SALVA
KINDLUSTUS

ANNUAL REPORT 2004

Annual Report

ANNUAL REPORT

Business name:	Salva Kindlustuse AS
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E-mail:	salva@salva.ee
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Core activity:	non-life insurance
Beginning of financial year:	01.01.2004
End of financial year:	31.12.2004
Managing director:	Tiit Pahapill

Contents

Main Figures

	2004 mill. kroons	2003 mill. kroons	2002 mill. kroons	2001 mill. kroons	2000 mill. kroons	1999 mill. kroons	1998 mill. kroons
Gross premiums	255	223	161	113	79,4	68,3	55,9
Claims	153.7	107.8	91,7	55,8	39,6	42,3	39,3
Profit	30.1	15.6	7,1	0,5	2,9	0,7	-10,3
Full-time employees	130	126	111	96	88	78	71

Management report

Introduction

The year 2004 went successfully for Salva Kindlustus. The growth rate of insurance premiums corresponded to the growth of the whole non-life insurance market, with which we can conclude the period of fast growth. We wish to be long term partners with our clients and to remain flexible in rigorous competition by operating at a highly professional level. We continue to develop our products with information technology solutions with the goal of making purchase and management as convenient as possible for the client.

Economic Environment

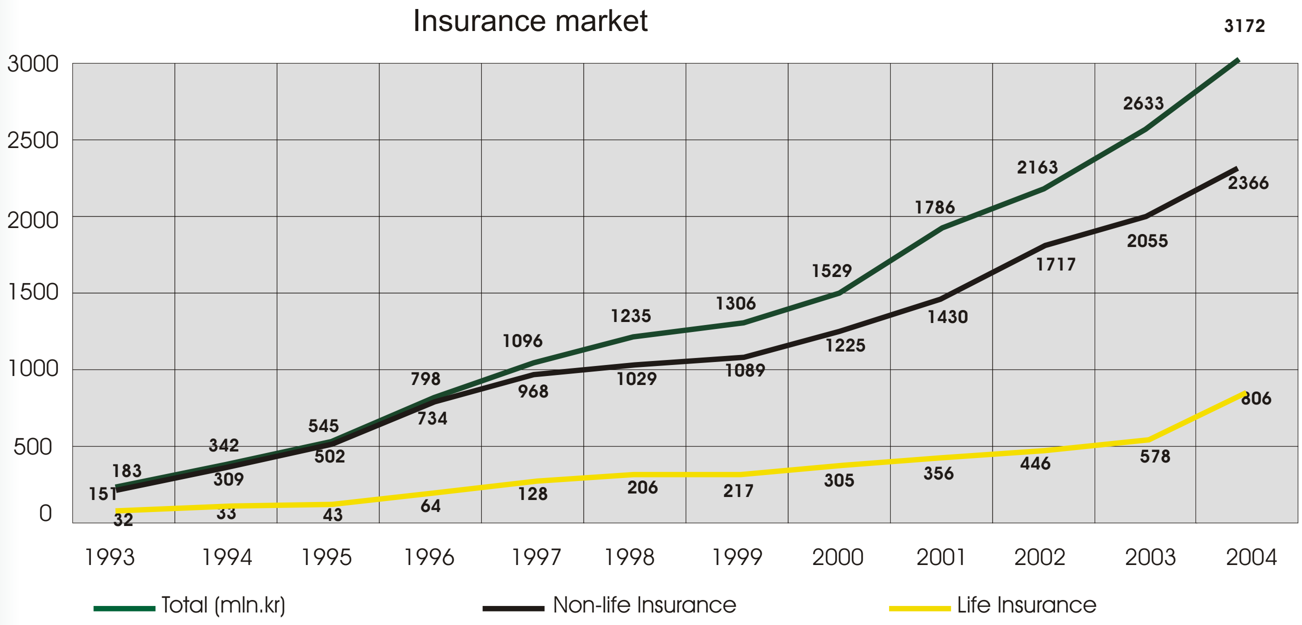
The year 2004 was very successful for the Baltic economies. The optimism conditioned by the joining of the European Union created a favourable ground for economic growth. During the year, the prices of goods and services rose by 3.0 percent, determined mostly by the abrupt rise in the prices of food and motor fuels. Additional pressure on the prices was put by the rise of crude oil prices on the world market. The average inflation in 2005 will be, according to the forecast of the Bank of Estonia, 3.4 percent. Besides the fuel prices that will remain relatively high, inflation will be enforced by the rising electricity prices from the 1st of March.

According to preliminary evaluations the inflation rate of the euro zone came to be 2.1 percent, which was 0.9 percentage points lower than in Estonia. The rise in prices in the euro zone was increased most by the remarkable growth of oil prices on the world market in the second half of the year. That effect was mitigated by the strengthening of the euro. In 2005 it is expected that the inflation in the euro zone will remain below the 2 percent limit set by the European Central Bank That is supported by a strong euro and the expected decline in the prices of oil. The increase of consumer prices in Estonia should in 2005 remain at the same level as the previous year. A risk factor in the economy of Estonia and the whole world is the further rise in oil prices.

According to the predictions of the Bank of Estonia the fast pace of economic growth will continue – in 2004 economic growth was to be 6.2 percent and in 2005 and 2006 5.6 and 6.0 percent respectively.
Due to the base interest rates remaining at a low level and a strong competition between banks, the decline in the interest rates of housing loans continued, which by the end of the year reached the level of 4.6%. The interest rates of long term loans for companies remained at 4.7%. The interest rates for long term kroon deposits was 2.3% by the end of the year.

Overview of the Insurance Market

The positive developments in the insurance sector continued. In 2004 Estonian insurance companies collected altogether 3 172 million kroons worth of premiums. Compared to 2003 the amount of premiums has increased by 20.4%. Non-life insurance premiums were collected in the sum of 2 366 million kroons, i.e. 15.1% more than in 2003.



The growth trend of the whole insurance market at the rate of 20% as seen from the figure can also expected in the year ahead. The growth rate of non-life insurance has decreased and according to different estimates the corresponding figure will be 13-17%. The proposed percentage figures will certainly be more modest, if the situation on the credit market should change, i.e. if banks and leasing companies should raise interest rates or make the conditions for loans more strict.

In the insurance market the biggest proportion is composed of insurances related to motor vehicles – mandatory traffic insurance (29% of the market) and optional motor vehicle insurance (38% of the market). Property insurance makes up 22% and the rest of the insurance categories 11% of the non-life insurance market.

THE STRUCTURE OF THE PORTFOLIO OF THE ESTONIAN INSURANCE MARKET (2002 - 2004)

	2004	Share%	2003	Share%	2002	Share%
Motor TPL	688 231	29.1%	618 316	30,1%	516 416	30,1%
Personal accident	40 783	1.7%	38 666	1.9%	37 008	2.2%
Travel insurance	61 377	2.6%	54 399	2.6%	47 171	2.7%
Motor own damage (private)	243 483	10.3%	184 999	9.0%	87 741	5.1%
Motor own damage (corporate)	650 654	27,5%	562 761	27,4%	511 794	29,8%
Other motor	12 592	0,5%	11 732	0,6%	8 652	0,5%
Goods in transit	23 758	1,0%	22 933	1,1%	20 256	1,2%
Property (private)	240 104	10,1%	205 299	10,0%	179 342	10,4%
Property (corporate)	291 071	12,3%	254 383	12,4%	216 519	12,6%
Motor liability	26 072	1,1%	24 528	1,2%	24 871	1,4%
Civil liability insurance	58 530	2,5%	53 962	2,6%	43 778	2,5%
Pecuniary loss	29 310	1,2%	22 688	1,1%	23 649	1,4%
TOTAL	**2 365 965**	**100%**	**2 054 666**	**100%**	**1 717 197**	**100%**

The products that have been provided in the Estonian insurance market for more than 10 years – traffic insurance, property insurance, optional motor vehicle insurance, accident insurance and travel insurance, make up 95 percent of the volume of the market. The same structure is depicted in claim payments.

THE STRUCTURE OF CLAIM PAYMENTS IN THE ESTONIAN INSURANCE MARKET (2002 - 2004)

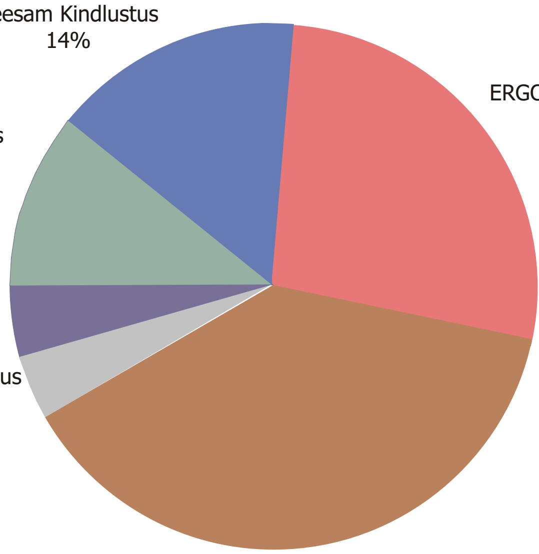
	2004	Share%	2003	Share%	2002	Share%
Motor TPL	448 297	38.3%	356 908	36.0%	335 134	37.6%
Personal accident	17 481	1.5%	13 757	1.4%	16 293	1.8%
Travel insurance	16 318	1.4%	15 892	1.6%	10 444	1.2%
Motor own damage (private)	85 486	7.3%	76 165	7.7%	42 021	4.7%
Motor own damage (corporate)	376 853	32,2%	326 157	32,9%	322 094	36,1%
Other motor	4 152	0,4%	3 840	0,4%	3 278	0,4%
Goods in transit	14 177	1,2%	4 128	0,4%	7 019	0,8%
Property (private)	66 032	5,6%	61 289	6,2%	41 767	4,7%
Property (corporate)	118 508	10,1%	104 815	10,6%	96 175	10,8%
Motor liability	5 902	0,5%	7 138	0,7%	3 894	0,4%
Civil liability insurance	14 025	1,2%	18 926	1,9%	4 587	0,5%
Pecuniary loss	1 880	0,2%	3 300	0,3%	8 920	1,0%
TOTAL	**1 169 111**	**100%**	**992 315**	**100%**	**891 626**	**100%**

January of the year 2005 brought along for the Estonian insurance market extensive storm and flood damages in Western Estonia. Damage claims delivered to the insurance companies reached 188 million kroons.

Although that was not the first time for such an event in Estonia (the last storm of the same extent happened in august 1967), the situation today is somewhat different. During the past 38 years coastal settlement has become significantly more dense and the worrying fact about this is that many areas that were once left unsettled exactly for the reason that they were in danger of being flooded, have by now been built full of houses because of the attractive coastal location. Salva Kindlustus will pay as a result of the storm and floods of January an estimate of 10 million kroons to the clients.

The 2004 changes in insurance tariffs happened in the first half of the year and resulted from the expansion in the scope of traffic insurance coverage in the given insurance category in conditioned by joining the European Union.
In the end of the year 6 non-life insurance and 5 life insurance companies provided insurance services in Estonia.

ESTONIAN NON-LIFE INSURANCE MARKET 2004



Financial Results and Economic Activities of Salva Kindlustus in 2004

Financial Results

The consolidated profit of Salva Kindlustuse AS was 30.1 million kroons in 2004.

The consolidated gross premiums of Salva Kindlustuse AS constituted 255.2 million kroons in 2004. Compared to the same period of the previous year, the growth was 14%. The decrease in the growth rate of the premiums is conditioned by the pressure towards the lowering of prices. The market share of the company was 10.8% in the end of the period, which is at the same level as in the end of 2003.

The economic results of Salva Kindlustuse AS were influenced by:

- The lower than predicted level of claim ratios. The consolidated net claims ratio from reinsurance was 36.7%. The respective indicator for the previous year was 49.4%. The good net claim ratio of the year in question has been significantly influenced by a remarkably favourable outcome in optional motor vehicle insurance. The increase of traffic insurance tariffs for trucks in the end of 2003 influenced the traffic insurance portfolio favourably for us, i.e. till then the high claims generating trucks have left the portfolio and have been replaced by cars. Also the weather conditions have favoured a good claims ratio.
- The predicted level of expenditure ratio. By the end of 2004 the net ratio of claims to premiums from reinsurance constituted 29.1%. The respective indicator for the previous year was 30.2%.
  The insurance-technical profit was 24.2 million kroons. The corresponding figure for the previous year was 10.5 million kroons.

The consolidated value of the company's assets increased to 147.2 million kroons (115,5 million kroons in the end of 2003).

MAIN RATIOS

	2004	2003	2002	2001	2000	1999
Net loss ratio	37%	49%	46%	55%	54%	58%
Deferred costs/earned net premium	29%	30%	34%	46%	50%	48%
Average return on equity	52%	45%	31%	3%	21%	4%
Yield per stock	30,1	18.3	7.22	0.51	2.93	0.71
Ingrease in gross premiums	14%	39%	42%	42%	16%	22%

Sales and Marketing

In 2004 the amount of collected premiums increased compared to the previous year by 14%. The whole market also grew by 14%.
During the year sales points were added into the sales-network in Paide Selver, Männimäe Selver in Viljandi, Tondi and Merimetsa Selver inTallinn, Annelinna Centre in Tartu and Papiniidu street in Pärnu.
For introducing new sales points an advertising campaign was conducted, where all the people who bought private customer's Kasko, life or accident insurance or signed a contract for traffic insurance for at least three months were given a 100 kroon Selver's gift certificate as a present. The results of the campaign were good as expected.
During the campaign of the property insurance product Easy Home Insurance three rollers were raffled out. The campaign was directed towards insuring apartments in stone or block apartment-houses.
By the end of 2004 Salva Kindlustuse AS had altogether 9 agencies and 11 sale points in the biggest cities of Estonia.The creating of new sales points is not planned for the year 2005. The objective is to increase the sales volume of the existing ones.

Insurance and Risk Assessment

No products of voluntary insurance were added to the portfolio of Salva Kindlustus. We have set as an objective to increase our market share by increasing the sales of existing products. We are trying to find interesting and advantageous solutions and value for the client from the existing products. Significant changes in the insurance portfolio have not occurred.

PREMIUMS COLLECTED BY SALVA KINDLUSTUS (2003 - 2004)

	collected premiums		share in total volume of premiums	
	2004	**2003**	**2004**	**2003**
Motor TPL	110 268	97 839	43,2%	43.9%
Personal accident	2 508	2 335	1.0%	1.0%
Travel insurance	11 806	8 416	4.6%	3.8%
Motor own damage (private)	7 388	7 465	2.9%	3.3%
Motor own damage (corporate)	79 832	71 426	31,3%	32,0%
Other motor	7 203	4 814	2,8%	2,2%
Goods in transit	433	713	0,2%	0,3%
Property (private)	13 851	11 619	5,4%	5,2%
Property (corporate)	18 424	14 476	7,2%	6,5%
Motor liability	487	375	0,2%	0,2%
Civil liability insurance	935	1 288	0,4%	0,6%
Pecuniary loss	2 025	2 195	0,8%	1,0%
TOTAL	**255 160**	**222 963**	**100%**	**100%**

In the current year Salva Kindlustus continued a conservative risk assessment and tariff policy. The changes implemented in the end of last year concerning the tariffs of traffic insurance have taken out of our portfolio as wished for most of the trucks that in previous years dragged the traffic insurance "green card" into the red.

In 2004 new general conditions of travel insurance came into force that changed our product into even more concrete and more easily understandable for the clients. In the current year it is planned to refresh the general conditions of accident insurance.

Significant tariff changes are not planned for the year in progress. We will continuously analyse our portfolio and correct the tariffs according to the changes in claim trends.

Concerning claim cases the last year turned out to be quite profitable for Salva as also for the whole non-life insurance market. The total number of claim demands in 2004 was 8190 claims.

In 2003 a total of 6995 claims were presented.

CLAIMS PAID (2003 - 2004)

	2004	2003	2004	2003
Motor TPL	85 025	55 601	55.3%	51.5%
Personal accident	1 223	1 256	0.8%	1.2%
Travel insurance	2 948	3 428	1.9%	3.2%
Motor own damage (private)	3 856	4 853	2.5%	4.5%
Motor own damage (corporate)	50 022	33 897	32,5%	31,4%
Other motor	9	41	0,0%	0,0%
Property (private)	2 608	3 236	1,7%	3,0%
Property (corporate)	7 581	5 558	4,9%	5,1%
Civil liability insurance	71	67	0,0%	0,1%
Pecuniary loss	391	89	0,3%	0,1%
TOTAL	**153 734**	**108 026**	**100%**	**100%**

Salva Kindlustus will also follow in the year 2005 conservative reinsurance principles choosing as its partners Swiss Re Germany, Munich Re and Transatlantic Reinsurance Company.

Investment Activities

The consolidated profit of Salva Kindlustuse AS from investment activities was 4.81 million kroons in 2004, in the previous year it was 2.1 million kroons. The volume of consolidated investments grew by 40% compared to the situation on the 31st of December 2003. The rate of return of the investments was 4.8%.

Consolidation Group Structure and Personnel

The consolidation group of Salva Kindlustus includes:
Salva Kindlustuse AS

Salva Kahjukäsitluse OÜ	- Share of Salva Kindlustuse AS 100%
Salva Arenduse OÜ	- Share of Salva Kindlustuse AS 100%
Safiirex Invest OÜ	- Share of Salva Kindlustuse AS 100%

At the end of 2004 130 full time employees worked in the consolidation group of Salva Kindlustuse AS.
The wage expenses together with social tax expenses for the management board constituted 2.54 million kroons and the payments to the council 319 thousand kroons. No compensation is paid to the members of the board and the council upon leaving the job.

Consolidated wage expenses together with social tax constituted 28.1 million kroons. The respective figure for the previous year was 22.1 million kroons..

Tiit Pahapill	Chairman of Management Board	14.03.2005
Irja Elias	Member of Management Board	14.03.2005
Urmas Kivirüüt	Member of Management Board	14.03.2005
Andres Lõhmus	Member of Management Board	14.03.2005

Statement of the Board

Annual Accounting Report

Statement of the Board

The board declares its responsibility for composing the annual accounting report of the consolidation group of Salva Kindlustuse AS and confirms that:

- the accounting methods used during the compilation of the annual accounting report are in accordance with Estonian good accounting practices;
- the annual accounting report reflects correctly and justly the financial situation, economic results and cash flows of Salva Kindlustuse AS and the concern;
- all known important circumstances that have come up by the date of compilation of this report, 14.03.2005, are accounted for and presented in the annual accounting report according to the requirements;
- Salva Kindlustuse AS and companies belonging to the concern are still in operation.

Tiit Pahapill	Chairman of Management Board	14.03.2005
Irja Elias	Member of Management Board	14.03.2005
Urmas Kivirüüt	Member of Management Board	14.03.2005
Andres Lõhmus	Member of Management Board	14.03.2005

FINANCIAL REPORT

Balance Sheet

ASSETS

	NOTES	Consolidated 31.12. 2004	Consolidated 31.12.2003	Parent Company 31.12.2004	Parent Company 31.12.2003
1. Cash and bank	2	**11 223 203**	**6 358 468**	**10 139 638**	**6 189 075**
2. Receivables		**13 487 757**	**15 372 274**	**13 488 757**	**15 391 001**
2.1. Direct insurance	3	10 870 757	9 365 387	10 870 757	9 365 387
Incl. 2.1.1. Policyholders		3 556 740	1 909 644	3 556 740	1 909 644
2.1.2. Intermediaries		7 141 430	7 455 743	7 141 430	7 455 743
2.1.3 Other		172 587	0	172 587	0
2.2. Reinsurance		2 617 000	6 006 887	2 617 000	6 006 887
2.3. Other receivables	10	0	0	1 000	18 727
3. Accrued income and prepaid expenses		**9 616 109**	**9 457 461**	**9 132 221**	**8 969 754**
3.1. Accrued income		409 523	606 623	118 046	360 521
3.2. Deferred acquisition cost		8 263 372	8 033 285	8 263 372	8 033 285
3.3. Other prepaid expenses		943 214	817 553	750 803	575 948
4. Investments		**91 883 118**	**68 503 430**	**113 593 069**	**85 647 162**
4.1. Land and buildings	4	11 200 000	11 438 274	0	11 438 274
4.2. Affiliated companies	9,10	1	0	32 909 952	17 143 732
4.2.1. Stock and securities		1	0	26 909 952	16 968 732
4.2.2. Bonds and loans		0	0	6 000 000	175 000
4.3. Other financial investments		80 683 117	57 065 156	80 683 117	57 065 156
4.3.1. Stock and securities	5	67 308 414	44 952 115	67 308 414	44 952 115
4.3.2. Bonds and fixed yield securities	6	2 013 131	0	2 013 131	0
4.3.3. Mortgages	7	2 147 000	0	2 147 000	0
4.3.4. Other loans	7	2 214 572	2 113 041	2 214 572	2 113 041
4.3.5. Deposits in credit institutions	8	7 000 000	10 000 000	7 000 000	10 000 000
5. Stocks	**11**	**8 441 716**	**6 188 697**	**0**	**0**
6. Intangible Fixed Assets	**12**	**1 635 089**	**628 516**	**1 635 089**	**628 516**
7. Tangible Fixed Assets	**13**	**10 929 171**	**9 055 664**	**799 065**	**6 009 348**
T O T A L ASSETS		**147 216 163**	**115 564 510**	**148 787 839**	**122 834 856**

LIABILITIES

	NOTES	Consolidated 31.12. 2004	Consolidated 31.12.2003	Parent Company 31.12.2004	Parent Company 31.12.2003
8. Liabilities		**17 361 933**	**16 952 019**	**20 039 579**	**25 249 753**
8.1. Direct insurance	14	5 529 187	4 336 711	5 529 187	4 336 711
8.1.1. Policyholders		4 974 614	3 108 424	4 974 614	3 108 424
8.1.2. Intermediaries		341 988	1 73 458	341 988	1 073 458
8.1.3. Other		212 585	154 829	212 585	154 829
8.2. Reinsurance	20	11 832 746	12 615 308	11 832 746	12 615 308
8.3. Other	10	0	0	2 677 646	8 297 734
9. Accrued expenses and prepaid revenue		**15 957 407**	**15 635 576**	**14 851 437**	**14 608 188**
9.1. Accrued expenses	16	5 919 273	5 231 741	4 827 957	4 231 004
9.2. Reinsurer's share in deferred acquisition costs		10 023 480	10 377 184	10 023 480	10 377 184
9.3. Other prepaid revenue	16	17 654	26 651	0	0
10. Technical provisions		**41 529 532**	**40 751 095**	**41 529 532**	**40 751 095**
10.1. Unearned premiums	17	20 814 078	20 159 241	20 814 078	20 159 241
10.1.1. Gross amount		69 468 906	68 910 409	69 468 906	68 910 409
10.1.2. Reinsured		48 654 828	48 751 168	48 654 828	48 751 168
10.2. Claims outstanding	17	20 715 454	20 591 854	20 715 454	20 591 854
10.2.1. Gross amount		77 684 841	86 409 671	77 684 841	86 409 671
incl. provisions for pensions		4 370 712	4 250 841	4 370 712	4 250 841
10.2.2. Reinsured		56 969 387	65 817 817	56 969 387	65 817 817
incl. provisions for pensions		3 299 619	3 310 029	3 299 619	3 310 029
11. Equity		**72 367 291**	**42 225 820**	**72 367 291**	**42 225 820**
11.1. Stock capital		10 000 000	10 000 000	10 000 000	10 000 000
11.2. General reserve		4 209 041	2 657 791	4 185 041	2 633 791
11.3. Other reserves		1 008 085	1 008 085	1 008 085	1 008 085
11.4. Retained earnings		27 008 694	10 118 180	27 032 694	10 223 686
11.5. Profit for the financial year		30 141 471	18 441 764	30 141 471	18 360 258
T O T A L LIABILITIES AND EQUITY		**147 216 163**	**115 564 510**	**148 787 839**	**122 834 856**

Income Statement

Technical Account

	Notes	Consolidated 2004	Consolidated 2003	Parent Company 2004	Parent Company 2003
1. Earned premiums net of reinsurance		**77 142 192**	**60 472 077**	**77 430 795**	**60 681 467**
1.1. Gross premiums		255 160 405	222 962 864	255 449 008	223 172 254
1.2. Reinsurance premiums		177 363 376	156 239 454	177 363 376	156 239 454
1.3. Change in unearned premiums	17	-558 497	-21 598 554	-558 497	-21 598 554
1.4. Reinsurer's share of change in unearned premiums	17	-96 340	15 347 221	-96 340	15 347 221
2. Other technical income net from reinsurance		**353 161**		**353 161**	
3. Claims incurred net of reinsurance		**28 425 628**	**29 865 170**	**39 747 343**	**38 440 170**
3.1.Claims paid		142 412 120	99 451 432	153 733 835	108 026 432
3.1.1. Damages paid		136 019 195	93 261 779	136 019 195	93 261 779
3.1.2. Claim handling expenses		13 566 069	10 979 427	22 697 466	17 899 681
3.1.3. Salvage and subrogation collected		-7 173 144	-4 789 774	-4 982 826	-3 135 028
3.2. Reinsurer's share in claims		114 110 092	76 752 167	114 110 092	76 752 167
3.3. Change in claims outstanding	17	8 724 830	-20 744 555	8 724 830	-20 744 555
3.4. Reinsurance share of change in claims outstanding	17	-8 848 430	13 578 650	-8 848 430	13 578 650
4.Net operating expenses		**22 093 505**	**18 263 104**	**21 396 165**	**17 130 204**
4.1. Acquisition costs		47 497 86	37 037 705	47 497 806	37 037 705
4.2. Change in acquisition costs		230 087	2 334 244	230 087	2 334 244
4.3. Administrative expenses		13 394 266	13 892 456	12 696 926	12 759 556
4.4. Reinsurance commissions and profit participation		38 214 776	32 896 783	38 214 776	32 896 783
4.5. Change in prepaid reinsurance commission fees		353 704	-2 563 97	353 704	-2 563 970
5. Other technical expenses net of reinsurance		**2 764 926**	**1 861 618**	**2 764 926**	**1 861 618**
6. TECHNICAL RESULT		**24 211 294**	**10 482 185**	**13 875 522**	**3 249 475**

Non-technical Account

	Notes	Consolidated 2004	Consolidated 2003	Parent Company 2004	Parent Company 2003
7. Technical result		**24 211 294**	**10 482 185**	**13 875 522**	**3 249 4758.**
8. Investment income		**6 310 058**	**6 322 818**	**14 809 542**	**13 652 578**
8.1. Affiliates and associates	9,10	0	0	9 941 220	8 685 745
8.2. Land and buildings		1 441 736	1 392 988	0	0
8.3. Other investments		502 319	448 429	502 319	485 432
8.4. Change in value of investments	5,6	4 088 758	4 085 266	4 088 758	4 085 266
8.5. Realised capital gains	5	277 245	396 135	277 245	396 135
9. Investment expenses		**1 488 547**	**1 334 568**	**1 126 026**	**1 173 150**
9.1. Operating investment expenses		1 060 923	890 460	698 402	644 054
9.2. Change in value of investments		427 624	444 108	427 624	444 108
10. Other income		**4 919 895**	**5 451 987**	**3 991 573**	**4 722 202**
11. Other expenses		**3 811 229**	**2 480 658**	**1 409 140**	**2 090 847**
12. NET PROFIT FOR THE FINANCIAL YEAR		**30 141 471**	**18 441 764**	**30 141 471**	**18 360 258**

Technical Account of Motor TPL

	Parent Company	
	2004	2003
Earned premiums net of reinsurance		
1.1. Gross premiums	110 331 933	97 932 404
1.2. Reinsurance premiums	82 481 154	74 033 806
1.3. Change in unearned premiums	-1 070 105	-10 194 904
1.4. Reinsurer's share on change in unearned premiums	802 577	7 646 179
1. Total	**27 583 251**	**21 349 873**
2. Other technical income net from reinsurance	**43 817**	**0**
Claims incurred net of reinsurance		
2.1. Claims paid	85 024 798	55 600 662
incl. 2.1.1. Damages paid	76 226 676	48 215 243
2.1.2. Claims handling expense	11 852 774	9 066 409
2.1.3. Salvage and subrogation collected	-3 054 652	-1 680 990
2.2. Reinsurer's share in claims	68 149 135	42 661 870
2.3. Change in claims outstanding	8 277 852	-13 104 798
incl. provisions for pensions	-119 871	893 727
2.4. Reinsurer's share of change in claims outstanding	-8 348 198	8 507 506
incl. provisions for pensions	-10 410	-1 363 014
2. Total	**16 946 009**	**17 536 084**
Net operating expenses		
3.1. Acquisition costs	14 979 519	12 678 867
3.2. Change in acquisition costs	23 322	1 097 982
3.3. Administrative expenses	4 004 266	4 380 950
3.4. Reinsurance commissions and profit participation	9 444 487	11 321 433
3.5. Change in prepaid reinsurance commission fees	1 028 544	-883 414
3. Total	**8 487 432**	**5 523 816**
4. Other technical income net of reinsurance	**2 709 332**	**1 861 618**
incl. Transfers to ETIF	2 649 406	1 861 618
5. TECHNICAL RESULT	**-515 705**	**-3 571 645**

Change in Equity

CONSOLIDATED	Stock capital		General reserve		Other reserve		Retained earnings		Profit for financial year	
	31.12.04	31.12.03	31.12.04	31.12.03	31.12.04	31.12.03	31.12.04	31.12.03	31.12.04	31.12.03
Beginning of the year	**10 000 000**	**10 000 000**	**2 657 791**	**1 9324 578**	**1 008 085**	**1 008 085**	**10 118 180**	**3 099 610**	**0**	**0**
Profit/loss from previous finacial year							18 441 764	7 150 624		
Change in general reserve			1 551 250	723 213			-1 551 250	-723 214		
The effect of the change of accounting methods								591 160		
Profit/loss for financial yea									30 141 471	18 441 764
End of the year	**10 000 000**	**10 000 000**	**4 209 041**	**2 657 791**	**1 008 085**	**1 008 085**	**27 008 694**	**10 118 180**	**30 141 471**	**18 441 764**

PARENT COMPANY	Stock capital		General reserve		Other reserve		Retained earnings		Profit for financial year	
	31.12.04	31.12.03	31.12.04	31.12.03	31.12.04	31.12.03	31.12.04	31.12.03	31.12.04	31.12.03
Beginning of the years	**10 000 000**	**10 000 000**	**2 633 791**	**1 910 578**	**1 008 085**	**1 008 085**	**10 223 686**	**3 123 610**	**0**	**0**
Profit/loss from previous finacial year							18 360 258	7 232 129		
Change in general reserve			1 551 250	723 213			-1 551 250	-723 213		
The effect of the change of accounting methods								591 160		
Profit/loss for financial yea									30 141 471	18 360 258
End of the year	**10 000 000**	**10 000 000**	**4 185 041**	**2 633 791**	**1 008 085**	**1 008 085**	**27 032 694**	**10 223 686**	**30 141 471**	**18 360 258**

Stock capital as of 31.12.2004.

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

The general reserve includes the mandatory legal reserve of Salva kindlustuse AS of 4 185 041 kroons pursuant to § 38 (1) of the Repiblic 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.

Other reserve created on account of net profit, which is used to cover potential losses.

Cash Flow Statement

Income +, expenditures -	Consolidated		Parent Company	
	2004	2003	2004	2003
1 Insurance operations	**43 582 546**	**47 421 033**	**25 873 527**	**28 694 014**
1.1. Premiums collected	258 932 744	225 843 916	259 188 805	225 866 945
1.2. Premiums returned upon cancellations and terminations	-3 378 977	- 3 201 670	-3 378 977	- 3 201 670
1.3. Claims paid	-129 169 653	- 88 789 380	-131 356 857	- 90 493 913
1.4. Claim handling expenses	-125 786	-285 271	-14 451 089	-14 642 060
1.5. Amounts transferred to ETIF	-2 707 170	- 2 124 543	-2 707 170	-2 124 543
1.6. Amounts transferred to reinsurers	-43 252 877	-56 622 066	-43 252 877	-56 622 066
1.7. Amounts collected from reinsurers	20 910 694	15 258 255	20 910 694	15 258 255
1.8. Premiums collected from co-insurers (incl. Commission)	0	36 842	0	36 842
1.9. Operating expenses	-57 626 429	-42 695 050	-59 079 002	-45 383 776
2 Investment operations	**-22 239 293**	**-39 702 572**	**-22 611 994**	**-34 673 340**
2.1.Amounts collected from investments	699 971	2 391 290	-334 435	-110 390
2.1.1. Real estate investments	916 355	2 543 635	0	0
2.1.2. Affiliates	376 478	0	0	0
2.1.3. Stocks and variable yield securities	29 396	24 096	29 396	24 096
2.1.4. Bonds and fixed yield securities	47 046		47 046	
2.1.5. Mortgage loans	73 731	75 867	73 731	75 867
2.1.6. Deposits	158 393	69 227	158 393	69 227
2.1.7. Other loans	60 816	204 665	60 816	246 620
2.1.8. Other investments	-177 502	0	0	0
2.1.9. Investment expenses	-784 742	-526 200	-703 817	-526 200
2.2. Amounts collected from maturity, cancellation and (re)sales of investments	19 133 461	13 044 143	14 207 167	12 877 363
2.2.1. Affiliates	0	0	175 000	90 000
2.2.2. Stocks and variable yield securities	2 723 836	3 337 482	2 723 836	3 337 482
2.2.3. Mortgage loans	320 000	1 385 000	320 000	1 385 000
2.2.4. Deposits	10 000 000	6 477 351	10 000 000	6 477 351
2.2.5. Other loans	986 831	1 329 530	986 831	1 514 530
2.2.6. Other investments	2 337 559	0	0	0
2.2.7. Other tangible fixed assets	2 765 235	514 780	1 500	73 000
2.3. Investments	-42 072 725	-55 138 005	-36 484 726	-47 240 313
2.3.1. Real estate investments	-785 939	0	-785 939	0
2.3.2. Affiliates	0	0	0	-200 000
2.3.3. Stocks and variable yield securities	-21 091 872	-30 916 162	-21 091 872	-30 916 162
2.3.4. Bonds and fixed yield securities	-1 912 636		-1 912 636	0
2.3.5. Mortgage loans	-2 147 000	-795 000	-2 147 000	-795 000
2.3.6. Deposits	- 7 000 000	-12 160 769	-7 000 000	-12 160 769
2.3.7. Other loan	-1 666 000	-1 953 937	-1 666 000	-1 953 937
2.3.8. Other investments	-2 662 415	0	0	0
2.3.9 .Other tangible fixed assets	-4 806 863	-9 312 137	-1 881 279	-1 414 445
3. Financing and other operations	**-16 478 518**	**-11 869 470**	**689 030**	**1 787 961**
3.1. Other income	6 948 375	20 872 981	5 720 422	21 236 395
3.2. Other costs	-19 562 508	-29 985 810	-4 147 396	-18 842 605
3.3. Other expenses	-3 864 385	-2 756 641	-883 996	-605 829
4. Total change in cash	**4 864 735**	**-4 311 095**	**3 950 563**	**-4 191 365**
Cash and cash equivalents (beginning of year)	**6 358 468**	**10 669 563**	**6 189 075**	**10 380 440**
Change	**4 864 735**	**-4 311 095**	**3 950 563**	**-4 191 365**
Cash and cash equivalents (end of year)	**11 223 203**	**6 358 468**	**10 139 638**	**6 189 075**

NOTE 1. Accounting Methods and Assessment Bases Used in Preparing Annual Accounts

Bases for Preparing the Accounts

The annual accounts have been prepared in accordance with the good accounting practices adopted in Estonia, which is based on the internationally recognised accounting principles, the main requirements of which are laid down in the Accounting Act of the Republic of Estonia, and the relevant regulations issued by the Government of the Republic and the Minister of Finance.

The annual accounts are prepared in Estonian kroons, rounded to full kroons.

Changes in Accounting Principles and in Presenting Information

During the report year real estate investment assessment principles were changed. Starting from 2004 the real estate investments are assessed and reflected in just value in the balance. The difference between the just value and the cost of purchase method is reflected in the correction of the profit of previous periods. As a result of the changes in accounting principles the comparative data of 2003 is presented in the corrected annual accounting report.

Real estate investment	+ 2 847 763
The profit of previous periods	+ 2 847 763

Consolidation Principles

Consolidated financial reports include all financial data of subsidiary undertakings controlled by the parent undertaking. Subsidiary undertakings are deemed controlled by the parent undertaking if more than a half of the votes in the subsidiary undertaking is held by the parent undertaking, if the parent undertaking is capable of controlling the operating and financial policy of the subsidiary undertaking, or if the parent undertaking has the right to appoint or remove the majority of the supervisory board members. In preparing of a consolidated report all financial reports of the subsidiaries of the group are consolidated line by line, and the intra-group income, claims and liabilities, as well as unrealised profit and loss are eliminated. The financial reports of the parent undertaking itself reflect investments in the subsidiary undertaking according to the equity method, whereby the investment is initially recorded at cost and the carrying value adjusted thereafter to show the investor's pro rata share of the post-acquisition net assets of the investee, taking into consideration the impact of the intercorporate transactions of the undertakings of the group on the formation of the result.

Financial Assets and Liabilities Denominated in Foreign Currency

Foreign currency transactions are recorded in the books according to the exchange rate of the Bank of Estonia on the date of transaction. Assets and liabilities denominated in foreign currency have been revaluated into Estonian kroons based on the foreign currency exchange rates of the Bank of Estonia officially effective on the balance sheet date. Revenue and expenses from foreign currency transactions are recorded in the non-technical part of the income statement. Non-monetary financial assets and liabilities denominated in foreign currency are recorded pursuant to the fair value method.

Cash and Cash Equivalents

Cash and cash equivalents means cash in the register, the balances of call deposits on bank and short-term bank deposits. Cash flow is shown in the report according to the direct method.

Financial Investments

All financial assets and liabilities are recorded in books at their acquisition value on the value date. Short term and long term investments in shares and other equity instruments the fair value of which can be reliably assessed, is shown on the balance sheet using the fair value method. Profits/ losses arising from change of value are recorded in the non-technical part of the income statement of the reporting period. If no active trade takes places with shares and other equity instruments, or if there are no alternative methods available for reliable assessment of their values, they shall be reflected at their adjusted acquisition cost. If the hedged value of an investment is fallen below its balance-sheet value, it is discounted. Discounts are reflected as cost in the non-technical part of the income statement.

Claims

Claims mean outstanding arrears of policyholders, agents and others at the end of the reporting period. The balance sheet reflects the claims in their adjusted acquisition cost, i..e. less uncollectable and non-recoverable claims. At assessment of claims every claims is analysed separately. Uncollectable claims are written off.

Liabilities

Liabilities mean amounts owed to policyholders, agents, reinsurers and others at the end of the period. Financial liabilities are reflected on the balance sheet at their adjusted acquisition cost that is generally equal to their nominal value.

Acquisition Costs and Reinsurance Acquisition Costs

Acquisition costs, which are related to premiums to be transferred to the next reporting period are capitalised as prepaid cost. The calculation of the capitalised acquisition costs are based on gross premiums and expenses by categories. The share of capitalised acquisition costs constitute the same percentage of the direct acquisition costs as the share of the total sum of the prepaid premiums' provisions constitute of the total sum of the gross premiums. The share of capitalised acquisition costs of reinsurance constitute the same percentage of the commission fees based on reinsurance contracts as the share of the total sum of the prepaid premiums' provision constitutes of the total sum of the gross premiums. The calculation is based on the insurance premiums and the commission fees based on the reinsurance contracts by categories.

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Real Estate Investments

A real estate investment is property, that the company has ownership over, or that the company has for the purpose of lease profit under the conditions of capital lease, the increase of value, or both. Real estate investment is accounted for in the balance by its cost of acquisition that includes transaction costs directly related to the purchase.

Real estate investment is assessed on every balance day according to its just value. The just value is determined by means of discounted cash flows from the real estate investment. The profits or losses deriving from the changes in value are reflected in the profit report of the period.

In the concern report the registered immovable is presented on two lines – the part that is in parent company's use is reflected as tangible fixed assets and the part that is leased out as real estate investments.

Tangible Fixed Assets

Upon reflecting tangible fixed assets on the balance sheet the cumulative depreciation and revaluation arising from the reduction of the value of the property are subtracted from its acquisition cost. Pursuant to the principle of materiality such property objects the acquisition cost of which exceeds 10 000 kroons, and whose useful life exceeds one year is shown as fixed assets. Depreciation is calculated on the acquisition cost using the linear method, on the basis of estimated economically useful life of the property. Average useful life of the property by balance-sheet categories are:

Buildings	25 years
Inventory	3.33 years
Computer hardware	3.33 years
Assets acquired on financial lease terms	2-4 years having regards to the length of the lease term and the down payment amount.

If such improvements have been made to any tangible fixed asset, which increase the object's ability to participate subsequently in generating economic benefit, then such expenses shall be added to the acquisition cost of the object. Other expenses that sooner preserve the fixed asset's ability to generate economic benefit are recorded as costs of the reporting period.

Intangible Fixed Assets

Licenses and other contractual rights the acquisition of which has involved expenses, including purchased computer software, is recorded as intangible fixed assets on the balance sheet. Intangible fixed assets are reflected on the balance sheet according to their acquisition cost. Contractual rights and computer software is depreciated in 5 years.

Stocks

Stocks are accounted at their acquisition costs, that include purchasing costs and other direct cost that are necessary to bring the stocks to their existing state.

The FIFO method is used to reflect stocks in costs, and to calculate the book value of stocks. On the balance sheet stocks are assessed on the basis of whichever is lower – either their acquisition cost of their net realisation cost. In assessing the stocks at their realisation cost any costs arising from discounts shall be reflected in the income statement of the discount period.

Accounting of Lease

Division of lease agreements into operating lease and financial lease agreements is based on the actual economic contents of the transaction. Financial lease means a lease relationship in the case of which all major risks and rewards related to the ownership of the property shall transfer to the lessee. Any other lease agreements are regarded as operating lease.

Company as Lesso

Assets leased out upon the terms of operating lease are reflected on the balance sheet conventionally, in the same way any other assets are reflected on the balance sheet of the company. Operating lease payments are reflected during the lease period linearly as revenue.

Company as Lessee

Payments of operating lease charges are reflected during the lease period linearly as expense.

Provisions and Contingent Liabilities

The company forms provisions with regards to those liabilities the timing of realisation or sum of which are not certain. The amount and timing of realisation of provisions is determined on the basis of the assessment of the management or experts in the respective field. Any provisions are recorded in the event when before the balance date a legal or operations-related liability has arisen for the company, realisation of the provision in the form of expenditure of resources is likely (above 50%), and the amount of the provision can be reliably determined. Expenses accompanying realisation of a provision are assessed as at the balance-sheet date, and the amount of the provision is re-assessed on every balance-sheet date. In the event that it is likely that the provision is realised in more than one year it is recorded at the discounted current value. Upon discounting the interest rate applicable to similar liability on the market shall constitute the basis of discounting. Such liabilities the likelihood of realisation of which is less than 50%, or whose amount cannot be reliably determined, shall be classified as contingent liabilities. Contingent liabilities are accounted as off-balance sheet items.

Provisions for prepaid premiums

Provisions for prepaid premiums are formed by prepaid premium provisions under individual contracts, and it is calculated on the basis of gross premiums separately for every insurance contract and additional contract in according to the Pro Rata Temporis method.

The share of reinsurance in the provisions for prepaid premiums constitutes the same percentage of the provisions of prepaid premiums that the proportional reinsurance premiums constitute of the gross premiums.

Provisions for outstanding claims

Provisions for outstanding claims consists of

- adjusted, but unpaid losses
- known and recorded, but unadjusted losses (RBNS)
- losses that have occurred but are not notified of (IBNR)

The provisions for insurance pensions set forth by the Traffic Insurance Act (a pension granted to compensate capacity to work or a family pension granted to members of the family of the deceased) is also shown here.

Provisions for outstanding claims also include the loss adjustment expenses, and they are calculated on a loss-by-loss basis.

The share of reinsurance of the provisions for outstanding claims covers that part of the outstanding claims that represents the reinsurer’s liability.

Membership Fee to Estonian Traffic Insurance Foundation

Insurance companies, that are members of the Foundation, pay a membership fee to the foundation from the collected traffic insurance premiums. The rate for 2004 was 2.4%. In 2003 the rate was 1.9% and for 2005 the rate has been set at 2.8%.

The membership fee is reflected under the entry “Other technical net expenditure from reinsurance” of the technical part of the income report.

Revenues

The non-life insurance technical report reflects the results of the insurance activities. Gross premiums represent the premiums or premium instalments received or receivable under insurance contracts, the term or effective date of which falls into the reporting period. The share of premiums paid or payable to the reinsurer under the reinsurance agreement constitute the reinsurance premiums. Revenues received from investments represent rental income calculated on land and buildings, retained profit of subsidiaries calculated by the equity method. Moreover, the interest revenue and financial income earned during the reporting period are also shown here. Other non-technical revenue represent commission fees received for intermediation of insurance contracts of other insurers, unrealised profit from currency translations according to the exchange rate of the Bank of Estonia as at the balance sheet date, interest revenues earned from call deposits, money market funds, and profit generated from currency exchange, and other revenues that are not considered in calculation of the technical result.

Operating expenses

Expenses related to insurance activities are divided into administrative, acquisition and loss adjustment expenses. Upon consolidation the expenses of subsidiaries have an impact on loss adjustment and investment expenses.

Administrative expenses mean expenses that are related to collection of premiums, portfolio management and reinsurance. Administrative expenses are divided between the classes of insurance using to the same proportion as the acquisition expenses of the particular class of insurance constitute of the aggregate amount of acquisition expenses.

Based on their nature acquisition expenses are divided into direct and indirect acquisition expenses.

Direct acquisition expenses mean expenses that are variable by their nature, and derive from the conclusion of insurance contracts, incl. commission fees to agents, expenses related to drafting, printing of insurance documents, transport and communications expenses.

Indirect acquisition expenses mean expenses that are constant by their nature, incl. unvarying payroll expenses of the sales department and insurance departments, advertising costs, business travel costs, changes of the fixed asset value and other expenses to the extent that they do not fall into the category of administrative expenses, claim (loss) adjustment expenses or investment expenses.

Investment expenses represent payroll expenses, income generated from rented or leased (income earning) assets, and related to investment activities, and other expenses deriving from investment activities.

Other non-technical expenses represent other expenses that are borne in the best interest of the undertaking as a whole. Such expenses are fees and compensations paid to auditors, experts, legal and tax consultants, expenses on maintaining the insurance supervisory agencies, and membership fees to the Estonian Insurance Association, etc. Furthermore, this section represents unrealised loss of foreign currency translations according to the exchange rate of the Bank of Estonia as at the date of the balance sheet, losses suffered through sale of fixed assets, fines, late payments interest, and other expenses.

Taxation

Company Income Tax

Pursuant to the Income Tax Law currently in force the dividends are taxed at the rate of 24/76 from the amount paid out as net dividends. The company income tax calculated from the dividends is reflected as income tax expenses in the income report of the period the dividends were announced, regardless for which period they have been announced or when the dividends will be paid out.

The maximum possible amount of income tax liability, that can result from the paying of dividends, is shown in note 20 of the report.

Other taxation rates pursuant to the currently effective taxation laws are:

Individual income tax	26% of the taxable disbursements
Social tax	33% of disbursements to the employees and fringe benefits
Value added tax	18% of the taxable value of goods sold and services rendered
Land tax	0.5-2.0% of the taxable value of land per year
Unemployment insurance tax `	0.5% of disbursements to the employees and 1% of taxable disbursements

Transactions with Related Parties

Related parties mean subsidiaries, their management, members of the management board and supervisory board of the parent undertaking, shareholders and employees of the companies of the group.

Post Balance Sheet Date Events

The annual accounts reflect the material circumstances having a bearing on the assessment of assets and liabilities that became known between the balance sheet date being 31 December 2004, and the date of preparing the annual accounts being 14.03.2005, but that are related to the transactions that took place during the reporting period or any preceding periods.

Post balance sheet date events that are not taken into consideration at assessment of assets and liabilities, but that have a material bearing on the results of the subsequent financial year, have been disclosed in the note 21.

Note 2.
Cash and Bank

	Consolidated	Consolidated	Parent Company	Parent Company
	31.12.04	31.12.03	31.12.04	31.12.03
Cash	2 593 782	2 027 507	2 596 782	2 027 507
Call deposits in banks	1 889 691	688 766	806 126	519 373
Shares of money market funds	6 739 730	3 642 195	6 739 730	3 642 195
TOTAL	**11 223 203**	**6 358 468**	**10 139 638**	**6 189 075**

In 2004 interest revenue earned from money market funds in the amount of 226 600 kroons, and from call deposit in the amount of 4 967 kroons, and these amounts have been reflected in the non-technical report in the other revenues'

Note 3.
Claims from Direct Insurance Activities

As of 31.12.2004, the receivables of Salva Kindlustuse AS from direct insurance activities amount to 10 870 757 kroons. Change in uncollectible receivables discount:

	Consolidated 31.12.04	Consolidated 31.12.03	Parent Company 31.12.04	Parent Company 31.12.03
Uncollectible receivables at the beginning of the period	320 951	353 336	99 146	53 421
Claims received during the reporting year, which had been declared uncollectible	16 802	25 935	16 330	25 935
Claims declared uncollectible during the reporting year	66 056	297 586	45 991	75 781
Claims declared irrecoverable during the reporting year	980	304 036	12 239	104 036
Uncollectible receivables by the end of the period	**370 736**	**320 951**	**139 090**	**99 146**

Note 4.
Real Estate Investments

According to the directive RTJ 6 “Real Estate Investments” of the Accounting Standards Board the part of the registered immovable that is owned and also used by the concern is classified as tangible fixes assets and the part that is leased out as real estate investments. The just value of real estate investments is 20 million kroons. Because the parent company leases out 45% of the building and the area that is leased is 55%, the part that is used by the parent company is reflected as tangible fixed assets in the concern report.

	Concern	Parent Company
GROSS CARRYING AMOUNT		
Beginning of year	**0**	**11 438 274**
Improvements during the period	11 200 000	358 315
Re-classification		-596 589
Sale		-11 200 000
End of year	**11 200 000**	**0**
ACCUMULATED DEPRECIATION		
Beginning of year	**0**	**- 3 716 441**
Book depreciation		-427 624
Change in proportion of real estate investments		
And tangible fixed assets		276 270
Re-classification into fair value		3 867 795
Sale		
End of year	**0**	**0**
Residual value		
Beginning of year	0	8 590 511
End of year	11 200 000	0

The profit of the parent company from reassessment was 2 847 763 kroons. The reassessment profit is reflected as the increase in the profit of previous periods of Salva Kindlustus.
The consolidated profit from real estate investments in 2004 constituted in total 1 441 736 kroons.
The expenses for managing the real estate investment were in total 362 521 kroons.

Note 5.
Shares and Other Interests

The shares and securities on the balance sheet as at 31.12.2004 are regarded as short-term investments. There were no transactions with quoted value securities.

	Shares and other interests Fair value
Book value in beginning of year	44 952 115
incl. quoted value securities	1 049 675
Purchased during the period	21 091 872
Sold during the period	2 723 836
Profit from change of investment value	3 988 263
incl. quoted value securities	787 832
Book value in the end of year	67 308 414
incl. quoted value securities	1 837 507
Market price	67 308 414
Realised profit	277 245

Note 6.
Bonds and Other Fixed Value Securities

	Bonds Fair value
Book value 31.12.2003	0
Purchased during the period	1 912 636
Sold during the period	0
Profit from change of investment value	100 495
Book value 31.12.2004	2 013 131

Bonds owned by Salva Kindlustus as of 31.12.2004:

Name	Qt.	Nominal value	Price of Issue	Value Date	Date of Redemption	Rate of Coupon
Fenniger AS	6	10 000 EUR	6 898 EUR	27.02.2004	27.02.2007	6% pa
Sportland International Group AS	6 300	100 EEK	100 EEK	16.09.2004	16.09.2006	12% pa
Balti Investeeringute Grupp	68	10 000 EEK	9 339,01 EEK	30.07.2004	29.07.2005	7% pa

Note 7.
Loans

	Consolidated 31.12.2004	Consolidated 31.12.2003	Parent Company 31.12.2004	Parent Company 31.12.2003
Mortgage loans				
Loans with redemption from 3 months up to 1 year	347 000	0	347 000	0
Loans with redemption from 1 up to 3 years	1 800 000	0	1 800 000	0
TOTAL	**2 147 000**	**0**	**2 147 000**	**0**
Loans to Affiliates	**0**	**0**	**6 000 000**	**175 000**
Other loans				
Loans with redemption up to 3 months	23 027	600 000	23 027	600 000
Loans with redemption from 3 months up to 1 year	1 128 433	738 450	1 128 433	738 450
Loans with redemption from 1 year to 5 years	1 063 112	774 591	1 063 112	774 591
TOTAL	**2 214 572**	**2 113 041**	**2 214 572**	**2 113 041**

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Interest revenue	Consolidated 2004	Consolidated 2003	Parent Company 2004	Parent Company 2003
Mortgage loans	75 336	16 167	75 336	16 167
Other loans	164 553	39 433	164 533	50 652
TOTAL	**239 869**	**55 600**	**239 869**	**66 729**

Interest rate is between 6,5 and 10,5%.

Note 8. Deposits in Credit Institutions

Ühispank	5 000 000	Term 13.05.2005, interest 2,6%
Hansapank	1 000 000	Term 28.02.2005, interest 2,14%
Hansapank	1 000 000	Term 10.03.2005, interest 2,15%
TOTAL	**7 000 000**	

The income on deposit interest earned in the year 2004 150 440kroon and in 2003 170 202 kroons.

Note 9. Subsidiaries

	Salva Kahjukäsitluse OÜ	Salva Arenduse OÜ	TOTAL
Area of activity	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	41 000	81 000
Acquisition EEK	40 000	210 000	250 000
Result of previous periods equity	16 813 719	-94 988	16 718 731
Profit in 2004 by the equity method	9 358 976	582 244	9 941 220
Balance sheet value	26 212 695	697 256	26 909 951
Equity 31.12.2004			
Share capital	40 000	41 000	81 000
Paid over par value		199 000	199 000
General reserve	20 000	4 000	24 000
Retained earnings	16 793 719	-128 988	16 664 731
Profit (loss) for the financial year	9 358 976	582 244	9 941 220
Total equity	26 212 695	697 256	26 909 951

Safiirex Invest OÜ, which was established as a 100% subsidiary of Salva Kahjukäsitlus, with the share capital of 40 000 kroons, started its business at the end of November, and ended the year with a profit of 22 026 kroons. The private limited company started its activities with a real estate project in the Viimsi rural municipality on the land unit “Allika 2”. The intended duration of the project is up to two years, and the rate of return is estimated at 15 – 25%, depending on the duration of the sale process. The financial accounts show reflect investment in land and work performed as stocks (Note 11).

Note 10.
Transactions with Parties Involved

Salva Arenduse OÜ provides administrative and lease services to the companies belonging to the consolidation group.

Salva Kahjukäsitluse OÜ's main fields of activity are processing insurance claim cases according to the cooperation contract, the organizing of holding and reselling of compensated assets and residuals and the leasing of vehicles but also real estate management, development and buying and selling. The main activities of Safiirex Invest OÜ are real estate development and it was founded for the implementation of single projects.

Transactions with Other Involved Parties

The companies OÜ Amonest and OÜ Vidremo Invest that are tied to a board member provide services connected with acquiring and managing investments.

Buying and Selling Transactions of Services

Salva Kindlustuse AS has in the report year concluded buying and selling transactions with the parties involved in the following amounts:

Buying Transactions

Name of Party	Description of Party	
Salva Kahjukäsitluse OÜ	**Subsidiary**	**22 230 586**
Incl. claim handling		19 128 543
income from holding and selling compensated assets		2 190 318
leasing and renting assets *		362 100
lease		71 292
bought goods		478 333
Salva Arenduse OÜ	**Subsidiary**	**440 863**
incl. usage of inventory		217 951
mediated electricity		222 912
Amonest OÜ teenused	Company related to a board member	**296 325**
Vidremo Invest OÜ teenused	Company related to a board member	**272 620**

* Acquisition costs of the property leased out by the subsidiary to the parent company is 1 640 814 and the accumulated expenses are 623 596. The expenses in 2004 were 368 992 kroons.

Selling Transactions

Name of Party	Description of Party	
Salva Kahjukäsitluse OÜ	**Subsidiary**	**295 491**
incl. insurance services		288 603
other services		6 888

Salva Kahjukäsitluse OÜ bought from Salva Arenduse OÜ lease services in the sum of 190 863 kroons.

Accounts Receivable

The following accounts receivable from the subsidiaries are in the balance of the parent company:

Salva Kahjukäsitluse OÜ: 6 001 000 kroons, that is divided as follows:

- a loan of 6 000 000 kroons; interest rate 7,5%; date due 27.12.2005
- other accounts receivable: 1 000 kroons

The balance of loans given to own employees constituted 1 707 109 kroons as of 31.12.2004.

Liabilities

The following liabilities to the subsidiaries are in the balance of the parent company:

Salva Kahjukäsitluse OÜ: 2 640 456 kroons, that is divided as follows:

- claim handling fees 2 299 216 kroons
- services for the maintaining and realizing of compensated property 161 801 kroons
- other liabilities 179 439 kroons

Salva Arenduse OÜ - services provided: 37 190 kroons

The loan obligations of Safiirex Invest to Salva Kindlustuse OÜ are 8 265 742 kroons and the interest debt is 115 297 as of 31.12.2004

The transactions of the companies belonging to the consolidation group, including the transactions of the subsidiaries, have been eliminated in the consolidated report.

According to the evaluation of the management board of the company the prices used in transactions with the abovementioned parties did not differ significantly from market prices.

Note 11.
Reserves

With reserves in the sum of 8 441 716 kroons, the land purchased for reselling with the purchase price of 3 337 484 kroons and other expenses made to develop the real estate in the total sum of 5 104 232 kroons, are reflected.

Note 12.
Intangible Fixed Assets

	Consolidated 2004	Consolidated 2003	Parent Company 2004	Parent Company 2003
Gross carrying amount				
Beginning of year	**840 825**	**0**	**840 825**	**0**
Re-classification	492 640	286 500	492 640	286 500
Acquisition	1 321 255	554 325	1 321 255	554 325
Written off	-4 969		-4 969	
End of year	**2 649 751**	**840 825**	**2 649 751**	**840 825**
Accumulated depreciation				
Beginning of year	**-212 309**	**0**	**-212 309**	**0**
Re-classification	-492 632	-152 037	-492 632	-152 037
Accumulated depreciation	-314 690	-60 272	-314 690	-60 272
Written off	4 969		4 969	
End of year	-1 014 662	-212 309	-1 014 662	-212 309
Residual value				
End of year	**1 635 089**	**628 516**	**1 635 089**	**628 516**

Note 13.
Tangible Fixed Assets

	Consolidated			Parent Company		
	Land and buildings	Other	Total	Land and buildings	Other	Total
Gross carrying amount						
Beginning of year	8 204 636	9 305 775	17 510 411	8 204 636	2 431 471	10 636 107
Purchased tangible fixed assets	523 959	3 224 741	3 748 700	523 959	745 431	1 269 390
Reclassified tangible fixed assets	0	-492 640	-492 640	0	-492 640	-492 640
Change in proportion of tangible fixed assets	872 859	0	872 859	872 859	0	872 859
Sold tangible fixed assets	0	-2 364 343	2 364 343	-9 601 454	-22 195	-9 623 649
Written off tangible fixed assets	0	-764 843	-764 843	0	-255 622	-255 622
End of year	**9 601 454**	**8 908 690**	**18 510 144**	**0**	**2 406 445**	**2 406 445**
Accumulated depreciation						
Beginning of year	-2 477 628	-5 977 119	-8 454 747	-2 477 628	-2 149 131	-4 626 759
Book depreciation	-285 083	-1 486 940	-1 772 023	-285 083	-228 698	-513 781
Book depreciation from reclassified tangible fixed assets	0	492 632	492 632	0	492 632	492 632
Change in proportion of tangible fixed assets	-276 270	0	-276 270	-276 270	0	-276 270
Depreciation	0	1 664 592	1 664 592	3 038 981	22 195	3 061 176
Book depreciation	0	764 843	764 843	0	255 622	255 622
End of year	**- 3 038 981**	**-4 541 992**	**-7 580 973**	**0**	**-1 607 380**	**-1 607 380**
Residual value						
Beginning of year	5 727 008	3 328 656	9 055 664	5 727 008	282 340	6 009 348
End of year	6 562 473	4 366 698	10 929 171	0	799 065	799 065

Note 14.
Liabilities from Direct Insurance Activities

	31.12.2004	31.12.2003
Prepayments by policyholders	**4 974 614**	**3 108 424**
Payables to brokers		
Incl. payables to ETIF for cross border policies	341 988	471 156
other brokers	0	602 302
TOTAL payables to brokers	**341 988**	**1 073 458**
Other liabilities		
Incl. payables to ETIF regarding of membership fee	212 585	154 829
other payables	0	0
TOTAL other payables	**212 585**	**154 829**
TOTAL liabilities from direct insurance activities	**5 529 187**	**4 336 711**

Note 15.
Operating Lease

Property on Operating Lease

In the consolidated report car lease expenses in the sum of 232 096 kroons and room lease expenses in the sum of 2 275 041 kroons are reflected.

Lease expenses for coming periods from contracts that cannot be terminated:

Up to 1 year	1 557 123
From 1 to 5 years	2 766 347
Over 5 years	941 170

The leasing contracts have a fixed duration with the period being from 1 to 10 years.

Property Given out on Operating Lease

Other lease income is reflected in the consolidated report of the period in the sum 13 780 kroons.

The lease income of rooms has been reflected in the sum of 1 253 774 kroons.

Lease transactions with parent companies are given in Note 10.

Lease income for coming periods from contracts that cannot be terminated:

Up to 1 year	1 141 487
From 1 to 5 years	2 899 019
Over 5 years	1 311 553

Note 16.
Accrued Expenses and Unearned Income

	Consolidated 31.12.2004	Consolidated 31.12.2003	Parent Company 31.12.2004	Parent Company 31.12.2003
Payables to employees	3 344 107	2 869 896	3 096 420	2 675 881
Taxes payables	1 633 493	1 463 150	1 104 762	1 071 959
incl. social insurance tax payable	1 088 990	1 079 282	960 245	980 714
income tax fringe benefits payable	80 607	64 650	0	0
VAT	384 124	276 428	85 239	59 800
company income tax	72 508	38 129	59 278	31 445
unemployment contribution payable	5 224	4 095	0	0
pension	2 040	566	0	0
Trade payables	938 673	898 695	626 775	483 164
TOTAL	**5 916 273**	**5 231 741**	**4 827 957**	**4 231 004**
Other unearned income*	17 654	26 651		0

*Unearned incomes from rent

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Note 17.
Technical Provisions

PROVISION FOR PREPAID PREMIUMS	Beginning of year Total	Beginning of year Reinsurance Share	End of year Total	End of year Reinsurance share	Change Total	Change Reinsurance share
1 MTPL	32 183 335	24 137 502	33 253 440	24 940 079	1 070 105	802 577
2 Short-term healt insurance	1 609 033	672 440	1 714 476	464 775	105 443	-207 665
3 Land vehicle insurance	22 292 209	15 604 546	21 709 037	15 196 326	-583 172	-408 220
4 Railway rolling stock, aircraft and ship insurance	832 278	735 077	1 214 220	1 104 150	408 942	369 073
5 Goods in transportation insurance	96 884	81 865	84 349	71 645	-12 535	-10 220
6 Property insur. (phys. Persons)	4 720 770	2 422 665	4 554 176	2 298 592	-166 594	-124 073
7 Property insur. (legal persons)	5 516 582	4 372 047	5 414 022	4 009 670	-102 560	-362 377
8 Motor vehicle liability insurance	48 318	39 473	108 157	83 604	59 839	44 131
9 Liability insurance of air- or watercraft owner	42 135	24 345			-42 135	-24 345
10 Civil liability insurance	312 154	248 428	313 661	250 083	1 507	1 655
11 Material loss insurances	1 256 711	412 780	1 076 368	235 904	-180 343	-176 876
TOTAL	**68 910 409**	**48 751 168**	**69 468 906**	**48 654 828**	**558 497**	**-96 340**

PROVISION FOR PREPAID PREMIUMS	Beginning of year Total	Beginning of year Reinsurance Share	End of year Total	End of year Reinsurance share	Change Total	Change Reinsurance share
1 MTPL	64 966 977	51 388 968	56 689 125	43 040 770	- 8 277 852	-8 348 198
2 Short-term healt insurance	778 087	248 821	1 899 518	671 643	1 121 431	422 822
3 Land vehicle insurance	17 640 853	12 348 597	15 567 884	10 897 519	-2 072 969	-1 451 078
4 Property insur. (phys. Persons)	303 394	146 362	958 430	479 215	655 036	332 853
5 Property insur. (legal persons)	1 866 474	1 001 961	1 675 172	1 163 691	-191 303	161 730
6 Civil liability insurance	853 886	683 108	894 712	716 549	40 826	33 441
TOTAL	**86 409 671**	**65 817 817**	**77 684 841**	**56 969 387**	**-8 724 830**	**-8 848 430**

Npte 18.
Non-life Insurance Yield by 3 Major Class of Insurance

	MTPL		Land vehicle		Fire and natural disaster insurance other property insurance	
	2004	2003	2004	2003	2004	2003
Premiums, gross	110 331 933	97 932 404	87 441 074	79 024 430	32 276 006	26 085 348
Earned premiums, gross	109 261 828	87 737 500	88 024 246	70 077 887	32 545 160	23 728 854
Damage claims, gross	-85 024 798	-55 600 662	-53 878 185	-38 750 221	-10 189 462	-8 794 397
Occurred damage claims, gross	-76 746 946	-68 705 460	-51 805 216	-47 915 772	-10 653 196	-7 422 230
Operaint expenses, gross	-18 960 463	-15 961 835	-19 771 896	-15 458 072	-11 412 908	-7 979 811
incl. commission fees	-7 042 908	-6 961 189	-9 365 063	-8 124 926	-2 079 429	-3 379 616
Outward reinsurance yield	-11 404 609	-4 780 232	-7 045 428	-3 205 700	-7 858 786	-5 765 143
Other technical income net						
From reinsurance	-2 665 515	-1 861 618	0	0	0	0
Technical yield	**-515 705**	**-3 571 645**	**9 401 707**	**3 498 343**	**2 620 270**	**2 561 670**

The gross amount of premiums earned reflects the changes of provisions for prepaid premiums. The gross amount of loss claims occurred reflects the changes of provisions for outstanding claims. Commission fees include expenses borne in relations with conclusion, renewal of contracts, and with collection and management of premiums.

Note 19.
Off Balance Sheet Claims

Recourse Claims	2004	2003
Beginning of years	7 851 730	6 413 161
Recourse claims evolved during the financial year	5 474 357	2 813 361
Collected during the financial year	2 354 415	1 329 393
Written-off during the financial year	268 513	45 399
End of financial year	10 703 159	7 851 730

Note 20.
Provisions and Contingent Liabilities

Income tax

The unrestricted equity of the Salva Kindlustuse AS as at 31.12.2004 was 57 174 165 kroons. As at balance sheet date is possible to pay out dividends to the shareholders in the amount of 43 452 365 kroons and the corresponding income tax would amount to 13 721 800 kroons.

Fact that the sum of neto dividends and income tax cost should equal with unrestricted equity at the 31.12.2004 balance sheet has been taken into account counting maximum amount of possible neto dividends.

Appropriations

In 2003 we formed an appropriation for the refunding reinsurance commissions. This results from the calculations of the commissions with varying graphs in some of the reinsurance contracts and depends on the final claims ratio. The appropriation is reflected on the balance sheet in the line “Obligations form reinsurance”.

	31.12.2004	31.12.2003
Appropriation	5 331 687	3 076 168
incl.short term	273 572	0
long term	5 058 115	3 076 168

The part of the long term appropriations of the reinsurance commissions has been calculated in discounted present value using a discount rate of 5%. We have taken into account that the transactions deriving from recalculations of the reinsurance commissions take place after the insurance year ends in the third year.

Salva Kindlustuse AS did not have any additional conditional obligations and given guarantees as of 31.12.2004.

Salva Kindlustuse AS has been presented with claim demands related to insurance damages in the sum on 4.6 million kroons. The management board assesses the amount of the claims that are realized to be approximately 4.0 million kroons and these are reflected in the appropriations of unsettled claims.

Note 21.
Events Occurring After the Balance Day

The storm and flood damages that happened in January 2005 will influence the first quarter results of Salva Kindlustuse AS in the sum of 5 million kroons, taking also into account the part of the reinsurer. The gross amount of the claims that have been presented by the date of compilation of the report is 10 million kroons.

Auditor's Report

For the stockholders of Salva Kindlustuse AS

We have audited the unconsolidated annual accounting report of Salva Kindlustuse AS (hereinafter "parent company") and the annual consolidated accounting report of the consolidation group of Salva Kindlustuse AS (hereinafter "the concern") for the financial year that ended on 31.12.2004. The mentioned reports, that are presented together to reflect the financial situation, economic outcomes and cash flows of the parent company as well as the concern, are found on pages 10-34 and the board of the parent company is responsible for their validity. Our goal is to give on the basis of the audit results an evaluation about the unconsolidated annual accounting report of the parent company and the consolidated annual accounting report of the concern.

We conducted the audit in accordance with the accounting rules of Estonia. The mentioned rules require that the audit is planned and carried out in a way that would provide an opportunity to adequately decide whether the annual report contains significant errors and inaccuracies. During the audit we have selectively verified the evidence, that constitutes the basis for the figures given in the annual report. Our audit included also a critical analysis of the calculating principles and the accounting assessments of the board used in the compilation of the annual accounting report and an opinion about the general way of presenting of the annual accounting report. We think that our audit provides a sufficient basis to give an opinion.

Parent Company

It is our position that the above mentioned unconsolidated annual accounting report reflects in accordance with the Estonian Accounting Law justly and correctly in all important matters the financial situation of the parent company as of the 31st of December 2004 and also the economic results and cash flows of that period.

The Concern

It is our position that the above mentioned unconsolidated annual accounting report reflects in accordance with the Estonian Accounting Law justly and correctly in all important matters the financial situation of the concern as of the 31st of December 2004 and also the economic results and cash flows of that period

In Tallinn, on 14 March 2005

KPMG Estonia

Taivo Epner	Silver Mäll
Authorised auditor	Authorised auditor