



Pojišťovna VZP, a. s.
Annual Report

2011

CONTENTS

1	A word from the Chairman of the Board	4
2	Basic information about the company	6
3	Organizational Chart of the Company as of 31 December 2011	7
4	Report on Business Activities	8
5	Report on relations between the controlling and controlled entities	10
6	Independent Auditor's Report	14
7	Overview of changes to Owner's equity	17
8	Balance as of 31 December 2011	18
9	Profit and loss account as of 31 December 2011	20
10	Notes to financial statements	22



**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 2011.

I am pleased to say that, as in previous years, our company succeeded to attain all the economic indicators it had planned for itself. In 2011, Pojišťovna VZP, a.s. continued in accordance with the adopted business strategy, among whose main objectives were to provide quality care to the insurance company's clients, to expand the distribution network and to develop the product portfolio.

Pojišťovna VZP, a.s., managed to cope well with the continuing adverse economic situation in the Czech Republic caused by the unemployment rate and the European debt crisis, the logical result of which was a decline in people's interest in travel insurance. We believe the uniqueness of our insurance company in this situation lies in the quality of services provided to our clients, which is the basis for the heightened interest in our travel insurance.

The fall in sales of health insurance for foreigners, which occurred for the same reason, was offset by our other products. In 2011, the insurance company also continued successfully in implementing the measures it had adopted to optimise administrative overheads and increase the effectiveness of in-house processes. Consequently, profit after taxation reached record level, thus exceeding the threshold set in the business plan. During 2011 there was also an increase in the insurance company's registered capital. This increase was financed from Pojišťovna VZP, a.s.'s own resources.

We thus evaluate the insurance company's overall operations for 2011 very positively and it is our ongoing task to ensure that our customers benefit from this success – in terms of service quality and the quality and scope of our insurance products.

Despite the difficult situation prevailing on the market, Pojišťovna VZP, a.s. is, a successful company namely due to its robust corporate culture, a very capable team of employees whose goal is client satisfaction and the development of a purely Czech insurance company. In May of this year was our company nominated for an Insurance company 2010 by the Association of Czech Insurance Brokers in the category of specialized insurance company and won the 5th instead.

In conclusion, please allow me to thank you all for your trust and patronage in 2011. I am convinced that you will remain our satisfied clients and business partners in the years to come. In 2012, I, the company's whole management as well as its employees will do all we can to ensure that Pojišťovna VZP, a.s. remains a reliable partner, a high quality insurer as well as good advisor, and so that you are satisfied with our services.

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

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 was conducted on 16 January 2004 at the Municipal Court in Prague, Section B, File No. 9100

REGISTERED CAPITAL: CZK 164,800,000

SHARES:

1,030 registered shares in book-entry form, each having a nominal value of CZK 160,000

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 Act No. 277/2009 Coll., on Insurance, as amended (hereinafter referred to as the "Insurance Act"), within the scope of non-life insurance classes stipulated in Section B of Annex No. 1 to the Insurance Act under points 1, 2, 3, 8, 9, 13(d), 16(b), (h) and (j), 17 and 18,
2. Activities related to insurance activities, namely – mediation activities undertaken in relation to insurance business under the Insurance Act, – consulting services related to insurance of natural persons and legal entities under the Act on Insurance, – insurance claims investigation carried out under contract with the insurer under the Insurance Act, – educational activities 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	membership since 18 July 2008
Ing. Jaromír Jungbauer	Member	membership since 18 July 2008
Ing. Aleš Zbožínek, MBA	Member	membership since 5 December 2008

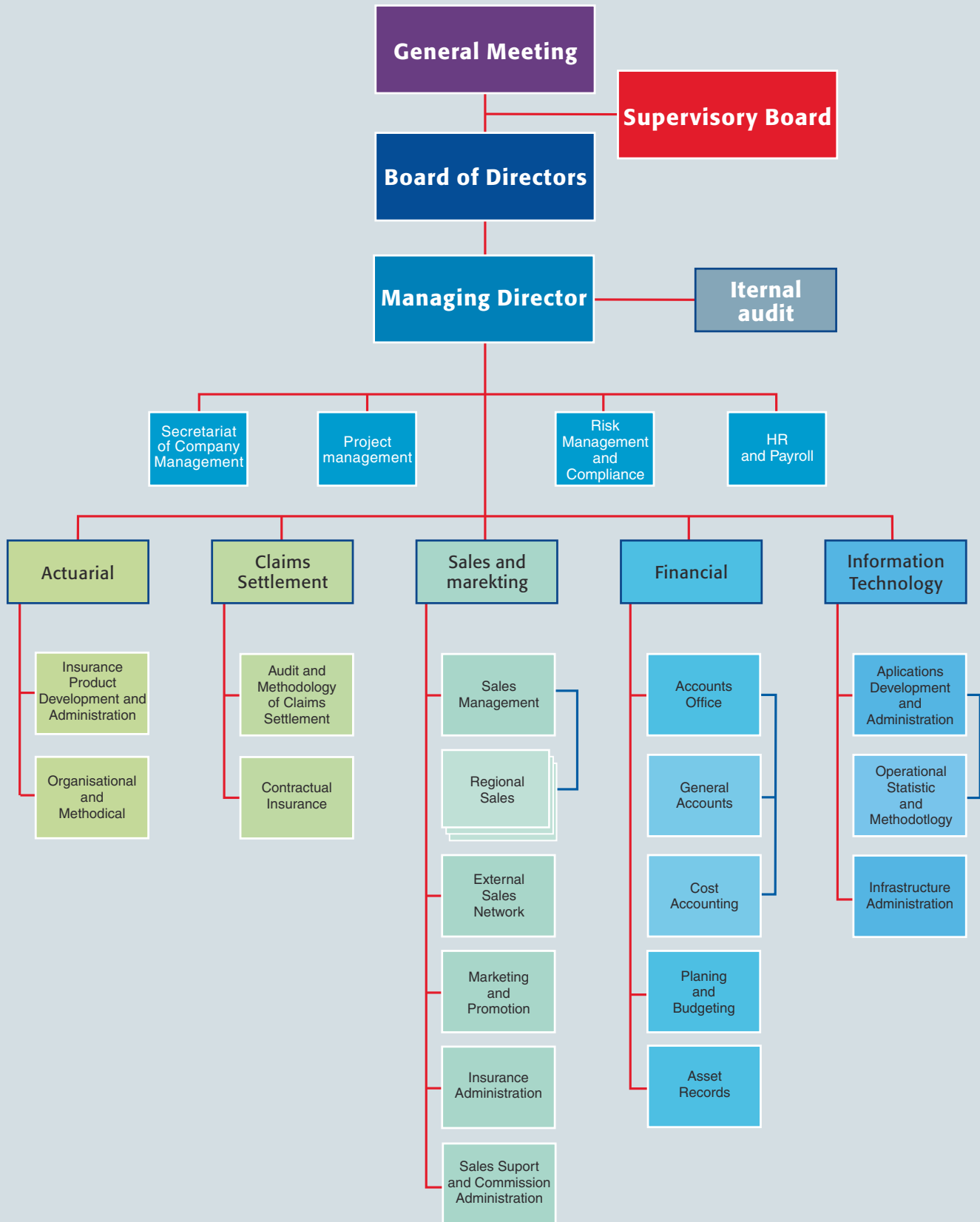
SUPERVISORY BOARD

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	membership since 1 August 2008

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

ORGANISATIONAL CHART

3



STRATEGY EMPLOYED BY POJIŠŤOVNA VZP, A.S.

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.

BUSINESS ACTIVITIES

In 2011, the appropriately selected business policy enabled the company to slightly overcome the previous year's sales by a total of 3.33%, which represents a volume of CZK 14,628,000. The "travel insurance" and "health insurance for foreigners" products remained the cornerstones of written premiums in 2011. The total sales volume of CZK 453,777,000 was attained namely by the continuous and long-term deepening of business strategies and the introduction of new products for sale in accordance with the license extension.

CLAIMS SETTLEMENT

In 2011, the insurance benefit cost, including claims settlement costs, for all products offered by the insurance company totalled CZK 135,258,000. A total of 27,977 insurance claims were registered. As in past years, the insurance company placed emphasis on the speed and quality of the claims settlement process as regards its clients as well as healthcare facilities. This is achieved by a high quality team of loss adjusters, effective cooperation 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 the security of operating all of its products.

Based on these requirements, the reinsurance programme employed by PojišŤovna VZP, a.s. in 2011, 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., INTER PARTNER ASSISTANCE, S.A. and Česká podnikatelská pojišŤovna, a.s., Vienna Insurance Group.

In 2011, 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 stated with confidence that the insurance portfolio of PojišŤovna VZP, a.s. is well protected from adverse developments in insurance claims as well as from unforeseeably costly insurance claims.

MANAGEMENT AND CONTROL SYSTEM OF POJIŠŤOVNA VZP, A.S.

The area of the management and control system, which encompasses a number of other sub-systems, such as the risk management system, the internal control system, including ensuring compliance, arranging for the performance of an internal audit, etc., is currently affected by major changes related to modifications in the legislative base.

In 2011 Pojišťovna VZP, a.s. hired new staff for its internal audit office in order to enforce its internal control system.

Processes set up in the management control system area as a whole and particularly in the risk management area, are subject to continuous development to ensure a timely response to changes in both internal as well as external conditions, which could have a negative impact on the proper operation of Pojišťovna VZP, a.s.

Just as the configuration of the management and control system of Pojišťovna VZP, a.s. was based on the requirements and brief contained in Act No. 277/2009 Coll., the Insurance Act, the manner in which risks are managed at Pojišťovna VZP, a.s. fully respects the requirements of 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 stipulation 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.

Corporate risk management at Pojišťovna VZP, a.s. is characterised by the fact that it is not concerned merely with the management of risks affecting physical and financial assets / liabilities. Attention is also paid to managing the risks affecting intangible assets, such as brand, product, people, processes and procedures, know-how and the like. In connection with the above, strategic, reputation and business risk is also managed as part of the risk management process. Corporate risk management is part of business strategy and is set up so as to promote a higher quality of governance and transparency due to widespread use of risk reporting.

OTHER EVENTS

No events have occurred subsequent to the balance sheet date that would have any impact on 2011. 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. proceeds in accordance with and rigorously adheres to valid labour-law legislation.

Company developments in 2012

Pojišťovna VZP, a.s. will endeavour to increase its market value and market share in accordance with the strategy adopted for 2010-2013 and its extended licence, which now also avers the non-life insurance area. The Expansion 2010 project will also be continued next year as far as the introduction of new insurance products is concerned, particular in the accident, property and liability insurance areas.

**REPORT ON RELATIONS BETWEEN RELATED PARTIES FOR THE 2011
ACCOUNTING PERIOD**

Given that a so-called controlling agreement has not been concluded between Všeobecná zdravotní pojišťovna České republiky, Orlická 4/2020, Prague 3, Post Code 130 00, Identification No.: 41197518 (hereinafter also referred to as "VZP CR"), established under Act No. 551/1991 Coll., on the General Health Insurance of the Czech Republic, as amended (hereinafter also referred to as the "Act"), as the controlling party, and Pojišťovna VZP, a.s., with its registered office at Jankovcova 1566/2b, Prague 7, Holešovice, Post Code 170 00, ID No.: 27116913, entered in the Commercial Register maintained by the Municipal Court in Prague (hereinafter also referred to as "Pojišťovna VZP, a.s."), as the controlled party, within the meaning of Section 66a(7) of Act No. 513/1991 Coll., the Commercial Code, as amended (hereinafter also referred to as "ComC"), under which these parties would be subjected to unified management, the Board of Directors of Pojišťovna VZP, a.s. is obliged, pursuant to paragraph 9 of Section 66a of the ComC, to compile a written report within three months of the end of the accounting period on relations between the controlling and the controlled party and on relations between the controlled party and other parties controlled by the same controlling party (hereinafter referred to as the "Report on Relations between Related Parties") for the accounting period from 1 January 2011 to 31 December 2011 (hereinafter also referred to as the "monitored accounting period").

Thus, pursuant to paragraph 9 of Section 66a of the ComC, the Board of Directors of Pojišťovna VZP, a.s., as the controlled party vis-à-vis VZP CR, compiled this Report on Relations between Related Parties for the monitored accounting period, as presented below.

Controlling party

VZP CR was the holder (owner) of 100% (in words: one hundred percent) of the registered shares of Pojišťovna VZP, a.s. for the duration of the monitored accounting period, and is thus a so-called controlling party within the meaning of Section 66a of the ComC, with the controlling party understood under this Act to mean a party that de facto or de jure exercises, either directly or indirectly, a decisive influence over the control or operation of another party's enterprise.

Controlled party

Pojišťovna VZP, a.s. was a subsidiary company of VZP CR for the duration of the monitored accounting period, in which VZP CR, as the sole shareholder, held 100% of the registered shares in Pojišťovna VZP, a.s., with Pojišťovna VZP, a.s. thus being a so-called controlled party pursuant to Section 66a of the ComC vis-à-vis VZP CR, as the parent company.

Other related parties

Pojišťovna VZP, a.s. is aware of the fact that VZP CR had an ownership interest in IZIP, a.s., with its registered office at Hvězdova 33, Prague 4, Post Code 140 21, ID No.: 264 33 0109 (hereinafter referred to as "IZIP, a.s."), with VZP CR holding a total of 1,224 certificated bearer shares as at 29 December 2011, representing a 51% share of the registered capital of IZIP, a.s. as at 29 December 2011.

IZIP, a.s. is thus a party controlled by the same controlling party as that controlling Pojišťovna VZP, a.s., with IZIP, a.s. being a so-called related party vis-à-vis Pojišťovna VZP, a.s. within the meaning of Section 66a of the ComC.

Relations between the related parties

Relations between VZP and Pojišťovna VZP, a.s.

VZP CR, as the controlling party, was the 100% (in words: one hundred percent) owner of shares in Pojišťovna VZP, a.s., as the controlled party, for the duration of the monitored accounting period.

VZP CR, as the controlling party, was the holder of a total of 1,030 (in words: one thousand and thirty) registered shares in book-entry form, each having a nominal value of CZK 160,000 (in words: one hundred and sixty thousand Czech crowns) in Pojišťovna VZP, a.s. for the duration of the monitored accounting period, representing a 100% share of the registered capital of Pojišťovna VZP, a.s.

Relationship between VZP and IZIP, a.s.

As at 29 December 2011, VZP CR, as the controlling party, was the 51% (fifty-one percent) owner of the shares in IZIP, a.s., as the controlled party.

As at 29 December 2012, VZP CR, as the controlled party, held a total of 1,224 (in words: one thousand two hundred and twenty-four) certificated bearer shares having a nominal value of CZK 1,000 (in words: one thousand Czech crowns) in IZIP, a.s., representing a 51% share of the registered capital of IZIP, a.s.

All relations between VZP CR, as the controlling party, and Pojišťovna VZP, a.s., as the controlled party, as well as relations between Pojišťovna VZP, a.s. and IZIP, a.s., as related parties, ensue from and are regulated by the appropriate provisions of the ComC, or are regulated under civil law contracts pursuant to Act No. 40/1964 Coll., the Civil Code (hereinafter referred to as "CivC"), with regard to and in accordance with the Act.

Contracts concluded between related parties during the monitored accounting period

The following contracts were concluded between the above-mentioned related parties during the monitored accounting period:

Contract name	Subject of the contract	Performance rendered
Contract on the provision of products by VZP CR concluded pursuant to Section 409 of the ComC, dated 9 February 2011	On the basis of this contract, VZP CR, the controlling party, provided Pojišťovna VZP, a.s. the products specified in the contract for the purpose of providing for its activities.	The purchase price for the provision of the selected products, which Pojišťovna VZP, a.s. paid to VZP CR, was CZK 60,500 (exc. VAT).
Agreement on the Termination of a Contract on the Lease of Non-Residential Premises and Other Arrangements, dated 16 September 2011	On the basis of this agreement, the lease of the premises, located in České Budějovice, leased by Pojišťovna VZP, a.s., as the tenant, from VZP CR, as the landlord, was terminated.	No performance was rendered by the controlled party in connection with this agreement.
Amendment No. 4 to the Contract on the Lease of Non-Residential Premises and Other Arrangements of 1 December 2007, dated 29 March 2011	Under this Amendment No. 4, the rent paid by Pojišťovna VZP, a.s., as the tenant, for the lease of non-residential premises in Cheb (Cheb branch) from VZP CR, as the landlord, was raised by the inflation rate for 2010 of 1.5%.	Under this Amendment No. 4, the rent for 2011 was raised by the inflation rate for 2010.
Amendment No. 5 to the Contract on the Lease of Non-Residential Premises and Other Arrangements of 1 December 2007, dated 29 March	Under this Amendment No. 5, the rent paid by Pojišťovna VZP, a.s., as the tenant, for the lease of non-residential premises in Karlovy Vary (KV branch) from VZP CR, as the landlord, was raised by the inflation rate for 2010 of 1.5%.	Under this Amendment No. 4, the rent for 2011 was raised by the inflation rate for 2010.

Contract name	Subject of the contract	Performance rendered
2011 Amendment No. 3 to the Contract on the Lease of Non-Residential Premises and Other Arrangements of 1 December 2007, dated 30 June 2011	Under this Amendment No. 3, the rent paid by Pojišťovna VZP, a.s., as the tenant, for the lease of non-residential premises in Most (Most branch) from VZP CR, as the landlord, was raised by the inflation rate for 2010 of 1.5%.	Under this Amendment No. 3, the rent for 2011 was raised by the inflation rate for 2010.
Insurance Agreement Nos. 1875000434 and 187500045 in respect of group travel insurance pertaining to the event called "Sea Horse 2011" dated 02 May 2011	Under this agreement, Pojišťovna VZP, a.s., as the insurer, arranges with VZP CR, as the policyholder, insurance of medical expenses incurred by VZP CR policyholders (children) whilst on curative stays abroad.	VZP CR, as the policyholder, pays premiums to Pojišťovna VZP, a.s., as the insurer, on behalf of its clients, as the insured persons. Pojišťovna VZP, a.s. shall pay VZP CR policyholders insurance benefits in the event of an insurance claim being filed.
Amendment No. 9 to the Contract on Commercial Representation of 31 March 2008, dated 26 April 2011	The Contract on Commercial Representation, dated 31 March 2008, regulates the business relations between the contracting parties in the insurance field. Under Amendment No. 9, an update to the insurance products was made, the rules for the conclusion of insurance policies in respect of the agreed products were supplemented, the amount of the agency commission due to VZP CR (as the insurance agent) was set, and an adjustment was also made to the insurance products that VZP CR, as the insurance agent, is authorised by Pojišťovna VZP, a.s. to offer.	Pojišťovna VZP, a.s., as the insurance agency, pays VZP CR, as the insurance agent, an agency commission for every insurance policy concluded.
Amendment No. 10 to the Contract on Commercial Representation dated 31 March 2008 dated 28 November 2011	The Contract on Commercial Representation, dated 31 March 2008, regulates the business relations between the contracting parties in the insurance field. Under Amendment No. 10, an update to the insurance products was made, the rules for the conclusion of insurance policies in respect of the agreed products were supplemented, the amount of the agency commission due to VZP CR (as the insurance agent) was set, and an adjustment was also made to the insurance products that VZP CR, as the insurance agent, is empowered by Pojišťovna VZP, a.s. to offer.	Pojišťovna VZP, a.s., as the insurance agency, pays VZP CR, as the insurance agent, an agency commission for every insurance policy concluded.

In the event that performance was rendered by the controlled party - Pojišťovna VZP, a.s., to the controlling party, the controlling party - VZP CR, always – rendered the controlled party adequate counter-performance, which was always realised in all of the above-mentioned contracts under normal market conditions and in accordance with generally binding legal regulations.

No contracts were concluded in the monitored accounting period between Pojišťovna VZP, a.s. and IZIP, a.s., as related parties.

In 2009 and 2010, when according to publicly available information were not the companies Pojišťovna VZP, a.s., and IZIP, a.s., related parties in accordance with Section 66a of the ComC, Pojišťovna VZP, a.s., and IZIP, a.s., concluded between them total of three contracts, namely:

- (a) General insurance contract No. 1609999999 on insurance for hospitalization of 22 December 2009,
- (b) Treaty concerning the processing of personal data of 22 December 2009,
- (c) Contract for advertising and promotion of 10 May 2010.

Other performance rendered between related parties

Aside from performance and counter-performance rendered on the basis of the above contracts and agreements, no other performance and/or counter-performance was rendered in the monitored accounting period between Pojišťovna VZP, a.s., as the controlled party, and VZP CR, as the controlling party.

No performance and/or counter-performance was rendered in the monitored accounting period between Pojišťovna VZP, a.s. and IZIP, a.s., as related parties.

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

No measures over and above the framework of common measures carried out pursuant to the provisions of generally binding legal regulations vis-à-vis the controlling party, were adopted or realised by Pojišťovna VZP, a.s., as the controlled party, in the interest or at the instigation of VZP CR, as the controlling party, during the course of the monitored accounting period.

No measures were adopted or realised by Pojišťovna VZP, a.s. in the interest or at the instigation of IZIP, a.s., as a party related to Pojišťovna VZP, a.s.

Losses incurred by the controlled party and the manner of their settlement

Pojišťovna VZP, a.s., as the controlled party, did not incur, on the basis of the above-mentioned contracts concluded with VZP CR, as the controlling party, other legal bases, other measures and performance rendered or counter-performance received from VZP CR, any loss, nor did it incur any loss vis-à-vis the company IZIP, a.s., as another related party.

Conclusion

Based on the above, it can be stated that the relations existing between Pojišťovna VZP, a.s. and the above-mentioned related parties are proceeding on the basis of contracts concluded pursuant to ComC, CivC and other applicable Czech legislation in a correct manner and without giving favour to any of the parties.



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

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

Report on the Financial Statements

On the basis of our audit we issued, on 4 April 2012, our audit report on the financial statements that are part of this annual report. Our audit report was as follows:

"We have audited the accompanying financial statements of Pojišťovna VZP, a.s., which comprise the balance sheet as of 31 December 2011, and the income statement, statement of changes in equity and cash flow statement, 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

MAZARS AUDIT s.r.o., Poblížní 620/3, PRAHA 8 - 185 00
TEL.: +420 224 835 730 - FAX: +420 224 835 799 - WWW.MAZARS.CZ

IČ: 6398824, DIČ: CZ6398824, ZAPISKA V OBCHODNÍM REGISTRU VEŘEJNÉ MĚSTSKÉ SPOLEČNOSTI V PRAZE - číslo C, voňtes 33404

Praxity
ROVNOST
SUDNÍ STANOVISE
PRO ŽENY A MUŽY



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

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.

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 2011, and of its financial performance for the year then ended in accordance with Czech accounting regulations.”

Report on the Review of the Related Party Transactions Report

We have reviewed the factual accuracy of the information included in the related party transactions report of Pojišťovna VZP, a.s. for the year ended 31 December 2011. This related party transactions report is the responsibility of the Company's statutory body. Our responsibility is to express a conclusion on the related party transactions report based on our review.

We conducted our review in accordance with Auditing Standard No. 56 of the Chamber of Auditors of the Czech Republic. This standard requires that we plan and perform the review to obtain limited assurance as to whether the related party transactions report is free of material misstatements. A review is limited primarily to inquiries of Company personnel and analytical procedures and examination, on a test basis, of the factual accuracy of information, and thus provides less assurance than an audit. We have not performed an audit of the related party transactions report and, accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the information contained in the related party transactions report of Pojišťovna VZP, a.s. for the year ended 31 December 2011 contains material factual misstatements.

Report on the Annual Report

We have audited the annual report of Pojišťovna VZP, a.s. for consistency with the financial statements for the year ended 31 December 2011 which are included in this annual report. 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.



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

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 plans and performs 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 Pojišťovna VZP, a.s. for the year ended 31 December 2011 is consistent, in all material respects, with the financial statements referred to above.

Prague, 4 April 2012

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: 65986664, DIČ: CZ65986664, ZAPSANÁ V OBCHODNÍM REGISTRU JUDIKEM MĚSTSKÉHO SOUDU V PRAZE - ODOL. C. VLODAK 35404

Praxity
AUDITOR
Č. JUD. LIST. 001 001
10127700101 79101

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 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
of that: net profit/loss for the accounting period *)	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 as of 1 January 2011	149 800	12 619	2 456	0	23 959	188 834
Profit/loss for the accounting period	0	0	0	0	58 151	58 151
Dividends	0	0	0	0	0	0
Transfers to funds	0	1 198	1 761	0	-2 959	0
Application of funds	0	0	-2 611	0	0	-2 611
Retained profit	0	0	0	6 000	-6 000	0
Increase in registered capital	15 000	0	0	0	-15 000	0
Balance as of 31 December 2011	164 800	13 817	1 606	6 000	58 151	244 374

*) zisk z operací s finančním umístěním



Key	Row number	Prior period (net amount)	Gross amount	Adjustment	Net amount
		1	2	3	4
in thousands CZK (without decimals)					
ASSETS					
A. Stock subscriptions receivable	1	0	0	0	0
B. Intangible assets, of which:	2	46 448	134 642	107 605	27 037
a) organization costs	3	0	1 866	1 866	0
b) goodwill	4	0	0	0	0
C. Financial investments	5	265 200	342 109	0	342 109
I. Land and buildings (real-estate), of which:	6	550	550	0	550
a) operating land and buildings	7	550	550	0	550
II. Financial investments in subsidiaries and associates	8	0	0	0	0
1. Participating interests in subsidiaries	9	0	0	0	0
2. Debt securities issued by and loans granted to subsidiaries	10	0	0	0	0
3. Participating interests in affiliated undertakings	11	0	0	0	0
4. Debt securities issued by and loans granted to affiliates	12	0	0	0	0
III. Other financial investments	13	264 650	341 559	0	341 559
1. Shares and other variable income securities, other equity interests	14	0	0	0	0
2. Bonds and other debt securities	15	241 646	268 559	0	268 559
3. Investments in investment associations	16	0	0	0	0
4. Other loans	17	0	0	0	0
5. Deposits with financial institutions	18	23 004	73 000	0	73 000
6. Other investments	19	0	0	0	0
IV. Deposits with ceding undertakings	20	0	0	0	0
D. Unit linked life assurance, where the policyholder bears the investment risk	21	0	0	0	0
E. Debtors	22	32 958	30 211	0	30 211
I. Receivables from direct insurance	23	14 031	11 312	0	11 312
1. policyholders	24	3 068	1 507	0	1 507
2. insurance intermediaries	25	10 963	9 805	0	9 805
II. Reinsurance receivables	26	5 511	5 125	0	5 125
III. Other receivables	27	13 416	13 774	0	13 774
F. Other assets	28	67 713	81 963	16 021	65 942
I. Tangible fixed assets other than land and buildings (real-estate) and inventories	29	11 704	28 466	16 021	12 445
II. Cash on accounts with financial institutions and cash in hand	30	55 793	53 351	0	53 351
III. Other assets	31	216	146	0	146
G. Prepayments and accrued income	32	37 942	35 821	0	35 821
I. Accrued interest and rent	33	0	0	0	0
II. Deferred acquisition costs related to insurance contracts, of which:	34	34 340	31 902	0	31 902
a) life insurance	35	0	0	0	0
b) non-life insurance	36	34 340	31 902	0	31 902
III. G. Other prepayments and accrued income, of which:	37	3 602	3 919	0	3 919
a) estimated accrued income	38	726	917	0	917
TOTAL ASSETS	39	450 261	624 746	123 626	501 119
LIABILITIES					
A. Equity	40	188 834			244 374
I. Share capital, of which:	41	149 800			164 800
a) changes in capital	42	0			0
b) own shares or own interim certificates, own business shares	43	0			0
II. Share premium	44	0			0
III. Revaluation reserve	45	0			0
IV. Other capital funds	46	0			0
V. Statutory reserve fund	47	15 074			15 423
VI. Retained earnings or accumulated losses brought forward	48	0			6 000
VII. Profit or loss for the current accounting period	49	23 959			58 151
B. Subordinated debt	50	0			0
C. Technical reserves	51	212 522	259 383	49 890	209 494
1. Unearned premium reserve	52	168 449	197 407	39 035	158 372

BALANCE SHEET INSURANCE COMPANIES as of 31/12/2011

8

Key	Row number	Prior period (net amount)	Gross amount	Adjustment	Net amount
		1	2	3	4
in thousands CZK (without decimals)					
of which: a) Provision for unearned premiums related to life insurance	53	0	0	0	0
of which: a) Provision for unearned premiums related to non-life insurance	54	168 449	197 407	39 035	158 372
2. Life assurance reserve	55	0	0	0	0
3. Reserve for claims	56	44 073	61 977	10 854	51 122
of which: a) Provision for claims relating to life insurance	57	0	0	0	0
b) Provision for claims relating to non-life insurance	58	44 073	61 977	10 854	51 122
4. Reserve for bonuses and discounts	59	0	0	0	0
of which: a) Reserve for bonuses and discounts related to life insurance	60	0	0	0	0
b) Reserve for bonuses and discounts related to non-life insurance	61	0	0	0	0
5. Equalisation reserve	62	0	0	0	0
6. Reserves for obligations from the technical interest rate	63	0	0	0	0
7. Non-life insurance reserve	64	0	0	0	0
of which: a) non-life insurance reserve related to life insurance	65	0	0	0	0
b) non-life insurance reserve related to non-life insurance	66	0	0	0	0
8. Other reserves	67	0	0	0	0
of which: a) Other reserves related to life insurance	68	0	0	0	0
b) Other reserves related to non-life insurance	69	0	0	0	0
D. Reserves for unit linked life assurance, where the policyholder bears the investment risk	70	0	0	0	0
E. Other provisions	71	0			1 761
1. Pension provisions and similar liabilities	72	0			0
2. Tax provisions	73	0			0
3. Other provisions	74	0			1 761
Deposits received from reinsurers	75	0			0
G. Creditors	76	41 003			37 419
I. Payables from direct insurance	77	2 073			820
II. Payables from reinsurance	78	11 326			10 128
III. Debenture loans, including:	79	0			0
a) convertible loans	80	0			0
IV. Liabilities to financial institutions	81	0			0
Other payables, of which:	82	27 604			26 471
a) tax liabilities and liabilities from social and health insurance	83	8 293			14 078
VI. Guarantee fund of the Czech Insurers' Bureau	84	0			0
G. Accruals and deferred income	85	7 903			8 072
I. Accruals and deferred income	86	3 956			4 018
II. Other accruals and deferred income, of which:	87	3 946			4 054
a) estimated accrued expense	88	3 946			4 054
TOTAL LIABILITIES	89	450 261			501 119

Key	Row number	Prior period (result)	Base	Subtotal	Result
	b	1	2	3	4
I. TECHNICAL ACCOUNT – NON-LIFE INSURANCE					
1. Earned premiums, net of reinsurance:	1	x	x	x	x
a) gross written premiums	2	x	453 777	x	x
b) outward reinsurance premiums	3	x	94 218	359 559	x
c) change in the gross amount of unearned premium reserve (+/-)	4	x	8 789	x	x
d) portion of change in unearned premium reserve covered by reinsurance (+/-)	5	343 683	18 866	-10 077	369 636
2. Allocated investment return transferred from the non-technical account (item III.6.)	6	4 248	x	x	3 514
3. Other technical income, net of reinsurance	7	0	x	x	0
4. Claims incurred, net of reinsurance:	8	x	x	x	x
a) paid claims:	9	x	x	x	x
aa) gross amount	10	x	135 258	x	x
ab) share of reinsurance	11	x	23 965	111 293	x
b) change in reserve for claims (+/-):	12	x	x	x	x
ba) gross amount	13	x	12 144	x	x
bb) share of reinsurance	14	127 497	5 095	7 049	118 342
5. Change in other technical reserves, net of reinsurance (+/-)	15	0	x	x	0
6. Bonuses and discounts, net of reinsurance	16	0	x	x	0
7. Net operating expenses:	17	x	x	x	x
a) claim acquisition costs	18	x	x	77 900	x
b) change in deferred acquisition costs (+/-)	19	x	x	2 439	x
c) administrative expenses	20	x	x	123 881	x
d) commissions from reinsurers and profit participations	21	192 455	x	29 033	175 186
8. Other technical expenses, net of reinsurance	22	465	x	x	8
9. Change in the equalisation reserve (+/-)	23	0	x	x	0
10. Technical account balance (result) – non-life-insurance business (item III.1.)	24	27 515	x	x	79 615
II. TECHNICAL ACCOUNT – LIFE INSURANCE					
1. Earned premiums, net of reinsurance:	25	x	x	x	x
a) gross written premiums	26	x	x	0	x
b) outward reinsurance premiums	27	x	x	0	x
c) change in the provision for unearned premiums, net of reinsurance (+/-)	28	0	x	0	0
2. Income from financial investments:	29	x	x	x	x
a) income from equity investments, with special reference to those arising from subsidiaries	30	x	x	0	x
a) income from equity investments, with special reference to those arising from subsidiaries, of which:	31	x	x	x	x
ba) land and buildings	32	x	0	x	x
bb) other financial investments	33	x	0	0	x
c) revaluation gains on financial investments	34	x	x	0	x
d) income from sale of financial investments	35	0	x	0	0
3. Revaluation gains on financial investments	36	0	x	x	0
4. Other technical income, net of reinsurance	37	0	x	x	0
5. Claims incurred, net of reinsurance:	38	x	x	x	x
a) paid claims:	39	x	x	x	x
aa) gross amount	40	x	0	x	x
ab) share of reinsurance	41	x	0	0	x
b) change in reserve for claims (+/-):	42	x	x	x	x
ba) gross amount	43	x	0	x	x
bb) share of reinsurance	44	0	0	0	0
6. Change in other technical reserves, net of reinsurance (+/-):	45	x	x	x	x
a) change in reserve for life insurance:	46	x	x	x	x
aa) gross amount	47	x	0	x	x
ab) share of reinsurance	48	x	0	0	x
b) Change in other technical provisions, net of reinsurance	49	0	x	0	0
7. Bonuses and discounts, net of reinsurance	50	0	x	x	0

PROFIT AND LOSS ACCOUNT INSURANCE COMPANIES as of 31 December 2011

9

Key	Row number	Prior period (result)	Base	Subtotal	Result
	b	1	2	3	4
8. Net operating expenses:	51	x	x	x	x
a) claim acquisition costs	52	x	x	0	x
b) change in deferred acquisition costs (+/-)	53	x	x	0	x
c) administrative expenses	54	x	x	0	x
d) commissions from reinsurers and profit participations	55	0	x	0	0
9. C. Financial investment expenses	56	x	x	x	x
a) investment management fees, including interest	57	x	x	0	x
b) change in value of financial investments	58	x	x	0	x
c) cost of sale of financial investments	59	0	x	0	0
10. Revaluation losses on financial investments	60	0	x	x	0
11. Other technical expenses, net of reinsurance	61	0	x	x	0
12. Allocated investment return transferred from the non-technical account (item III.4.)	62	0	x	x	0
13. Technical account balance (result) – life-insurance business (item III.2.)	63	0	x	x	0
III. NON-TECHNICAL ACCOUNT					
1. Balance on the technical account – non-life-insurance (item I.10.)	64	27 515	x	x	79 615
2. Balance on the technical account – life assurance (item II.13.)	65	0	x	x	0
3. Income from financial investments:	66	x	x	x	x
a) income from equity investments, with special reference to those arising from subsidiaries	67	x	x	0	x
a) income from equity investments, with special reference to those arising from subsidiaries, of which:	68	x	x	x	x
ba) land and buildings (real-estate)	69	x	0	x	x
bb) other financial investments	70	x	5 918	5 918	x
c) revaluation gains on financial investments	71	x	x	-990	x
d) income from sale of financial investments	72	146 724	x	52 935	57 863
4. Allocated investment return transferred from the life-assurance technical account (item II.12.)	73	0	x	x	0
5. C. Financial investment expenses	74	x	x	x	x
a) investment management fees, including interest	75	x	x	768	x
b) change in value of financial investments	76	x	x	0	x
c) cost of sale of financial investments	77	141 584	x	52 818	53 585
6. Allocated investment return transferred to the technical account - non-life insurance (item I.2.)	78	4 248	x	x	3 514
7. Other income	79	7 415	x	x	3 801
8. Other expenses	80	5 105	x	x	11 172
9. Income tax on ordinary activities	81	8 505	x	x	17 084
10. Profit or loss from ordinary activities after tax	82	22 212	x	x	55 923
11. Extraordinary income	83	60	x	x	15
12. Extraordinary expenses	84	0	x	x	0
13. Extraordinary profit or loss	85	60	x	x	15
14. Tax on extraordinary profits	86	0	x	x	0
15. Other taxes not shown under the preceding items	87	-1 688	x	x	-2 213
16. Profit or loss for the current period (item III.3.)	88	23 959	x	x	58 151

GENERAL INFORMATION**Insurance products offered:**

- Comprehensive Health Insurance for Foreigners (CHIF)
- Basic Health Insurance for Foreigners (BHIF)
- Travel insurance
- Insurance for the Event of Hospitalisation

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 2011.

In 2011, there was an extraordinary write-off of CZK 6,619,000 from the insurance on the basis of a review of the lifespan of insurance policies by the company's management.

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 costs 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

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 CHIF.

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. The company creates the following technical reserves:

- 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. No adjustments to receivables were created in 2011.

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 leave of CZK 1,761,000 was created as at 31 December 2011.

Advance towards income tax

Advances towards income tax were paid during the course of the year in accordance with the prescribed deadlines. Tax arrears of CZK 10,628,000 are reported for 2011 in tax liabilities.

Accounting, tax consulting and statutory audit costs

The total accounting, tax consulting and statutory audit for 2011 amounted to CZK 1,062,000, with CZK 420,000 representing the cost of conducting the audit, tax consulting costing CZK 282,000 and accounting costs amounting to CZK 360,000.

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.

TECHNICAL NON-LIFE INSURANCE ACCOUNT

2011	written gross premium	earned gross premium	gross costs proceeds of insurance	gross operating expenses
Accident and health insurance	406,092	398,732	123,486	187,356
Motor vehicle insurance	23,258	22,901	9,697	7,346
Liability insurance	11,334	10,659	1,088	4,372
Other insurance	13,093	12,696	987	5,146
Total	453,777	444,988	135,258	204,220

2011	written gross premium	earned gross premium	gross costs proceeds of insurance	gross operating expenses
accident and health insurance	439,149.00	390,258.00	138,720.00	192,455.00
Total	439,149.00	390,258.00	138,720.00	192,455.00

2011	reinsurer's share in prescribed premiums	reinsurance commission	reinsurer's share in costs of insurance proceeds
Accident and health insurance	70,403.00	17,520.00	15,199.00
Motor vehicle insurance	20,932.00	11,513.00	8,728.00
Liability insurance	1,614.00	0.00	28.00
Other insurance	1,269.00	0.00	10.00
Total	94,218.00	29,033.00	23,965.00

2011	reinsurer's share in prescribed premiums	reinsurance commission	reinsurer's share in costs of insurance proceeds
Accident and health insurance	52,116.00	0.00	14,542.00
Total	52,116.00	0.00	14,542.00

OVERVIEW OF COMMISSIONS

In 2011, the total value of commissions as part of direct insurance reached CZK 69,640,000, and CZK 60,754,000 in 2010.

NOTES TO THE FINANCIAL STATEMENTS

10

INTANGIBLE FIXED ASSETS ACQUISITION COST

	1 January 2011 in CZK '000	Additions in CZK '000	Revaluation in CZK '000	Discarded in CZK '000	31 December 2011 in CZK '000
Establishment costs	1,866	0	0	0	1,866
Software	104,462	8,548	0	0	113,010
Revaluation difference	19,583	0	0	0	19,583
Valuable rights	162	0	0	0	162
Acquired intangible assets	790	7,780	-8,549	0	21
Advances paid	0	0	0	0	0
Total	126,863				134,642

	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	0	0
Total	121,380				126,863

ADJUSTMENTS

	1 January 2011 in CZK '000	Depreciation in CZK '000	Revaluation in CZK '000	Discarded in CZK '000	31 December 2011 in CZK '000
Establishment costs	1,866	0			1,866
Software	66,616	19,378			85,994
Valuable rights	162	0			162
Revaluation difference	11,770	7,813			19,583
Total	80,414	27,191			107,605
Balance value	45,659				27,037

	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

FINANCIAL PLACEMENTS

Type of financial placement	31 December 2011		31 December 2010	
	Fair value in CZK '000	Acquisition cost in CZK '000	Fair value in CZK '000	Acquisition cost in CZK '000
Fixed-income securities	268 559	276 661	241 646	248 766
Deposits at banks	73 000	73 000	23 004	23 000
Total	341 559	349 661	264 650	271 766

In addition, the company reports the operational property in the amount of CZK 550,000 within financial placement (investment). Whereas it is a technical improvement of leased office space, Pojišťovna VZP, a.s., in question does not assess the financial placement (investment) with regard to the coverage provisions and the obligations to clients.

OTHER RECEIVABLES

	31 December 2011 in CZK '000	31 December 2010 in CZK '000
Receivables against VZP	3 763	3 132
Other receivables		
to maturity	9 859	10 055
after maturity	152	229
Total receivables	13,774	13,416

ADJUSTMENTS TO RECEIVABLES

	2011 in CZK '000	2010 in CZK '000
Opening balance as of 1 January	0	0
Adjustments created	0	0
Adjustments cancelled	0	0
Application for depreciation	0	0
Closing balance as of 31 December	0	0

Pojišťovna VZP, a.s. does not report any receivables that are more than 5 years after maturity.

RECEIVABLES AND PAYABLES FROM PASSIVE REINSURANCE

As of 31 December 2011, the company reports an active payables balance towards reinsurers amounting to CZK 5,003,000, and reported a negative payables balance towards reinsurers of CZK 5,815,000 as of 31 December 2010.

TEMPORARY ASSETS AND LIABILITY ACCOUNTS

The company reports deferred costs and revenues in 2011 of CZK 34,904,000 (CZK 37,217,000 in 2010), prepaid expenses of CZK 4,018,000 in 2011 (CZK 3,956,000 in 2010), deferred revenue in 2011 show a zero balance just as they did in 2010, estimated asset items in 2011 amounted to CZK 917,000 (CZK 726,000 in 2010). Estimated liability items amounted to CZK 4,054,000 in 2011 (CZK 3,946,000 in 2010), 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 2011 in CZK '000	Additions in CZK '000	Revaluation in CZK '000	Discarded in CZK '000	31 December 2011 in CZK '000
Separate movables and sets of movables	18,519	10,492		-545	28,466
Acquired tangible assets	7,386	3,106	10,492		0
Total	25,905	13,598	10,492	-545	28,466

	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

Until the end of 2010 Structures, which are part of the financial placements, were reported by the company in the summary together with tangible fixed assets. As of 2011 these structures are described in the Financial Placements section.

NOTES TO THE FINANCIAL STATEMENTS

10

TANGIBLE FIXED ASSETS

		1 January 2011	1 January 2010	Depreciation 2011	2010	Revaluation 2011	2010	Discarded 2011	2010	31 December 2011	2010
Separate movables and sets of movables	in CZK '000	14 201	11 347	2 365	3 225	0	0	-545	-371	16 021	14 201
Total	in CZK '000	14 201	11 347	2 365	3 225	0	0	-545	-371	16 021	14 201
Balance value	in CZK '000	4 868	7 581							12 445	4 868

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 17,605,000, and the value of minor intangible fixed assets (MIFA) amounting to CZK 2,137,000 as of 31 December 2011; in 2010, the value of MTFA amounted to CZK 14,445,000, with the value of MIFA in 2010 amounting to CZK 1,816,000.

OWNER'S EQUITY APPROVED AND ISSUED SHARES

	Number	31 December 2011 in CZK '000
Common shares with a nominal value of CZK 160,000, fully paid	1,030	164,800
Common shares, total	1,030	164,800

	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

SOLE SHAREHOLDER:

	31 December 2011	31 December 2010
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 2011	168,449	44,073	212,522
Creation of reserves	257,043	228,369	485,412
Application of reserves	-267,120	-221,320	488,440
Closing balance as of 31 December 2011	158,372	51,122	209,494

	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

As at 1 January 2011, gross insurance benefit reserves from previous years amounted to CZK 37,195,000, with the amount of the reserves applied to insurance benefits of previous years amounts to CZK 22,175,000. The balance of these reserves as at 31 December 2011 amounts to CZK 15,020,000.

OTHER LIABILITIES

	31 December 2011 in CZK '000	31 December 2010 in CZK '000
Liabilities towards VZP	1,579	506
Other liabilities		
to maturity	24,508	26,860
after maturity	384	238
Other liabilities – total	26,471	27,604

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 2011 tax period is CZK 502,000, and CZK 2,715,000 was as at 31. 12. 2010.

ADDITIONAL INFORMATION TO THE PROFIT AND LOSS STATEMENT**ADMINISTRATIVE COSTS**

	2011 in CZK '000	2010 in CZK '000
Personnel costs (salaries, other personnel costs, including statutory payments)	59,950	57,387
Materials consumed	1,334	1,315
Purchase of low value assets	3,712	703
Consulting	4,700	5,374
Depreciations	21,281	21,701
Rent, services connected with rent, media consumed	12,196	11,300
IT maintenance, infrastructure	12,582	12,524
Other administrative costs	8,126	8,331
Total	123,881	118,635

The 4.42 % increase in administrative overheads in 2011 compared to 2010 is mainly due to the necessary replacement of computer equipment and an increase in rent on account of the euro strengthening against the Czech crown. Personnel expenses increased by 4.47 % on account of the filling of new key positions at the insurance company.

ANALYSIS OF THE COMPANY'S EMPLOYEES

Recalculated employee numbers	2011	2010
Number of members of the board of directors who are employees	0	0
Number of members of the supervisory board who are employees	1	0
Average number of other employees	108.17	112.70

	2011	2010
	Total	Total
	In CZK '000	In CZK '000
Salary costs, including LPU	50,797	49,004
Remuneration to members of statutory bodies	4,315	4,201
Social security costs	16,972	16,886
Other social costs	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 2011 or 2010. 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 2011.

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 2011.

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. In 2011 Pojišťovna VZP, a.s. supplemented its medical expenses insurance with the introduction of additional products (accident insurance, luggage insurance, liability insurance, trip cancellation insurance, Slovakian mountain rescue service intervention insurance), as well as a new product, sickness benefits insurance combined with daily benefits in the event of hospitalisation.

