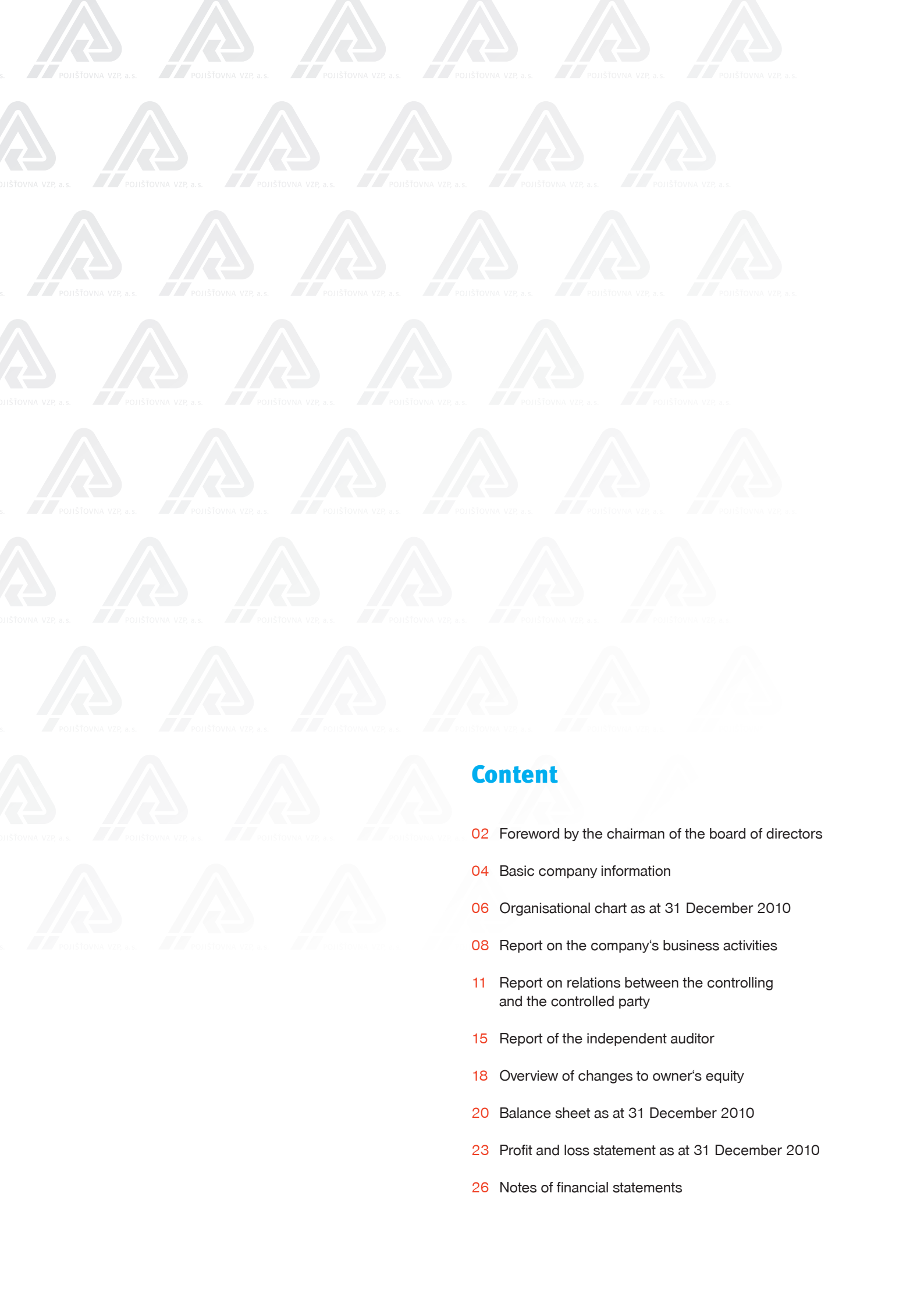




ANNUAL REPORT 2010



Content

- 02 Foreword by the chairman of the board of directors
- 04 Basic company information
- 06 Organisational chart as at 31 December 2010
- 08 Report on the company's business activities
- 11 Report on relations between the controlling and the controlled party
- 15 Report of the independent auditor
- 18 Overview of changes to owner's equity
- 20 Balance sheet as at 31 December 2010
- 23 Profit and loss statement as at 31 December 2010
- 26 Notes of financial statements



Foreword

by the chairman of the board of directors



MUDr. Pavel Horák, CSc., MBA –Chairman of the Board of Directors

Dear clients and business partners,

allow me, as the Chairman of the Board of Directors of Pojišťovna VZP, a.s., to comment upon the financial results of our insurance company for the elapsed accounting period.

2010 was an exceptionally demanding year for Pojišťovna VZP, a.s. In line with its overall business strategy, its development and with an eye on making continuous improvements to customer relationship management, the insurance company applied to the Czech National Bank for an expansion in the scope of authorised activities, and also focused on expanding its distribution network. Expanding the licences granted by the Czech National Bank will expand the product range that can be offered to clients, a reduction in product concentration, stabilisation of the portfolio and the prerequisites for the insurance company's gradual growth. Pojišťovna VZP, a.s. current has a fully functional and effective organisational structure capable of providing for all the processes in accordance with legislative requirements. It provides, in a high quality manner, for all processes, including claims settlement, has a diversified sales network, a standard information system allowing for the parameterisation of new products, and very good economic and underwriting results. The insurance company's development in the coming years thus has a healthy foundation.

Based on the economic and business indicators, the written premiums reported for last year surpassed sales generated in 2009, in spite of the fact that the overall economic situation has yet to come to terms with the manifestations of the global economic crisis. Unfavourable external effects of economic developments, in combination with a series of natural catastrophes and extreme events abroad, resulted in a decline in written travel insurance premiums, on account of travel insurance being very sensitive to any negative global events. We managed to off-set this effect by increased written premiums in the area of health insurance for foreigners, where our insurance company is the market leader in the Czech Republic. Another contributing factor was the change in legislative conditions, which increased transparency, standardisation of industry practice and quality of insurance protection for this category of customers.

In 2010, the insurance company continued in the implementation of the measures it had adopted during the previous year. The company generated savings of 4.18% by optimising administrative overheads. An effective business policy and marketing activities resulted in a 14.72% increase in written premiums on the preceding period. Profit before taxation amounted to CZK 30.77 million, and thus surpassed the amount prescribed in the business plan. There was also an increase in registered capital of CZK 29.80 million during the course of 2010, with CZK 25 million being applied from the company's profit after taxation, and the balance covered from the profit after taxation of VZP CR, the company's shareholder. We rate very favourably the insurance company's overall financial performance in 2010 and the stabilisation measures adopted. Thanks for these achievements go to the insurance company's management and staff, who make a good team, with their continued efforts guaranteeing a bright future.

What makes Pojišťovna VZP, a.s. a successful insurance company is its strong corporate culture, capable management and quality staff, whose objective is, first and foremost, customer satisfaction and the development of a purely Czech insurance company.

In conclusion, allow me to thank you all for your trust and custom in 2010 and express my strong belief that you will remain our satisfied customers and business partners in the years to come. In 2011, myself, the company's entire management and its employees will do all that we can to offer you new high quality insurance products so that you are satisfied with our services.

MUDr. Pavel Horák, CSc., MBA
Pojišťovna VZP, a.s.
Chairman of the Board of Director



Basic company information

Company name

Pojišťovna VZP, a.s.

Registered office of the company

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

Identification number

27116913

Incorporation of the company and entry into the Commercial Register

Entry into the Commercial Register was conducted on 16 January 2004 at the Municipal Court in Prague, section B, file No. 9100

Registered capita

CZK 149,800,000

Shares

1,000 registered shares in book-entry form with a nominal value of CZK 145,000 per share

30 registered shares in book-entry form with a nominal value of CZK 160,000 per share

Shareholders

The company's sole shareholder is Všeobecná zdravotní pojišťovna České republiky (General Health Insurance Company of the Czech Republic), with its registered office at Orlická 4/2020, Prague 3, Post Code 130 00, Identification No.: 411 97 518

Object of business

1. Insurance activities performed pursuant to Section 7(3) of Act No. 363/1999 Coll., on Insurance and on the Amendment of Certain Related Acts (the Insurance Act), as amended.
2. Activities related to insurance activities performed pursuant to Section 3(4) of Act No. 363/1999 Coll.
3. Insurance activities performed pursuant to Act No. 277/2009 Coll., on Insurance, as amended ("IA"), within the scope of the insurance classes stipulated in Annex No. 1 to the IA.
4. Activity related to insurance activities performed pursuant to the IA, namely: – educational activity in the insurance industry and other financial services.

Board of Directors

MUDr. Pavel Horák, CSc., MBA	chairman	in office since 17 September 2009
Ing. Jan Halama, MBA	vice-chairman	in office since 11 June 2009
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

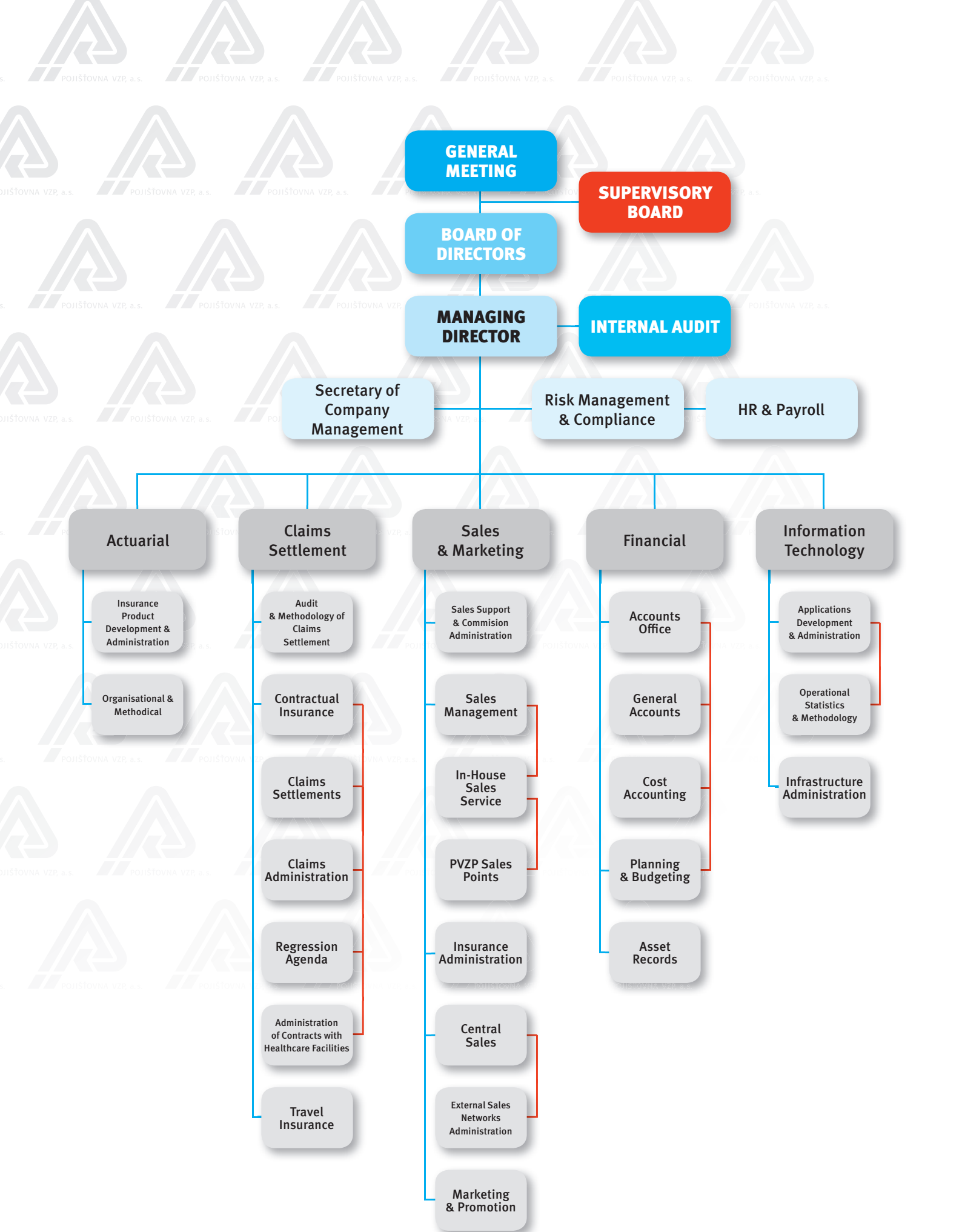
Supervisory Board

Ing. Martina Šrůtová	chairwoman	in office since 8 September 2010
Ing. Pavel Ptáčník	vice-chairman	in office since 8 September 2010
MUDr. Pavel Vepřek	member	in office since 1 August 2008

The company is represented jointly by two members of the Board of Directors.



Organisational chart as at **31 December 2010**





Report **on the company's** **business activities**

Business activities

In 2010 we managed to continue on from 2009, which was a very successful year commercially. The volume of written premiums reached CZK 439 million in 2010, which was an increase of CZK 56 million on the preceding year. This excellent result attained by both a further expansion of the external sales networks as well as by simultaneously increasing the volume of premiums written by the company's in-house sales service.

Sales in the health insurance for foreigners segment contributed most to this result, which is the best historically. VZP CR remains the most important business partner.

The overall result is all the more valuable in light of the economic situation that prevailed during 2010 and all of its ensuing impacts on our clients.

Claims settlement

In 2010, the insurance benefit cost, including claims settlement costs, for all products offered by the insurance company totalled CZK 138,721,000. Although written premiums increased by CZK 55,339,000, the volume of claims paid remained constant compared to the preceding year. This indicator is given by the structure of the product, its insurance conditions and the scope of the insurance protection rendered, which is analogous to public health insurance. During the given period, the insurance company placed emphasis on the speed and quality of the claims settlement process as regards its clients as well as healthcare facilities. Factors contributing to this achievement included the advanced software program employed for claims settlement, which ensures that the claims settlement process is fast, precise and problem-free, the co-operation with our business partners, particularly with companies providing assistance services at a professional level and, last but not least, the excellent co-operation with an ever-expanding network of contracted healthcare facilities.

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 security in operating all of its products.

Based on these requirements, the reinsurance programme employed by Pojišťovna VZP, a.s. in 2010, arranged via Van Breda Risk & Benefits, a reinsurance broker, was built on co-operation with high quality and long-standing business partners, namely Munich Re, RGA International Reinsurance Cy Ltd. and INTER PARTNER ASSISTANCE, S.A.

In 2010, the products Insurance of Medical Expenses Incurred Abroad, Basic Health Insurance for Foreigners and Health Insurance for Foreigners were always reinsured using a combination of quota reinsurance and excess of loss reinsurance.

Thanks to an appropriate combination of both types of insurance, we can state with confidence that the insurance port-

folio of Pojišťovna VZP, a.s. is well protected from unfavourable developments in insurance claims as well as from unforeseeably costly insurance claims.

Risk management and compliance

The conditions for managing risks in an integrated manner were put in place at the end of the first quarter of 2010, i.e. the management and control system is configured as an integrated risk management system. This eliminated the fragmented approach, whereby although the risk assessment procedure was of a high quality, it was nevertheless managed separately, without being co-ordinated across the company.

Just as the configuration of the management and control system employed at Pojišťovna VZP, a.s. was based on the requirements and brief contained in Section 7 of Act No. 277/2009 Coll., the Insurance Act, the manner in which risks are managed at Pojišťovna VZP, a.s. is also based precisely on the requirements contained in Decree No. 434/2009 Coll., implementing some of the provisions of the Insurance Act, and contains a prescription of the internal definitions of risks, the principles for determining the significance of individual risks, a determination of the principles and methods of management and a determination of the principles of compiling and amending emergency plans for these risks: insurance, market, credit, operating (including legal), liquidity and concentration risk. The company is not exposed to any material price, credit and liquidity risks or to risks related to cash flow.

The risk management and compliance office strives to manage all risks, anticipate their possible occurrence, as well as prevent possible losses associated with these risks. This office attempts to eliminate risks, particularly operating risks, by way of the company's internal rules, which prescribe the processes and control mechanisms. The risk management and compliance office regularly monitors and evaluates key strategic risks in accordance with valid internal regulations.

The strategy employed by Pojišťovna VZP, a.s. is configured so as to enable the company to respond appropriately to steps taken by its competitors and to be prepared to launch new insurance products onto the market. The overall business strategy of Pojišťovna VZP, a.s. for 2010 – 2013 is made up of ten strategic objectives aimed at guaranteeing the long-term prospects of Pojišťovna VZP, a.s. on the Czech market. The configuration of the company's strategic objectives emphasises the ability of Pojišťovna VZP, a.s. to implement its overall business strategy, namely in relation to the necessary resources and the required time frame. Pojišťovna VZP, a.s. will utilise its own staff as well as external service providers to attain the individual strategic objectives. The decisive criteria will be the professionalism of the performance, the effectiveness of the resources invested and prudent approach within the meaning of the requirements prescribed by the regulator (the Czech National Bank) for the activities conducted by Pojišťovna VZP, a.s. The risk management process is an integral part of normal organisational activities and works with the established strategic objectives.

In 2010, an analysis was conducted of the legal environment at Pojišťovna VZP, a.s., i.e. identification of all valid internal rules and their aspect from the viewpoint of their legality and their mutual conformity, which was the basic prerequisite for the introduction of the compliance function at Pojišťovna VZP, a.s. A comprehensive overview of the generally binding legal regulations pertaining to the activities undertaken by Pojišťovna VZP, a.s. was conducted in connection with this overview of the company's internal rules. The regular update of this comprehensive overview will allow for changes in generally binding legal regulations to be incorporated into the internal rules and activities of Pojišťovna VZP, a.s. in a timely manner. Overview of and control over the internal rules of Pojišťovna VZP, a.s. is of fundamental significance for the due performance of the compliance function, risk management, as well as for the entire management and control system. Another benefit ensuing from the execution of the compliance function is that Pojišťovna VZP, a.s. now has embedded institutions required by the Czech National Bank, as the supervisory body, for the due operation of management and control system. In implementing the compliance function at Pojišťovna VZP, a.s., emphasis is being placed on it becoming a part of corporate culture and being realised as standard by all Pojišťovna VZP, a.s. employees as part of their regular activities.

Other events

No events have occurred subsequent to the balance sheet date that would have any impact on 2010. The company's management is not aware of any post-balance sheet events that would influence, in a significant manner, the company's financial position as of the balance sheet date.

Pojišťovna VZP, a.s., as part of labour-law relations, proceeds in accordance with and rigorously adheres to valid legislation.

Company developments in 2011

Pojišťovna VZP, a.s. will endeavour to increase its market value and market share in accordance with the strategy adopted for 2010-2013. In order to attain this objective, the insurance company applied to the Czech National Bank for the granting of a licence for other types of insurance in the non-life insurance class. This licence was granted to the insurance company in autumn 2010. The Expansion 2010 project continues this year as regards the expansion of the product portfolio.



Report

on relations between the controlling and the controlled party for the **2010** financial period pursuant to **section 66a(9)** of act No. 513/1991 coll., the commercial code

The Board of Directors of Pojišťovna VZP, a.s. ID No.: 271 16 913, with its registered office at Jankovcova 1566/2b, Prague 7, Holešovice, Post Code 170 00, entered in the Commercial Register kept by the Municipal Court in Prague, compiled, in accordance with Section 66a(9) of Act No. 513/1991 Coll., the Commercial Code, as amended, this report on relations between Všeobecná zdravotní pojišťovna CR, ID No.: 41197518 with its registered office at Orlická 4/2020 ("VZP CR"), as the controlling party, and Pojišťovna VZP, a.s., as the controlled party for the accounting period from 1 January 2010 to 31 December 2010 (the "monitored accounting period").

The commercial company Pojišťovna VZP, a.s. was a subsidiary of VZP CR during the monitored accounting period, with VZP CR, holding a 100 % shareholding in Pojišťovna VZP, a.s. as its parent company.

I. Controlling party

Všeobecná zdravotní pojišťovna České republiky is a controlling party within the meaning of Section 66a of Act No. 513/1991 Coll., the Commercial Code, as amended.

II. Controlled party

The commercial company Pojišťovna VZP, a.s., ID No.: 271 16 913, with its registered office at Jankovcova 1566/2b, Prague 7, Holešovice, Post Code 170 00, entered in the Commercial Register kept by the Municipal Court in Prague Section B, File No. 9100, is a controlled party within the meaning of Section 66a of Act No. 513/1991 Coll., the Commercial Code, as amended.

III. Other related parties

Besides VZP CR and the commercial company Pojišťovna VZP, a.s., there are no other related parties within the meaning of Section 66a of Act No. 513/1991 Coll., the Commercial Code, as amended.

IV. Relations between the controlling and the controlled party

VZP CR, as the controlling party, is a 100% owner of the commercial company Pojišťovna VZP, a.s., as the controlled party.

All relations between VZP CR and Pojišťovna VZP, a.s. ensue in part from relations regulated by Act No. 513/1991 Coll., the Commercial Code, as amended, and/or are regulated between the controlled and controlling party pursuant to civil contracts (including contracts concluded pursuant to Act No. 513/1991 Coll., the Commercial Code, as amended).

V. SV. Contracts concluded between the controlled and the controlling party during the monitored accounting period

The following contracts, with the subsequent subject of performance, were concluded between the controlled and the controlling party during the monitored accounting period:

Contracting parties	Contract type	Subject of the contract
Pojišťovna VZP, a.s. and VZP CR	Refund Contract dated 25 January 2010	The subject of this contract is the obligation of Pojišťovna VZP, a.s. to arrange for the provision of work associated with the modification and expansion of the Offline client application, to which Pojišťovna VZP, a.s. holds a licence, for the VZP CR network. The Offline client for the StarINS operational and information system is designed for processing contractual and travel insurance agenda in the event of an outage in the computer network or other inaccessibility to the central information system for the said types of insurance.
Pojišťovna VZP, a.s. and VZP CR	Amendment No 7, dated 21 May 2010, to the Contract on Commercial Representation dated 31 March 2008	The Contract on Commercial Representation dated 31 March 2008 regulates the commercial relations existing between the contracting in the insurance area. The subject of Amendment No. 7 is the agreement of the contracting parties on the provision of discounts on selected insurance products sold by VZP CR (as an insurance broker) as well as the expansion of the insurance products to which VZP CR is empowered by VZP, a.s. as an insurance broker.
Pojišťovna VZP, a.s. and VZP CR (and Česká podnikatelská pojišťovna)	Framework Insurance Agreement No. 1875000259 "Sea Horse 2010" dated 20 May 2010 in the wording of Amendment No. 1 dated 21 July 2010	Under this agreement, Pojišťovna VZP, a.s. arranges, in co-operation with Česká podnikatelská pojišťovna, insurance of medical expenses incurred by VZP CR policyholders (children) whilst on curative stays abroad.
Pojišťovna VZP, a.s. and VZP CR	Framework Agreement No. 1875000325 and No. 1875000336 (Flood 2010) dated 16 August 2010	This agreement shall provide complete travel insurance protection to persons embarking on curative stays organised by VZP CR as part of humanitarian aid provided to families affected by the devastating floods of August 2010.
Pojišťovna VZP, a.s. and VZP CR	Agreement on the Termination of the Contract on the Lease of Movable Assets and Other Arrangements No. N – 99 dated 30 September 2010	Agreement concluded by the contracting parties on the termination of the contractual relationship established under the Contract on the Lease of Movable Assets and Other Arrangements No. N – 99 – electric security equipment.
Pojišťovna VZP, a.s. and VZP CR	Agreement on the Termination of the Contract on Co-Operation in the Computer Technology Area (dated 11 January 2008) concluded on 29 November 2010	Dohoda smluvních stran o tom, že smluvní vztah založený Smlouvou o spolupráci v oblasti výpočetní techniky ze dne 11.1.2008 (ve znění dodatků č. 1 ze dne 23.7.2009, dodatku č. 2 ze dne 4.1.2010) končí.
Pojišťovna VZP, a.s. and VZP CR	Contract No. 01/2010 on Co-Operation in the Computer Technology Area dated 29 November 2010	The commitment of VZP CR to arrange, for the workplaces of the commercial company Pojišťovna VZP, a.s., located in the leased office premises of VZP CR at agreed locations of VZP CR, pursuant to the Framework Agreement on Co-Operation dated 1 June 2007, equipped with computer technology and printers purchased by Pojišťovna VZP, a.s., the services specified in Art. II. of this contract (e.g. user support in resolving incidents connected with the operation of PCs and printers, maintenance of printers connected locally, installation of programs supplied by Pojišťovna VZP, a.s. etc.) .

The performance and counter-performance rendered on the basis of the above contracts and agreements were realised under normal market conditions and in accordance with generally binding legal regulations.

I. Other performance rendered by the controlled party to the controlling party

Aside from performance rendered on the basis of the above contracts and agreements, Pojišťovna VZP, a.s. did not render any other performance to VZP CR during the monitored accounting period.

II. Other measures carried out in the interest or at the instigation of the controlling party

No other measures, besides regular measures carried out pursuant to the provisions of generally binding legal regulations by the controlled party in relation to the controlling party, were realised or carried out in the interest or at the instigation of the controlling party during the course of the monitored accounting period.

III. Losses arising to the controlled party and the manner of their settlement

The controlled party did not suffer any loss on the basis of the contracts concluded, other legal bases, other measures and performance rendered or counter-performance received.

IV. Guarantees

The controlling party did not extend any guarantees to the controlled party.

V. Conclusion

Based on the above, it can be stated that the relations existing between these two entities are proceeding on the basis of contracts concluded in a correct manner and without either of the parties receiving preferential treatment pursuant to Act No. 513/1991 Coll., the Commercial Code, as amended, and other Czech legislation.

This Annual Report was compiled by the Board of Directors of Pojišťovna VZP, a.s. pursuant to Section 66a of Act No. 513/1991 Coll., the Commercial Code, as amended, on 28 March 2011.



Report **of the independent** **auditor**

Independent Auditor's Report for the shareholders of Pojišťovna VZP, a.s.

We have audited the accompanying financial statements of Pojišťovna VZP, a.s., which comprise the balance sheet as of 31 December 2010, the income statement, statement of changes in equity, for the year then ended and a summary of significant accounting policies and other explanatory notes. Information about Pojišťovna VZP, a.s. is presented in Note 1. 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 of financial statements that give a true and fair view in accordance with Czech accounting regulations and for such internal control as statutory body determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 laws and regulations 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 of the financial statements that give a true and fair view 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.



This document is an English translation of the Czech auditor's report.
Only the Czech version of the report is legally binding.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Pojišťovna VZP, a.s. as of 31 December 2010, and of its financial performance for the year then ended in accordance with Czech accounting regulations.

Other Matter

The financial statements of Pojišťovna VZP, a.s. for the year ended December 31, 2009, were audited by another auditor who expressed an unmodified opinion on those statements on 26 March 2010.

Prague, 28 March 2011

Mazars Audit s.r.o.
Licence number 158
Pobřežní 620/3
186 00 Praha 8

Represented by:

Pavel Škraňka
Partner

Milan Prokopius
Auditor, licence number 2022

MAZARS AUDIT S.R.O., POBŘEŽNÍ 620/3, PRAHA 8 - 186 00
TEL.: +420 224 835 730 - FAX: +420 224 835 799 - www.mazars.cz

IČ: 63986884, DIČ: CZ63986884, ZAPSANÁ V OBCHODNÍM REJSTŘÍKU VEDENÉM MĚSTSKÝM SOUDEM V PRAZE - ODDÍL: C, VLOŽKA 38404

Praxity
MEMBER
INDEPENDENT FIRM



Overview of changes to owner's equity

	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 January 2009	100 000	10 127	115	41 487	30 568	182 298
Profit/loss for the accounting period	0	0	0	0	19 297	19 297
<i>of that: net profit/loss for the accounting period *)</i>	0	0	0	0	10 690	10 690
Dividends	0	0	0	0	- 20 000	- 20 000
Transfers to funds	0	1 528	3 111	0	- 4 639	0
Application of funds	0	0	- 1 983	0	0	- 1 983
Retained profit	0	0	0	5 930	- 5 930	0
Increase in registered capital	20 000	0	0	- 20 000	0	0
Balance as of 31 December 2009	120 000	11 655	1 243	27 417	19 297	179 613
Balance as of 1 January 2010	120 000	11 655	1 243	27 417	19 297	179 613
Profit/loss for the accounting period	0	0	0	0	23 959	23 959
<i>of that: net profit/loss for the accounting period *)</i>	0	0	0	0	5 104	5 104
Dividends	0	0	0	0	-17 000	- 17 000
Transfers to funds	0	964	3 751	- 2 417	- 2 297	0
Application of funds	0	0	- 2 538	0	0	- 2 538
Retained profit	0	0	0	0	0	0
Increase in registered capital	29 800	0	0	- 25 000	0	4 800
Balance as of 31 December 2010	149 800	12 619	2 456	0	23 959	188 834



Balance sheet **as at 31 December 2010**

Legend

Line No.	Prior period (Net amount) in CZK '000	Gross amount in CZK '000	Adjustment in CZK '000	Net amount in CZK '000
----------	---	-----------------------------	---------------------------	---------------------------

ASSETS					
A. Receivables for subscribed capital	1	0	0	0	0
B. Intangible fixed assets, of this:	2	68,718	126,862	80,414	46,448
a) establishment costs	3	0	1,866	1,866	0
b) goodwill	4	0	0	0	0
C. Financial placements (investments)	5	208,126	265,200	0	265,200
I. Land and structures (real estate), of this:	6	550	550	0	550
a) operating real estate	7	550	550	0	550
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	207,576	264,650	0	264,650
1. Shares and other securities with a variable yield, other ownership interests	14	0	0	0	0
2. Debentures	15	207,576	241,646	0	241,646
3. Financial placements in investment groups	16	0	0	0	0
4. Other loans	17	0	0	0	0
5. Deposits with financial institutions	18	0	23,004	0	23,004
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	60,638	32,958	0	32,958
I. Receivables from direct insurance transactions	23	24,257	14,031	0	14,031
1. Receivables from policyholders	24	10,493	3,068	0	3,068
2. Receivables from brokers	25	13,764	10,963	0	10,963
II. Receivables from reinsurance transactions	26	12,613	5,511	0	5,511
III. Other receivables	27	23,767	13,416	0	13,416
F. Other assets	28	53,810	81,914	14,201	67,713
I. Tangible fixed assets other than land and structures (real estate), and inventories	29	13,828	25,905	14,201	11,704
II. Cash at bank and cash in hand	30	39,982	55,793	0	55,793
III. Other assets	31	0	216	0	216
G. Temporary asset accounts	32	35,707	37,942	0	37,942
I. Accrued interest and rent	33	0	0	0	0
II. Deferred acquisition costs of insurance policies, of this separately:	34	27,910	34,340	0	34,340
a) concerning life insurance	35	0	0	0	0
b) concerning non-life insurance	36	27,910	34,340	0	34,340
III. Other temporary asset accounts, of this:	37	7,797	3,602	0	3,602
a) estimated assets	38	2,329	726	0	726
TOTAL ASSETS	39	426,999	544,876	94,615	450,261

Legend

POJIŠTOVNA VZP, a.s.

POJIŠTOVNA VZP, a.s.

Line No.	Prior period (Net amount) in CZK '000	Gross amount in CZK '000	Adjustment in CZK '000	Net amount in CZK '000
LIABILITIES				
A. Owner's equity	40	179,613		188,834
I. Registered capital, of this:	41	120,000		149,800
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	12,899		15,074
VI. Retained profit from previous years or accumulated losses from previous years	48	27,417		0
VII. Profit or loss of current year	49	19,297		23,959
B. Subordinated liabilities	50	0		0
C. Technical reserves	51	165,556	238,451	212,522
1. Reserve for unearned premiums	52	124,801	188,618	168,449
of this: a) Reserve for unearned premium pertaining to life insurance	53	0	0	0
b) Reserve for unearned premium pertaining to non-life insurance	54	124,801	188,618	168,449
2. Reserve for life insurance premium	55	0	0	0
3. Insurance benefit reserve	56	40,755	49,833	44,073
of this: a) Insurance benefit reserve pertaining to life insurance	57	0	0	0
b) Insurance benefit reserve pertaining to non-life insurance	58	40,755	49,833	44,073
4. Reserve for bonuses and rebates	59	0	0	0
of this: a) Reserve for bonuses and rebates pertaining to life insurance	60	0	0	0
b) Reserve for bonuses and rebates pertaining to non-life insurance	61	0	0	0
5. Equalisation reserve	62	0	0	0
6. Reserve for the meeting of liabilities ensuing from the technical interest rate applied	63	0	0	0
7. Reserve for non-life insurance premium	64	0	0	0
of this: a) Reserve for non-life insurance premium pertaining to life insurance	65	0	0	0
b) Reserve for non-life insurance premium pertaining to non-life insurance	66	0	0	0
8. Other reserves	67	0	0	0
of this: a) Other reserves pertaining to life insurance	68	0	0	0
b) Other reserves pertaining to non-life insurance	69	0	0	0
D. Technical reserve for life insurance, in the policyholder is the bearer of investment risks	70	0	0	0
E. Reserves on other risks and losses	71	0		0
1. Reserve for pensions and similar liabilities	72	0		0
2. Reserve for taxes	73	0		0
3. Other reserves	74	0		0
F. Deposits for passive reinsurance	75	0		0
G. Creditors	76	56,370		41,003
I. Liabilities from direct insurance transactions, of this:	77	10,722		2,073
II. Liabilities from reinsurance transactions	78	2,839		11,326
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	42,810		27,604
a) taxes payable and social security liabilities	83	6,457		8,293
VI. Guarantee Fund of the Office	84	0		0
H. Temporary liabilities	85	25,461		7,903
I. Accrued expenses and deferred income	86	4,434		3,956
II. Other temporary liabilities, of this:	87	21,027		3,946
a) estimated liabilities	88	21,027		3,946
TOTAL LIABILITIES	89	426,999		450,261



Profit and loss statement as at 31 December 2010

Legenda

	Line No.	Past period (Result) in CZK '000	Base in CZK '000	Sub-total in CZK '000	Result in CZK '000
I. TECHNICAL ACCOUNT FOR NON-LIFE INSURANCE					
1. Earned premiums, net of reinsurance:	1	x	x	x	x
a) written gross premiums	2	x	439,149	x	x
b) premiums assigned to reinsurers	3	x	52,116	387,033	x
c) change in the gross amount of reserve for unearned premiums (+/-)	4	x	48,891	x	x
d) change in reserve for unearned premiums – reinsurers share (+/-)	5	294,678	5,541	43,350	343,683
2. Transferred revenue from financial placements (investments) from the Non-Technical Account (item III.6.)	6	7,951	x	x	4,248
3. Other technical revenue, net of reinsurance	7	352	x	x	0
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	138,721	x	x
ab) share to reinsurers	11	x	14,542	124,178	x
b) change in reserve for insurance benefits (+/-):	12	x	x	x	x
ba) gross amount	13	x	986	x	x
bb) share to reinsurers	14	50,538	- 2,333	3,319	127,497
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	80,251	x
b) change in accrued acquisition costs (+/-)	19	x	x	6,430	x
c) administrative overheads	20	x	x	118,635	x
d) reinsurers fees and shares in profits	21	235,024	x	0	192,455
8. Other technical costs, net of reinsurance	22	407	x	x	465
9. Change in balancing reserve (+/-)	23	0	x	x	0
10. Sub-total, balance (result) of Technical Account for non-life insurance (item III.1.)	24	17,011	x	x	27,515
II. TECHNICAL ACCOUNT FOR LIFE INSURANCE					
1. Earned premiums, net of reinsurance:	25	x	x	x	x
a) written gross premiums	26	x	x	0	x
b) premiums assigned to reinsurers	27	x	x	0	x
c) change in reserve for unearned premiums, net of reinsurance (+/-)	28	0	x	0	0
2. Revenues from financial placements (investments):	29	x	x	x	x
a) revenues from participation interests, with special mention of those from controlled entities	30	x	x	0	x
b) revenues from other financial placements (investments), with special mention of those from controlled entities, of this:		x	x	x	x
ba) revenues from land and structures	32	x	0	x	x
bb) revenues from other investments	33	x	0	0	x
c) change in the value of financial placements (investments)	34	x	x	0	x
d) revenues from the realisation of financial placements (investments)	35	0	x	0	0
3. Additions to the value of financial placements (investments)	36	0	x	x	0
4. Other technical revenues, net of reinsurance	37	0	x	x	0
5. Costs of insurance benefits, net of reinsurance:	38	x	x	x	x
a) costs of insurance benefits:	39	x	x	x	x
aa) gross amount	40	x	0	x	x
ab) reinsurers' share	41	x	0	0	x
b) change in reserve for insurance benefits (+/-):	42	x	x	x	x
ba) gross amount	43	x	0	x	x
bb) reinsurers' share	44	0	0	0	0
6. Change in other technical reserves, net of reinsurance (+/-):	45	x	x	x	x
a) change in the reserve for life insurance premiums:	46	x	x	x	x
aa) change in gross amount	47	x	0	x	x
ab) reinsurers' share	48	x	0	0	x
b) change in other technical reserves, net of reinsurance	49	0	x	0	0

Legend

	Line No.	Past period (Result) in CZK '000	Base in CZK '000	Sub-total in CZK '000	Result in CZK '000
7. Premiums and discounts, net of reinsurance	50	0	x	x	0
8. Net operating costs:	51	x	x	x	x
a) acquisition costs of insurance policies	52	x	x	0	x
b) change in accrued acquisition costs (+/-)	53	x	x	0	x
c) administrative overheads	54	x	x	0	x
d) reinsurers fees and shares in profits	55	0	x	0	0
9. Costs of financial placements (investments):	56	x	x	x	x
a) costs of managing financial placements (investments), including interest	57	x	x	0	x
b) change in the value of financial placements (investments)	58	x	x	0	x
c) costs related to the realisation of financial placements (investments)	59	0	x	0	0
10. Reductions in the value of financial placements (investments)	60	0	x	x	0
11. Other technical costs, net of reinsurance	61	0	x	x	0
12. Transfer of revenues from financial placements (investments) to the Non-Technical Account (item III.4.)	62	0	x	x	0
13. Sub-total, balance (result) of Technical Account for life insurance (item III.2.)	63	0	x	x	0
III. NON-TECHNICAL ACCOUNT					
1. Result of Technical Account for non-life insurance (item I.10.)	64	17,011	x	x	27,515
2. Result of Technical Account for life insurance (item II.13.)	65	0	x	x	0
3. Revenues from financial placements (investments):	66	x	x	x	x
a) revenues from participation interests, with special mention of those from controlled entities	67	x	x	0	x
b) revenues from other financial placements (investments), with special mention of those from controlled entities, of this:		x	x	x	x
ba) revenues from land and structures (real estate)	69	x	0	x	x
bb) revenues from other investments	70	x	5,056	5,056	x
c) change in the value of financial placements (investments)	71	x	x	562	x
d) revenues from the realisation of financial placements (investments)	72	86,405	x	141,106	146,724
4. Revenues from financial placements (investments) transferred from the Technical Account for life insurance (item II.12.)	73	0	x	x	0
5. Costs of financial placements (investments):		x	x	x	x
a) costs of managing financial placements (investments), including interest	75	x	x	1,097	x
b) change in the value of financial placements (investments)	76	x	x	0	x
c) costs related to the realisation of financial placements (investments)	77	75,714	x	140,487	141,584
6. Transfer of revenues from financial placements (investments) to the Technical Account for non-life insurance (item I.2.)	78	7,951	x	x	4,248
7. Other revenues	79	8,247	x	x	7,415
8. Other costs	80	3,080	x	x	5,105
9. Income tax on ordinary activities	81	4,385	x	x	8,505
10. Profit or loss from ordinary activities after tax	82	20,532	x	x	22,212
11. Extraordinary revenues	83	46	x	x	60
12. Extraordinary costs	84	0	x	x	0
13. Extraordinary profit or loss	85	46	x	x	60
14. Income tax on extraordinary activities	86	0	x	x	0
15. Other taxes not included in previous items	87	1,281	x	x	-1,688
16. Profit or loss for the accounting period (item III.3.)		19,297	x	x	23,959



Notes of financial statements

Accounting principles

Additional information

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. There was no change in the company's accounting methods and procedures during the course of 2010.

In 2010, there was a CZK 14,194,000 decline on 2009 in the assets and liabilities in the area of short-term liabilities and receivables. This concerns the cancellation of a through item (account 368 000), by way of which counter entries were made in respect of receivables from the operating system for the conclusion of insurance policies against insurance intermediaries. At the close of 2010, account 368 000 ceased to be used for this purpose and receivables against insurance intermediaries are now posted directly. It also concerns the balancing of the through item on account 327 000 serving for the transfer of liabilities from the program for insurance benefits, with this account always balanced as of 31 December, i.e. set to zero, and an estimated item for potential claims created.

In 2010, there was an extraordinary write-off of CZK 3,176,000 from the insurance portfolio for reason of its overvaluation.

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 expensed 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 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 HIF.

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. The accuracy of the creation of technical reserves is confirmed by the responsible actuary pursuant to Section 81, par. 2 of Act No. 277/2009 Coll., on Insurance.

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

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

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 of 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.

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. 277/2009 Coll., on Insurance.

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 re-valued 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 organized 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

Short-term deposits held with banks are posted at their nominal values upon their establishment. At the end of the accounting period these assets are re-valued to their fair value, comprising of their nominal value including interest accruals.

Long-term deposits are posted at their acquisition cost, which represents their nominal value. Interest accruals ensuing from long-term deposits are posted to revenues at the end of the accounting period.

Derivative financial instruments

The company does not employ any derivative financial instruments.

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.

Transfer of revenue from financial placements (investments) to the Technical Account – non-life insurance

The transfer of revenue from the non-technical account to the technical account is carried out at the ratio of technical reserves and financial placements, for reason of the allocation of revenue from financial placements pertaining to non-life insurance.

Intangible fixed assets (IFA)

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	60 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 up to CZK 60,000 is expensed upon consumption while at the same time being recorded as a minor intangible fixed asset in off-balance sheet accounts and asset records.

Tangible fixed assets (TFA)

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	3/4 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.

Tangible assets having a useful life in excess of one year and an acquisition cost of up to CZK 40,000 are expensed at acquisition and entered in asset records and in off-balance sheet accounts as minor tangible fixed assets.

Conversion of foreign currencies

Foreign currency transactions are converted to 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. An adjustment was created in 2010 for a bad debt receivable in the amount of CZK 21,000. This adjustment was dissolved as of 31 December 2010.

Supplementary pension insurance

The company pays its employees a contribution towards their supplementary pension insurance.

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

An income tax reserve was not created on account of the enumeration and charging of the tax for 2010 into this accounting period.

Reserve for undrawn holiday leave

A reserve for undrawn holiday for 2010 was not created for reason of the constant balance of undrawn holiday leave in past years and for reason of their insignificance.

Advance towards income tax

Advances towards income tax were paid during the course of the year in accordance with the prescribed deadlines. Tax arrears for 2010 of CZK 2,483,360 is reported in the liability accounts as a commitment towards the state budget.

Accounting, tax consulting and statutory audit costs

The total accounting, tax consulting and statutory audit for 2010 amounted to CZK 1,247,000, with CZK 420,000 representing the cost of conducting the audit, tax consulting costing CZK 391,000 and accounting costs amounting to CZK 436,000.

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.

Overview of commissions

In 2010, the total value of commissions as part of direct insurance reached CZK 60,754,000, and CZK 64,781,000 in 2009.

Intangible fixed assets

Acquisition cost	1 January 2010 in CZK '000	Additions in CZK '000	Revaluation in CZK '000	Discarded in CZK '000	31 December 2010 in CZK '000
Establishment costs	1,866	0	0	0	1,866
Software	99,411	5,051	0	0	104,462
Revaluation difference	19,583	0	0	0	19,583
Valuable rights	162	0	0	0	162
Acquired intangible assets	358	5,483	- 5,051	0	790
Advances paid	0		0		0
Total	121,380				126,863

Acquisition cost	1 January 2009 in CZK '000	Additions in CZK '000	Revaluation in CZK '000	Discarded in CZK '000	31 December 2009 in CZK '000
Establishment costs	1,866	0	0	0	1,866
Software	88,642	10,769	0	0	99,411
Revaluation difference	19,583	0	0	0	19,583
Valuable rights	162	0	0	0	162
Acquired intangible assets	3,692	7,435	- 10,769	0	358
Advances paid	0		0		0
Total	113,945				121,380

Adjustments	1 January 2010 in CZK '000	Depreciation in CZK '000	Revaluation in CZK '000	Discarded in CZK '000	31 December 2010 in CZK '000
Establishment costs	1,866	0			1,866
Software	43,347	23,269			66,616
Valuable rights	159	3			162
Revaluation difference	7,289	4,481			11,770
Total	52,661	27,753			80,414
Balance value	68,361				45,659

Adjustments	1 January 2009 in CZK '000	Depreciation in CZK '000	Revaluation in CZK '000	Discarded in CZK '000	31 December 2009 in CZK '000
Establishment costs	1,835	31			1,866
Software	21,977	21,370			43,347
Valuable rights	132	27			159
Revaluation difference	5,984	1,305			7,289
Total	29,929	22,732			52,661
Balance value	80,325				68,361

Financial placements

Type of financial placement

	31 December 2010		31 December 2009	
	Fair value in CZK '000	Acquisition cost in CZK '000	Fair value in CZK '000	Acquisition cost in CZK '000
Fixed-income securities	241,646	248,766	207,575	211,546
Deposits at banks	23,004	23,000		
Total	264,650	271,766	207,575	211,546

Other receivables

	31 December 2010 in CZK '000	31 December 2009 in CZK '000
Receivables against VZP	3,132	3,161
	to maturity	10,284
Other receivables	after maturity	20,606
Total receivables	13,416	23,767

Adjustments to receivables

	2010 in CZK '000	2009 in CZK '000
Opening balance as of 1 January	0	352
Adjustments created	0	0
Adjustments cancelled	0	- 352
Application for depreciation	0	0
Closing balance as of 31 December	0	0

Pojišťovna VZP, a.s. does not record any receivables with a term to maturity in excess of five years.

Receivables and payables from passive reinsurance

As of 31.12.2010, the company reports an active payables balance towards reinsurers amounting to CZK 5,815,000, and reported a negative payables balance towards reinsurers of CZK 9,775,000 as of 31.12.2009. This difference is namely due to the billing of the advances paid to reinsurers for 2010 on their part.

Temporary assets and liability accounts

The company reports deferred costs and revenues in 2010 of CZK 37,217,000, and CZK 33,378,000 in 2009, prepaid expenses of CZK 3,956,000 in 2010, and CZK 4,434,000 in 2009, deferred revenue in 2010 show a zero balance just as they did in 2009, estimated asset items in 2010 amounted to CZK 726,000, with these items having a balance amount of CZK 2,329,000 in 2009. Estimated liability items amounted to CZK 3,946,000 in 2010 and CZK 21,027,000 in 2009, 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 2010 in CZK '000	Additions in CZK '000	Revaluation in CZK '000	Discarded in CZK '000	31 December 2010 in CZK '000
Structures	550				550
Separate movables and sets of movables	18,378	512		- 371	18,519
Acquired tangible assets	6,798	588			7,386
Total	25,726	1,100		- 371	26,455

Acquisition cost	1 January 2009 in CZK '000	Additions in CZK '000	Revaluation in CZK '000	Discarded in CZK '000	31 December 2009 in CZK '000
Structures	653	55		- 158	550
Separate movables and sets of movables	15,121	3,486		- 230	18,378
Acquired tangible assets	1,741	8,067		- 3,010	6,798
Total	17,516	11,608		- 3,398	25,726

Adjustments	1 January 2010 in CZK '000	Depreciation in CZK '000	Revaluation in CZK '000	Discarded in CZK '000	31 December 2010 in CZK '000
Separate movables and sets of movables	11,347	3,225	0	- 371	14,201
Total	11,347	3,225	0	- 371	14,201
Balance value	7,581				4,868

Adjustments	1 January 2009 in CZK '000	Depreciation in CZK '000	Revaluation in CZK '000	Discarded in CZK '000	31 December 2009 in CZK '000
Separate movables and sets of movables	7,772	3,805	0	- 230	11,347
Total	7,772	3,805	0	- 230	11,347
Balance value	8,003				7,581

Minor intangible and tangible fixed assets are recorded in off-balance sheet accounts, with the value of minor tangible fixed assets (MTFA) as the balance sheet date amounting to CZK 14,445,000, and the value of minor intangible fixed assets (MIFA) amounting to CZK 1,816,000 as of 31 December 2010; in 2009, the value of MTFA amounted to CZK 14,035,000, with the value of MIFA in 2009 amounting to CZK 1,781,000.

Owner's equity

Approved and issued shares

	Number	31 December 2010 in CZK '000
Common shares with a nominal value of CZK 145,000, fully paid	1,000	145,000
Common shares with a nominal value of CZK 160,000, fully paid	30	4,800
Common shares, total	1,030	149,800

	Number	31 December 2009 in CZK '000
Common shares with a nominal value of CZK 120,000, fully paid	1,000	120,000
Common shares, total	1,000	120,000

Sole shareholder

	31 December 2010	31 December 2009
Všeobecná zdravotní pojišťovna České republiky	100 %	100 %

Technical reserves, including reinsurers' shares

	Reserves for unearned premiums in CZK '000	Insurance benefit reserves in CZK '000	Total in CZK '000
Opening balance as of 1 January 2010	124,801	40,755	165,556
– Creation of reserves*	252,456	183,016	552,210
– Application of reserves	- 208,808	- 179,698	- 505,244
Closing balance as of 31 December 2010	168,449	44,073	212,522

	Reserves for unearned premiums in CZK '000	Insurance benefit reserves in CZK '000	Total in CZK '000
Opening balance as of 1 January 2009	82,997	72,143	155,140
– Creation of reserves*	222,200	281,586	503,786
– Application of reserves	- 180,396	- 312,974	- 493,370
Closing balance as of 31 December 2009	124,801	40,755	165,556

As of 1 January 2010, reserves for insurance benefits from past years amounted to CZK 42,013,000 (this value is inclusive of regression costs), with the amount of reserves applied towards the settlement of claims from past years amounting to CZK 27,632,000. The balance of the provisions as of 31 December 2010 amounted to CZK 14,381,000.

*) Of the provision created to cover unearned premiums, CZK 297,000 represents accruals of insurance policies originating in 2009, which were not in the information list. The estimated item established against account 505 was released in 2010.

Other liabilities

	31 December 2010 in CZK '000	31 December 2009 in CZK '000
Liabilities towards VZP	506	563
Other liabilities		
to maturity	26,860	42,247
after maturity	238	0
Other liabilities – total	27,604	42,810

Pojišťovna VZP, a.s. does not report any liabilities having a period to maturity of over five years. Neither does the company hold any liabilities covered by a guarantee nor any off-balance sheet liabilities.

Deferred income tax

The deferred income tax for the 2010 tax period is CZK 2,715,000, and CZK 4,403,000 for the 2009 tax period.

The reduction in liabilities is namely due to the posting of advances paid towards insurance benefit costs, which are posted to liability accounts.

Additional information to the Profit and Loss Statement

Administrative costs

	2010 in CZK '000	2009 in CZK '000
Personnel costs (salaries, other personnel costs, including statutory payments)	57,387	67,217
Materials consumed	1,315	1,949
Consulting	5,374	5,925
Depreciations	21,701	26,538
Rent, services connected with rent, media consumed	11,300	18,033
IT maintenance	9,899	15,013
Other administrative costs	11,659	11,224
Total	118,635	145,899

The reduction in administrative overheads in 2010 constitutes a change in the posting of costs related to insurance benefits into insurance claims paid amounting to 14.5% and an optimisation of costs amounting to 4.18%.

Analysis of the company's employees

	2010	2009
Recalculated employee numbers		
Number of members of the board of directors who are employees	0	0
Average number of other managers	6	6.66
Average number of other employees	106.70	109.71
Total	112.70	116.37
Number of members of the supervisory board who are employees	1	0

	2010			2009		
	Management in CZK '000	Others in CZK '000	Total in CZK '000	Management in CZK '000	Others in CZK '000	Total in CZK '000
Salary costs, including settlement of claims	6,902	42,102	49,004	7,251	40,617	47,868
Remuneration to members of statutory bodies	4,201	x	4,201	3,436	x	3,436
Social security costs	2,276	14,610	16,886	2,465	13,392	15,857
Other social costs	0	0	0	0	0	0

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 2010 or 2009. Nor does the company report any obligations ensuing from pensions and income.

Planned distribution of the profit reported for the current period

The company's profit shall be distributed in accordance with the decision of the General Meeting.

Contingent liabilities

The company's management is not aware of any contingent liabilities as of 31 December 2010.

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 2010.

Specification of the insurance classes and activities associated with the insurance activity

In accordance with Part B – Non-Life Insurance Classes of Annex No. 1 to Act No. 277/2009 Coll., on Insurance, Pojišťovna VZP, a.s. applied to the Czech National Bank for an expansion in the scope of the authorised activities by the addition of the following insurance classes: accident insurance, sickness insurance, insurance against damage to or loss of land vehicles other than railway rolling stock, insurance against damage to or loss of property other than that referred to in point 3 and 7 of the said annex, insurance against other damage to or loss of property other than that referred to in point 3 and 7 of the said annex, general liability insurance for damage other than that referred to in classes 10 through to 12 of the said annex, insurance of miscellaneous financial losses, legal expenses insurance, assistance insurance to persons who get into difficulties while travelling or while away from their residence, including insurance of financial losses directly connected to the travelling. This licence was granted to Pojišťovna VZP, a.s. in autumn 2010. Pojišťovna VZP, a.s. will develop the following products in 2011: in-house products supplementing medical expenses insurance (accident insurance, luggage insurance, liability insurance, trip cancellation insurance, Slovakian mountain rescue service intervention insurance), sickness benefits insurance combined with daily benefits in the event of hospitalisation, household contents insurance and supplementary products, insurance for healthcare facilities.



POJIŠTOVNA VZP, a.s.
Jankovcova 1566/2b
170 00 Praha 7
www.pvzp.cz