	13 345 666	10 009 249	1 483 372	1 705 643
4 Railway rolling stock, aircraft and ship insurance	127 311	95 082	600 216	525 010	472 905	429 928
5 Goods in transportation insurance	175 434	171 791	11 350	9 761	-164 084	-162 030
6 Property insur. (phys. persons)	2 274 751	1 147 433	3 896 931	2 021 471	1 622 180	874 038
7 Property insur. (legal persons)	2 763 390	1 903 758	3 983 927	2 834 127	1 220 537	930 369
8 Motor vehicle liability insurance	42 944	31 764	66 965	42 848	24 021	11 084
9 Liability insurance of air- or watercraft owner	0	0	16 169	0	16 169	0
10 Civil liability insurance	174 725	130 673	289 155	229 610	114 430	98 937
11 Material loss insurance	668 502	226 584	1 208 212	413 681	539 710	187 097
TOTAL	33 464 606	19 637 184	47 311 855	33 403 947	13 847 249	13 766 763

Provision for prepaid premiums						
1 MTPL	33 750 048	23 124 095	46 717 611	38 208 419	12 967 563	15 084 324
2 Short-term health insurance	631 736	315 144	948 902	337 807	317 166	22 663
3 Land vehicle insurance	7 757 884	5 430 519	8 475 302	5 932 712	717 418	502 193
4 Railway rolling stock, aircraft and ship insurance	20 000	0	20 000	0		
5 Goods in transportation insurance	555 638	547 303	0	0	-555 638	-547 303
6 Property insur. (phys. persons)	422 100	247 992	684 714	342 357	262 614	94 365
7 Property insur. (legal persons)	833 805	564 166	2 857 321	2 091 471	2 023 516	1 527 305
8 Civil liability insurance	189 525	169 531	816 698	653 358	627 173	483 827
TOTAL	44 140 736	30 398 750	60 520 548	47 566 124	16 379 812	17 167 374

Other technical provision						
MTPL annuity provision	1 389 747	1 090 685	5 144 568	4 673 043	3 754 821	3 582 358

Note 15. Premiums

	Total in 2002	Incl. MTPL	Motor vehicle insurance	Fire risk and other material loss insurance	Accident and health insurance	Total in 2001
Gross premiums	160 978 266	72 399 792	52 852 418	19 433 857	9 532 672	113 005 239
Gross earned premiums	147 131 017	64 422 269	51 369 046	16 591 140	8 992 186	99 591 019

Gross earned premiums reflected changes in provisions for prepaid premiums.

Note 16. Claims

	Total in 2002	Incl. MTPL	Motor vehicle insurance	Fire risk and other material loss insurance	Accident and health insurance	Total in 2001
Gross claims	84 781 174	45 174 690	34 018 042	7 588 316	2 766 926	53 213 261
Gross incurred claims	102 618 320	58 142 253	34 735 460	9 874 446	3 086 092	68 697 400

Gross incurred claims reflected changes in provisions for claims outstanding.

Note 17. Revenue from Outgoing Reinsurance

	Total in 2002	Incl. MTPL	Motor vehicle insurance	Fire risk and other material loss insurance	Accident and health insurance	Total in 2001
	9 106 602	12 441 496	-473 007	-124 152	-854 519	1 477 315

Note 18. Gross Operating Expenses

	Total in 2002	Incl. MTPL	Motor vehicle insurance	Fire risk and other material loss insurance	Accident and health insurance	Total in 2001
Gross operating expenses	39 822 571	9 637 533	9 581 038	7 170 132	6 971 104	32 507 198
incl. commission fees	11 329 772	4 183 489	3 983 205	1 313 629	1 686 182	10 085 713

Commission fees include expenses related to conclusion and renewal of contracts, and collection and administration of premiums.

Note 19. Off Balance Sheet Claims

Recourse Claims	2002	2001
Beginning of year	2 132 610	2 231 073
Recourse claims evolved during the financial year	5 836 808	1 279 960
Collected during the financial year	618 181	843 509
Written-off during the financial year	938 076	534 914
End of financial year	6 413 161	2 132 610

Note 20. Contingent Liabilities

Income tax

Retained profit of Salva Kindlustuse AS as of 31 December 2002 amounted to 10 355 739 kroons. The maximum contingent income tax payable upon distribution of the retained profit in dividend amounts to 2 692 492 kroons. Thus, it would be possible to distribute 7 663 247 kroons in net dividend.

The maximum contingent income tax payable has been calculated on the assumption that the sum of distributable net dividend and dividend income tax payable as recorded in the income statement for 2003 does not exceed the distributable profit as of 21 December 2002.

As of 31 December 2002, Salva Kindlustuse AS had no other contingent liabilities or guarantees issued.

Claims of action brought against Salva Kindlustuse AS amount to 2,180,802 kroons.

The management board estimates the actually realizable claims to amount to ca 1.3 million kroons and these have been reported in the provisions for outstanding claims.

Auditor's Statement

To the Stockholders of Salva Kindlustuse AS

We have audited the consolidated annual accounts of Salva Kindlustuse AS prepared for the financial year ended on 31 December 2002, which is presented on pages 7 through 26. The said annual accounts are the responsibility of the Company's management. Our responsibility is to express an opinion on these annual accounts based on our audit.

We conducted our audit in accordance with the Estonian auditing standards. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the annual accounts are free of material misstatement. Our audit included examining, on a test basis, evidence supporting the amounts and disclosures in the annual accounts. The audit also included assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall presentation of the annual accounts. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the annual accounts present fairly, in all material respects, the financial position of Salva Kindlustuse AS as of 31 December 2002, and the financial results and cash flow for the year then ended in conformity with the Republic of Estonia Accounting Act.

In Tallinn, on 24 March 2003

KPMG Estonia

Taivo Epner

Authorised auditor

Ene Makus

Authorised auditor