

ADRIATIC SLOVENICA Insurance Company d.d.

ADRIATIC SLOVENICA Zavarovalna družba d.d.



AdriaticSlovenica

Zavarovalna družba d.d. • Članica Skupine KD Group

Mission

2

We assume risks in the field of health, life and non-life insurance. By quality risk management we ensure security for insured and create added value and profitability to the satisfaction of all stakeholders: insured, employees, shareholders, and the community.

Financial highlights and other figures for 2005

3

Total gross premium	47,931 million tolar
Claims paid	29,447 million tolar
Net technical provisions (per 31 December 2005)	49,575 million tolar
Investments and pecuniary resources (per 31 December 2005)	49,127 million tolar
Number of employees (per 31 December 2005)	1,123
Premium per employee	42.7 million tolar
Net company's results	1,252 million tolar
Capital book value (per 31 December 2005)	7,111 million tolar
Book value of share (per 31 December 2005)	1,941.58 tolar

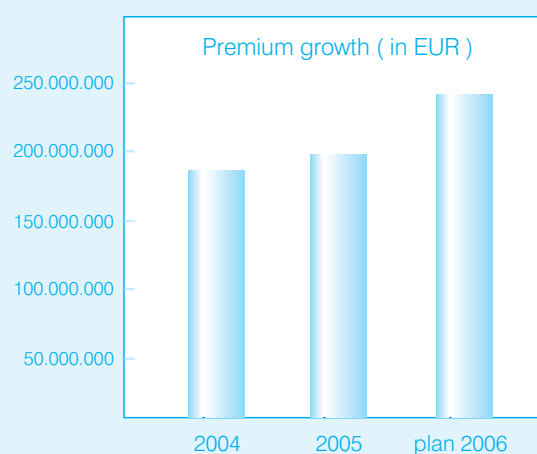


Table of contents

4

Welcome to the united ADRIATIC SLOVENICA	5
Company ID card	7
Fact sheet	9
Brief historical review	9
Corporate governance and management bodies	10
Ownership structure	10
Organisational structure	11
Marketing and distribution network	13
People and knowledge	13
Quality, security, development	14
Insurance portfolio and services	15
Health insurance	18
Life insurance	20
Non-life insurance	21
Our goals	25
Significant business events at the beginning of 2006	26

Welcome to the united Adriatic Slovenica

The fusion of Adriatic and Slovenica at the end of 2005 is the first example of a successful corporate merger in Slovenian insurance industry. The consolidation has brought along the amalgamation of entire distribution networks of two insurance companies, employees, assets, resources, capacities and knowledge. Capital strength and soundness of the insurance company have increased as well as a platform for higher quality insurance services throughout entire Slovenia. Diversified distribution network as well as an array of new efficient sales channels guarantee, that the insurance services of ADRIATIC SLOVENICA are always within an easy reach to all insured, both when concluding insurance contracts and when settling claims.

The financial year 2005 was indeed a landmark year, and the combined management report has been drawn up for the first time.

ADRIATIC SLOVENICA generated almost 48 billion tolar of gross premiums in the previous year enough to place the insurance company at the second place on the leader board of general insurers in Slovenia. In comparison with a year earlier, the premiums grew by 7.8 per cent.

Gross written premiums of health insurances totalled 13.2 billion tolar; the share of these insurances in the structure of insurer's total premium fell from 41 per cent to 27.6 per cent. In 2005, the united insurance company cut as much as 66.8 per cent of written premium cake in written premiums in respect of other non-life insurance totalling over 32 billion tolar, 5.6 per cent of premium in a total amount of 2.7 billion tolar however were collected by selling life insurance.

Subsequently, the premium structure was changed significantly following the merger, meaning that the insurance company rests on stronger foundations for further operations, particularly since our business policy is constructed on selective and prudent assumption of risks, and the bulk of the insurance portfolio is composed of individuals and smaller corporate entities.

ADRIATIC SLOVENICA handled claims in the amount of 29.4 billion tolar in the previous year. There were indeed no natural or other catastrophes resulting in major material and non-material losses in 2005. However, the year 2005 brought along a number of events that left a visible footprint on loss events; primarily the floods in August in the Dolenjska Region and the Posavje Region, and the repair services price hike. Furthermore, loss events have suffered a major blow dealt under the new agreement with the Health Insurance Institute of Slovenia (ZZZS) for the compensation of losses from compulsory motor third party liability insurance, under which annual obligations of insurance companies have risen by the aggregate amount of 500 million tolar. Despite this, we may see that loss events in the year 2005 were in line with expectations and within the framework of the planned values.

ADRIATIC SLOVENICA ended the year 2005 with the net company's result in the amount of 1.25 billion tolar.

Technical provisions increased to 48.9 billion tolar by the end of 2005, and mathematical provisions for the holders of unit-linked life insurance contracts to 673 million tolar. Assets allocated to technical provisions have been safely invested in accordance with the provisions laid down in the Insurance Act (ZZavar).

As per 31 December 2005, the company's equity capital amounted to 7.1 billion tolar and it increased in 2005 due to accomplished takeover of Slovenica d.d.

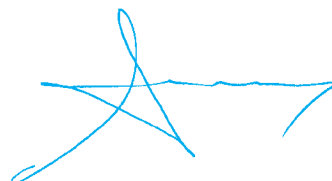
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At ADRIATIC SLOVENICA we have set our goals high also for the year 2006. We are determined to collect over 56 billion tolar in gross premiums and generate profit of over 1.5 billion tolar. The alignment of all insurances is high on the list of priority goals for the following year, alongside of the effort to raise the quality of our after-sale services in the face of ever stronger competition, the completion of the integrated information system construction, establishment of the new organisation and systematisation, the adoption of the new collective wage agreement, the expansion of the quality management system to the acquired company and the introduction of the information security management system, and thereby also uniformity of the corporate culture at all levels of the merged company while ensuring the working environment orientated in motivation and positive attitude.

And it will take us just one year. It may appear a tall order, but both for the three-member Management Board and for the employees, these tasks are yet another opportunity and a challenge. We can deliver because we are aware that our primary mission is linked to a satisfied insured and that the focus of our insurance products development and quality services has to be dictated by the actual needs of our loyal and potential customers, and business partners.

Our slogan "double security" united in AS is not a coincidence. We shall justify it by exploiting its synergy since all stakeholders stand to benefit from the merger the shareholders, insured persons, employees and the community.

Dušan Novak,
President of the Management Board



Company ID card

Brief historical review

Fact sheet

Firm, head office and address:

ADRIATIC SLOVENICA
Zavarovalna družba d.d.
Ljubljanska cesta 3a
6503 Koper
Telephone: (05) 66 43 100
Fax: (05) 66 43 109

E-mail:

info@adriatic-slovenica.si

Web site:

<http://www.adriatic-slovenica.si>

Company identification number:

5063361

VAT ID :

SI63658011

Registration date:

20 November 1990

ADRIATIC SLOVENICA Zavarovalna družba d.d. was formed by merger of two renowned Slovenian insurance companies, namely by arranging the take-over of Slovenica, zavarovalniška hiša d.d. Ljubljana by Adriatic Zavarovalna družba d.d. Koper, and at the same time by renaming the latter to ADRIATIC SLOVENICA Zavarovalna družba d.d. The merger of Adriatic and Slovenica means the first successful merger in the insurance industry in Slovenia, and the origin of the second largest general insurance company in terms of the planned total premium of more than 56 billion tolar in the year 2006.

The first key milestone on the road to the merger was signing the contract of take-over, which the boards of management of both insurance companies signed on 18 May 2005. On 24 May 2005, the supervisory boards of the two insurance companies passed the necessary resolutions endorsing and approving of the merger, followed by the passing of the merger resolution by the shareholders of both insurance companies at the annual general meetings of shareholders held on 28 June 2005. The Insurance Supervision Agency of the Republic of Slovenia issued the Decision dated 9 December 2005 approving of the merger of the two insurers. As from 29 December 2005 onward, after the entry into the court register with the District Court in Koper, the merged insurance company proceeds its business operations under the new name ADRIATIC SLOVENICA Zavarovalna družba d.d., having its registered office at Ljubljanska cesta 3a, Koper, Slovenia.

Now consolidated companies played a significant role in Slovenian insurance market during the past 15 years as they were characterised by their intensive growth, distribution network expansion, development and delivery of innovative insurance products, and increase in the quality of insurance services.

The insurance company ADRIATIC d.d., Koper was established in 1990 and in a couple of years it succeeded in setting up a well-branched distribution network across the entire Slovenian territory, adding incessantly new outlets, and bringing its services to the customer's doorstep. It was authorised for carrying out all classes of insurance business. The market share of Adriatic in terms of total gross written premium in 2004 was 9 per cent, ranging it to the 4th place of all insurance companies in Slovenia, and with 18 per cent of total gross written premium in the field of voluntary health insurance to the 2nd place. In the course of 2004, Adriatic collected 30.9 billion tolar of written premiums.

The insurance company SLOVENICA d.d., Ljubljana was established at the end of 1992. In 1999, it acquired the majority equity shareholding in Adriatic d.d., with KD Holding, d.d., Ljubljana as its majority shareholder. In 2004, Slovenica spined off life insurances from the roster of its business activities, and transferred them to a new company SLOVENICA ŽIVLJENJE, d.d., which commenced operations on 3 January 2005. As a result, Slovenica was at the time of the merger authorised for carrying out all classes of insurance business, but life insurances. Its market share in terms of gross written premiums in the year 2004 was 4 per cent, and it placed it on the 5th place among all insurance companies in Slovenia. In 2004, Slovenica collected 13.5 billion tolar of written premiums.

The aggregate written premium of the joint insurance company ADRIATIC SLOVENICA d.d. totalled 47.9 billion tolar in 2005.

Corporate governance and management bodies

8

Management Board:

President:

Dušan Novak

Member of the Management Board and Deputy President of the Management Board:

Matija Šenk

Member of the Management Board:

Milena Georgievski

Supervisory Board:

Chairman:

Janez Bojc

Deputy Chairman:

Franc Ohnjec

Members:

Roman Androjna, Mojca Burkelca
Matjaž Gantar, Aleksander Sekavčnik

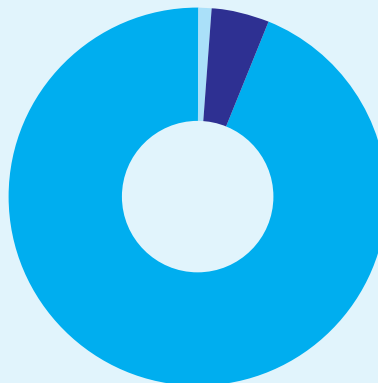
Members, representatives of the employees:

Tanja Blatnik, Elza Kržič, Matjaž Pavlin

Ownership structure

(per 8 June 2006)

Shareholder	Shareholding
■ KD Holding d.d.	92.35 per cent
■ KD ID, delniška ID, d.d.	6.72 per cent
■ Other	0.93 per cent
Total	100 per cent



Organisational structure

9

ADRIATIC SLOVENICA plans and implements its business processes so as to enable the company to pursue strategic development and deliver sound business performance, while delivering to its insured the highest quality of insurance services. It builds its corporate philosophy on the organisational culture, recognizable in fundamental business principles such as business excellence, safety and growth.

The company has a well-branched, own distribution network in all Slovenian regions. It consists of nine top rank branch offices, which provide the full scope of insurance business and are situated in all major regional centres: Celje, Koper, Kranj, Ljubljana, Maribor, Murska Sobota, Nova Gorica, Novo mesto and Postojna. The branch offices oversee three representative offices (in Domžale, Idrija and Krško) and 65 own offices. At the end of 2005, within the framework of the branch offices and representative offices, the company's insurance products were marketed by 320 insurance agents, employed in ADRIATIC SLOVENICA.

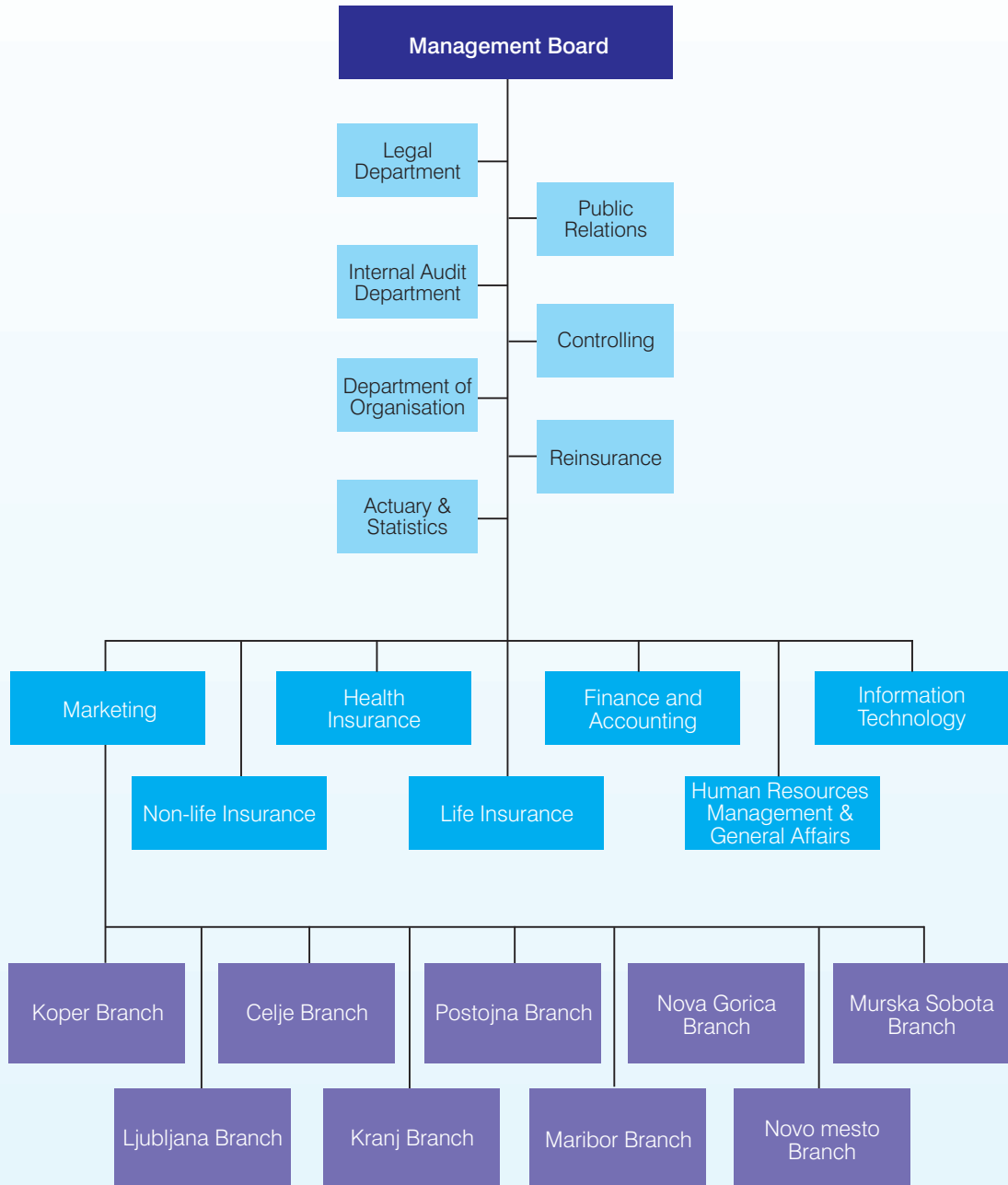
In addition, the company cooperates with the sales network on a contractual basis composed of 96 underwriting points operated by insurance agencies and other underwriting points. The entire system of ADRIATIC SLOVENICA presented at the end of 2005 the total of 173 sales outlets that brings both availability and accessibility of insurance services across the Slovenian territory to a remarkably high level.

In line with its policy of gradual cross-border expansion, the company made the first step on 1 April 2005 when a representative office was opened in Italy, and has applied for authorisation to set up a subsidiary. The insurance company is authorised for the direct performance of insurance business in all EU Member States, and it has already spread its operations to the markets of the Czech Republic and Hungary.

The entire business system of ADRIATIC SLOVENICA with the head office in Koper is steered from the central office where expert departments perform insurance and other professional tasks for business units and the company in general. In the company 19 business processes are organised and supervised at the highest level. These processes are divided into corporate governance and management, the core business processes and support processes. The core business processes generate added value and are orientated towards meeting the needs of the insured; hence we classify among them the sales direction and promotion, concluding insurance contracts, claims handling, development and adjustment of insurance products as well as financial assets management investing assets and collecting claims.

Organisational Scheme

10



Marketing and distribution network

11

ADRIATIC SLOVENICA in all its activities and particularly in marketing activities gives the centre stage place to the insured with regard to his or her needs, wishes and financial strength. We offer to the insured modern and high quality insurances, which they actually need, and provide assistance, which makes our insurance services richer.

Our counselling and assistance comprise:

- Assistance during the preliminary phase before the conclusion of an insurance contract,
- Assistance during the conclusion of the insurance contract,
- Assistance services at the moment of a loss event occurrence,
- Assistance services throughout the claim handling.

The objective of ADRIATIC SLOVENICA insurance services is management of risks, to which individuals and businesses, that have shown their confidence in us and have become our insured, are exposed.

For successful implementation of the market strategy designed along these lines highly qualified and motivated staff of the insurance company understanding the needs of insured, is indispensable.

Therefore, ADRIATIC SLOVENICA within the framework of market strategy implementation focuses mainly on development of:

- A mixed and highly diversified marketing system through various distribution channels emphasizing highly technically qualified insurance agents consultants,
- a balanced offer of insurances in terms of contents, quality and price, tailored to meet the insured's needs coupled with prompt and correct settlement of claims and payment of compensations or benefits,
- Insurance services that take into account current and future needs of the insured for a security while respecting their time, High quality and easy-to-get forms of assistance and other services designed to complement the basic insurance offer,
- Marketing communication worked out to deliver to insured correct information on insurance offer and ensuring them of additional values, and
- Long-term relations with insured.

ADRIATIC SLOVENICA is developing heterogeneous and highly diversified marketing system capable of delivering to insured professional advice regarding individual insurance lines, and providing our services to insured through various distribution channels. The key link in ensuring a high quality insurance service however remains insurance agent, consultant. Therefore, at ADRIATIC SLOVENICA we have been continuously building up the in-house system for training insurance agents, that has been going on for many years in the company's education and training centre at Lipica. Expertise and professional quality of the insurance agents network is demonstrated also by the high level of successfulness in acquiring authorisation for insurance agent to carry on insurance business. During 2005, we improved the marketing system by merging the distribution networks of Adriatic and Slovenica and thereby we achieved a larger density of insurance coverage and the improvement of after-sale service for insured.

In the course of 2005, we also continued with intensive development of other distribution channels. We find of particular interest the continuing development and upgrading of insurance marketing through the Internet, development of insurance marketing through close business cooperation with financial institutions (banks, leasing firms, etc.) and through retailers i.e. administrators of property (automobiles, residential property, equipment, etc.).

The distribution network of ADRIATIC SLOVENICA is spread out all over Slovenia, with branch offices in all regional centres and in many smaller towns. ADRIATIC SLOVENICA offers insurance services through 9 branch offices in all Slovenian regional centres, 3 representative offices, 65 offices, and the sales network operating on a contractual basis with as many as 96 underwriting points i.e. 173 points of sale (outlets).

Head office

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Celovška cesta 206, 1000 Ljubljana
Phone: 01 582 45 00, Fax: 01 582 45 29

Koper Branch,

director Mojmir Suhar
Ljubljanska cesta 3, 6000 Koper
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Ljubljanska cesta 3a, 6503 Koper
Phone: 05 664 31 00, Fax: 05 664 34 82

Ljubljana Branch,

director Anton Končnik
Dunajska 63, 1000 Ljubljana
Phone: 01 309 21 00, Fax: 01 309 22 22

Celovška cesta 182, 1000 Ljubljana
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Celje Branch,

director Marjan Krajnc
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Ljubljanska cesta 20a, 3000 Celje
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Kranj Branch,

director Franci Strniša
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Koroška cesta 53b, 4000 Kranj
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Maribor Branch,

director Vinko Prislan
Jadranska 25a, 2000 Maribor
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Partizanska cesta 37, 2000 Maribor
Phone: 02 228 33 00, Fax: 02 252 54 11

Nova Gorica Branch,

director Radovan Pušnar
Erjavčeva 19, 5000 Nova Gorica
Phone: 05 330 95 00, Fax: 05 302 91 56

Gregorčičeva ulica 11, 5000 Nova Gorica
Phone: 05 330 79 00, Fax: 05 302 69 62

Novo Mesto Branch,

director Miha Božič
Novi trg 1, 8000 Novo mesto
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Ljubljanska cesta 27, 8000 Novo mesto
Phone: 07 373 09 20, Fax: 07 373 09 21

Murska Sobota Branch,

director Milena Grah
Arhitekta Novaka 13, 9000 Murska Sobota
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Lendavska ulica 22, 9000 Murska Sobota
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Postojna Branch,

director Anton Marušič
Novi trg 6, 6230 Postojna
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People and knowledge

13

For the attainment of the strategy and business objectives, ADRIATIC SLOVENICA perceives its employees as an assets due to their high motivation and loyalty, knowledge, skills and talent the qualities that enable them to respond creatively and efficiently and to adjust to continuously changing requirements of the working environment, endowed with personal values and targets, harmonised with the company's targets and its corporate culture. For that reason, we have been dedicating a lot of attention to the personal and professional development of our employees, their motivation and a stimulating corporate climate, and this has also been the centrepiece of our human resources management strategy.

In 2005, we **were recruiting** new staff with high potential, mostly insurance agents and other profiles of professionals. To all our employees we have provided personal and professional development by means of permanent education and training, we have provided for a benevolent working environment and satisfaction of the employees and encouraged loyalty of all employees.

At the end of 2005, the headcount of the consolidated insurance company stood at 1,123. As regards the educational structure, staff with the 5th education grade remains most numerous with 54 per cent, as opposed to the staff with the 7th education grade or higher representing 26 per cent of the entire workforce.

By **education** we have been upgrading and developing competencies of the employees to the level that enables them to successfully master operating challenges. The education and training process serves all, but particularly those groups of employees, which exercise the greatest influence on key internal processes, these employees are in a direct contact with clients, management and executive officers, as well as professional employees. Therefore solely the co-workers at managerial, executive and professional work posts underwent training on average for 38 hours each, insurance agents however 90 hours each. ADRIATIC SLOVENICA assists employees also when it comes to **enrolling in part-time university studies**. The company financed in 2005 studies of 80 employees or 7 per cent of the entire workforce (the combined figure for Adriatic and Slovenica).

Already in previous years at ADRIATIC SLOVENICA we introduced modern **human resources management systems** and we continued to fine-tune it during the year 2005. Thus we have well developed systems for recruiting new employees and assessing their potential, education and development, annual career development interviews, and measuring employee satisfaction and organisational climate. For the purpose of monitoring efficiency and effectiveness of the HR management function, the methodology for monitoring personnel-related indicators is in place. In the course of 2005, we were working on enhancing the System for ensuring top-notch performance of staff composed of the sub-project for Rationalisation of working processes and the sub-project for Payment System and methodology for benchmarking working performance.

Quality, security, development

14

The project for certification under the quality management system of the standard ISO 9001:2000 was running at Adriatic in 2005 for the second year, the integrated quality management system in addition to the above-mentioned system will include also some other systems and management models. In 2006, the activities under the quality management system will focus on maintaining the present situation and developing and expanding the quality management system also to the amalgamated company through the project "The expansion of the quality management system to the amalgamated company", launched in March 2006 and scheduled to be completed by the end of the year.

In the course of 2005 we continued the introduction of a **comprehensive system of information security management** in line with the recommendations given under the ISO 17799 standard on the foundations prepared already a year earlier. In March 2005, we set in motion the preliminary activities aimed at carrying out the ISMS (Information Security Management System). As a result, later this year we will start to operate ISMS system on a regular basis; at first, we will revive the handling procedures in cases of security incidents, and move on to put in place infrastructure of the ISMS, which will enable the expansion of the ISMS mechanisms to the amalgamated company.

In 2005, in both companies within the framework of the project designed to facilitate the merger - **PRIPOS** - a number of activities were started, focusing on the planned unification of insurance products and their upgrading, the organisation the distribution network adjustment as well as the preparations for the unification of in-house business processes.

A significant element of the complete integration of the two insurance companies is the **INIS** project - "the building of a new information system", launched in June 2005. It has been the most complex project designed to overcome the limitations of the so far existing information systems, deliver rationalisation of operating activities, and put in place a platform to support key processes at the insurance company. The ultimate effect of the project is to arrive at the stage where business operations of the insurance company will be even user-friendlier towards insured. Furthermore, it means modernisation that will help the company to preserve its market position and gain new competitive advantages. The project implementation takes course in several phases, and its completion is scheduled for April 2007.

Yet another significant element of the final corporate blending of two insurance companies running parallel to the INIS project is the **new organisational set-up** of the merged insurance company to be founded on the company's vision and strategy, and will be contrived in line with the development plans and process management. During the merger phase, an adapted provisional organisational structure was established at the end of 2005 and will be transformed into the project ORG-AS this year, since we are determined to be a modern and well-organised insurance company, capable of coping with new opportunities and set business goals.

The Euro Project finished in 2005 to put in place the necessary circumstances for the smooth functioning of corporate entities and institutions after the adoption of the euro, and will actually be continued at the new company until the final introduction of Euro.

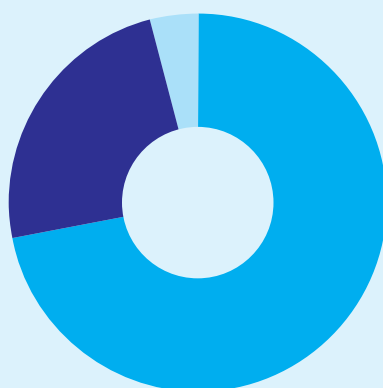
The company is particularly committed to the **development of insurance products** (non-life, health and life) and **assistance products**. In the year 2005, the new legislation governing the insurance sector stigmatised primarily co-payment health insurance and we have once more astound the insured with a wide range of products. Certain activities will be carried on also in 2006; refunding of old-age provisions to customers and introducing implementation of equalisation schemes, which enter into force as of 1 April 2006.

Insurance portfolio and services

The insurance company offers a complete pallet of quality insurances and modern assistance services in Slovenia and builds with its insured long-term partner relationships. In united insurance company in the sense of written premiums in 2005 the field of non-life insurance is the one most extensive followed by health insurance and then life insurance.

Premium structure by insurance fields

■ Non-life insurance	66 %
■ Health insurance	28 %
■ Life insurance	6 %



Health Insurance

ADRIATIC SLOVENICA provides a most diversified offer of health insurances developed in compliance with legislative provisions and adjusted to the needs of individual target groups.

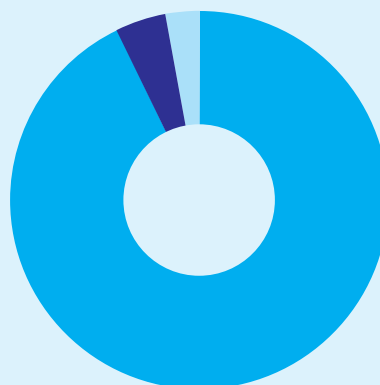
The supply of health insurances includes:

- Co-payment health insurance
- Extended health insurance:
 - Health insurance of a wider scope of rights or higher standard services,
 - Health insurance of additional benefits,
 - Health insurance abroad with CORIS assistance.

CO-PAYMENT HEALTH INSURANCE covers the difference between the value of medical services and the part of this value, covered by compulsory health insurance, i.e. a portion of that difference when the surcharge refers to the right to a medicine from the list of interchangeable medicaments, and medical-technical remedies.

Premium structure by insurance lines in the field of health insurance

■ Co-payment health insurance	93 %
■ CORIS	4 %
■ Extended health insurance	3 %



By new legislation, which came into force in 2005, the **extended health insurances** are divided into:

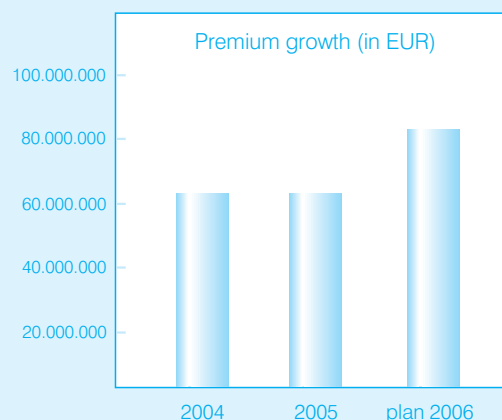
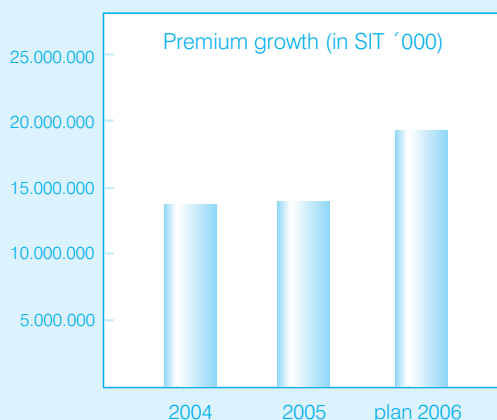
PARALLEL HEALTH INSURANCE covers expenses of medical services, ordinarily covered by compulsory insurance, but enforced by insured under different procedures and under terms and conditions different from those applicable to compulsory health insurance. It comprises the insurance of self-paid services in specialist treatment as outpatient.

COMPLEMENTARY HEALTH INSURANCE covers expenses of medical and therewith related services, which do not form a component part of rights covered by the compulsory health insurance. It combines higher-standard health insurances of a wider scope of rights and a higher standard of services and additional benefits, as well as health insurance with assistance abroad (CORIS).

Insurance of a wider scope of rights or a higher standard of services comprises the insurance of prolonged orthopaedic rehabilitation in the orthopaedic hospital Valdoltra, insurance of higher-standard dental materials, ophthalmic and orthopaedic remedies, insurance of self-paid prescription medicines, hospital indemnity insurance, prolonged spa treatment insurance, accommodation costs during a child's hospitalisation insurance, and higher-standard hospital and spa treatment insurance.

Health insurance of additional benefits comprise cosmetic surgical operations insurance, higher standard of dental treatment insurance, hospital indemnity insurance, insurance of compensation for nursing a close family member, and insurance of compensation for nursing a pre-school child.

Health insurance abroad with CORIS assistance covers expenses of treatment and transport in emergency cases. Insured can choose from various scopes of offers through widespread representative offices network anywhere in the world.



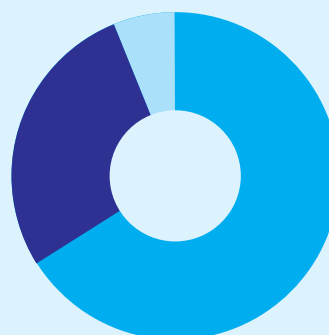
Life Insurance

17

We provide to customers an ample, flexible and advantageous life insurance offer designed to meet their need for safety or savings at any period of their lives. The scope of insurances opens the door to numerous possibilities tailored to different requirements of each individual. Insured are free to mould their insurance to their lifestyle, to all crucial life situations, their financial abilities, and goals they are eager to achieve. When concluding life insurance we offer customers individual treatment and a helping hand in choosing their insurance “made to measure”, and at any time when they need a professional advice.

Premium structure by insurance lines in the field of life insurance

■ Endowment and term life insurance	72 %
■ Unit-linked life insurance	24 %
■ Voluntary additional pension insurance	4 %



Vita AS is a standard endowment life insurance, offering coverage for endowment or a case of death during the insurance period. **Vita AS Plus** on the other hand is an endowment life insurance, extended by an additional benefit of covering critical illness. In addition, insured may choose among three types of term insurance: **VitaFin AS For Lifetime**, **VitaFin AS Fixed Term**, and **VitaFin AS with decreasing sum insured**.

VitaFond AS is a unit-linked life insurance policy (with investment risk), which provides cover in the case of death during the insurance period, while the insured receives at the end of the insurance period the value of the assets linked to the investments value of the chosen mutual fund(s). At present, the insured under the VitaFond insurance can choose from 9 mutual funds: Galileo, Rastko, KD Bond, KD Prvi izbor, KD MM, MP Global, Pika, Živa and KD Balkan. Additional accident insurance may be concluded in addition to all life insurance policies.

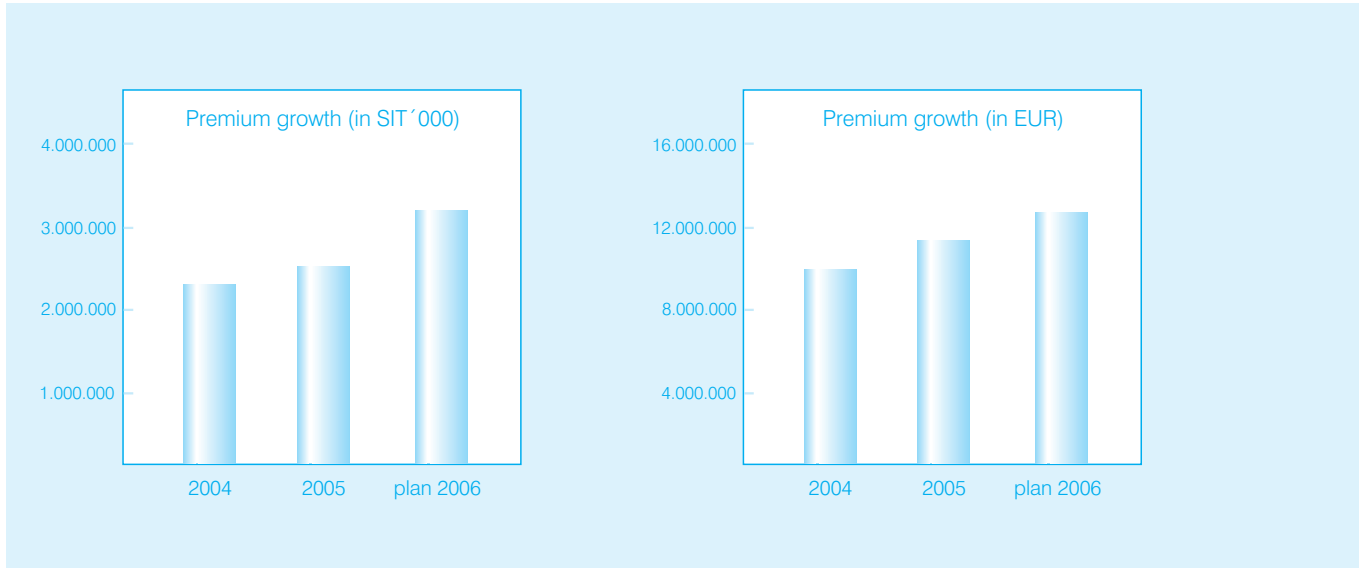
Insurances designed to provide the insured with the additional pension benefit or scholarship are **Fixed Term Annuity insurance and Retirement Annuity**. The **AS Pension Foundation** is voluntary additional pension insurance scheme built on the provisions of the Pension and Disability Insurance Act and designed for additional retirement savings, ensuring payouts of lifetime pension benefits. It is a collective pension scheme and companies with at least 51 per cent of all employees sign up are eligible to join the scheme.

The scope of life insurance covers includes:

- Vita AS - endowment life insurance for case of endowment or death
- Vita AS Plus - endowment life insurance with critical illness coverage
- VitaFin AS For Lifetime term insurance for lifetime
- VitaFin AS Fixed Term term insurance for agreed period of time
- VitaFin AS with decreasing sum insured (in connection with a credit agreement)
- VitaFond AS unit-linked life insurance (with investment risk)
- Additional accident insurance
- Fixed Term Annuity insurance
- Pension annuity lifetime annuity insurance

The offer of voluntary additional pension insurance:

- The AS Pension Foundation voluntary additional pension insurance

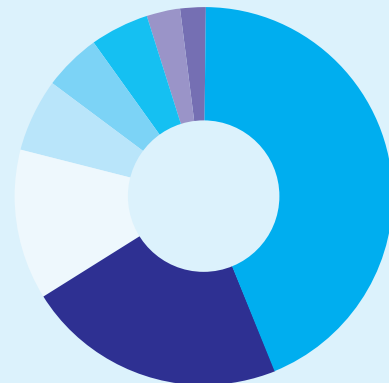


Non-life Insurance

Insurance of property and services is the most extensive field of Adriatic Slovenica's performance, representing a material business activity, which preserves value of existing property for natural persons as well as legal entities, by effective managing of accumulated premiums however we also create new property. Regarding the written premium in 2005 the most extensive insurance line is MTPL insurance (motor third party liability insurance), followed by motor casco insurance, accident insurance, fire insurance.

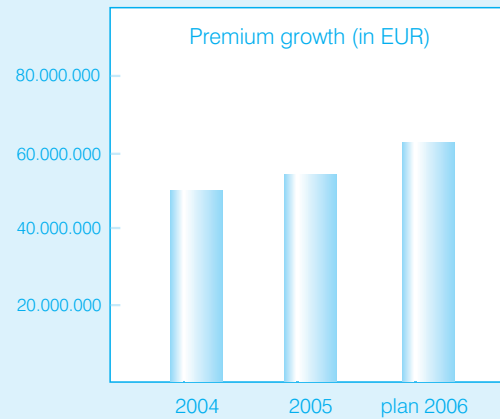
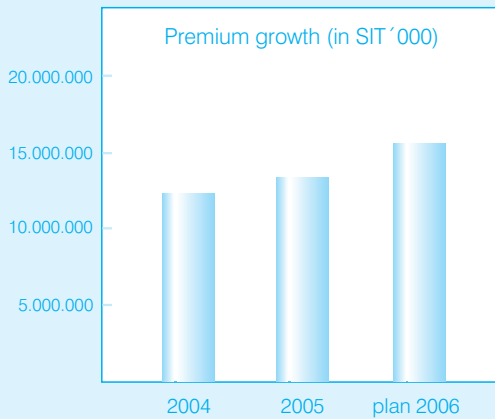
The premium structure by insurance lines in the field of non-life insurance

Motor third party liability insurance (MTPLI)	44%
Motor casco insurance	22%
Accident insurance	13%
Fire and natural hazards insurance	6%
Credit and suretyship insurance	5%
Other damage to property insurance	5%
General liability insurance	3%
Other insurance	2%



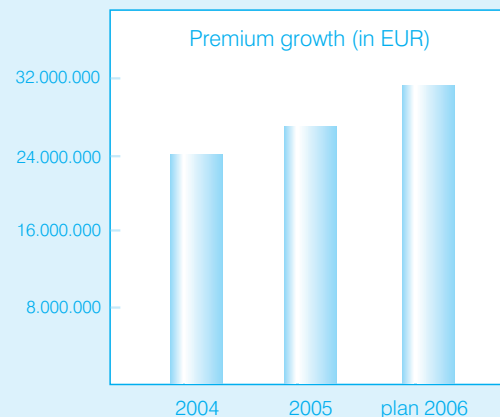
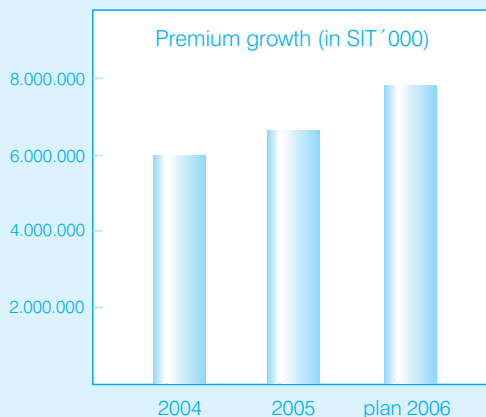
Motor third party liability insurance (MTPLI)

Motor third party liability insurance falls within the group of compulsory insurances in traffic to be concluded by every owner of a motor vehicle before starting to use the vehicle in traffic. It applies to all types of motor vehicles for which registration is mandatory. Based on the insurance policy, the insurance company indemnifies the damage to the injured party, occurred due to use or possession of the vehicle that has caused the damage. The insurance provides coverage both to pecuniary loss (destruction, damages as a result of the accident), as well as non-pecuniary loss (bodily injuries, health problems or death), and thus ensures the insured if pecuniary security. The amount of indemnity is in both cases limited by the statutory minimum sum insured. Insurance has been developing in the direction of higher customisation of the offered coverage and additional criteria for premium determination, and we enrich our offer by packaging assistance services.



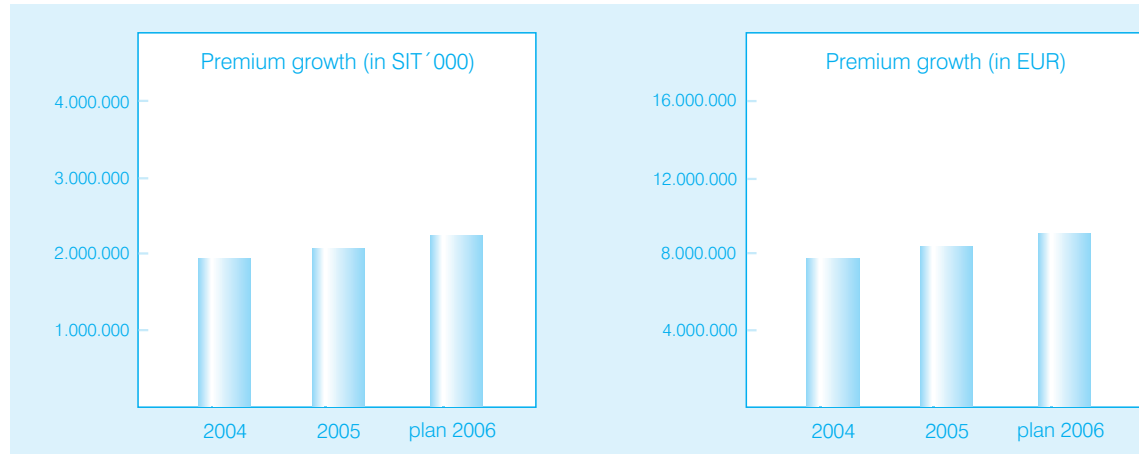
Motor casco insurance

Insurance of land motor vehicles i.e. casco insurance covers material loss (partial or total loss of the vehicle value), occurred due to a traffic accident, natural catastrophes, theft, fire, wilful misconduct, and other insured perils. Our offer provides the possibility to compose insurance covers according to individual needs of the insured, while at the same time the insured will be able also in the future to choose from among various cover packages for those who do not want to be taken by surprise and prefer a broad coverage.



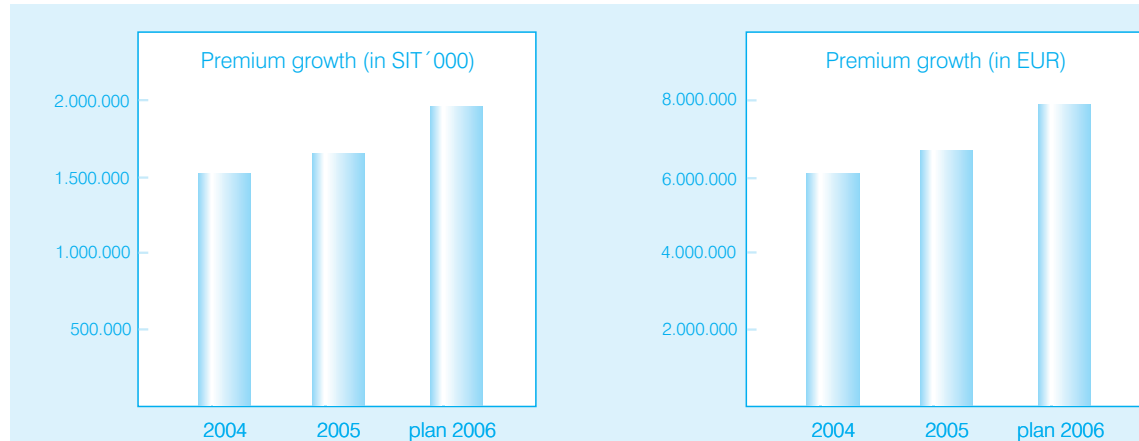
Fire and natural hazards insurance

As regards fire insurance and natural hazards insurance we provide customers fire insurance of civil risks and fire insurance of industrial and trade risks. These insurances serve to protect real estate and moveable property against perils of fire, lightening, explosion, hail, storm, impact of the insured's motor vehicle and machinery, fall of the aircraft, as well as manifestations and demonstrations. Based on a special agreement and additional premium it is possible to insure property also against additional perils of flood, water leakage, landslide, mudslide (debris flow) snow slide, leakage of liquids or gases, spontaneous combustion of stocks, and the outflow of molten substances in industry. Moreover, property may be additionally insured against perils such as earthquake and braking in of rainwater. Insurance may be concluded for a new or the present value.



Other damage to property insurance

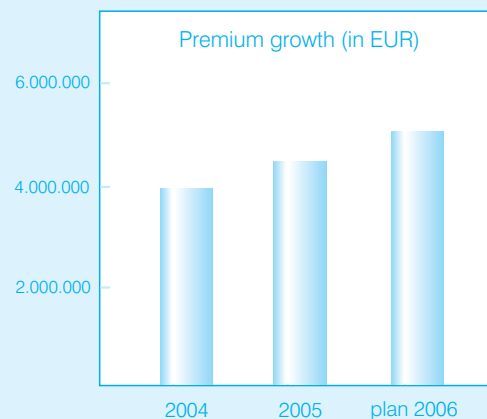
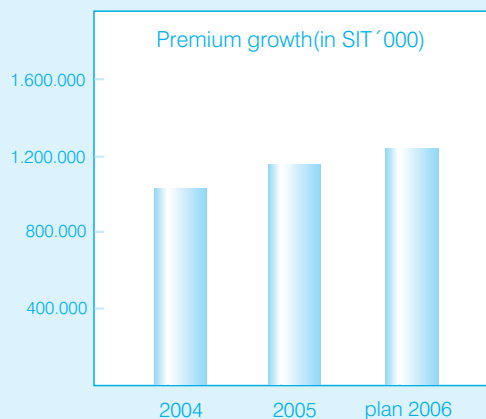
The scope of other damage to property insurances comprises 15 various sub-classes of insurance making the offer in this area the most extensive one. The most important among other damage to property insurances are: household insurance, machinery breakdown insurance, burglary insurance, computer insurance, glass insurance, and construction insurance. In addition, we provide customers among other things erection insurance, crop insurance, and animal (livestock) insurance, stock deterioration insurance, etc. Within the framework of household insurance, which represents more than one third of written premiums in this field, we provide diversified insurance products. We are planning their unification, modernised burglary insurance and expectedly also modernised machinery breakdown insurance.



General liability insurance

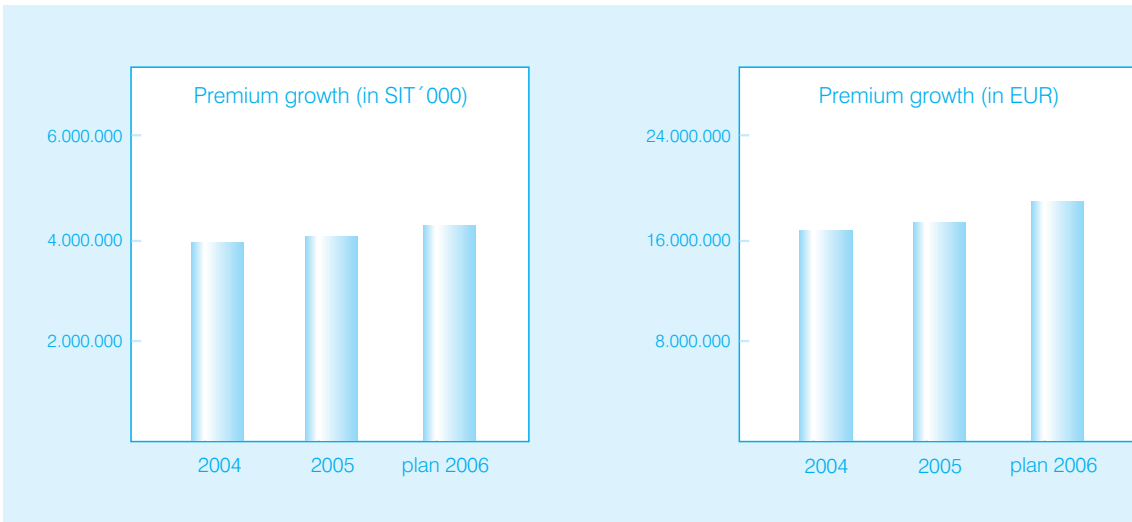
General liability insurance is the insurance class with the perceivable increased demand. It covers loss claimed by third parties against the insured due to a sudden and unexpected event resulting in an injury to persons or damage to objects. More important products of this insurance class are: general liability insurance complete with employers' liability insurance, freight forwarders liability insurance, product liability insurance, designers professional indemnity insurance, doctors professional indemnity insurance, accountants liability insurance, and directors and officers liability insurance. We are preparing insurance that will have more clearly defined insurance covers and numerous possibilities for the extension of covers. The novelties however will facilitate and increase transparency in concluding insurance contracts and handling claims for our customers.

At a smaller scale we offer also other types of professional liability insurance: lawyers professional indemnity insurance, insurance agents indemnity insurance, real-estate agents professional indemnity insurance, land surveyors professional indemnity insurance, auditors professional indemnity insurance, and other professional liability insurances stipulated by law.



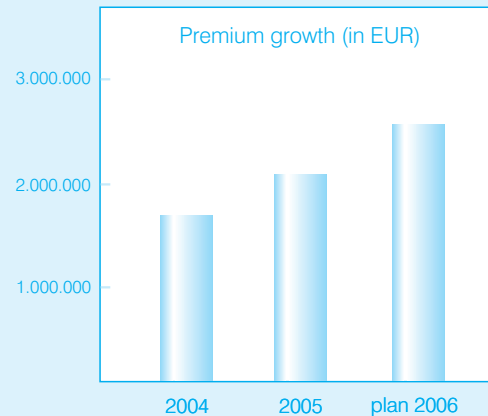
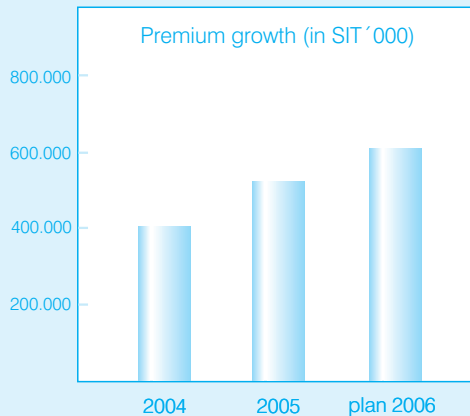
Accident insurance

The offer of accident insurance is diversified and adjusted to different target groups, however ADRIATIC SLOVENICA is paying particular attention to the various scope of most expanded accident insurance, such as group accident insurance of employees, children/students personal accident insurance, motor driver and passenger personal accident insurance, accident insurance of hotel guests, cardholders and the like. When choosing among insurance covers, insured most often opt for basic perils to be insured: disability and death complete with daily benefits due to an accident, daily benefits in case of hospital treatment due to an accident, and daily benefits in case of spa treatment due to an accident. In addition to the above-mentioned risks, insured can also conclude insurance for case of death in a traffic accident, reimbursement of medical treatment expenses, funeral costs in case of insured's death due to an accident, and reimbursement of expenses due to an accident in children/students personal accident insurance. Conclusion of children/students personal accident insurance through the Internet is becoming increasingly popular, since the insured have at their fingertips the whole scope of products and services, and a comfortable, fast and easy way of concluding the insurance contract.



Transport insurance

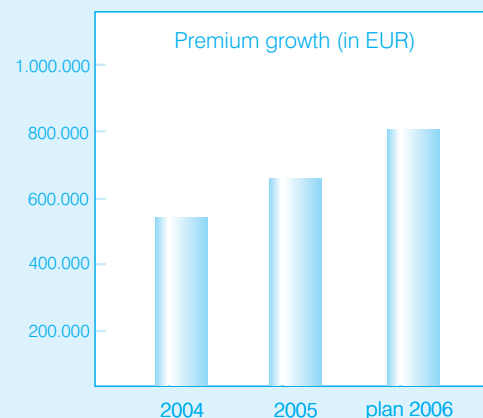
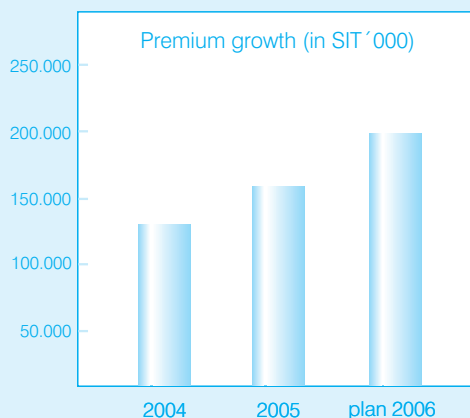
The broad offer of ADRIATIC SLOVENICA in the field of transport insurance among others provides insurance of goods in domestic and international transit, Casco marine and aircraft hull insurance, marine and aircraft liability insurance, road traffic carriers liability insurance, freight forwarders liability insurance and shipping agencies liability insurance. The current offer regarding desires and needs of the insured we adjust also in the field of liability insurance for losses on goods under the FIATA bill of lading, we prepare and offer however also more specific insurance such as ship repairers liability insurance, marina operators liability insurance and harbour operators liability insurance.



Miscellaneous financial loss insurance

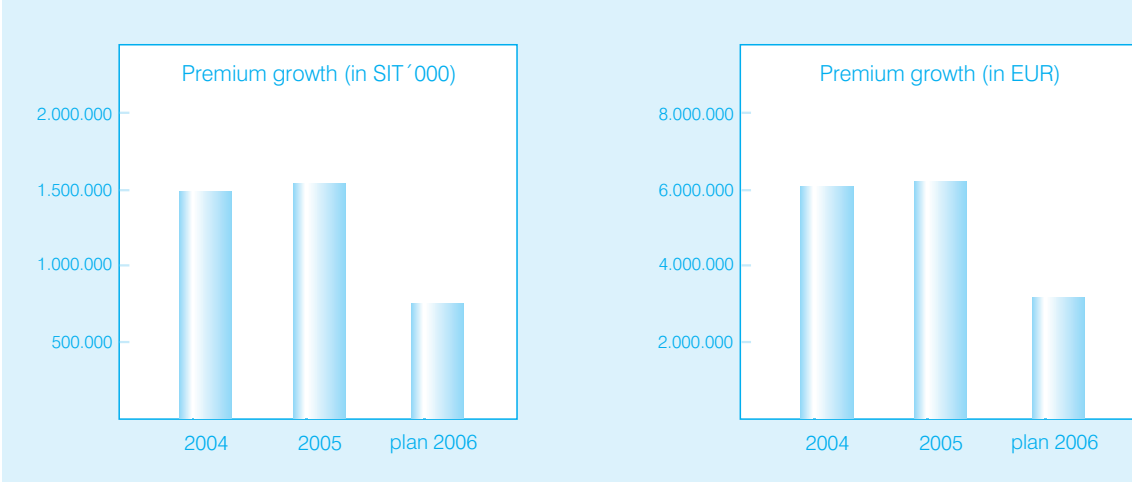
The insurance of various financial losses provides the insured with necessary security under competitive conditions. Included among others are: tourist trip cancellation insurance, business interruption following fire insurance, machinery breakdown insurance, and event abandonment insurance. Business interruption insurances are concluded as additional insurances to fire and machinery breakdown insurance, while event abandonment insurance contracts are concluded independently. The feature of the business interruption insurance is insurance of fixed costs, which the insured could not cover due to fire or machinery breakdown. Under a special agreement, insurance cover may comprise also operating profit, which the insured could not achieve during the business interruption.

Event abandonment insurance covers loss suffered by the organiser of an event if cancelling due to atmospheric precipitations, by reaching a special agreement however also if the cancellation occurs due to acts of god (natural disasters), acts of administrative nature, fire or explosion.



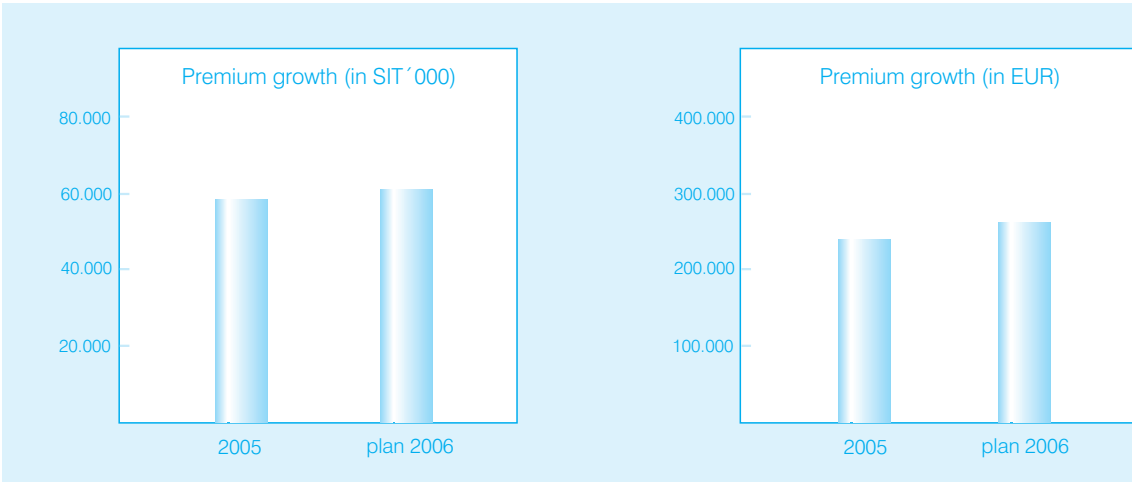
Credit insurance and suretyship insurance

The offer in the field of credit insurances includes consumer credit insurance, real estate investment credit insurance, overdrafts on transaction accounts insurance, etc. In the field of suretyship insurances, we provide customers with bid/tender bonds, performance bonds, maintenance bonds, customs bonds, tourist agencies insolvency guarantees, payment bonds related to the use of payment card, surety bonds for TIR carnets, etc. The key orientation of the insurance company in the field of credit and suretyship insurances remains the individual approach based on assessing credit rating of each individual borrower.



Legal expenses insurance and assistance insurance

Assistance insurance provides the insured with assistance in case of urgent assistance either in relation to a means of transport in case of vehicle break-down or a traffic accident, or in relation to a residence or a residential building when due to sudden events normal residence is not possible, or when away on a journey and the insured needs an urgent help. Under legal expenses insurance we provide the cover for expenses for specified legal services, offering our customers to defray costs of legal advisor.



Our goals

ADRIATIC SLOVENICA has set for 2006 in accordance with development strategy and the medium-term plan until the year 2010 once again bold and ambitious goals. We have planned to collect during 2006 more than 56 billion tolar gross premiums. This means as much as 18 per cent more premiums than in 2005, and the aggregate growth of the planned premiums exceeds the expected growth rate of Slovenian insurance market (10 per cent). Due to the current situation in the market, ADRIATIC SLOVENICA will be increasing premium faster in the field of life insurance (22 per cent) and health insurance (44 per cent), whereas growth of other non-life insurances will be calmer (7 per cent). Settled claims are expected to reach in 2006 the value of slightly over 34 billion tolar. The aggregate increase in settled claims has been planned at the rate of 17 per cent, predominately arising from health insurance claims (over 52 per cent), in the field of other non-life insurances merely 1.3 per cent, and 9 per cent in the field of life insurance. The expected loss trend in the field of co-payment health insurance with almost a 55 per cent rise, mostly arising from 55,000 new insured war veterans, has to be increased by anticipated equalisation within the framework of equalisation schemes, scheduled for implementation from 1 April 2006 onward in the amount of 0.6 billion tolar as a result of modified health legislation. Operating expenses will be consistently supervised; the share of expenses in the gross written premiums will be by 3.5 percentage points lower than the comparable share achieved in 2005. The operating results of ADRIATIC SLOVENICA are expected to be sound, as the gross profit is expected to exceed 1.5 billion tolar.

In 2006, ADRIATIC SLOVENICA will be dedicating a great deal of energy also to capitalisation of synergies created by the merger. Thus in 2006 the bulk of effort will be focused on the unification of insurance products and their improvement, the alignment of the organisational structure and the spatial installation of the distribution network, as well as settlement and unification of those business processes where a single information system does not pose a condition for the rearranged progress of the work. The final arrangement of fundamental business processes is planned for the year 2007, when a new, single information system will be introduced to replace both existing ones. Arrangement of business processes, automation of certain operations currently carried out manually, greater transparency, accessibility and usability of information will enable faster performance of all operating activities carried out by ADRIATIC SLOVENICA, while at the same time the extent of workforce throughout the business process will also be cut back. Subsequently, the insurance company will be able to materialise the anticipated synergy effects estimated during the course of merger to be worth 2.5 billion tolar.

At ADRIATIC SLOVENICA particular attention will also be paid throughout 2006 to quality of insurance services and a special emphasis will be dedicated to after-sale services both in the insurance segment (establishing modern claims centres, prompt and correct pay outs of indemnities and benefits, and identifying satisfaction of insured in that segment), and also on high-quality assistance services, which have to meet the expectations of our insured. Our insured together with his or her needs and possibilities of modern and highly geared pace of life remain at the centre stage of all our activities, insurances, processes and our development.

More significant events at the beginning of 2006

26

In February the President of the Management Board Mr. Dušan Novak was awarded with the Special achievements award in business sphere - THE ECONOMIST OF PRIMORSKA 2005, awarded jointly by central media houses of Primorska, Primorske novice and Radio Koper and Regional Chambers of Commerce and Industry from Nova Gorica, Postojna and Koper, as well as for the first time the University of Primorska. It is the matter of the highest award, both for present successful management of Adriatic and for the first successful merger of two renowned Slovenian insurance companies.

On 1 March 2006, according to the provisions of the Act Amending the Health Care and Health Insurance Act (ZZVZZ-H, Official Gazette of the Republic of Slovenia, No. 76/2005) that entered into force on 1 September 2005, all effective contracts of supplementary health insurance were modified. At ADRIATIC SLOVENICA we have successfully finalized all procedures for transformation of insurance of current supplementary health insured. As of 1 March, by joining of more than 57.000 new insured, the market share of the insurance company in the field of health insurances rose from 17 to 23 per cent.

In March all Branch Offices of ADRIATIC SLOVENICA became SAFE POINTS, safe sanctuaries for children finding themselves in distress on their way to school or other activities. The insurance company together with UNICEF Slovenia wanted to establish friendlier and safer environment for children in city centres and has therefore invited also other companies and institutions to join the project of Safe Points.

Pursuant to the provisions of the Act Amending the Health Care and Health Insurance Act (ZZVZZ-H), all insurance companies that provide co-payment health insurance are included in equalisation schemes with effectiveness from 1 April 2006. Consequently, the first three-month period starts on 1 April for the equalisation calculation of differences in expenditures for medical services between insurance companies, which arise from different age structure of the insured. During the transitional 18-month period, the amount for the equalisation payment will be lower, so that the full-scope enforcement of equalisation schemes will not be in effect before October 2007.

In the field of motor insurances entered in force in April the Act Amending the Compulsory Motor Third-Party Liability Act (ZOZP-C). The contemplated modifications will enable customers to renew motor third party liability insurance also through the Internet and consequently the on-line renewal of vehicle registration. The Act Amending defines higher amounts to be remitted by insurance companies to the Health Insurance Institute of Slovenia as advance indemnity for medical treatment expenses resulting out of traffic accidents. Insurance companies will henceforth for the needs of above-mentioned advance indemnities have to calculate in their premium for motor third party liability insurance also the 6.5 per cent contribution, which brings along higher obligations for the insurance companies. The premiums however will remain unchanged.

The Management Board of Adriatic Slovenica was reinforced with a new member of the Management Board. In April 2006, a member of the Management Board and Deputy President of the Management Board became Matija Šenk, till then President of the Management Board of Slovenica Živiljenje. President of the Management Board of Slovenica Živiljenje became Samo Burja, and a member of the Management Board Mateja Keržič.

We, ADRIATIC SLOVENICA are people who by subscribing to ethical and professional principles place the customer at the centre-stage of our activities, develop and grow successfully and efficiently and strive for excellence in providing insurance and financial services for a secure tomorrow of insured as well as employees and shareholders. At ADRIATIC SLOVENICA we offer customers immediate assistance and prime insurances with assistance in a word: "double security".



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