



2008

Pojišťovna VZP, a.s.
ANNUAL REPORT



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ANNUAL REPORT

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1 FOREWORD BY THE CHAIRMAN OF THE BOARD OF DIRECTORS



**Dear ladies
and gentlemen**

2008 was clearly a successful year for Pojišťovna VZP, a.s. Despite the insurance market in the area of health insurance cover for foreigners being partially marked by certain negative effects that have carried over from 2007, we managed to attain the planned financial result.

The key factor of this success was the increase in the written premiums compared to 2007. The numbers clearly confirm that the decision to build our own sales network and to staff these offices with our ordinary employees was the correct one.

The good financial result was also helped markedly by favourable claims settlements, with the partial decrease in insurance benefit costs being mainly the result of introducing a new, modern system of adjusting insurance claims and the professional approach of our employees.

However, in this regard it needs to be said that a significant part of sales is the result of co-operation with external partners, above all, with renowned brokerage firms and with our parent company, Všeobecná zdravotní pojišťovna CR.

From the standpoint of the internal operation of Pojišťovna VZP, a.s., I would like to namely emphasise the completion of the process of standardising work processes, followed by the establishment of optimum operations of all main and support processes and laying down the foundations for a new, modern management and control system.

In 2008 Pojišťovna VZP, a.s. also enlarged its product portfolio. The developmental work for two new insurance products was completed, i.e. Insurance of Medical Expenses Incurred to the European Health Insurance Card with the business name EVROPA and Insurance for the Event of Hospitalisation with the business name GARANCE PLUS. The EVROPA cover was launched on the market in the second half of 2008, with GARANCE PLUS being prepared for its market launch at the start of 2009.

These new insurance products are another in a row of health insurance products, which Pojišťovna VZP, a.s. is already offering at the present time, and thus clearly confirm not only its narrow specialisation, but also its firm and non-interchangeable position on the Czech insurance market.

Pojišťovna VZP, a.s. is a modern, dynamic and client-oriented company. It continuously makes significant investments into information technology, process automation, and business support and development, and is continuously extending and innovating its offer of insurance products and launching new distribution and communication channels so as to allow its clients the best possible access to the necessary information and the required services.

The undeniable success attained by Pojišťovna VZP, a.s. during the elapsed year is the result of team work and the great efforts of our employees as well as business partners. They deserve a great deal of thanks for their professionalism and devotion to reach the common goal.

I would also like to thank our clients for their confidence and loyalty in Pojišťovna VZP, a.s. This is a great commitment for myself as well as the whole company and we will strive to offer the most modern insurance products now and in the future, to provide a high quality sales service and a professional and fast adjustment of insurance claims.



JUDr. Karel Hlaváček
Chairman of the Board of Directors

2 BASIC COMPANY INFORMATION

COMPANY NAME:

Pojišťovna VZP, a.s.

REGISTERED OFFICE OF THE COMPANY:

Jankovcova 1566/2b
Prague 7, Post Code 170 00

IDENTIFICATION NUMBER: 27116913

INCORPORATION OF THE COMPANY AND ENTRY INTO THE COMMERCIAL REGISTER:

Entry into the Commercial Register took place on 16 January 2004 at the Municipal Court in Prague, section B, file no. 9100

REGISTERED CAPITAL: CZK 100,000,000 was full paid in full on 29 March 2005

SHARES:

1000 registered shares in book-entered form having a nominal value of CZK 100,000

SHAREHOLDERS:

The company's sole shareholder is Všeobecná zdravotní pojišťovna České republiky, with its registered office on Orlická 4/2020, Prague 3, Post Code 130 00, identification number 411 97 518

OBJECT OF BUSINESS OPERATIONS:

1. Insurance activities pursuant to Section 7(3) of Act No. 363/1999 Coll., on Insurance and on Changes to Certain Related Legislation (Insurance Act), as amended
2. Activities associated with insurance activities pursuant to Section 3(4) of Act No. 363/1999 Coll.

BOARD OF DIRECTORS

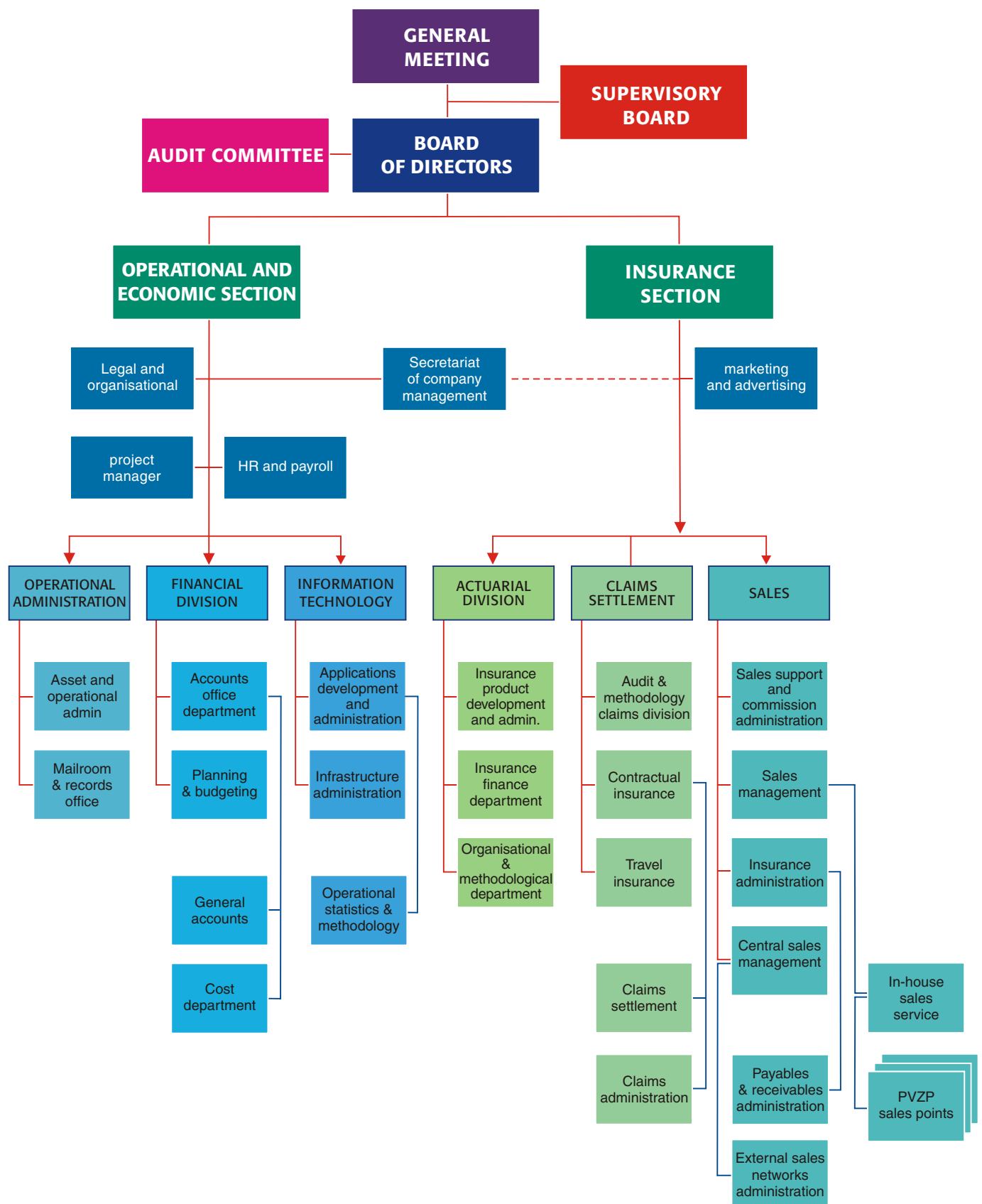
JUDr. Karel Hlaváček, Chairman	in office since 1 June 2006
JUDr. Stanislav Trojan, Member	in office since 18 July 2008
Ing. Jaromír Jungbauer, Member	in office since 18 July 2008
Ing. Aleš Zbožínek, Member	in office since 5 December 2008

SUPERVISORY BOARD

Ing. Jiří Zahradník, Chairman	in office since 1 June 2006
Ing. Miloslav Pavelka, Vice-Chairman	in office since 15 June 2006
MUDr. Pavel Vepřek, Member	in office since 1 August 2008

Two members of the board of directors act jointly when signing on behalf of the company.

ORGANISATIONAL CHART OF THE COMPANY AS OF 1. 12. 2008 3





BUSINESS ACTIVITIES

The results of the business activities of Pojišťovna VZP, a.s. in 2008 confirmed the correctness of the decision made by the company in 2007 to build a nation-wide network of sales branches. This branch network resulted in Pojišťovna VZP, a.s. creating a stable sales channel with a 1/3 share of the output of the entire sales network.

In 2008, the total written premiums on the insurance product Health Insurance for Foreigners for the Event of Comprehensive Care reached CZK 96,899,000 and CZK 93,888,000 in the case of Health Insurance for Foreigners for the Event of Urgent Care.

The volume of written premiums for 2008 in the case of Health Insurance for Foreigners for the Event of Comprehensive Care grew by CZK 8,386,000 on 2007, which represents 9.47 %. A significant growth of CZK 23,913,000 was recorded in the case of Health Insurance for Foreigners for the Event of Urgent Care, which represents an increase of 34.17 %.

During the course of 2008 Pojišťovna VZP, a.s. recorded a decline in its clients' interest in the insurance product Insurance of Medical Expenses Incurred on Trips Abroad.

The total written premiums for 2008 in the case of Insurance of Medical Expenses Incurred on Trips Abroad reached CZK 172,099,000. This was a decline of CZK 14,502,000 on 2007, which represents 7.77 %.

We anticipate that the implementation of the SW module being prepared for the realisation of this insurance product as part of the operating system of Pojišťovna VZP, a.s. will turn this negative trend around.

The written premiums of Pojišťovna VZP, a.s. total CZK 363,378,000 in 2008.

The total growth in written premiums reached CZK 17,612,000, which represents a growth of 5.09 % on 2007.

In 2008, Pojišťovna VZP, a.s. also launched the process of developing new insurance products in order to extend its product portfolio to better reflect the present changes in the requirements of its clients as regards the manner and scope of insurance cover.



ADJUSTMENT OF INSURANCE CLAIMS

2008 was the first year when insurance claims were being adjusted solely from the headquarters of Pojišťovna VZP, a.s. for the entire 12 months. It was a period during which we continued to perfect our own unique programme for the adjustment of insurance claims and expanded our network of contractual medical facilities.

Insurance benefit costs ensuing from the insurance product called Health Insurance for Foreigners for the Event of Comprehensive Care reached a total of CZK 41,922,000 in 2008, which represents a claims ratio of 43.27 %.

The increase in the insurance benefit costs ensuing from this product compared to 2007 was influenced by several factors, particularly an increase in the value of a point for contractual medical facilities, an increase in the point value of performances according to VZP CR's code list and, last but not least, the greater frequency of costly insurance claims than in past years.

Insurance benefit costs ensuing from the insurance product called Health Insurance for Foreigners for the Event of Urgent Care reached a total of CZK 5,652,000, with a claims ratio of 6 %.

Insurance benefit costs ensuing from the insurance product called Insurance of Medical Expenses Incurred on Trips Abroad reached a total of CZK 42,036,000, with a claims ratio of 24.43 %.

Insurance benefit costs ensuing from the insurance product called Insurance for the Event of Hospitalisation reached a total of CZK 56,000, with a claims ratio of 11.38 %.

In 2008 the insurance benefit costs ensuing from all insurance products operated by Pojišťovna VZP, a.s. reached a total of CZK 89,665,000, with an average claims ratio of 24.68 %.

As was already stated above, in 2008 Pojišťovna VZP, a.s. placed a new SW programme for the support of the adjustment of insurance claims into full operation. This programme enables for a quick, accurate and problem-free adjustment of insurance claims. In this regard, however, mention must be made of the irreplaceable role of our business partners, AXA ASSISTANCE CZ. and EuroCross International Central Europe, s.r.o., who provide professional assistance services to Pojišťovna VZP, a.s.

Pojišťovně VZP, a.s., places great emphasis on delivering high quality services in the event of an insurance claim, not just in providing high quality customer care. We also prefer a serious approach to our contractual health facilities, whereby we can guarantee the reimbursement of medical care provided to our clients via our assistance services. In the beginning, the launch of this system was met with some degree of mistrust, particularly from medical care providers. Today, however, we can state that this method of co-operation means that the entire adjustment process proceeds as fast as possible and without complications.

REINSURANCE

Pojišťovna VZP, a.s. has always placed an emphasis on the high rating of the reinsurance companies it co-operates with, as well as reinsurance in operating all of its products.

Based on these demands, the reinsurance programme employed by Pojišťovna VZP, a.s. in 2008 via Van Breda Risk & Benefits, a reinsurance broker, was based on co-operation with high quality and long standing business partners, particularly with Munich Re, XL Re Europe Limited, and INTER PARTNER ASSISTANCE, S.A.

In 2008 the insurance products Insurance of Medical Expenses Incurred on Trips Abroad, Health Insurance for Foreigners for the Event of Urgent Care and Health Insurance for Foreigners for the Event of Comprehensive Care were always reinsured using a combination of quota reinsurance and excess of loss reinsurance.

Thanks to an appropriate combination of both types of reinsurance we can say with confidence that the insurance portfolio of Pojišťovna VZP, a.s. is well protected from unfavourable developments in insurance claims as well as from unexpectedly costly insurance claims.



INDEPENDENT AUDITOR'S REPORT

*To the shareholders of
Pojišťovna VZP, a.s.*

We have audited the accompanying financial statements of Pojišťovna VZP, a.s. With its seat in Jankovcova 1566/2b, 170 04 Praha 7, Id. No.27116913, which comprise the balance sheet as of 31 December 2008, and the income statement for the year then ended, and a summary of significant accounting policies and other explanatory notes. Information about company is presented in the Note to these financial statements.

Statutory Body's Responsibility for the Financial Statements

The Statutory Body of Pojišťovna VZP, a.s. is responsible for the preparation and fair presentation of these financial statements in accordance with Czech accounting regulations. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Act on Auditors and International Standards on Auditing and the related application guidelines issued by the Chamber of Auditors of the Czech Republic. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Auditor's report

In our opinion, the financial statements give a true and fair view of the financial position of the company Pojišťovna VZP, a.s. as of 31 December 2008, and of its financial performance for the year then ended in accordance with Czech accounting regulations.

We have verified the annual report for consistency with the financial statements. The correctness of the annual report is the responsibility of company's statutory body. Our responsibility is to express an opinion on the consistency of the annual report and the financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing and the related application guidelines issued by the Chamber of Auditors of the Czech Republic. Those standards require that the auditor plan and perform the audit to obtain reasonable assurance about whether the information included in the annual report describing matters that are also presented in the financial statements is, in all material respects, consistent with the relevant financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the information included in the annual report of the company Pojišťovna VZP, a.s. for the year ended 31 December 2008 is consistent, in all material respects, with the financial statements referred to above.

This auditor's report produced on behalf of company HZConsult s.r.o. (Auditor - license No. 312) Miloš Havránek (Auditor – license No. 1211).

Prague, April 30th, 2009



A handwritten signature in blue ink, appearing to be "MH".

Miloš Havránek
Chairman of the Board of Director

6 REPORT ON RELATIONS BETWEEN THE CONTROLLING AND THE CONTROLLED PARTY

All relations between VZP CR, as the sole shareholder, and Pojišťovna VZP, a.s., as the subsidiary company, are regulated on the basis of commercial contracts, or possibly expert opinions and agreements.

Commercial relations in the insurance area between Pojišťovna VZP, a.s. and VZP CR proceed on the basis of the Contract on Commercial Representation 31. 3. 2008 in the wording of all subsequent amendments. The amount of commission for VZP CR, a.s. ensuing from the performance of this contract was prescribed for 2008 by amendment no. 3 to this contract.

Pojišťovna VZP, a.s., makes use of a telephone switchboard, located at its registered office, which is owned by VZP CR. The remuneration paid to VZP CR, a.s. for connecting telecommunications services from the public as well as the internal telephone network via this switchboard is regulated by the Cooperation Agreement dated 30. 5. 2005. The remuneration for telephone calls is regulated by the Contract on the Payment of Telephone Charges. The reimbursement is payable to the account of VZP CR, a.s. on the basis of a tax document issued by VZP CR, a.s., an appendix of which shall at all times be an itemised bill of the calls made from telephones used by Pojišťovna VZP, a.s., and a copy of the invoice issued by the supplier of the telecommunications services for the relevant billing period.

Since June 2007 Pojišťovna VZP, a.s. has gradually established its own sales points at the premises of selected regional workplaces of VZP CR, a.s. The fundamental regulation of the relations ensuing to Pojišťovna VZP, a.s. and VZP CR a.s. from this is the object of the Framework Agreement concluded on 1. 6. 2007, with the specific conditions of the lease of the non-residential services, office equipment and payments for internal and outsourced services are regulated by separate lease contracts concluded between Pojišťovna VZP, a.s. and the individual regional workplaces of VZP CR, a.s.

Pojišťovna VZP, a.s. purchased the equipment of the sales point located at Vítězné náměstí in Prague from VZP CR, a.s. The price of the equipment purchased was determined by expert opinion no. 2711-33/07 compiled by Ing. Jan Uhlíř on 25. 6. 2007, with the conditions prescribed by the Contract on the Sale of Assets dated 30. 11. 2007.

IT operations at Pojišťovna VZP, a.s.'s own sales points is provided for in cooperation with VZP CR, a.s. and governed by the rules stipulated in the Contract on Cooperation in the IT Field, concluded between Pojišťovna VZP, a.s. and VZP CR, a.s. on 11. 1. 2008.

Based on the above, it can be stated that the mutual relations existing between these two entities are proceeding on the basis of the signed commercial contracts, in a correct manner, and without either of the parties receiving preferential treatment.

OVERVIEW OF CHANGES TO OWNER'S EQUITY **7**

	Registered capital in CZK '000	Reserve funds in CZK '000	Capital funds in CZK '000	Retained profit in CZK '000	Profit (loss) in CZK '000	Total in CZK '000
Balance as of 1. 1. 2007	100,000	7,004	208	23,863	40,213	171,288
Profit/loss for the accounting period	0	0	0	0	22,229	22,229
of that: net profit/loss for the accounting period *)	0	0	0	0	4,712	4,712
Dividends	0	0	0	0	-20,000	-20,000
Transfers to funds	0	2,011	779	0	-2,790	0
Application of funds	0	0	-763	0	0	-763
Retained profit	0	0	0	17,423	-17,423	0
Balance as of 31. 12. 2007	100,000	9,015	224	41,286	22,229	172,754
Balance as of 1. 1. 2008	100,000	9,015	224	41,286	22,229	172,754
Profit/loss for the accounting period	0	0	0	0	30,568	30,568
of that: net profit/loss for the accounting period *)	0	0	0	0	-1,673	-1,673
Dividends	0	0	0	0	-20,000	-20,000
Transfers to funds	0	1,111	916	0	-2,027	-2,027
Application of funds	0	0	-1,024	0	0	-1,024
Retained profit	0	0	0	202	-202	-202
Balance as of 31. 12. 2008	100,000	10,127	115	41,487	30,568	182,298

*) profit from operations with financial placements
Items having a zero value are not stated.



8 BALANCE SHEET AS AT 31. 12. 2008

Legend	Line No.	Prior period	Gross amount	Adjustment	Net amount
		1	2	3	4
ASSETS					
in CZK '000 (without decimal places)					
A. Receivables for subscribed capital	1	0	0	0	0
B. Intangible fixed assets, of this:	2	53,347	113,945	29,929	84,017
a) Establishment costs	3	404	1,866	1,835	31
b) Goodwill	4	0	0	0	0
C. Financial placements (investments)	5	257,382	225,875	0	225,875
I. Land and structures (real estate), of this:	6	495	653	0	653
a) Operating real estate	7	495	653	0	653
II. Financial placements in groups	8	0	0	0	0
1. Shares in controlled entities (subsidiaries)	9	0	0	0	0
2. Debentures issued by controlled entities and loans to these entities	10	0	0	0	0
3. Shares with controlling influence in enterprises	11	0	0	0	0
4. Debentures issued by entities in which the accounting unit has a substantial influence, and loans to these entities	12	0	0	0	0
III. Other financial placements (investments)	13	256,887	225,222	0	225,222
1. Shares and other securities with a variable yield, other ownership interests	14	0	0	0	0
2. Debentures	15	256,887	225,222	0	225,222
3. Financial placements in investment groups	16	0	0	0	0
4. Other loans	17	0	0	0	0
5. Deposits at financial institutions	18	0	0	0	0
6. Other financial placements	19	0	0	0	0
IV. Deposit with active collateral	20	0	0	0	0
D. Financial placement of life insurance, where the policyholder bears the investment risk	21	0	0	0	0
E. Debtors	22	70,040	44,353	352	44,002
I. Receivables from direct insurance transactions	23	13,739	10,427	352	10,076
1. Receivables from policyholders	24	2,859	1,678	352	1,326
2. Receivables from brokers	25	10,880	8,749	0	8,749
II. Receivables from reinsurance transactions	26	14,124	16,146	0	16,146
III. Other receivables	27	42,177	17,780	0	17,780
F. Other assets	28	59,321	37,943	7,772	30,171
I. Tangible fixed assets other than land and structures (real estate), and inventories	29	8,702	16,863	7,772	9,091
II. Cash at bank and cash in hand	30	50,619	21,080	0	21,080
III. Other assets	31	0	0	0	0
G. Temporary asset accounts	32	8,825	22,512	0	22,512
I. Accrued interest and rent	33	0	0	0	0
II. Deferred acquisition costs of insurance policies, of this separately:	34	0	0	0	0
a) Concerning life insurance	35	0	0	0	0
b) Concerning non-life insurance	36	0	0	0	0
III. Other temporary asset accounts, of this:	37	8,825	22,512	0	22,512
a) Estimated assets	38	1,573	891	0	891
TOTAL ASSETS	39	448,915	444,628	38,052	406,577
LIABILITIES					
A. Owner's equity	40	172,754			182,298
I. Registered capital, of this:	41	100,000			100,000
a) Changes in registered capital	42	0			0
b) Company's own shares or interim certificates, own ownership interests	43	0			0
II. Share premium	44	0			0
III. Reserve fund for revaluation purposes	45	0			0
IV. Other capital funds	46	0			0
V. Reserve fund and other funds from profit	47	9,239			10,242
VI. Retained profit from previous years or accumulated losses from previous years	48	41,286			41,487

BALANCE SHEET AS AT 31. 12. 2008 8

VII. Profit or loss of current year	49	22,229			30,568
B. Subordinated liabilities	50	0			0
C. Technical reserves	51	205,351	175,294	20,153	155,140
1. Reserve for unearned premiums	52	72,962	92,852	9,854	82,997
of this:					
a) Reserve for unearned premium pertaining to life insurance	53	0	0	0	0
b) Reserve for unearned premium pertaining to non-life insurance	54	72,962	92,852	9,854	82,997
2. Reserve for life insurance premium	55	0	0	0	0
3. Insurance benefit reserve	56	75,896	82,442	10,299	72,143
of this:					
a) Insurance benefit reserve pertaining to life insurance	57	0	0	0	0
b) Insurance benefit reserve pertaining to non-life insurance	58	75,896	82,442	10,299	72,143
4. Reserve for bonuses and rebates	59	0	0	0	0
of this:					
a) Reserve for bonuses and rebates pertaining to life insurance	60	0	0	0	0
b) Reserve for bonuses and rebates pertaining to non-life insurance	61	0	0	0	0
5. Equalisation reserve	62	56,493	0	0	0
6. Reserve for the meeting of liabilities ensuing from the technical interest rate applied	63	0	0	0	0
7. Reserve for non-life insurance premium	64	0	0	0	0
of this:					
a) Reserve for non-life insurance premium pertaining to life insurance	65	0	0	0	0
b) Reserve for non-life insurance premium pertaining to non-life insurance	66	0	0	0	0
8. Other reserves	67	0	0	0	0
of this:					
a) Other reserves pertaining to life insurance	68	0	0	0	0
b) Other reserves pertaining to non-life insurance	69	0	0	0	0
D. Technical reserve for life insurance, in the policyholder is the bearer of investment risks	70	0	0	0	0
E. Reserves on other risks and losses	71	7,469			0
1. Reserve for pensions and similar liabilities	72	0			0
2. Reserve for taxes	73	7,469			0
3. Other reserves	74	0			0
F. Deposits for passive reinsurance	75	0			0
G. Creditors	76	39,418			47,267
I. Liabilities from direct insurance transactions, of this	77	10,992			4,795
II. Liabilities from reinsurance transactions	78	5,258			1,780
III. Liabilities secured with a bond, of this:	79	0			0
a) Convertible borrowings	80	0			0
IV. Payables to financial institutions	81	0			0
V. Other liabilities, of this:	82	23,168			40,692
a) Taxes payable and social security liabilities	83	2,813			5,157
VI. Guarantee Fund of the Office	84	0			0
H. Temporary liabilities	85	23,923			21,871
I. Accrued expenses and deferred income	86	1,455			1,354
II. Other temporary liabilities, of this:	87	22,468			20,517
a) Estimated liabilities	88	22,468			20,517
TOTAL LIABILITIES	89	448,915			406,577

Legend	Line No.	Past period	Base	Subtotal	Result
	b	1	2	3	4
I. TECHNICAL ACCOUNT FOR NON-LIFE INSURANCE					
in CZK '000 (without decimal places)					
1. Earned premiums, net of reinsurance:	1	x	x	x	x
a) Written gross premiums	2	x	363,577	x	x
b) Premiums assigned to reinsurers	3	x	45,755	317,822	x
c) Change in the gross amount of reserve for unearned premiums (+/-)	4	x	10,710	x	x
d) Change in reserve for unearned premiums status - reinsurers share (+/-)	5	306,896	674	10,035	307,786
2. Transferred revenue from financial placements (investments) from non-technical account (item III.6.)	6	0	x	x	0
3. Other technical revenue, net of reinsurance	7	659	x	x	1,280
4. Insurance benefit costs, net of reinsurance:	8	x	x	x	x
a) Insurance benefit costs:	9	x	x	x	x
aa) Gross amount	10	x	89,690	x	x
ab) Share to reinsurers	11	x	11,352	78,338	x
b) Change in insurance benefit reserve (+/-):	12	x	x	x	x
ba) Gross amount	13	x	-4,304	x	x
bb) Share to reinsurers	14	69,177	-552	-3,752	74,585
5. Change in other technical reserves, net of reinsurance (+/-)	15	0	x	x	0
6. Premiums and discounts, net of reinsurance	16	0	x	x	0
7. Net operating costs:	17	x	x	x	x
a) Acquisition costs of insurance policies	18	x	x	98,034	x
b) Change in accrued acquisition costs (+/-)	19	x	x	0	x
c) Administrative overheads	20	x	x	153,813	x
d) Reinsurers fees and shares in profits	21	190,357	x	586	251,261
8. Other technical costs, net	22	646	x	x	436
9. Change in state of balancing reserve (+/-)	23	1,760	x	x	-56,493
10. Sub-total, balance (result) of Technical Account for Non-Life Insurance (item III.1.)	24	45,615	x	x	39,278
II. TECHNICAL ACCOUNT FOR NON-LIFE INSURANCE – not stipulated, shows zero values					
III. NON-TECHNICAL ACCOUNT					
1. Result of Technical Account for non-life insurance (item I.10)	25	45,615	x	x	39,278
2. Result of Technical Account for life insurance	26	0	x	x	0
3. Revenues from financial placements (investments):	27	x	x	x	x
a) Revenues from shares, with separate mention of those derived from controlled entities	28	x	x	0	x
b) Revenues from other financial placements (investments), with separate mention of those derived from controlled entities, of this:	29	x	x	x	x
ba) Revenues from land and structures (real estate)	30	x	0	x	x
bb) Revenues from other investments	31	x	7,244	7,244	x
c) Change in the value of financial placements (investments)	32	x	x	0	x
d) Revenues from the implementation of financial placements (investments)	33	182,413	x	147,672	154,917
4. Revenues from financial placement (investments) transferred from the Technical Account for life insurance (item II.12)	34	0	x	x	0
5. Costs of financial placement (investments):	35	x	x	x	x
a) Costs of managing the financial placement (investments), including interest	36	x	x	618	x
b) Change in the value of financial placements (investments)	37	x	x	9,166	x
c) Costs related to the realisation of financial placements (investment)	38	177,700	x	146,806	156,590
6. Transferred revenues from financial placement (investments) to the Technical Account for non-life insurance (item I.2)	39	0	x	x	0
7. Other revenues	40	17,334	x	x	13,502
8. Other costs	41	31,113	x	x	3,203
9. Income tax from ordinary activities	42	13,518	x	x	15,127
10. Profit or loss from ordinary activities after tax	43	23,031	x	x	32,777
11. Extraordinary revenues	44	0	x	x	5
12. Extraordinary costs	45	0	x	x	0
13. Extraordinary profit or loss	46	0	x	x	5
14. Income tax on extraordinary activities	47	0	x	x	0
15. Other taxes not included in previous items	48	802	x	x	2,213
16. Profit or loss in accounting period	49	22,229	x	x	30,568

ACCOUNTING PRINCIPLES

Fundamental principles of compiling the financial statements

The company's accounting books and records are maintained in accordance with Act No. 563/1991 Coll., on Accounting, as amended, Decree No. 502/2002 Coll. of the Ministry of Finance, which implements some provisions of Act No. 563/1991 Coll., on Accounting, as amended, for insurance companies, as amended. The company's accounts are maintained in compliance with general accounting principles, particularly the historical cost valuation principle, the accruals principle, the prudence concept, and the going concern assumption. Amounts reported in the financial statements and in these notes are rounded to the nearest thousand Czech crowns, unless stipulated otherwise.

Written gross premiums

Written gross premiums include all premiums stipulated in policies, regardless of whether these amounts related in full or in part to future accounting periods.

Reinsurance transactions

Amounts agreed between the principal insurer (company) and the reinsurer as part of the reinsurance agreement shall be charged as part of the reinsurance transactions. The company settles shares of the written gross premiums, the insurance benefit costs as well as commissions due to the company with the reinsurer.

Insurance benefit costs

Insurance benefit cost are charged at amounts equal to the acknowledged insurance benefit payouts on the basis of the adjusted insurance claims. The insurance benefit costs are shown net of subrogation and other similar insurance company claims.

Acquisition costs of insurance policies

Acquisition costs of insurance policies include costs associated with the conclusion of these policies, particularly the costs of printed materials, commissions paid to agents, promotion and advertising costs, and medical examinations for clients of DSP.

Insurance and technical reserves and reinsurers' shares of these reserves

The company creates the following technical reserves in accordance with the Insurance Act in order to meet the commitments ensuing from the insurance activities, which are probable or certain, but uncertain in terms of their amounts or the time when they arise:

- Reserve for unearned premiums
- Insurance benefit reserve
- Equalisation reserve

All of the reserves created are classified analytically according to the individual insurance products.

The accuracy of the creation and application of technical reserves, their financial placement and inventorisation are confirmed by the responsible actuary pursuant to Section 23 of Act No. 363/1999 Coll., on Insurance.

Reserve for unearned premiums

This reserve is created from that portion of the gross written premiums that relates to future accounting periods. This reserve is included in reinsurance. It is created on an ongoing basis from every single insurance policy concluded, always charged at the end of the month. Dissolution of the reserve is always performed as of the last day in the calendar quarter. Calculation and settlement of shares to reinsurers for the creation and dissolution of the reserve is always performed quarterly always as of the last day of the calendar quarter.

Reserve for insurance benefits

This reserve is created to cover the company's liabilities ensuing from insurance events:

- losses incurred and reported but not settled during the current accounting period (RBNS). It is set based on diagnoses in the process of settling insurance claims. This reserve is included in reinsurance. Its creation, dissolution and the appropriate reinsurer's shares are always set and charged as of the last day of the calendar quarter.
- losses incurred but not reported during the current accounting period (IBNR). The amount of the reserve is set using mathematic methods and on the basis of the qualified estimate method, with the triangle chart method being applied in the case of the medical expenses insurance policy. This reserve is included in reinsurance. Its creation, dissolution and the appropriate reinsurer's shares are always set and charged as of the last day of the calendar quarter.

Equalisation reserve

An analysis of the equalisation reserve was performed in 2008. It was stated that in the case of the insurance sectors operated no deviations were reported in claims ratios due to facts independent of the insurance company's influence. This finding led to this reserve being dissolved and the decision taken not to create this reserve in the coming accounting periods. The amount of the creation, drawing and the composition of the financial placement of technical reserves is subject to approval by the responsible actuary. The statement on the creation of technical reserves and the composition of financial placements is submitted to the Czech National Bank in accordance with Act No. 363/1999 Coll., on Insurance.

10 NOTES TO THE FINANCIAL STATEMENTS

FINANCIAL PLACEMENTS

Fixed-income securities

Fixed-income securities are posted to the accounts at the moment of their acquisition at their acquisition cost. The acquisition cost is understood to mean the price for which the fixed-income security is purchased, including the acquired aliquot interest yield, and the direct costs of the acquisition.

Direct costs do not include bonuses and rebates, financing costs, in-house administrative costs or holding costs. In the case of debentures, their value is increased gradually by the amount of the unpaid accrued interest from the purchase settlement date to the maturity date or the date of the settlement of their sale. The moment of the settlement of the accrued interest is always the date of sale or maturity date, as the case may be, and the end of the calendar quarter.

The securities are valued using the average acquisition cost method in the event of sale or other reduction. This procedure is employed in respect of the same type of securities, same issuers, same nominal values and same currencies, in which the securities are issued (securities having the same ISIN).

At the end of the balance sheet date, the securities are revalued to their fair value. Fair value is understood as being the market value as announced on a domestic or foreign stock exchange or on another publicly organised market.

Costs pertaining to the administration of securities are adjusted after the posting of all accounting transactions for the current accounting period. The volume of accrual costs is posted in the form of deferred costs of security management, with the objective being to determine the share of the annual volume of fees to the portfolio manager attributed to the acquisition of securities.

Deposits with financial institutions

Deposits held with banks are posted at their nominal values upon their establishment. At the end of the accounting period these assets are revalued to their fair value. In the case of short-term deposits with financial institutions, the fair value is represented by the nominal value, including accruals.

Allocation of common items between the company's individual products

If need be, costs and revenues of financial placements are allocated between the individual products according to the ratio of the technical reserves to the total financial placement.

Intangible fixed assets

Acquired intangible assets are reported at their acquisition cost. Intangible fixed assets are depreciated by the straight-line method on the basis of their expected lifespan according to the following method:

- Establishment costs 60 months
- Software pursuant to the contract or 36 months

Intangible fixed assets are depreciated as of the month following the month in which it was put into use.

A technical improvement is an expense incurred to increase the level of equipment, usefulness or to change the purpose of an intangible asset exceeding CZK 40,000 per year in respect of a single intangible fixed asset and increases its acquisition cost.

Intangible assets having a useful life in excess of one year and an acquisition cost of between CZK 2,000 and CZK 60,000 is expensed upon consumption while at the same time being recorded as a minor intangible fixed asset.

Tangible fixed assets

Acquired tangible fixed assets are reported at their acquisition costs, which include the price for which the assets were acquired, and acquisition-related costs.

Tangible fixed assets produced by the company's own activities is valued at own costs. Depreciation amounts pertaining to tangible fixed assets were calculated by the straight-line method on the basis of its expected lifespan.

The company applies the following annual depreciation rates:

- IT 3 years
- Passenger motor vehicles 5/8 years

The costs of repairing and maintaining fixed tangible assets are charged directly to expenses. A technical improvement is an expense incurred to modernise, increase the level of equipment, or usefulness of an asset exceeding CZK 40,000 per year in respect of a single tangible fixed asset and increases its acquisition cost.

A tangible asset whose acquisition cost is between CZK 1,000 and CZK 40,000 inclusive is recorded as a minor tangible fixed asset and is charged directly to expenses upon consumption.

Conversion of foreign currencies

Foreign currency transactions are converted into Czech crowns and posted to the company's accounts at the exchange rate of the Czech National Bank valid on the day of the transaction.

All monetary assets and liabilities kept in foreign currencies were converted at the exchange rate published by the Czech National Bank as of the balance date. All exchange rate gains and losses resulting from a conversion of receivables and payables were posted to the profit and loss statement.

Creation of adjustments

Adjustments are created to receivables. Adjustments express the decline over time in the value of receivables determined on the basis of an assessment of the associated risks made by the company's management. Adjustments are created as a lump sum and as a percentage on the basis of the age structure of the receivables.

Supplementary pension insurance

The company pays its employees a contribution towards their supplementary pension insurance. If this contribution exceeds 3% of the sum of the employee's assessment base for social security premiums and the contribution towards state employment policy for the taxation period or part thereof, it is excluded from the tax deductible expenses.

Income tax

Income tax for the given period comprised of tax due and changes in the state of deferred tax. Tax due includes tax calculated from the tax base using the tax rate valid in the current year and all additional tax and returned tax for the previous period. Deferred tax is reported for all temporary differences between the book value of an asset or liability in the balance sheet and its tax value. A deferred tax receivable is only posted to the accounts if it is likely that it will be possible to apply it towards tax due in the coming tax period.

Income tax reserve

Given the fact that the advances paid towards tax due exceed the tax liability, no income tax reserve was created for 2008.

Advance towards income tax

The overpayment of the advance towards income tax of CZK 2,836,000 is reported in the asset section as a receivable against SR.

Change in accounting methods and procedures

The creation and application of the income tax reserve are reported in the profit and loss statement as other costs and as other revenues, including adjustments of the previous period, when the creation as well as application of reserves were reported as income tax for the current period.

Post-balance sheet events

The impact of events occurring between the balance date and the publication date of these financial statements is captured in the accounting statements in the case that these events provided supplementary information on facts existing at the balance date.

If significant events, taking into account facts that occurred after the balance date, took place between the balance date and the publication date of these financial statements, the consequences of these events shall be described in the notes to the financial statements, but shall not be posted to the accounting statements.



10 SPECIAL CONTENT

Product		Written gross premiums in CZK '000	Reinsurer's share of written gross premiums in CZK '000	Earned premiums in CZK '000	Insurance benefit costs in CZK '000	Reinsurer's share of insurance benefit costs in CZK '000
DSP	2008	96,956	8,046	90,513	41,923	5,493
DSP	2007	88,513	7,346	90,737	27,379	2,687
CZP	2008	172,168	26,046	173,133	42,058	4,995
CZP	2007	186,602	29,601	189,841	62,923	8,857
KSP	2008	93,962	11,663	88,668	5,652	863
KSP	2007	69,975	9,062	68,356	5,331	533
ZPP	2008	491	0	553	56	0
ZPP	2007	676	0	685	78	0
Total	2008	363,577	45,755	352,867	89,690	11,352
	2007	345,766	46,009	349,619	95,711	12,077

OVERVIEW OF COMMISSIONS

The total value of commissions, including accruals, as part of direct insurance reached CZK 57,568,000 in 2008, and CZK 83,104,000 in 2007. In 2007, commissions were not subject to accruals. The amount of accruals is determined by reserves for unearned premiums as a ratio of the amount of the written premiums.



**INTANGIBLE FIXED ASSETS
ACQUISITION COST**

	1 January 2008 in CZK '000	Additions in CZK '000	Revaluation in CZK '000	Discarded in CZK '000	31 December 2008 in CZK '000
Establishment costs	1,866	0	0	0	1,866
Software	44,491	44,151	0	0	88,642
Revaluation difference	19,583	0	0	0	19,583
Valuable rights	162	0	0	0	162
Acquired intangible assets, advances	0	47,843	-44,151	0	3,692
Advances paid	0	0	0	0	0
Total	66,102				113,945

	1 January 2007 in CZK '000	Additions in CZK '000	Revaluation in CZK '000	Discarded in CZK '000	31 December 2007 in CZK '000
Establishment costs	1,866	0	0	0	1,866
Software	4,662	39,997	0	168	44,491
Revaluation difference	19,583	0	0	0	19,583
Valuable rights	162	0	0	0	162
Acquired intangible assets, advances	28,635	11,362	-39,997	0	0
Advances paid	1,309	0	-1,309	0	0
Total	56,217				66,102

ADJUSTMENTS

	1 January 2008 in CZK '000	Depreciation in CZK '000	Revaluation in CZK '000	Discarded in CZK '000	31 December 2008 in CZK '000
Establishment costs	1,462	373	0	0	1,835
Software	6,510	15,468	0	0	21,977
Valuable rights	105	27	0	0	132
Revaluation difference	4,678	1,306	0	0	5,984
Total	12,755	17,173	0	0	29,929
Balance value	53,347				80,325

	1 January 2007 in CZK '000	Depreciation in CZK '000	Revaluation in CZK '000	Discarded in CZK '000	31 December 2007 in CZK '000
Establishment costs	1,088	373	0	0	1,462
Software	1,197	5,410	0	98	6,510
Valuable rights	79	27	0	0	105
Revaluation difference	3,373	1,306	0	0	4,678
Total	5,737	7,116	0	0	12,755
Balance value	50,480				53,347

FINANCIAL PLACEMENTS

Type of financial placement (in CZK '000)	Fair value		Acquisition cost	
	2008	2007	2008	2007
Fixed-income securities	225,222	256,887	231,865	255,233
Total	225,222	256,887	231,865	255,233

OTHER RECEIVABLES

	31 December 2008 in CZK '000	31 December 2007 in CZK '000
Receivables against VZP	719	3,961
Other receivables		
to maturity	17,061	38,216
after maturity	0	0
Other receivables – total	17,780	42,177
Adjustments to receivables	352	1,632

10 OTHER INFORMATION

CHANGES IN ADJUSTMENTS TO DOUBTFUL DEBTS MAY BE ANALYSED AS FOLLOWS:

	2008	2007
	in CZK '000	in CZK '000
Opening balance as of 1 January	1,632	1,663
Adjustments created	0	0
Adjustments cancelled	-1,280	-31
Application for depreciation	0	0
Closing balance as of 31 December	352	1,632

RECEIVABLES AND PAYABLES FROM PASSIVE REINSURANCE

As of 31. 12. 2008, the company reports a negative payables balance towards reinsurers amounting to CZK 14,366,000, and reported a negative payables balance towards reinsurers of CZK 8,866,000 as at 31. 12. 2007.

TEMPORARY ASSETS AND LIABILITY ACCOUNTS

The company reports deferred costs and revenues in 2008 of CZK 21,622,000, and CZK 7,251,000 in 2007, prepaid expenses of CZK 706,000 in 2008, and CZK 1,455,000 in 2007, deferred revenue in 2008 of CZK 649,000, estimated asset items of CZK 891,000 in 2008 and CZK 1,573,000 in 2007 and estimated liability items of CZK 20,517,000 in 2008 and CZK 22,468,000 in 2007, which are namely comprised of an estimate ensuing from the settlement of reinsurance and an estimate of the costs of services consumed during the accounting period but not invoiced in this accounting period.

TANGIBLE FIXED ASSETS ACQUISITION COST

	1 January 2008 in CZK '000	Additions in CZK '000	Revaluation in CZK '000	Discarded in CZK '000	31 December 2008 in CZK '000
Structures	495	158	0	0	653
Separate movables and sets of movables	13,074	2,088	0	41	15,121
Acquired tangible assets	37	3,716	-2,012	0	1,741
Total	13,606	5,962	-2,012	0	17,516

	1 January 2007 in CZK '000	Additions in CZK '000	Revaluation in CZK '000	Discarded in CZK '000	31 December 2007 in CZK '000
Structures	495	0	0	0	495
Separate movables and sets of movables	11,682	1,392	0	0	13,074
Acquired tangible assets	0	1,359	-1,322	0	37
Total	12,177	2,751	-1,322	0	13,606

ADJUSTMENTS

		1 January 2008	1 January 2007	Depreciation 2008	Depreciation 2007	Revaluation 2008	Revaluation 2007	Discarded 2008	Discarded 2007	31 December 2008	31 December 2007
Separate movables and sets of movables	in CZK '000	4,491	1,530	3,321	2,961	0	0	-41	0	7,772	4,491
Total	in CZK '000	4,491	1,530	3,321	2,961	0	0	-41	0	7,772	4,491
Balance value	in CZK '000	9,115	10,647							8,003	9,115

Minor intangible and tangible assets, the value of which is CZK 14,660,000 in 2008 and CZK 11,652,000 in 2007, are recorded off-balance sheet.

**OWNER'S EQUITY
APPROVED AND ISSUED SHARES**

	Number	31 December 2008	31 December 2007
		in CZK '000	in CZK '000
Common shares with a nominal value of CZK 1,000, fully paid in full	1,000	100,000	100,000
Common shares with a nominal value of CZK 1,000, total	1,000	100,000	100,000
Sole shareholder:		31 December 2008	31 December 2007
Všeobecná zdravotní pojišťovna České republiky		100 %	100 %

TECHNICAL RESERVES

	Reserve for unearned premium	Insurance benefit reserve	Equalisation reserve	Total
	in CZK '000	in CZK '000	in CZK '000	in CZK '000
Opening balance as of 1 January 2008	72,962	75,896	56,493	205,351
Creation of reserves	175,854	303,071	0	478,925
Application of reserves	-165,819	-306,823	-56,493	-529,135
Closing balance as of 31 December 2008	82,997	72,143	0	155,140

	Reserve for unearned premium	Insurance benefit reserve	Equalisation reserve	Total
	in CZK '000	in CZK '000	in CZK '000	in CZK '000
Opening balance as of 1 January 2007	80,102	90,352	54,733	225,187
Creation of reserves	96,630	110,276	1,760	208,666
Application of reserves	-103,770	-124,732	0	-228,502
Closing balance as of 31 December 2007	72,962	75,896	56,493	205,351

OTHER LIABILITIES

	31 December 2008	31 December 2007
	in CZK '000	in CZK '000
Liabilities towards VZP	2,819	10,568
Other liabilities		
to maturity	37,873	12,600
after maturity	0	0
Other liabilities – total	40,692	23,168

DEFERRED INCOME TAX

The deferred income tax for the 2008 tax period is CZK 2,199,000, and CZK 923,000 for the 2007 tax period.

10 OTHER INFORMATION

ADDITIONAL INFORMATION TO THE PROFIT AND LOSS STATEMENT ADMINISTRATIVE COSTS

	2008	2007
	in CZK '000	in CZK '000
Personnel costs (salaries, social and health insurance, other social costs)	76,500	55,409
Materials consumed	1,776	1,023
Consulting	8,177	4,851
Other administrative costs	67,360	18,943
Total	153,813	80,226

ANALYSIS OF THE COMPANY'S EMPLOYEES

Recalculated employee numbers	2008	2007
Number of members of the board of directors who are employees	1	1
Average number of other managers	9.84	9.33
Average number of other employees	111.23	79.73
Total	121.07	89.06
Number of members of the supervisory board who are employees	0	0

Overview of salary costs (in CZK '000)	Management		Others		Total	
	2008	2007	2008	2007	2008	2007
Salary costs	12,718	8,620	42,823	29,406	55,541	38,026
Remuneration to members of statutory bodies	2,899	3,120	x	x	2,899	3,120
Social security costs	3,325	2,200	14,735	10,935	18,060	13,135
Other social costs	0	99	0	853	0	952

Besides the above amounts, shareholders, members of statutory and supervisory bodies and management personnel did not receive any other remuneration, whether monetary or in kind, during the course of 2008 or 2007.

CONTINGENT LIABILITIES

The company's management is not aware of any contingent liabilities as of 31 December 2008.

POST-BALANCE SHEET EVENTS

No events have occurred subsequent to the balance sheet date that would have a significant impact on the financial statements as of 31 December 2008.



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