

ANNUAL REPORT 2013

SKOPJE, 2014

Welcome to the family of
VIENNA INSURANCE GROUP AG
Wiener Versicherung Gruppe



AUSTRIA WIENER STÄDTISCHE VIENNA INSURANCE GROUP onau VIENNA INSURANCE GROUP S-VERSICHERUNG VIENNA INSURANCE GROUP	SLOVAKIA Kooperativa VIENNA INSURANCE GROUP KOMUNÁLNA poisťovňa VIENNA INSURANCE GROUP POISŤOVŇA SLOVENSKEJ ŠPORTELNE VIENNA INSURANCE GROUP	BULGARIA BULSTRAD VIENNA INSURANCE GROUP Life BULSTRAD VIENNA INSURANCE GROUP	UKRAINE КНЯЖА VIENNA INSURANCE GROUP ГЛОБУС VIENNA INSURANCE GROUP ЮПІТЕР VIENNA INSURANCE GROUP УКРАЇНСЬКА СТРАХОВА ГРУПА VIENNA INSURANCE GROUP	ALBANIA SIGMA VIENNA INSURANCE GROUP Interalbanian VIENNA INSURANCE GROUP INTERSIG VIENNA INSURANCE GROUP
ITALY BRANCH WIENER STÄDTISCHE VIENNA INSURANCE GROUP onau VIENNA INSURANCE GROUP	POLAND COMPENSA VIENNA INSURANCE GROUP InterRisk VIENNA INSURANCE GROUP BENEFIA VIENNA INSURANCE GROUP POLISA-ŻYCIE VIENNA INSURANCE GROUP	CROATIA WIENER OSIGURANJE VIENNA INSURANCE GROUP ERSTE OSIGURANJE VIENNA INSURANCE GROUP	ESTONIA COMPENSA VIENNA INSURANCE GROUP	MACEDONIA ОСИГУРУВАЊЕ МАКЕДОНИЈА VIENNA INSURANCE GROUP WINNER VIENNA INSURANCE GROUP Life WINNER VIENNA INSURANCE GROUP
SLOVENIA BRANCH WIENER STÄDTISCHE VIENNA INSURANCE GROUP		HUNGARY UNION BIZTOSÍTÓ VIENNA INSURANCE GROUP ERSTE BIZTOSÍTÓ VIENNA INSURANCE GROUP	LATVIA COMPENSA VIENNA INSURANCE GROUP	MONTENEGRO Život WIENER STÄDTISCHE VIENNA INSURANCE GROUP
CZECH REPUBLIC Kooperativa VIENNA INSURANCE GROUP ČPP VIENNA INSURANCE GROUP POJIŠŤOVNA ČESKÉ ŠPORTELNY VIENNA INSURANCE GROUP VIG Re	ROMANIA OMNIASIG VIENNA INSURANCE GROUP ASIROM VIENNA INSURANCE GROUP DE VIATA BCR ASIGURARI VIENNA INSURANCE GROUP	SERBIA WIENER STÄDTISCHE VIENNA INSURANCE GROUP	LITHUANIA COMPENSA VIENNA INSURANCE GROUP	BOSNIA HERZEGOVINA JAHORINA OSIGURANJE VIENNA INSURANCE GROUP
			BELARUS КУПАЛА VIENNA INSURANCE GROUP	GERMANY InterRisk VIENNA INSURANCE GROUP
			GEORGIA GPIA VIENNA INSURANCE GROUP IRAO VIENNA INSURANCE GROUP	LIECHTENSTEIN VIENNA-LIFE VIENNA INSURANCE GROUP
			TURKEY RAYSIGORTA VIENNA INSURANCE GROUP	

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Company name in full: Joint Stock Company for Insurance and Reinsurance Makedonija Skopje, Vienna Insurance Group

Abbreviated Company name: Insurance Makedonija a.d. Skopje, Vienna Insurance Group

Registered office address: 11 Oktomvri Street No. 25,1000 Skopje

Internet: www.insumak.mk

Audit Company: KPMG Makedonija D00



VIENNA INSURANCE GROUP

COMPANY PROFILE

Vienna Insurance Group (VIG) has been one of the leading listed insurance groups in Austria and Central and Eastern Europe for years. Approximately 23,000 employees in around 50 Group companies in 24 countries generated about EUR 9.2 billion in premiums in 2013. As the leading insurance company in its core markets, Vienna Insurance Group provides its customers with an outstanding portfolio of products and services in all segments of life and non-life insurance.

At home in both Austria and Central and Eastern Europe

During a long history steeped in tradition – the Company's roots reach back to the year 1824 in Austria – VIG has successfully overcome all of the challenges of history, and has often taken on a pioneering role. This was the case in 1990, when Wiener Städtische became one of the first Western European insurance companies to recognise the exciting growth opportunities in Central and Eastern Europe and take a chance on entering the market in the former Czechoslovakia. That was the starting point for further expansion. Hungary followed in 1996, Poland in 1998, Croatia in 1999 and Romania in 2001 – to mention just a few examples. VIG now operates in 24 markets and is proud of its broad geographical orientation.

Number one in its core markets

In addition to Austria, VIG's core markets are the Czech Republic, Slovakia, Poland, Romania, Bulgaria, Croatia, Hungary, Serbia and the Ukraine. VIG's market share of approximately 18% makes it the number one insurance company in these markets, and VIG is working continuously to further consolidate this position.

More than half of all premiums written in 2013 came from markets in the CEE region, which provides impressive proof of VIG's successful expansion strategy. Indeed, given the economic convergence process taking place in Central and Eastern Europe and the increased need for insurance coverage it brings, this region will continue to grow in importance.

VIG RE, the reinsurance company that was established by VIG in 2008, has its registered office in the Czech Republic, thereby stressing the importance of the CEE region as a growth market for VIG.

24 markets, one objective: to continue the mutual success

In spite of the wide range of customer requirements and conditions in its individual markets, VIG has one common objective everywhere: to continue its business success by providing customers with the best possible insurance protection. This places a great responsibility on VIG, and the VIG Group companies are fully dedicated to meeting this responsibility, using professional, forward-looking advisory services and a flexible product portfolio. The use of a broad network of service centres and a variety of distribution channels ensures the customer proximity that this requires. At the same time the Group relies on established regional brands that are brought under the Vienna Insurance Group umbrella without losing their own identity or individual strengths. This is because it is the individual strengths and advantages of these companies that make VIG a strong family.

Stability based on binding values and a focus on core competences

Vienna Insurance Group is a progressive and highly risk-conscious insurer. Its activities are fully focused on its core business – the insurance business. However, Vienna Insurance Group offers various forms of security to more than its customers. Security in the form of reliability, trustworthiness and solidarity also receives top priority in dealings with business partners, employees and shareholders. Ethical values such as honesty, integrity,

leadership in matters large and small, diversity, equal opportunity and customer-orientation form the basis for all business decisions.

This fundamental approach is confirmed not only by a strategy of continuous sustainable growth, but also excellent creditworthiness. In June 2013, the rating agency Standard & Poor's confirmed its rating of A+ with a stable outlook, making VIG the best rated company in the ATX leading index of the Vienna Stock Exchange.

VIG and Erste Group – two strong partners

In 2008, two leading financial service providers in Central and Eastern Europe – VIG and the Erste Group – decided to further increase their success by working together. They therefore entered into a long-term strategic partnership that benefits both of them: Erste Group branches distribute VIG insurance products, and in return VIG companies offer Erste Group bank products.

Strong stock exchange presence, long-term principal shareholder

VIG's shares have been listed on the Vienna Stock Exchange since 1994. Its market capitalisation of more than EUR 4.6 billion at the end of 2013 makes it one of the largest listings on the exchange. It has also had a secondary listing on the Prague Stock Exchange since February 2008, which once again emphasises the great importance the Central and Eastern European region has for the Group.

Around 70% of VIG's shares are held by Wiener Städtische Versicherungsverein, a stable principal shareholder with a long-term orientation. The remaining shares are in free float.

Strong team, attractive employer

"Our success is based on people" – in addition to forming the basis for VIG's business success, this concept also guides its people management and thereby determines its position as an attractive employer. VIG develops and supports the know-how of its approximately 23,000 employees and their readiness to provide top performance. Identifying and developing the individual skills that each person brings to VIG's large team is particularly important, and a wide variety of training and advanced training opportunities, international exchange programmes and international cooperations exist within the Group to ensure that this happens.

Further information on VIG is available at www.vig.com and in the VIG Group Annual Report.

INSURANCE MAKEDONIJA COMPANY PROFILE

The Company underwrites insurance and reinsurance business including all classes of non-life insurance. The comprehensive diversity of products embraces different types of property insurance covers, motor insurance covers, personal accident covers, liability insurance covers and travel insurance covers.

Our Company provide a stable support to major economic industrial subjects as well as small and medium enterprises by delivering extensive range of products and services which reasonably satisfy the insurance market needs.

The insurance policies we sell provide perfect and secure protection including individual and family packages to physical entities and property covers for tangible and intangible assets.

History

- 1945 – Established as State Insurance Institute of Federal National Republic of Yugoslavia (FNRJ);
- 1974 – registered as Communities for property and life insurance (ZOIL);
- 1990 – transformation of the Company capital;
- 01.01.1991 – established as Joint Stock Company;
- 1993 – enlargement of the scope of business by reinsurance;
- 1998 – the Company undergoes process of privatisation;
- 2000 – QBE London becomes major shareholder;
- 2006 – QBE Re Dublin, R. Island becomes dominant shareholder by transfer of capital;
- 2013 – VIENNA INSURANCE GROUP AG WIENER VERSICHERUNG GRUPPE is major shareholder with qualified participation

Share Capital:

Class of shares: 717.462 ordinary shares (100%);

The total issued capital include 94,25% or 676.208 shares hold by VIENNA INSURANCE GROUP AG WIENER VERSICHERUNG GRUPPE (Qualified Shareholder); The residual of 5.75% or 41.215 shares are hold by other personal or legal entities; Nominal value of a share: Euro 20,08.

SUPERVISORY BOARD

*Mr. FRANZ DR. KOZINA, President of the Supervisory Board
Mr. HANS DKFM RAUMAUF, Vice-President of the Supervisory Board
Mr. ANDREJA JOSIFOVSKI, Member of Supervisory Board
Mr. REINHARD GOJER, Member of the Supervisory Board
Mr. MIHAEL MAG.HAG, Member of the Supervisory Board

*By the Decision issued on the General Shareholders Meeting in February 25, 2014 and upon prior resignation of Mr. FRANZ KOSYNA, two new members have been elected to the Supervisory Board:

Mr. PETER HOFINGER, President of the Supervisory Board
Mr. ROUMEN IVANOV YANTCHEV, Member of the Supervisory Board



BODIES OF THE COMPANY

MANAGEMENT BOARD

Pursuant to regulations and provision laid down by the Law on Trade Companies and the requirements set by the Law on Insurance Supervision, Joint Stock Company for Insurance and Reinsurance Makedonija Skopje, Vienna Insurance Group has changed its management system from one-tier system into two-tier system that is the Management Board and the Supervisory Board.

Company Network

The Company has been registered as a Joint Stock Company including 14 Branch Offices and a Head Office. The Head Office and the Branch Offices function through departments and units. The Company employ 194 staff as of December 31, 2013 whereby 64 employees work as sales agents and 130 people work in administration.

MANAGEMENT BOARD

Mr. BOSKO ANDOV, President of the Management Board
MR. RISTO SEKULOVSKI, Member of the Management Board
Mrs. VESNA GJORCEVA, Member of the Management Board

MISSION

We strive to provide top quality protection to our clients by selling excellent policies which satisfy their needs and delivering best sales and claims services.

We appreciate all our clients’ loyalty and treat them with honourable respect paying our tribute by the provision of superior and sustainable financial stability and safety. Our contemporary approach to underwriting ensures that we manage risks in a focused and understandable manner.

We are dedicated to provide professional support to our sales representatives. We are focused on effective client service delivery. Along our successful underwriting activities, we are especially proud of our financially superior and quality claim services when damages arise out of insured risk.

VALUES

The corporate behaviour of the Vienna Insurance Group toward its employees, customers and shareholders is guided by credibility and integrity, leadership in matters large and small, customer satisfaction, diversity and equal opportunity. Osiguruvanje Makedonija completely follows the corporate values of the Group.

CREDIBILITY AND INTEGRITY

Credibility and integrity are our top priority. Each one of us bears a personal responsibility for the highest standards of behaviour, credibility and integrity, which are to be taken as a given in every single aspect of our work.

ENTREPRENEURSHIP

Actions speak louder than words. All of our employees work toward the same goals, as is expected of them. We all lead through our expertise, creativity and teamwork.

CUSTOMER SATISFACTION AND QUALITY OF SERVICE

We respect our customers, listen to their wishes, and understand their expectations. We strive to provide quality and service that exceeds our customers’ expectations.

APPRECIATION AND RESPECT

We treat each other with respect and are proud of the considerable benefits brought by a diversity of employees and ideas. In order to continue our success, we need to provide our employees with opportunities for training and development, helping them grow to meet new responsibilities.

BUSINESS POLICY

The main long-term objective of the Company is to obtain insurance net profit and other gains from investment assets:

- Maximum presence on the insurance market, money market and capital market;
- Diversify insurance portfolio and increase in the quality of the portfolio;
- Increase the quality of insurance service delivery;
- Relative decrease in the operating expenses;
- Optimal placement of risks with co-insurers and reinsurers for the purpose of preserving portfolio stability;
- Effective accumulation, usage and placement and investment of financial funds, optimal securisation thereof and adequate record keeping;
- Sustain over 10% market share in terms of gross written premium and share increase in the total net written premium;
- Achieve optimal total income by employee;
- Organization and modus of work.

STRATEGIC DEVELOPMENTS

- Continuous development of the usage of insurance assets in an efficient and rational manner, improvement of the organisation of work, eliminations of the obstacles to insurance growth and development within Company, based on the economic principles of insurance supported by consistent fulfilment of liabilities to any management body or employees in their performing of insurance activities.
- Make continuous endeavours for the purpose of insurance needs and their determination and consideration under the circumstances of technical and scientific developments and standard of living movements.
- Develop and improve the quality of work in insurance industry based on the existing material conditions and possibilities and by implementing the technical and technological equipment and investing in new labour facilities which will significantly affect the level of efficiency and effectiveness.
- Continuous development of competence, work habits and creativity among the employees whereby the impact on quality work improvement will be obtained.

SUCCESSFUL PERFORMANCE

Considering the objectives and strategic developments, we are particularly concerned about achieving the following successful performance criteria:

- Optimal positive financial results in terms of total income and particularly in relation to insurance premium;
- Obtain balanced combined operating ratio whereby the positive financial result will be achieved and profitable underwriting result for shareholders as stimulating profit, and achieve optimal claim ratio (proportion of claims to premium);
- Efficient claims handling and settlement as a proportion of settled claims to reported claims;
- Relative decrease of operating costs in terms of total income;
- Premium income increase by employee of the Joint

- Stock Company;
- Interest increase of available investment assets;
 - Increase of collected premium.

STABLE SOLVENCY AND LIQUIDITY

The Company is responsible to ensure that at any time the Company may operate and meet its liabilities to third parties which prove the high liquidity ratio of the Company. It should ensure that the funds which are used to cover technical reserves are legally invested. The Company should exceed the statutory minimum of guarantee capital and ensure legally approved coverage thereof. The Company should carry out insurance and co-insurance and reinsurance policy in a way that the achieved operating results will guarantee stability, solvency and liquidity at any time.

RISK MANAGEMENT MEASURES

The Company undertakes continuous activities for identification, assessment and evaluation of risks that the Company is exposed to in the course of its operation and manages those risks in such a manner that permanent sustainability of exposure level is obtained to avoid any risk to Company’s capital and its operation, that is to protect the interests of shareholders, Insureds, damaged Third Parties and other trustees to Company all in compliance with legal acts and other statutory regulations and following bylaws and internal policies and procedures.

As a part of the business policy, several important risks have been identified together with controlling and management measures thereof that Company applies.

For this purpose the Company has prepared a special Risk Management Program including many different risks identified therein and controlling measures thereof. Moreover, this Program provides activities and procedures in details on risk control and management.



BOSKO ANDOV, President of the Management Board-General Manager
 KEVSEK LALICIC, IT Manager
 FILIP MESKOV, Non-agent Sales Manager
 TATJANA ANSAROVA - JOVANOVSKA, Internal Audit Manager
 MARGARETA POPOVSKA-GOSEVA, Finance Manager
 RISTO SEKULOVSKI, Member of the Management Board-Corporate Law & IT



VESNA GJORCEVA, Member of the Management Board-Underwriting & Claims
 ZORAN ALEKSOVSKI, Regional Sales manager
 JASMINKA ILIEVA, Underwriting manager
 ZORAN TODOROVSKI, Extrajudicial Claims Manager
 VESNA BOGDANOVSKA, HR Manager
 MARJAN ORUCOSKI, Regional Sales manager
 TATJANA DIMOV, Claims & Regress Litigation Manager

OPERATING PERFORMANCE FOR 2013

During April 2013 when the takeover procedure governed by the Law on takeover of the joint stock companies completed, the Company was acquired by the Vienna Insurance Group through transaction on the Stock Exchange becoming thereby the major shareholder holding 94,3% of the total share capital of the Company as of December 31, 2013.

In June 2013 the Annual General Meeting issued the decision on statutory changes to Company Statute whereby the former company name of QBE Macedonia was changed to Osiguruvanje Makedonija a.d Skopje – Vienna Insurance Group. Therefore the former Company logo was also changed. Upon prior consent obtained from the Insurance Supervision Agency these changes thereafter were announced to the public and to our corresponding agents abroad.

The Annual General Meeting also approved the transformation of all preference shares to ordinary shares governed by the same decision on statutory changes. The transformation resulted from the purchase of all preference shares held by the Pension Fund by the Vienna Insurance Group.

The same Statutory decision also approved the loss coverage for the previous year which resulted in decrease of the share capital and determination of a new nominal value on a share at the amount of Euro 20,084.

Following the changes of the Company Statute, the management system was also changed from one-tier system to two-tier system. A new Supervisory Board was elected comprising 5 members with the duration of term of office of 5 years. The new Management Board comprise 3 members with the duration of term of office of 3 years. These key, strategic and big changes completely marked out this year.

94%

Combined ratio

90,8 million MKD

Profit after tax

From the financial point of view, in 2013 Osiguruvanje Makedonija a.d. Skopje - Vienna Insurance Group, produced positive financial result and achieved profit after tax of MKD 93 million in non-life segment and loss of MKD 3 million in life segment or the consolidated profit after tax amount at about MKD 9.8 million.

Almost all key financial factors show improvements if compared to last year. The gross written premium of non-life business for 2013 increased by 1,3% or more than MKD 8 million with comparison to 2012 which is a positive result achieved for the first time after 13 years.

Almost all key financial factors show improvements if compared to last year. The gross written premium of non-life business for 2013 increased by 1,3% or more than MKD 8 million with comparison to 2012 which is a positive result achieved for the first time after 13 years. This result gives us the right to become more optimistic in the forthcoming year 2014. We state increase in Motor insurance and Accident insurance – Casualty but decrease in gross written premium for 2013 in terms of Goods in Transit and Casco businesses.

We record significant decrease in reported claims of 19% or in absolute figure it is MKD 56 million. The decrease is more evident with settled claims where the paid indemnities in comparison to last year differ for over MKD 44 million whereas the decrease in gross reserves as at year end 2013 exceeds MKD 11 million if compared to the last year.

The operating cost in aggregate value has been decreased by 12% or for about MKD 40 million. Although most of this decrease results from the deferred acquisition costs which amount at about MKD 28 million, yet the regular decrease in cost and expenses amount at MKD 12 million or 3,5% which stands as a positive indicator that even the reduced cost and expenses may lead to increase in premium.

For Non-Life insurance portfolio, the Motor insurance and Property businesses take the largest share of 32% respectively and then comes the Accident insurance of 13% and Casco insurance of 12%. All other classes of business take 11% of the total portfolio or below 10% respectively.

The combined ratio for 2013 is 94% in comparison with 106% of the last year. The combined ratio is the key indicator that the Company is making underwriting profit.

The total number of reserved claims for the year end 2013 is 1,156 or by 19% less than the number of totally reserved claims at the end of 2012. This fact together with the circumstance of only 1 (one) application on claim indemnity filed to Insurance Supervision Agency during 2013 clearly state that the decrease in the number of reserved claims comes from the experience and quality work of our sales force, the professional expertise of our underwrites and quality claims service delivery by our claim teams.

During 2013 the Company received 580 complaints in terms of claims indemnities. All complaints with no exceptions were handled within statutory stipulated term. We record decrease in number of complaints of 9% in comparison with 2012 and this is rather an optimistic fact.

The foregoing statements clearly prove that we have established system solutions to ensure complete support and provide proper management of claim handling processes including claims notification, assessment, settlement and prompt payments of determined indemnities for claim arising from incurred losses.

Another fact worth to mention hereto refers to passive court cases for claims in whatever lawsuits in which the Company is the party defendant the number of which decreased for 14% in total at the year end 2013 in comparison with the previous year and that number now reaches the figure of 103.

Gross written premium for Life insurance portfolio is by MKD 3 million less than in 2012. As it is well known the existing life insurance policies are serviced by Osiguruvanje Makedonija as a member country of VIG on run-off basis until the expiry date of life insurance agreements or upon prior requests from clients for prepayments of premium for the reason that we ceased underwriting this class of business in 2004.

Net investment income from rental property is by 14% or for MKD 5 million less if compared to 2012 due to reasonably increased reserves for outstanding receivables.

For 2013 we managed to obtain minor capital gains by disposals of property at the amount of MKD 1,5 million. During 2013 we continued to carry out the process to privatise the land we already thereon exercised the right to property usage.

Notwithstanding the significant decrease in interest rates during the year the percentage of decrease in net investment income earned from government bonds and bank deposits was almost 9%, but although we made large investments in non-life segment we still managed to keep the attenuation of this kind of income below the relatively decreased interest rates level of the financial market.

We record decrease in number of complaints of 9% in comparison with 2012 and this is rather an optimistic fact.

The market condition in terms of number of insurers operating on the Macedonian market remains unchanged. There are 11 insurance market participants underwriting non-life businesses and 4 underwriting life businesses. The 26 insurance brokerage companies operate on the insurance market and 6 of them gained licenses in insurance industry in 2013.

At the moment when we prepare and review our annual accounts and financial statements the data on the Macedonian insurance market key figures movement have not been officially published but no significant increase in gross written premium is expected in terms of non-life insurance lines which may reach about 1% whereas the percentage of increase in premium for life insurance lines is expected to exceed 20% whereby the total increase on the market may reach about 2,5 - 3%. This year it is expected from number of insurance companies to record profit after tax. We expect the combined ratio on a global market level to be about 98-99%.

Following the 2014 Business Plan we forecast 4,8% increase in gross written premium in comparison to obtained result for 2013. The estimated profit after tax shall remain at the same level as of this year.

The operating activities of our Company mainly target the same objectives that are keeping the good clients on one hand and targeting prospects which shall further increase the number of clients on the other for those types of insurance products which bring profitable results.

Further on it is certain that we expect to settle out the old court cases for claims the result of which may lead to reduction of claims reserves. Faced with the deteriorated market liquidity we do not expect tectonic movements in terms of premium collection capacity whereas we forecast the increase in collection of outstanding premium and settlement of old court cases which will further improve our liquidity besides the general market circumstances. Considering this segment we are proud to say that we perform well in long-term perspective and the collection of accounts receivable reaches about 98,5% to the gross written premium which is an excellent achievement.

Following the 2014 Business Plan we forecast 4,8% increase in gross written premium in comparison to obtained result for 2013.

The interest rates on deposits and other securities (government bonds) are expected to fall continuously during 2014 but subject to our old receivables collection forecast the total investment income is estimated to retain that level of 2013.

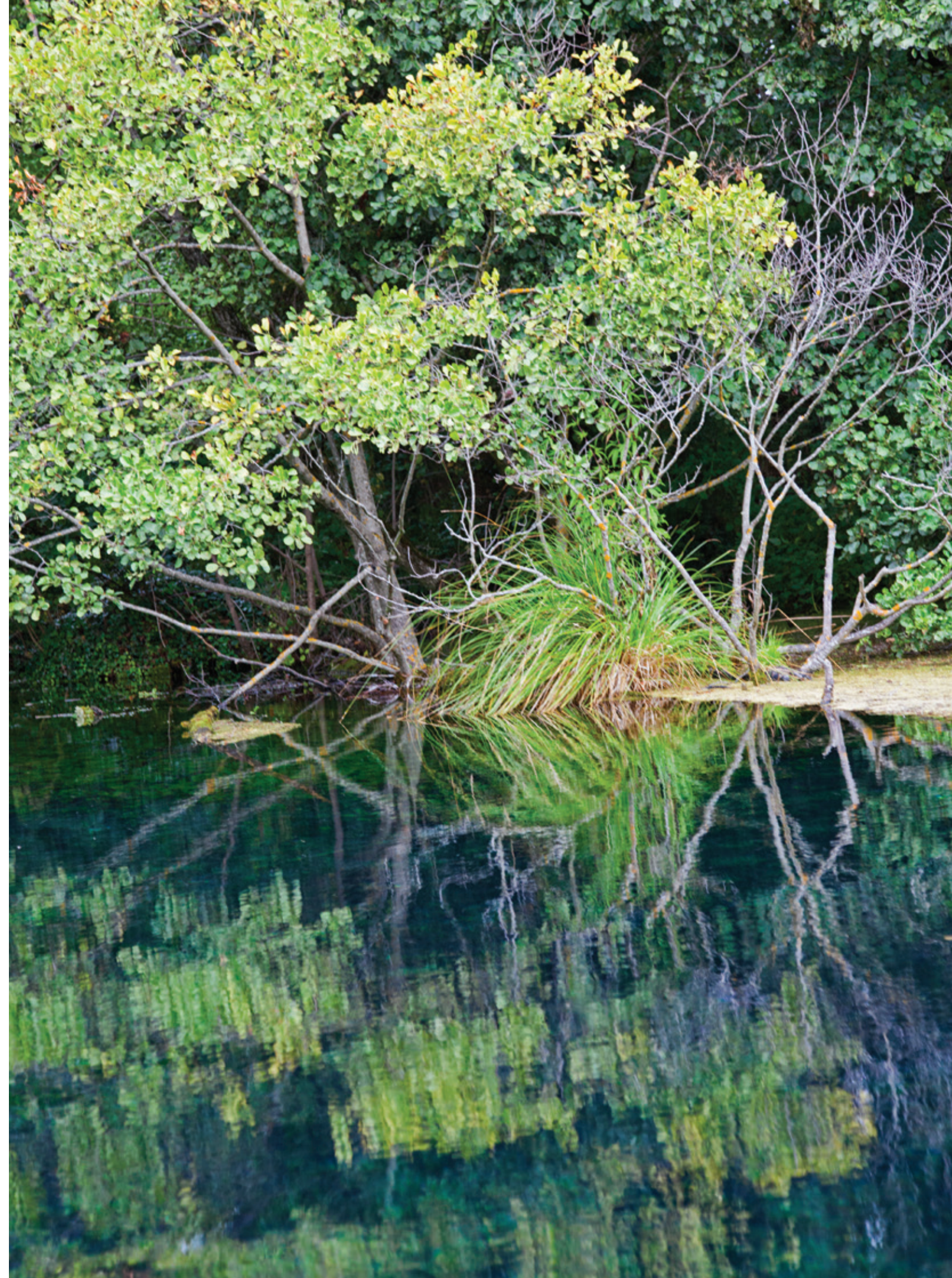
In 2014 we will continue with the disposals of property used for the purpose of the business of the Company or property hardly used for that purpose whereby we will increase our funds.

The number of staff by the year end 2013 reduces by 4 persons in comparison with 2012 and now the Company employs 194 people. By the end of 2014 we estimate further reduction in staff for the final number to be 185.

I wish to thank the management team and all staff for their work and engagement and for their contribution in accomplishing the strategic goals of the Company.

Notwithstanding the difficulties of the economic environment in which we operate we do wish and believe that we will have prosperous and successful year of 2014 and therefore I invite all our staff and business partners by taking professional approach to achieve the set targets.

Mr Boshko Andov
President of the Management Board - General manager



CORPORATE GOVERNANCE

The contemporary corporate governance assumes the continuous compliance of the operating activities with statutory regulations and regular control on risks exposures. For the purpose of protecting the shareholders wealth we are continuously devoted to everyday activities on meeting the obligations which arise out of compliance and risk management that according to legal regulations and corporate policies and procedures are to be followed and managed. By implementing the corporate compliance policies we ensure building the stable corporate culture for common and regular compliance.

During the last year the management team and the staff were challenged by a big change of the shareholding structure reflecting the change on the ownership of the majority shares in the capital of the Company. Following this change we faced many regulations and statutory requirements to meet in accordance with the law on Trade Companies, Securities Law, Law on Insurance Supervision and Law on foreign exchange operations, Macedonia Stock Exchange bylaws and many other legal and subordinate regulations. The hard and devoted work of all our staff ensured we meet all obligations and requirements laid down by respective legal regulations and bylaws in relation to this statutory changes and I may confirm that we successfully incorporated into the operating system of Vienna Insurance Group. As a new member country to Vienna Insurance Group we made particular changes in terms of the company name, names of our business units, the Company logo, management system and many other organisational changes which shall bring in the near future an increase in business effectiveness and efficiency, confidence and loyalty among all interested parties of the Company and improvement of our market position.

During 2013 the Insurance Supervision Agency conducted onsite supervision on the complete operation of the Company. It may be concluded that all operating activities of the Company were positively assessed by the experts of the Insurance Supervision Agency. The foregoing statement points out the fact that the management team together with the staff of the Company actively perform to ensure compliance with legal regulations, protection of the shareholders’ interests and wealth and satisfaction of liabilities towards policyholders and claimants.

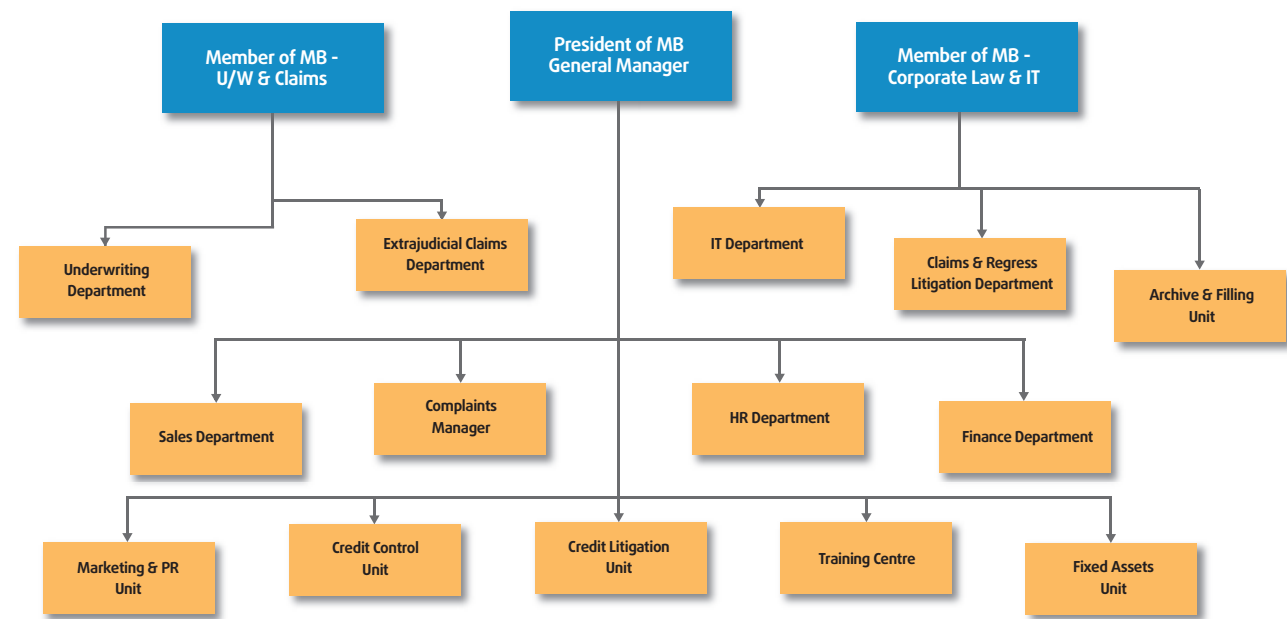
In 2013 the Board of Directors, now the Management Board, upon prior change of the management system of the company, at their regular meetings adopted resolutions based on particular legal requirements and bylaws which should have been met and other resolutions on meeting our liabilities to employees which arise out of employment agreements, personal data protection, meeting our liabilities to clients and entities with which the Company has established business and administrative relations. Particular attention should be drawn to the resolution issued by the Management Board according to which and in compliance with statutory changes the Company is listed under the sub-segment of “compulsory quotation on the stock exchange” governed by the Macedonian Stock Exchange.

In 2014 we will continue our activities to observe the legal regulations applied in R. Macedonia, provide control over risk exposures which the Company faces within its normal course of operation, and introduce any possible changes likely to be imposed by the operating system of the Vienna Insurance Group for the purpose of establishing complete synergy and compliance. We do hope that even 2014 will be a year of achievements which will serve as evidence for our long-term existence on the insurance market of the Republic of Macedonia.

Mr. Risto Sekulovski
Member of the Management Board



ORGANISATIONAL STRUCTURE



Organisational structure in 2014.

SALES – DISTRIBUTION CHANNELS

The sales force network of the Company is organised in a way that it provides availability of the insurance products to clients through various distribution channels for the purpose that the market needs will always be met. Our sales agent network for direct sale and the insurance representative agencies which sell only our policies are the mostly exposed distribution channel which makes our insurance covers available to clients. It is composed of well experienced and trained sales agents and also functions as another source for recruiting new insurance representatives, which will result in increase of our market share. Informally it is organised in West and East Region teams within Sales Agents Unit.

Non-Agent sales cover the market need of the clients who request comparative insurance covers offered by insurance brokers, banks, travel agencies and other partners.

In 2013 the sales results of all sales segments reassured our market position and our development which will positively affect our growth in the next period.

The achievement of the sale targets, premium collection, increase in number of insurance representatives and strengthening the sales network were the main objectives in 2013.

Compared with the preceding year a minor growth in terms of written premium was achieved by the sales agents by 0.1% whereas the non-agent sales force record increase by 5% which is by 1,3% in total.

Considering the direct sales and activities of insurance agents and representative agencies the sales results show 77% for the premium written for 2013.

For 2013 the West Region achieved total written premium of MKD 240 million and in comparison with 2012 obtained increase of 0.2%.

For 2013 the West Region achieved total written premium of MKD 240 million and in comparison with 2012 obtained increase of 0.2%. The East Region achieved total written premium of MKD 238.3 million which is by 0.3% less than for 2012.

The movement in the insurance market states a significant decrease in sale of motor insurance resulting in decrease of policies written for the motor business within total portfolio of the East Region, reflecting on the Casco business in terms of leased motor vehicles.



ZORE NIKOLOSKI, Sales Team manager
GORDANA JANKOSKA, Sales Team manager
ZORAN ALEKSOVSKI, Regional Sales manager
JOVO IVANOVSKI, Sales Team manager
EMIL DAMESKI, Sales Team manager

Our understanding of the market conditions shifted our focus to other types of property products, whereby we managed to underwrite the same amount of business as of the last year.

During 2013 we continued the process of building the external sales network by utilising the potential of the representative agencies:

- Building up active sales structure
- Keep the existing and recruiting sales oriented insurance representatives who are proactive and focused on establishing their own sales network
- Continue processes of education and supervision over the external insurance representatives under direct monitoring by internal coordinators
- Open new points of sale for the purpose of meeting the market needs and compliance with company strategy



**SALES TEAM
EAST REGION**

TODORCO KOSTADINOV, Sales Team manager
DIMITRIJA DIMOV, Sales Team manager
MARJAN ORUCOSKI, Regional Sales manager
DENKA ARSOVA, Sales Team manager
ILIJA RUMENOV, Sales Team manager
ALEKSANDAR PETKOVSKI, Sales Team manager

Our understanding of the market conditions shifted our focus to other types of property products, whereby we managed to underwrite the same amount of business as of the last year.

The Sales Agent Unit within its 2014 Plan and Projection focuses on following goals:

- Achievement of set targets – 10% increase
- Insurance portfolio growth
- Sales network improvement and development

In order to improve sales by utilising the potential of the insurance representative agencies a dozen of training courses and workshops were organised for new and the current insurance representatives, whereby they acquired the necessary sales skills and knowledge and experience. Some of them are already successful and ambitious enough that we may count on and consider them as a huge potential for improvement and development of our business.

For 2013 the non-agent sales account for 23% of the total company portfolio.

During the first half of the year the Unit performed with reduced power mostly because of termination of several large long-term insurance agreements. Some of them could have not been renewed by objective reasons mostly due to termination of concession agreements concluded between the clients and the government authorities or by the client being taken over by one large company, in our case, this was a bank.

During the second half of the year a significant increase in sales was achieved through insurance brokerage companies, especially in relation to motor third party liability. Total premium written by brokers for 2013 amounted at MKD 135 million and an achievement is obtained regarding MTPL and Green Card of 7% compared with 2012.

By the end of the year we entered into business agreements with 2 new brokerage companies the cooperation with which we expect to intensify and grow during 2014. Thereby the number of concluded agreements with brokerage companies has grown to 22.

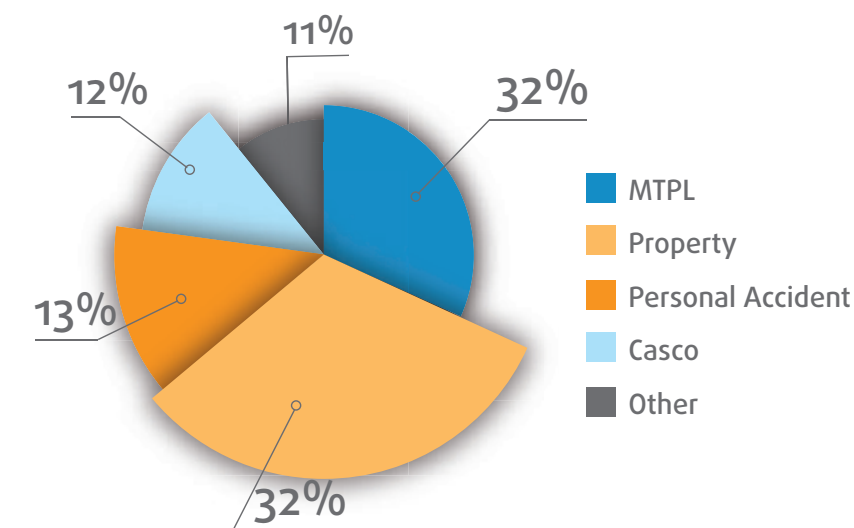
For 2013 the non-agent sales account for 23% of the total company portfolio.

Loan lines for buying homes and motor vehicles are mostly placed by three banks. The lower number of loans for buying homes and motor vehicles resulted in lower sales of Mortgage guarantee and Casco insurance policies through banks by 14% in total.

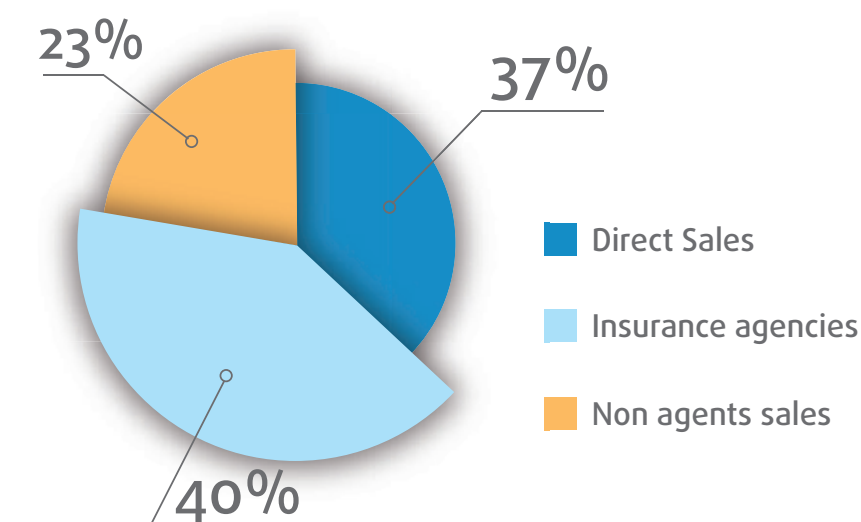
A significant increase is recorded in the sale of travel insurance policies through travel agencies where an increase of 56% is achieved if compared with 2012.

The total sale of insurance policies through Non-Agent distribution channels in 2013 has increased by 5% compared to 2012 and amounts to MKD 155 million.

PRODUCT MIX 2013 - WRITTEN PREMIUM



DISTRIBUTION CHANNELS PRODUCTION 2013 CHART





IMPROVED RESULTS AND INCREASED PROFITABILITY

JASMINKA ILIEVA, Underwriting Manager
DANIELA KOZAROVA, Product Portfolio Manager

UNDERWRITING

The change of ownership almost always by the rule understands the change of the operating philosophy, for the purpose that the improved results and increased profitability be achieved. However, it does not imply any change to the systems which permanently provide good results for years, but only the improvements thereof. With all this, it is our consistency policy on control system practise in underwriting insurance which completely fits in. This policy almost always results in the positive technical result for all classes of business.

Therefore, by taking continuous care of our clients we achieved positive technical result for all classes of business for 2013 as well, even for those classes which traditionally prove negative on the insurance market such are motor insurances – third party liability and motor casco.

The achieved gross loss ratio for 2013 in regards to motor third party liability together with Green card and Border insurance is 45.4%. If compared to recorded result for 2012 of 57.8% we show loss ratio improvement despite the additional increase in no-claim bonuses payments which significantly affected the amount of premium written for this class of business.

The analysis on the actual results for Casco insurance has shown a decrease in gross loss ratio for all types of Casco policies offered by our Company. This is due to the extended scope of insurance coverage for this class of business and many adjustments to premium rates made to satisfy the needs of our clients for the purpose of becoming more competitive on the market where still negative price tendencies were evident during the preceding year.

The stable and unwavering performance for these two classes of business will ensure strengthening of our position on the insurance market. Furthermore, we will carry out detailed analysis on actual results and put additional effort to extend the scope of the current insurance covers and introduce novelties for the purpose of satisfying the needs of our loyal clients and attracting new prospects and clients among cautiously selected target groups.

We are particularly happy with the fact that with the Accident insurance we return to our previous position as market leader, while at the same time we managed to sustain the good technical result. This outcome mostly resulted from the changes and adjustments made in relation to benefits and definitions thereof, as well as cautiously selected insurance covers against accepted insurance risks. For this class of business we have established traditionally long-term relations with our clients, but we also strive to attract new clients by offering innovative and interesting solutions.

Compared to 2012, the Travel insurance premium for 2013 shows a reasonable increase and together with the good technical result it is one more reason for us to feel satisfied. The market need for this class of business, slowly but surely, directs towards more quality insurance offers and more appropriate quality to price proportion on a mutual satisfaction to clients and insurance companies.

Traditionally, property business shows good technical result which reflects the relatively conservative underwriting management approach for this class of business. Notwithstanding this approach, the retained clients' rate is extremely high, exceeding 85%, which is an evidence of the product price stability on the property insurance market. Furthermore our strategy on excellent service delivery and prompt payment of indemnities for claims pays its contribution.

The unutilised potential of household insurance even for 2014 will challenge us, and with constant presence of our agents on the field, we will try to increase our market share and generally contribute to the rising market trend for sale of this class of business.

The achieved gross loss ratio for 2013 in regards to motor third party liability together with Green card and Border insurance is 45.4%. If compared to recorded result for 2012 of 57.8% we show loss ratio improvement.

The Liability insurance, either General liability or especially Professional liability record an increase. This growth is evident not only in our portfolio, but the market itself. Our accounting books record premium increase by 23% if compared with 2012. For 2014 this class of business remains on top of our priorities, including amendments to current terms and conditions and tariffs, which have to observe contemporary trends and market needs.

The Cargo portfolio traditionally covers large transportation companies and banks, but we will try to expand the scope and include small and medium enterprises, which we believe are huge potential for this class of business. For 2014 we will work on expansion and adjustments of our offers to the market needs, as well as on continuous education for our sales force.

In general, our policy on the maintenance of profitable business classes shall remain our primary goal for 2014 also. Therefore we will further apply our strategy on positive selection of risks depending on their exposure and underlying history and provide full care for our clients for their loyalty as well as consider those insurance contracts which generate positive results.

Our major clients, sales agent networks, insurance agencies and brokerage companies still remain our primary focus. Therefore, the Sales Support Centre continues to perform its activities during 2013 as well for the purpose of ensuring complete and prompt administration of insurance policies and provides full support to sales force by operating under applicable system solutions and processes. The SSC managed to process more than 70,000 cases. Most of these cases referred to motor vehicle policies, but no less significant engagement was made in processing the cases in relation to other classes of business. Additionally, the tariff control is a significant ring in the risk management and control chain and therefore immensely contributes to profitable operation of our Company.

Mrs Vesna Gjorceva
Member of the Management Board





TOMICA IVANOVSKI, Resources&Claims Application Manager
ZORAN TODOROVSKI, Extrajudicial Claims manager
ANETA KRSTIC, Claims Settlement Manager
GORAN STOJANOVSKI, Claims Assessment Manager

CLAIMS DEPARTMENT REPORT

The following values underlay our claim services:

- Claims team staffed with highly skilled professionals in terms of claims management
- Efficient and fair claim service delivery accompanied by prompt payment
- Leading insurer which provides direct and immediate claims control
- All claims are handled in close cooperation with the underwriting teams by utilising the database provided by the IT department
- Strict control over the appointment of service providers and their operation
- Constant and conservative, yet objective approach to claims reserves

The claims team enjoys the reputation of being highly professional within its scope of activities and is well known in terms of its technical skills and capacity to meet client’s needs regarding different classes of insurance, including accident, property and motor vehicles. The team possesses unusually rich set of professional qualifications within the relevant business domains such as legal, insurance, medicine, engineering and machinery.

Osiguruvanje Makedonija often contributes to analysis and researches on claims in relation to technical matters and plays an active role as an adviser among insurance participants and related government institutions.

Reported Claims

The comparison of reported claims in the preceding year to 2013 shows decline in the number of reported claims by 12.26% and most of the reported claims refer to accident of 23.68% and Casco of 16.85%.

Number of reported claims

Accident	Casco	Property	MTPL	Other
989	947	1542	1468	289

Settled Claims

The same trend reflects decline in the number of settled claims but it is not so drastically evident so that we record decrease of only 1.67% compared to 2012.

Number of reported claims

Accident	Casco	Property	MTPL	Other
1029	972	1561	1770	475

Paid Claims

The number of paid claims this year is also lower than the last year’s by 6,52%.

Number of paid claims

Accident	Casco	Property	MTPL	Other
1166	912	1373	1554	451

In 2013 the largest amount we pay for claim arouse from damage against industry risk and amounted at MKD 7 million.

The Claims Department of Osiguruvanje Makedonija employs 36 claims handling professionals and is the largest of this kind. The department has full capacity and competence to meet the needs of clients and brokers and it operates on 9 locations throughout Republic of Macedonia.

Moreover this year we made detailed allocation of claims handling expenses through extending the functionality of the claims processing application.

For 2014 we will continue to develop the professional competence and capacity of the claims staff to ensure that all needs of our clients are successfully met.

HUMAN RESOURCE

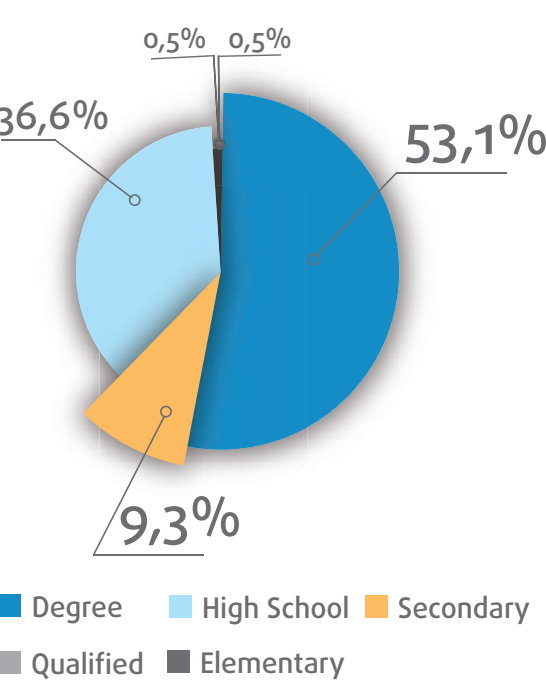
In 2013 our Company was acquired by Vienna Insurance Group. The Human Resources function was affected by this acquisition which reflected many new activities to be undertaken in terms of becoming aware of the human resource policies and procedures guided by Vienna Insurance Group and creating a reasonable environment for prompt implementation thereof.

Although being focused on novelties, the HR function still continued to meet their regular activities and duties. The already established basic tools for performance management, as well as for professional education and personal development, continued to be used. As a result, last year Osiguruvanje Makedonija a.d. Skopje - Vienna Insurance Group was selected among ten best companies in R. Macedonia which apply the best practices for personal development of their staff. The selection and analysis of the applied best practices was conducted by the Centre for Informal Education "Triangle" by engagement of HR experts from Sweden and Great Britain. Therefore, our Company was rewarded a Certificate for applying the best HR practices.

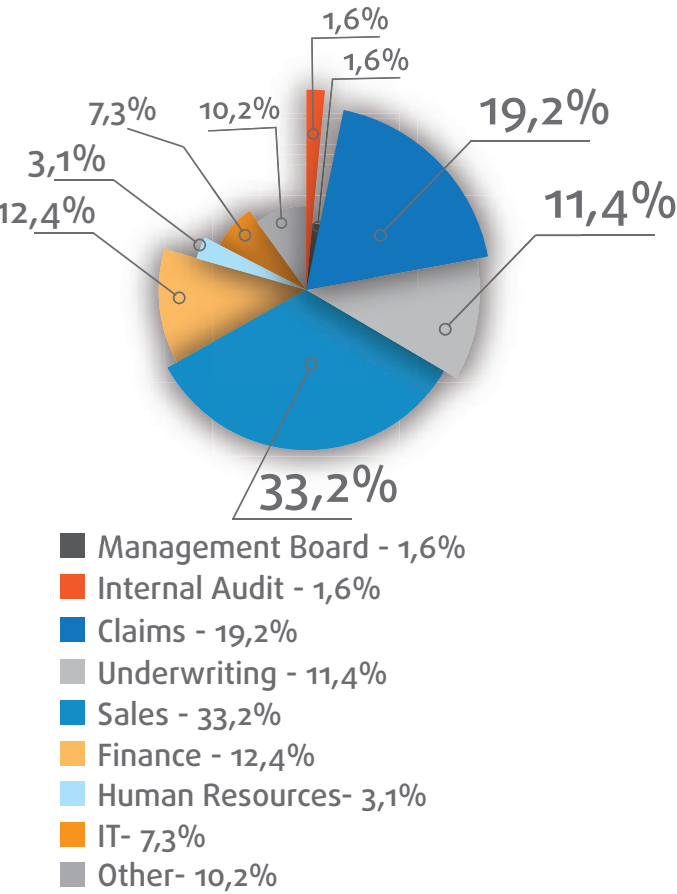
During 2013 the Company showed no significant workforce fluctuations. The number of employees was reduced as a consequence of normal outflow so that as of December 31, 2013 the total number of employees in our Company was 194, whereof 64 in sales and 130 in administration.

The workforce structure in terms of education and distribution by functions of the Company is the following:

STRUCTURE BY EDUCATIONAL LEVEL



STRUCTURE BY FUNCTION



BLAGORODNA GOGOVSKA, Credit Control Manager
SNEZANA KOMNENOVIC, Marketing & PR Coordinator
STEFAN HAGIEVSKI, Fixed Assets Manager
SVETO SMILJKOVIC, Credit Litigation Manager
DANIELA TODOSOVA-JEVITIC, L&D Manager
NATASA KRSTEVSKA, Complaints Manager

MARKETING AND PUBLIC RELATIONS

For 2013 the Marketing and Public Relations Office was engaged in the Company rebranding process. In order to determine the new company name, the Company had a research carried out. The outcome of the research confirmed the fact that we should incorporate the mostly recognised segment of our company name, that is the wording "Osiguruvanje Makedonija", which the best associates the brand awareness to our decades-long tradition in the insurance industry.

The change in the company name also resulted in rebranding the company assets and documentation and creating new company logo. The new company logo is a synergy of two values: long-term experience and profound insurance knowledge on the part of the Macedonian brand and dynamic and international experience and expertise of the major shareholder, Vienna Insurance Group.

The process of rebranding encompasses the complete stationary, including memos, policy forms and all other documentation and segments of electronic communications. Regarding PR activities the new company name and logo was publicly communicated. In this context, a press conference for the media and appropriate event for clients and business partners were organised in September 12, 2013, when the marketing campaign for rebranding was officially announced.

The change in the company name also resulted in rebranding the company assets and documentation and creating new company logo. The new company logo is a synergy of two values: long-term experience and profound insurance knowledge on the part of the Macedonian brand and dynamic and international experience and expertise of the major shareholder, Vienna Insurance Group.

The process of rebranding the company buildings also started, firstly with the Head Office in Skopje, and during 2014 we will continue rebranding the other buildings. For 2014 we will also rebrand and amend the insurance products' brochures and enhance the company's web site which in 2013 started functioning locally.

INTERNAL AUDIT

The Internal Audit of the Company, in accordance with the Annual Plan, carried out 6 (six) internal audits covering all key operational functions of the Company.

The Internal Audit report states 8 (eight) findings, 6 (six) of which were ranged as low risk and only 2 (two) findings were ranged as average risk.

The opinion of the Internal Audit was "Excellent" for reviewed functions of the Company and only one case was "Satisfactory", which means that the functioning of the implemented internal controls over the reviewed functions was assessed as effective from all material aspects.

The activities agreed with the Management team to eliminate the determined findings were completed in defined manner and within set deadlines.

In the beginning of 2013 the operation of the Company was subject to on-site supervision conducted by the Insurance Supervision Agency. The operating results achieved for 2012 and 2011 were subject to supervision. The agreed activities for implementation of recommendations issued by the Insurance Supervision Agency were completed in full and within set terms.



**ALIGNMENT WITH VIG IT STRATEGY AND
SECURITY POLICY**

KEVSEK LALICIC, IT Manager
BORO RUDIC, IT Operations Manager
DANIELA DIMITRIEVA, Software Development Manager

INFORMATION TECHNOLOGY

The IT Department of Osiguruvanje Makedonija a.d. – Vienna Insurance Group is designed in accordance with the necessities of business processes to ensure prompt and complete data processing and availability of documented information used in their operation.

Some of the more important IT projects in 2013 are:

- Change of the IT Strategy arising from the change of the Company's ownership structure (replacement of the DB servers, the number and type of DB licenses, migration to the new version of DB, 11g, replacement of the application servers and their licenses and migration to new version of Web Logic application server, 11g),
- Rebranding (registration of new domain @insumak.mk, creation of new email addresses, new signatures for electronic e-mails, alteration of all reports, forms, templates in terms of replacement of the logo and name).
- Alignment with VIG IT Strategy and Security Policy (introduction of second authentication factor for VPN users, introduction of second authentication factor for all MBA users, implementation of site-to-site VPN connection to Wiener for unified access to VIG Intranet for all employees).
- Compiling of MBA to version 11g (application servers)
- Implementation of document scanning integration to MBA
- Hosting of Winner and Wnner Life for BCP
- Creation of several web applications for products.



**PRIORITY TARGET DEFINED BY
FINANCIAL PLAN**

GORAN MATEVSKI, Investment & Finance Transaction Manager
MARGARETA POPOVSKA- GOSEVA, Finance Manager
SNEZANA KARAGA, Accounting & Finance Reporting Manager

FINANCIAL RESULTS

For 2013 the Company operated according to the strategic goals and the priority targets defined by the Financial Plan, Business Policy and in compliance with the Vienna Insurance Group’s policies.

For the period of two years where number of new legal provisions and requirements issued by the Insurance Supervision Agency were carried out and implemented, the Company in 2013 reported positive financial result at the amount of MKD 93.2 million in terms of Non-life segment. For the same period in 2012 the Company reported negative financial result, due to calculated adjustments and corrected values of receivables as recommended by the Insurance Supervision Agency.

In the reporting year the Life insurance demonstrates negative financial result at the amount of MKD 3 million as an outcome of the completion of the process of calculated adjustments and corrected values of receivables as recommended by the Insurance Supervision Agency.

During 2013 the total gross written premium for non-life insurance is MKD 691.7 million which is by 1,3% more than the result reported in 2012. It was corrected by the amount of unearned premium for 2012 reported as assets and the amount of unearned premium for 2013 reported as liability whereas the total non-life earned

premium achieved by the Company at the amount of MKD 620.5 million shows decrease of 2.6%.

The premium placed in reinsurance for 2013 is MKD 66.2 million and compared to 2012 is a decrease of 7.1%.

The amount of settled claims for non-life insurance for 2013 is MKD 273 million and if compared with 2012 they show decrease by 14% or for amount of MKD 44.3 million. The reserved claims value MKD 236.2 million which is 10% decrease in comparison with 2012 or for the amount of MKD 25.2 million.

The operating costs for 2013 amount to MKD 279.9 million which is a decrease for MKD 40.6 million or by 12% if compared to 2012, mostly subject to deferred acquisition costs calculations amounting to MKD 28.6 million and collection of reserved receivables.

Income tax calculated for 2013 including non-deductible expenses and understated revenues is MKD 2.4 million which additionally decrease the determined profit to the amount of MKD 90.8 million.

For 2013 the Life earned premium income is MKD 4.8 million and compared to 2012 demonstrates a decrease of 40%. The declining trend in income earned in relation to Life written premium is due to run-off, in fact the current life policies have only been serviced under insurance contracts concluded in the preceding years.

For 2013 the investment yield amounts to MKD 2.9 million.

In the reporting year the claims amount to MKD 28.9 million and compared to 2012 demonstrates decrease by 22.6% or for the amount of MKD 8.4 million. The mathematical reserve amounts to MKD 43.9 million and compared to 2012 demonstrates decrease by 35.8% or for the amount of MKD 24.4 million.

The outcome of the Company policy on accounts receivable analysis and receivable provisions is the write-off of uncollected receivables in regards to paid advances for claims at the amount of MKD 4.5 million.

Given the compensation of total liabilities at the amount of MKD 10.7 million with total assets for 2013 in regards to Life insurance the Company has revealed loss to the amount of MKD 3 million. The accounts receivable write off in terms of income tax is regarded as non-deductible expenses and resulted in income tax at the amount of MKD 456.622, whereby the total reported loss is MKD 3.4 million.

CLASSES OF BUSINESS

In compliance with the Article 5 of the Insurance Supervision Law the Company has been licensed to underwrite the following businesses for 2013:

- Accident Insurance
- Motor Vehicle Insurance (Casco)
- Insurance of Railway Vehicles (Casco)
- Aircraft Insurance (Casco)
- Vessel Insurance (Casco)
- Goods in Transit Insurance (Cargo)
- Property Insurance Against Risk of Fire and Natural Catastrophes
- Other Property Insurance
- Motor Third Party Liability Insurance
- Aircraft Liability Insurance
- Vessel Liability Insurance
- General Liability
- Credit Insurance
- Warranty Insurance
- Financial Loss Insurance
- Legal protection Insurance
- Travel Assistance Insurance

Note:

The Company only manages the current insurance policies for Life Insurance (in compliance with the Decision issued by the Constitutional Court the Company ceased to underwrite life business).

The Company has listed the insurance contracts entered into for 2013 stating the commercial name of any agreement and the class of business to which it refers

1. (1) Accident Insurance
2. (3) Motor Vehicle Insurance (Casco)
3. (6) Vessel Insurance (Casco)
4. (7) Goods in Transit Insurance (Cargo)
5. (8) Property Insurance Against Risk of Fire and Natural Catastrophes
6. (9) Other Property Insurance (excluding Crop and Livestock Insurance)
7. (10) Motor Third Party Liability Insurance
8. (12) Vessel Liability Insurance
9. (13) General Liability Insurance
10. (15) Warranty Insurance
11. (16) Financial Loss Insurance
12. (17) Travel Assistance Insurance

BRANCH OFFICES OF OSIGURUVANJE MAKEDONIJA A.D SKOPJE – VIENNA INSURANCE GROUP

Location	Address	Location	Address
Skopje	11 Oktomvri No.25	Stip	Toso Arsov bb
Gevgelija	Marshal Tito No.156 E	Kocani	Dimitar Vlahov No.3
Sv. Nikole	Square Ilinden br.19	Kavadarci	Ilindenska No.11
Gostivar	Boris Kidric No. 115	Kumanovo	Dimitar Vlahov No.52 lokal 3
Tetovo	Marshal Tito bb	Ohrid	Dimitar Vlahov No.14
Resen	Tase Milosevski No.6	Bitola	Bulevar 1-vi Maj No.268
Prilep	Goce Delcev No.7a	Veles	Dimitar Vlahov No.27

ACTUARIAL STATEMENT

According article 116, item 3 from Insurance Supervision Law the authorized actuary issue following statement.

The final conclusion on the operation of the insurance company shown by the financial statements and annual report is:

a) positive opinion 6) restrained opinion 8) negative opinion

The positive opinion about Companies operation and result presented in the Financial Statements and Annual Report is based on the following:

- In the observed year, the Company conducts only activities for which is registered
- The Company applies adopted Terms and Conditions and Tariffs on premium only
- The Company achieves a good level of claims settlements dynamics and claims payment dynamics
- The capital of the Company is above the required level of solvency margin and Guarantee Fund in accordance of statutory requirement and Company's policy
- The Unearned premium provision calculation is in accordance with adopted Book of regulation and recognized actuarial standards
- The claims reserving for reported claims is adequate and in accordance with adopted Book of regulation and recognized actuarial standards
- The claims reserving for incurred but not reported claims is adequate and in accordance with adopted Book of regulation and recognized actuarial standards
- The Company has achieved positive loss ratio per each class of business and in total
- The Company has achieved positive financial result in 2013


Premiums and technical reserves of the Company are calculated in accordance with the Law on insurance supervision and the Rulebook on minimum standards for calculation of technical reserves.

Considering the achieved positive loss ratios at the year end, the amount of own capital, policy with respect of setting technical provisions, the Company can regularly and in long term fulfil all liabilities arising from the insurance contracts.

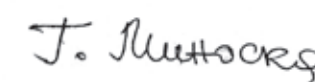
Daniela Kozarova



Jasminka Ilieva



Gordana Minoska



**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013
WITH THE REPORT OF THE AUDITORS THEREON**