

Annual Report 2010





Founding member of Czech Insurance Association



Insurer of the Year

Evropská Cestovní Pojišťovna was voted the Insurance Company of 2006 to 2010 by the Association of Czech Insurance Brokers.



During the years 2003 to 2011, our company has been awarded „Best Travel Insurance Partner” in the Czech Travel Awards, organised by the TTG Czech Republic magazine

We help not only on your trips.
We support the Safety Line Association.

Together we help children
to solve their problems!



sdružení linka bezpečí

Basic Information	4
Key Figures	5
Organisational Chart	6
International Chart	7
Board of Directors Report	8-9
Supervisory Board Report	10
Report on Relations	11
Auditor's Report	12-13
Financial Section	
Balance Sheet	14-15
Profit and Loss Account	16
Statement on Equity	17
Annex to the Financial Statements	18-33



Basic Information

Registered Address

Evropská Cestovní Pojišťovna, a.s.
Křížkova 237/36a
186 00 Praha 8
The Company is registered at the Commercial Register
of the Municipal Court of Prague, sect. B, file, 1969;
reg. no. 49240196.

Shareholders

Europaeiske Rejseforsikring A/S, Denmark	75 %
Europäische Reiseversicherung AG, Germany	15 %
Europäische Reiseversicherung AG, Austria	10 %

Board of Directors

JUDr. Vladimír Krajíček, Praha - Chairman
Ing. Hana Axmannová, Praha - Member
Mgr. Ondřej Rušíkvas, Hostivice - Member
Ing. Libor Dvořák, Čelákovice - Member

Supervisory Board

Dr. Johann-Dietrich von Hülsen, Germany - Chairman
Mag. Wolfgang Lackner, Austria - Vice-Chairman
Julia Ricks, Germany - Member (since 29/4/2010)
Stefan Uwe Holzhauser, Germany - Member (until 22/2/2010)

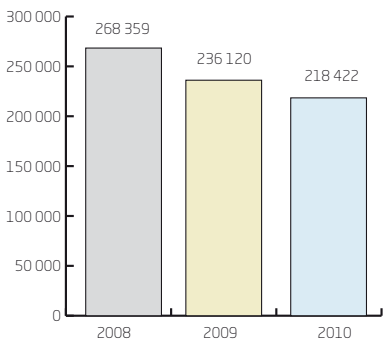


Key Figures

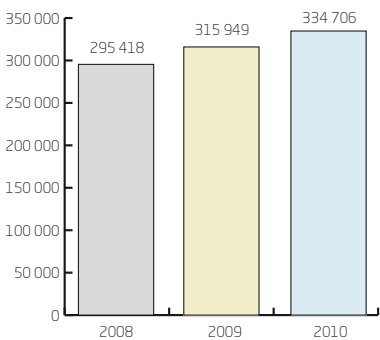
	2008 TCZK	2009 TCZK	TCZK	2010 TEUR
Gross premium written	268 359	236 120	218 422	8 716
Technical result	45 128	32 591	22 298	890
Result for the year	41 717	30 279	37 263	1 487
Total assets	295 418	315 949	334 706	13 356
Shareholders' equity	200 086	227 210	229 834	9 171
Technical provisions - gross	57 871	53 342	61 202	2 442

1) 1 EUR = 25,060 CZK

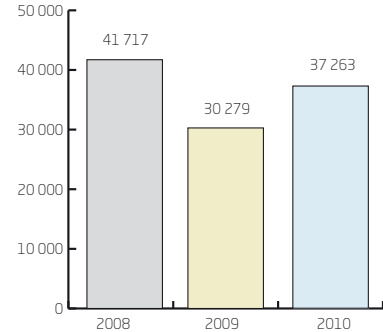
Gross premium written (TCZK)



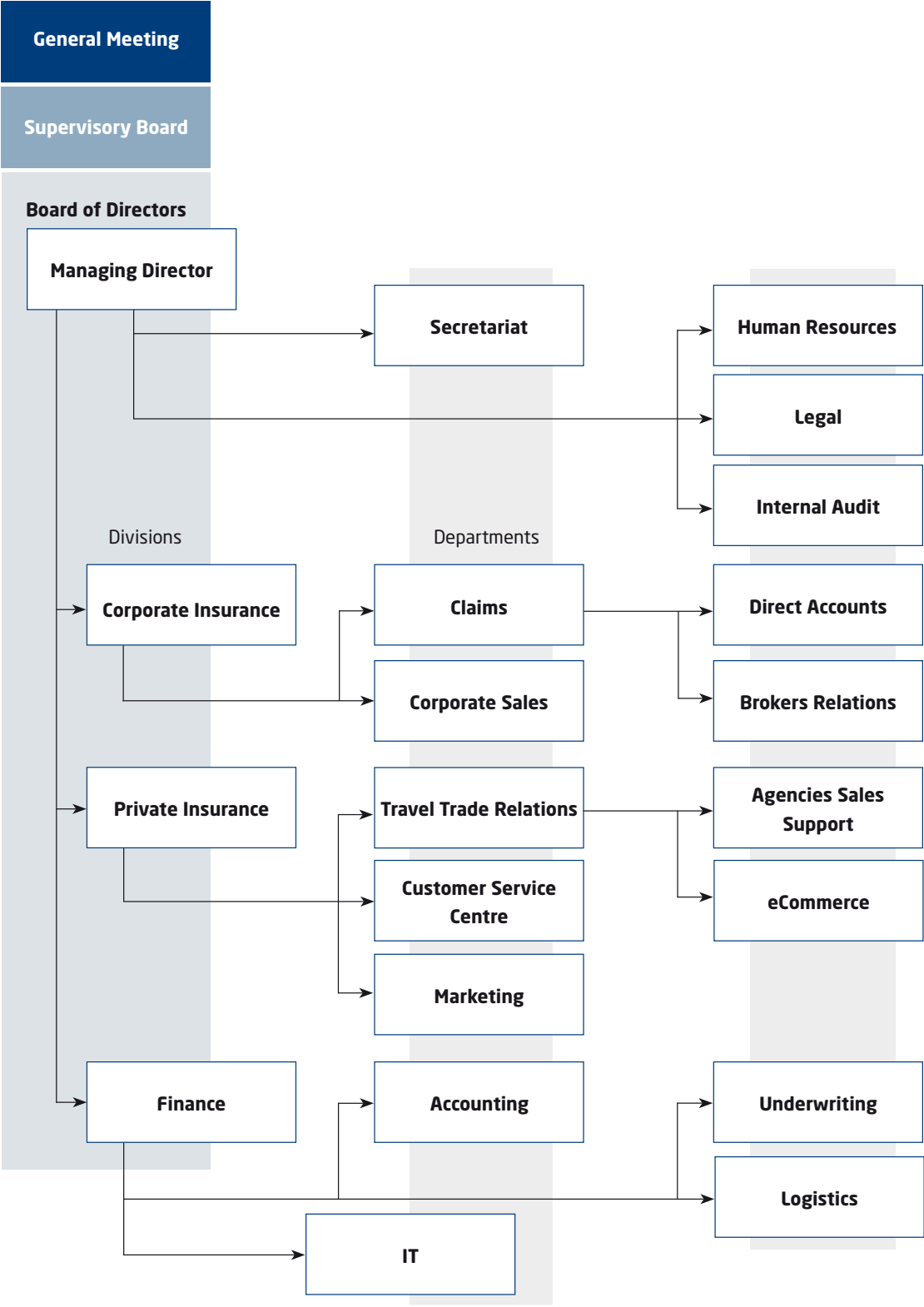
Total assets (TCZK)



Result for the year (TCZK)



Organisational Chart



International Group

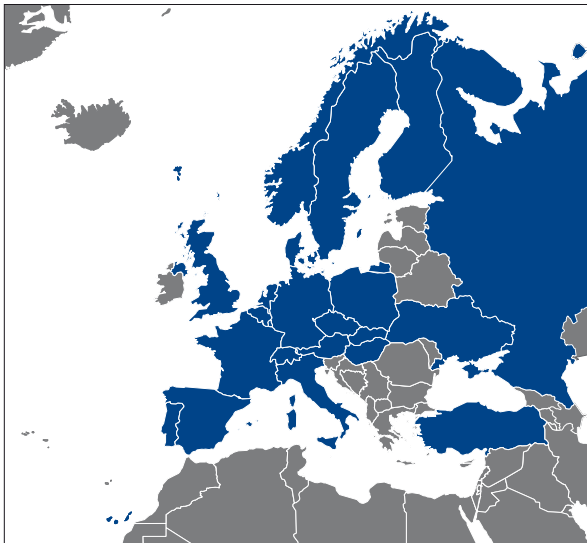
The Danish Europaeiske Rejseforsikring A/S that has been dealing with travel insurance for already more than 80 years founded our Company in 1993. Europaeiske holds 75 % of our shares and the other shareholders are Europäische Reiseversicherung AG from Germany (15 %) and Austria (10%). In 1995 the German company started to form one of the largest international travel insurance groups that includes nowadays also our sister companies in Austria, Denmark, France, Hungary, Italy, Poland, Spain, Sweden and United Kingdom.

Via our shareholders we belong to the Group of Munich Re - the international reinsurance leader.
In 1994 Evropská became a member of the International Association of European Travel Insurers (IAE) uniting specialised insurers bearing similar name from all around Europe. Via this association, today called European Travel Insurance Group (ETI Group), we can closely co-operate with many travel insurers on an international level. Our clients enjoy an important advantage of active assistance provided world-wide by our daughter EUROALARM Assistance Prague.



Members ETI Group

- | | |
|----------------|----------------|
| Austria | Poland |
| Belgium | Portugal |
| Czech Republic | Russia |
| Denmark | Slovakia |
| Finland | Spain |
| France | Sweden |
| Germany | Switzerland |
| Hungary | Turkey |
| Italy | Ukraine |
| Netherlands | United Kingdom |



Board of Directors Report on the Company Activities in 2010

A continuing recession in the travel trade did not influence our 18th year on the Czech market so dramatically. Compared to the previous year our income decreased by 7 %. We, however, managed to compensate a much higher drop of tour-operators business via newly developed product lines. Moreover, we increased result before tax by 11 %. This once again puts us amongst the most profitable members of our international Group of specialised travel insurers.

We are very proud that the Company was for the 3rd time in a row voted the Specialised Insurer of the Year by the Czech Association of Insurance Brokers. Together with other awards from the travel trade and internet financial portals this confirmed that Evropská continued to provide the best service quality in its niche business area.

The outgoing travel kept falling in 2010 and many major players on the market lost about ¼ of their clientele in the main season. At the same time travel patterns went on changing: more people travelled on their own and holidays abroad were shorter. Due to our traditionally close relations to the travel trade we also suffered decline in this business line. However, we managed together to increase a share of common customers buying optional cover.

We worked with more than 350 agencies in selling individual policies. Without our traditional tailor-made concept of support we would not generate a stable

income from this segment. Our commitment to a professional and fair co-operation got high appreciation from the travel trade voting us once again the Best Travel Insurer in an annual poll of a prestigious TTG magazine.

Our direct sales were marked by a steady increase in the number of customers buying our insurance directly via our website. This was also a result of a prestigious Bronze Crown 2010 award received from Financial Academy for our year-round MultiTrip product that won from 63 nominated non-life insurance products.

Our corporate insurance grew by 3% what meant a big swift from a situation of the previous year. Based on our high standard services like professional assistance, correct and quick claims handling and flexibility in creating suitable coverage for different needs of our corporate clients we succeeded attracting new important corporate clients. On the other hand 2010 was a year of saving companies' expenditures leading to high pressure of clients and brokers on premium. More than 60 % of our corporate business was mediated by brokers.

In the fiscal year 2010, Evropská generated gross premiums written amounting to 218,4 million CZK. The equivalent year-end figure for 2009 was 236,1 million CZK. Major part of this turnover was represented by medical travel insurance followed by trip cancellation and baggage insurance. Our technical result amounted to 22,3 million and the non-technical result reached 20,2 million CZK.

By various measures taken together with our Group international network of Euro-Centers we managed to cut previously fast growing claims costs in some Mediterranean destinations. On the other hand we saw higher frequency of claims, e.g. number of claims from our corporate clients went up by ¼.

Together with a stable commission rate we managed to keep our operational costs on a fair level. As a result we closed the year with a very good result before tax of 42,5 million CZK and our solvency margin far exceeded legal requirements for our kind of business.



Our final operating result brought a very positive return on equity to our shareholders. This would never be possible without a professional work of our staff members and the Board of Directors wishes to use this opportunity to thank once again all employees for their good team spirit and outstanding performance that is so essential to our common success.

We expect our business to start growing again in 2011. Our growth will mainly come from innovations that we prepared during the past year. We have a competent and professional team of 34 staff members, a sound financial basis and, owing to our strong international background through ERV, Ergo and Munich Re, we are in a position to bring new products to the market. We are certain that, by building up even closer relationships with our business partners and by focusing on real customer needs, we will be able to strengthen our market position even in a more competitive environment.

Prague, January 2011

Vladimír Krajíček
Chairman of the Board of Directors
Managing Director



Supervisory Board Report on Activities in 2010

The Supervisory Board of Evropská Cestovní Pojišťovna a.s. held two meetings during the year 2010 carrying out its duties in accordance with the Company's Articles of Association.

In the year under review one change occurred in the composition of the Supervisory Board. After the General Meeting of Shareholders held in February 2010 Ms Julia Ricks became a new member of the Supervisory Board replacing Mr Stefan Holzhauser. Throughout all the year Mr Johann-Dietrich von Hülsen (Chairman) and Mr Wolfgang Lackner (Vice-Chairman) were members of the Board. The members had access to all Company documents when required.

Co-operation with the Board of Directors was on a good level and all support materials were delivered on request. By means of written and personal reports the Board of Directors kept us informed of the business development and the financial position of the Company in the year under review.

The Supervisory Board examined the financial statements for the year, the Board of Directors report, and the Board of Directors proposal for the distribution of the balance sheet profit for the year 2010.

Having studied these documents, we agree to the proposal for distribution of the balance sheet profit and have nothing to add to the annual report.

The auditor's report on the year's financial statements presented by KPMG Česká republika Audit, s.r.o., showed that the accounting and the financial statements comply with the legal regulations of the Czech Republic. We find the result of the audit satisfactory and have no further comments to it.

According to the final result of our examination, we have no objection to raise and we are going to recommend the General Meeting of Shareholders to approve all documents submitted by the Board of Directors.

During the year 2010 the Supervisory Board fulfilled all the functions of the audit committee in accordance with the act No. 93/2009 Coll. on auditors.

Prague, January 2011

Johann-Dietrich von Hülsen
Chairman of the Supervisory Board

Balance Sheet Profit Distribution

The Board of Directors proposes to distribute the profit for the financial year 2010 in the amount of TCZK 37 263 as follows:

- to allocate TCZK 1 863 to the statutory reserve fund in accordance with the Articles of Association,

- to use TCZK 35 400 to pay out dividends to the shareholders in accordance with their share in the Company's equity capital.

Prague, January 2011

Vladimír Krajíček
Chairman of the Board of Directors
Managing Director

Report on Relations between Related Parties in 2010

Evropská Cestovní Pojišťovna a.s. (hereinafter "the Company") is a subsidiary company of the Danish travel insurance leader Europaeiske Rejseforsikring A/S, Copenhagen, which holds 75 % of the shares. A German insurer, Europäische Reiseversicherung AG, Munich, holds another 15 % of the shares while the Austrian company Europäische Reiseversicherung AG, Vienna, holds the remaining 10 %. Through the shareholders the German reinsurer Munich Re controls more than 90 % of the Company. All of the above companies can be considered as controlling persons in accordance with art. 66 a of the Commercial Code. The Company carries out reinsurance activities in accordance with reinsurance agreements concluded also with German Europäische Reiseversicherung AG, Münchener Rückversicherung AG and the Austrian Europäische Reiseversicherung AG.

In 2010 the Company used handling services of world-wide spread offices of the Danish company Euro-Center A/S and paid them fees for handling its customers' claims abroad (TCZK 2 928). The Company paid to German Europäische Reiseversicherung AG the appropriate part of the cost of using the Group Accounting System in 2010 (TEUR 67 excluding VAT). In 2010 the Company paid TEUR 7 excluding VAT for software support to the company Multiasistencia Europea and the Danish Europaeiske Rejseforsikring A/S TEUR 4 excluding VAT for IT services and TEUR 13 excluding VAT for access for our customers into VIP portal. Both companies belong to the Europäische Reiseversicherung group.

The Company owns a 100% share in EUROALARM Assistance Prague, s.r.o. We have a co-operation contract with this company on providing assistance services to our customers, a contract on collaboration in handling of insolvency claims, a contract on administration services, a lease contract for moveable property and a sublease contract for office space. In accordance with EUROALARM General Meeting decision the Company received dividends TCZK 15 320 in 2010.

The Company also owns a 100% share in Etics ITP, s.r.o. With this broker company we signed a contracts on sales representation, on claims handling collaboration and a sub-lease contract for office space. In December 2008 we became a 16,66% shareholder of the Euro-Center Holding A/S, Copenhagen. Our Company continues to be a 10% shareholder of the European Assistance Holding GmbH, Munich, whose task is to co-ordinate assistance services within our Group.

Summary of transactions with subsidiaries:

EUROALARM Assistance Prague, s.r.o.	
Administration services	income TCZK 2 157
Property lease	income TCZK 462
Assistance services	expense TCZK 7 831

Etics ITP, s.r.o.	
Commissions	expense TCZK 755
Insolvency ins. formation	expense TCZK 245

We did not enter into any other agreements with companies owned by Munich Re, neither in the Czech Republic nor abroad.

The Company has no controlling agreement with shareholders. Neither legal steps in their interests were taken, nor any measures were adopted on their instruction in 2010. The Company did not suffer any loss or harm as a result of service contracts concluded with related companies within the Group. An exact amount of mutual receivables and payables as at the date of closing the books is shown in the notes to the financial statements.

Prague, January 2011

Vladimír Krajíček
Chairman of the Board of Directors
Managing Director



Auditor's Report



KPMG Česká republika Audit, s.r.o.
Pobřežní 648/1a
186 00 Praha 8
Česká republika

Telephone +420 222 123 111
Fax +420 222 123 100
Internet www.kpmg.cz

This 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 to the shareholders of Evropská Cestovní Pojišťovna, a.s.

Financial statements

On the basis of our audit, on 21 January 2011 we issued an auditor's report on the Company's statutory financial statements, which are included in this annual report, and our report was as follows:

"We have audited the accompanying financial statements of Evropská Cestovní Pojišťovna, a.s., which comprise the balance sheet as of 31 December 2010, the income statement and the statement of changes in equity for the year then ended, and the notes to these financial statements including a summary of significant accounting policies and other explanatory notes. Information about the company is set out in Note 1 to 4 to these financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements of Evropská Cestovní Pojišťovna, a.s., in accordance with Czech accounting legislation. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation 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 relevant guidance of the Chamber of Auditors of the Czech Republic. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. 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.

Opinion

In our opinion, the financial statements give a true and fair view of the assets and liabilities of Evropská Cestovní Pojišťovna, a.s., as of 31 December 2010, and its expenses, revenues and net result for the year then ended in accordance with Czech accounting legislation.”

Report on relations between related parties

We have also reviewed the factual accuracy of the information disclosed in the report on relations between related parties of Evropská Cestovní Pojišťovna, a.s. for the year ended 31 December 2010. This report on relations between the related parties is the responsibility of the Company’s management. Our responsibility is to express our view on the report on relations based on our review.

We conducted our review in accordance with International Standard on Review Engagements and the relevant guidance of the Chamber of Auditors of the Czech Republic. Those standards require that we plan and perform the review to obtain moderate assurance that the report on relations is free of material factual misstatement. 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 conducted an audit of the report on relations and, accordingly, we do not express an audit opinion.

Nothing has come to our attention based on our review that indicates that the information disclosed in the report on relations between related parties of Evropská Cestovní Pojišťovna, a.s. for the year ended 31 December 2010 contains material factual misstatements.

Annual report

We have audited the consistency of the annual report with the audited financial statements. This annual report is the responsibility of Company’s management. Our responsibility is to express our opinion on the consistency of the annual report with the audited financial statements based on our audit.

We conducted our audit in accordance with the Act on Auditors and International Standards on Auditing and the relevant guidance of the Chamber of Auditors of the Czech Republic. Those standards require that we plan and perform the audit to obtain reasonable assurance that the information disclosed in the annual report describing matters that all also presented in the financial statements is, in all material respects, consistent with the audited financial

In our opinion, the information disclosed in the annual report is, in all material respects, consistent with the audited financial statements.

Prague
4 February 2011

KPMG Česká republika Audit
KPMG Česká republika Audit, s.r.o.
Licence number 71

Jiří Vašina
Jiří Vašina
Partner
Licence number 2059

Balance Sheet

(TCZK)

Assets	2008 Net	2009 Net	Gross	Correction	2010 Net
Intangible fixed assets	2 484	5 612	18 594	-10 675	7 919
Investments in affiliated undertakings and participating interests	12 632	27 269	21 099	0	21 099
<i>Participations in controlled entities</i>	<i>12 632</i>	<i>27 269</i>	<i>21 099</i>	<i>0</i>	<i>21 099</i>
Other financial placements	212 031	226 121	236 766	0	236 766
<i>Shares and other variable-yield securities, other participating interests</i>	<i>8 324</i>	<i>8 324</i>	<i>8 324</i>	<i>0</i>	<i>8 324</i>
<i>Bonds and other fixed-interest securities</i>	<i>183 974</i>	<i>162 836</i>	<i>165 234</i>	<i>0</i>	<i>165 234</i>
<i>Deposits with financial institutions</i>	<i>19 733</i>	<i>54 961</i>	<i>63 208</i>	<i>0</i>	<i>63 208</i>
Financial placements (investments)	224 663	253 390	257 865	0	257 865
Receivables arising from direct insurance	23 821	11 640	21 271	-1 096	20 175
<i>Receivable due from policyholders</i>	<i>4 891</i>	<i>3 755</i>	<i>5 730</i>	<i>-258</i>	<i>5 472</i>
<i>Receivable due from intermediaries</i>	<i>18 930</i>	<i>7 885</i>	<i>15 541</i>	<i>-838</i>	<i>14 703</i>
Other receivables	16 608	13 456	14 794	0	14 794
Debtors	40 429	25 096	36 065	-1 096	34 969
Tangible fixed assets other than land and buildings, and inventories	6 739	5 880	19 045	-13 372	5 673
Cash on accounts in financial institutions and cash in hand	9 327	14 965	12 426	0	12 426
Other assets	16 066	20 845	31 471	-13 372	18 099
Deferred insurance acquisition costs, thereof:	6 011	6 097	7 747	0	7 747
<i>in non-life insurance</i>	<i>6 011</i>	<i>6 097</i>	<i>7 747</i>	<i>0</i>	<i>7 747</i>
Other temporary assets accounts	5 765	4 909	8 107	0	8 107
<i>Estimated receivables</i>	<i>19</i>	<i>1 136</i>	<i>0</i>	<i>0</i>	<i>0</i>
Temporary assets accounts	11 776	11 006	15 854	0	15 854
Total Assets	295 418	315 949	359 849	-25 143	334 706

Liabilities	2008 Net	2009 Net	Gross	Correction	2010 Net
Share capital	74 000	160 000	160 000	0	160 000
Share premium	8 257	0	0	0	0
Other capital funds	13 734	24 954	19 081	0	19 081
Statutory reserve fund and other funds from profit	9 887	11 973	13 486	0	13 486
Profit or loss brought forward	52 491	4	4	0	4
Profit or loss for the financial year	41 717	30 279	37 263	0	37 263
Capital and reserves	200 086	227 210	229 834	0	229 834
Provision for unearned premium	20 040	19 082	21 821	0	21 821
<i>Gross amount</i>	<i>40 079</i>	<i>38 164</i>	<i>45 315</i>	<i>0</i>	<i>45 315</i>
<i>Reinsurance share</i>	<i>-20 039</i>	<i>-19 082</i>	<i>-23 494</i>	<i>0</i>	<i>-23 494</i>
Provision for outstanding claims	8 262	7 102	6 511	0	6 511
<i>Gross amount</i>	<i>16 524</i>	<i>14 204</i>	<i>14 768</i>	<i>0</i>	<i>14 768</i>
<i>Reinsurance share</i>	<i>-8 262</i>	<i>-7 102</i>	<i>-8 257</i>	<i>0</i>	<i>-8 257</i>
Provision for bonuses and rebates	1 268	974	1 119	0	1 119
<i>Gross amount</i>	<i>1 268</i>	<i>974</i>	<i>1 119</i>	<i>0</i>	<i>1 119</i>
<i>Reinsurance share</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
Technical provisions	29 570	27 158	29 451	0	29 451
Provisions for taxation	10 744	7 835	5 315	0	5 315
Provisions for other risks/losses	10 744	7 835	5 315	0	5 315
Payables arising from direct insurance	2 152	2 543	3 845	0	3 845
Payables arising from reinsurance	28 344	26 717	27 748	0	27 748
Other payables, thereof:	5 536	4 252	15 554	0	15 554
<i>Tax liabilities and payables due to social security and health insurance institutions</i>	<i>2 274</i>	<i>1 104</i>	<i>1 643</i>	<i>0</i>	<i>1 643</i>
Creditors	36 032	33 512	47 147	0	47 147
Accrual expenses and deferred revenues	6 409	9 923	11 791	0	11 791
Other temporary liabilities accounts, thereof:	12 577	10 311	11 168	0	11 168
<i>Estimated payables</i>	<i>12 577</i>	<i>10 311</i>	<i>11 168</i>	<i>0</i>	<i>11 168</i>
Temporary liability accounts	18 986	20 234	22 959	0	22 959
Total Liabilities	295 418	315 949	334 706	0	334 706

Profit and Loss Account

(TCZK)

Technical account non-life	2008	2009	2010
Gross premium written	268 359	236 120	218 422
Ceded premium written	-136 918	-120 418	-112 242
Net premium written	131 441	115 702	106 180
Change in unearned premium, gross	8 749	-1 915	7 152
Change in unearned premium, ceded	-4 375	957	-4 413
Net earned premium	127 067	116 660	103 441
Allocated investment return transferred from the non-technical account	2 748	2 510	1 978
Other technical revenues, net of reinsurance	1 269	660	117
Gross claims paid	-83 137	-83 155	-70 599
Ceded claims paid	37 778	38 484	31 412
Change in outstanding claims provisions, gross	-2 858	2 320	-563
Change in outstanding claims provisions, ceded	1 398	-1 160	1 154
Net claims incurred	-46 819	-43 511	-38 596
Change in other tech. provisions, net of reins.	0	0	-145
Bonuses and rebates, net of reinsurance	-3 384	-2 557	-1 128
Acquisition costs	-97 375	-88 033	-86 058
Change in deferred acquisition costs	1 538	86	1 650
Administrative expenses	-18 726	-20 602	-21 000
Reinsurance commissions and profit participation	79 590	67 498	62 795
Expenses for underwriting business, net	-34 973	-41 051	-42 613
Other technical expenses, net of reinsurance	-780	-120	-756
Technical result non-life	45 128	32 591	22 298

Non-technical account	2008	2009	2010
Income from financial placement	9 597	8 173	22 405
Expenses connected with financial placement	-120	-254	-490
Allocated investment return transferred to the non-life insurance technical account	-2 748	-2 510	-1 978
Other income	4 386	4 415	3 688
Other expenses	-3 570	-3 944	-3 386
Income tax on ordinary activities	-10 862	-7 935	-5 164
Other taxes not shown under preceding items	-94	-257	-110
PROFIT or LOSS for the financial year	41 717	30 279	37 263

Statement on Changes in Equity

(TCZK)

	Share capital	Share premium	Reserve funds	Changes in valuation	Profit brought forward	Profit (Loss)	Total
Balance at 1.1.2008	74 000	8 257	8 443	12 102	35 059	28 876	166 737
FX gains (losses) and changes in valuation not included in the profit and loss statement	0	0	0	1 632	0	0	1 632
Net profit/loss for accounting period	0	0	0	0	0	41 717	41 717
Dividends	0	0	0	0	0	-10 000	-10 000
Transfer to funds	0	0	1 444	0	17 432	-18 876	0
Share capital increase	86 000	-8 257	0	0	-52 487	-25 256	0
Balance at 31.12.2008	74 000	8 257	9 887	13 734	52 491	41 717	200 086
Balance at 1.1.2009	74 000	8 257	9 887	13 734	52 491	41 717	200 086
FX gains (losses) and changes in valuation not included in the profit and loss statement	0	0	0	11 220	0	0	11 220
Net profit/loss for accounting period	0	0	0	0	0	30 279	30 279
Dividends	0	0	0	0	0	-14 375	-14 375
Transfer to funds	0	0	2 086	0	0	-2 086	0
Share capital increase	86 000	-8 257	0	0	-52 487	-25 256	0
Balance at 31.12.2009	160 000	0	11 973	24 954	4	30 279	227 210
Balance at 1.1.2010	160 000	0	11 973	24 954	4	30 279	227 210
FX gains (losses) and changes in valuation not included in the profit and loss statement	0	0	0	-5 873	0	0	-5 873
Net profit/loss for accounting period	0	0	0	0	0	37 263	37 263
Dividends	0	0	0	0	0	-28 766	-28 766
Transfer to funds	0	0	1 513	0	0	-1 513	0
Share capital increase	0	0	0	0	0	0	0
Balance at 31. 12. 2010	160 000	0	13 486	19 081	4	37 263	229 834

Notes to the Financial Statements

Year ending 31 December 2010 in thousands of Czech Crowns ("TCZK")

DESCRIPTION AND
AND MAIN ACTIVITIES

Evropská Cestovní Pojišťovna,a.s. was entered into the Commercial Register on 23. 4. 1993 (IČ 49240196).

The Company's shareholders are:	
Europaeiske Rejseforsikring A/S, Denmark	75 %
Europäische Reiseversicherung AG, Germany	15 %
Europäische Reiseversicherung AG, Austria	10 %

The Company obtained its insurance licence on 16.9. 1993. On 28. 11. 2001 the Company applied to the Ministry of Finance for renewal of its licence to carry on insurance activities in accordance with Insurance Act No. 363/1999 Coll. (hereinafter "the Law"). The Ministry of Finance issued decision no. 322/2732/2002, setting out the scope of licensed insurance activities on 23. 1. 2002. On 15. 12. 2009 Czech national bank issued decision no. 2009/9875/570 licensing extension of the scope of insurance activities for non-life insurance branches no. 1, 2, 7, 13 Coll. d), 15, 16 Coll. a), c), f), i), j) and 17.

The Company carries out the following classes of non-life insurance:

- Liability insurance for damage
- Suretyship insurance
- Insurance of miscellaneous financial losses
- Assistance insurance to persons who get into difficulties while travelling or while away from their residence including insurance of financial losses directly connected to travelling

REGISTERED ADDRESS:

Evropská Cestovní Pojišťovna, a. s.
Křižíkova 237/36a
186 00 Praha 8

STATUTORY BODIES
AT 31 DECEMBER 2010

Management Board:
JUDr. Vladimír Krajíček, Praha - Chairman
Ing. Hana Axmannová, Praha - Member
Mgr. Ondřej Rušíkvas, Hostivice - Member
Ing. Libor Dvořák, Čelákovice - Member

Supervisory Board:

Dr. Johann-Dietrich von Hülsen, Germany - Chairman
Mag. Wolfgang Lackner, Austria - Vice-Chairman
Julia Ricks, Germany - Member (since 29 April 2010)
Stefan Uwe Holzhauser, Germany - Member (until 22 February 2010)

The Company shall be represented by at least two members of the Management Board. When signing on behalf of the Company, the printed or written name of the Company must always be accompanied by the signature of at least two members of the Management Board.

ORGANIZATIONAL STRUCTURE

The Company is divided into three divisions - corporate insurance division, private insurance division and finance. Divisions are split into departments. The Company

director manages human resources, legal and internal audit departments and secretariat directly.

LEGAL CONDITIONS

At the day of closing the accounts all legal conditions of the Company are in accordance with the Law, as amended, with the Insurance Contract Act No. 37/2004 Coll., as amended, and with the Act on Intermediaries and Loss Adjusters No. 38/2004 Coll., as amended, including relevant execution directives and subsequent valid legal enactments.

AFFILIATED UNDERTAKINGS AND PARTICIPATING INTERESTS

In 2002, the Company set up a 100% subsidiary company EUROALARM Assistance Prague, s.r.o., providing assistance services related to the travel insurance business with share capital of TCZK 200. EUROALARM Assistance Prague, s.r.o., was entered into the Commercial Register on 20. 3. 2002.

In 2005, the Company set up another 100% subsidiary company Etics ITP, s.r.o., providing brokerage services and services of an independent loss adjuster. Etics ITP, s.r.o. was entered into the Commercial Register on 1. 2. 2006 and its share capital is TCZK 2 000.

The Company also holds a 16,66% share in the company Euro-Center Holding A/S and a 10% share in the company European Assistance Holding GmbH.

MAIN ACCOUNTING AND VALUATION PRINCIPLES

The Company kept and closed its books in accordance with the Act on Accounting No. 563/1991 Coll., as amended, with the Ministry of Finance Directive No. 502/2002 from 6 November 2003, implementing certain provisions of the Act on Accounting No. 563/1991 Coll. (hereinafter "the Directive 502"), as amended, for insurance companies, with the Czech Accounting Standards for insurance companies and with other related regulations.

The accounting books respect all general accounting principles, in particular the fair value principle, the historic cost principle, the matching principle, the prudence principle and the going concern principle.

Gross Premium Written

Gross premium written includes all amounts due according to the insurance contracts written during the accounting period, irrespective of whether these amounts are fully or partially related to future accounting periods.

Claims Paid

Claims paid comprise the amount assessed for payment based on the claims settlement process, external and internal claims handling costs and a deduction for the salvage value and other recoveries.

Claims paid are recorded upon completion of the settlement of the claim and in the amount of the assessed settlement.

Acquisition Costs

Acquisition costs include all direct and indirect expenses incurred in connection with concluding insurance contracts.

Deferred Acquisition Costs

Deferred acquisition costs include the part of expenses arising from the conclusion of insurance contracts during the current accounting period, which relates to income in future accounting periods.

In respect of non-life insurance, deferred acquisition costs are based on total commission costs incurred in the current period and the ratio of the gross provision for unearned premiums at the balance sheet date to the total gross premiums written for the financial year.

Transfer of Expenses between Technical Accounts and the Non-Technical Account

During the accounting period all administrative costs are posted to the non-technical accounts. Costs are distributed between claims handling costs, acquisition costs and administrative expenses (the technical account), and costs of investment management and other non-technical costs (the non-technical account). At first are costs allocated to the individual cost centres, and then further distributed to the appropriate non-technical accounts based on the defined ratios for each cost centre. This procedure is not applied for taxes and fees or for other expenses not related to insurance or reinsurance activities.

Transfer of Investment Returns between Technical and the Non-Technical Account

During the accounting period all investment returns are posted to the non-technical account. At the end of the accounting period returns from that part of the investment, covering the technical provisions, are transferred to the technical account.

Unearned Premium Provision

The unearned premium provision is created from the part of the gross premium written related to future accounting periods. It represents the sum of all provisions calculated for each individual insurance contract using the "pro rata temporis" method. In respect of some long-term policies, the provision includes the gross premium written but not yet used for travel.

Claims Provisions

Claims provisions are created in the amount of the expected costs for:

- claims reported but not settled in the current accounting period (RBNS),
- claims incurred but not reported by the end of the current accounting period (IBNR).

The provision for claims reported but not settled by the end of the accounting period (RBNS) is set as the total sum of provisions calculated for each and every claim.

The provision for the incurred but not reported claims (IBNR) is set based on statistical analysis, in the amount of 2.2 % of the gross premium earned.

Claims provisions also include all expected external costs connected with claims handling.

Claims provision is reduced by an estimate of repayable recourses that were or are in the process of being recovered from debtors (liable parties) or from other insurance companies based on liability insurance.

Although the Management Board considers that the provision for outstanding claims is fairly stated on the basis of the information currently available to them, the ultimate liability may vary as a result of subsequent events or new information, which may result in significant adjustments to the amounts provided for. Adjustments to the amounts of the provisions are reflected in the financial statements for the period in which the adjustments are made. The procedures and methods used in making estimates are reviewed regularly.

Provision for Bonuses and Rebates

A provision for bonuses and rebates is created in accordance with the insurance contract conditions. The provision is created for cases where the Company is liable to refund to policyholders a portion of the premiums relating to the current financial year due.

Changes in this provision are presented under "Bonuses and Rebates" in the profit and loss account.

Equalisation Provision

The equalisation provision is created to balance either technical loss or extraordinary loss development during the accounting period. The provision is created for insurance classes of credit insurance and suretyship insurance.

The equalisation provision is created and disposed in accordance with Notice No. 434/2009 Coll.

The company creates the equalisation provision only in case total amount of gross

premium written of respective insurance class in accounting periods equal or exceeds 4% of total gross premium written of non-life insurance in respective accounting period or exceeds CZK 67 500 000.

Other Provisions

The Company does not create any other technical provisions.

Reinsurers' Share of Insurance Technical Provisions

The Company shows technical provisions in the net amount on the liabilities side of balance sheet, i.e. after consideration of the reinsurers' share. The calculation of the reinsurers' share of the technical provisions is based on the provisions of the particular reinsurance agreements and the reinsurance settlement method. The Company reports the reinsurers' share of the unearned premium provision and the claims provision. Reinsurers do not participate in the other technical provisions.

Financial Placements

Affiliated Undertakings and Participating Interests

A participating interest with controlling influence is understood to be a participation of more than 50 % in an enterprise of a third party. A participating interest with significant influence is understood to be a participation in of more than 20 %, but less than 50 %, in an enterprise of a third party.

Participating interests are booked at their acquisition cost, which includes the purchase price and other direct costs connected with the acquisition. At the balance sheet date participating interests are revaluated to fair value in accordance with the Act on Accounting No. 563/1991 Coll. The fair value of participating interests is determined based on an expert estimate, e.g. as a share of the net assets of the company. Revaluation differences are shown in shareholder equity.

A participating interest with controlling influence is understood to be a participation of more than 50 % in an enterprise of a third party. A participating interest with significant influence is understood to be a participation in of more than 20 %, but less than 50 %, in an enterprise of a third party.

Participating interests are booked at their acquisition cost, which includes the purchase price and other direct costs connected with the acquisition. At the balance sheet date participating interests are revaluated to fair value in accordance with the Act on Accounting No. 563/1991 Coll. The fair value of participating interests is determined based on an expert estimate, e.g. as a share of the net assets of the company. Revaluation differences are shown in shareholder equity.

Debt Securities

Debt securities are booked at their purchase price on the day they are purchased. The Company carries out amortisation of any premium or discount for all debt securities in the portfolio at the date of closing the accounts. Premiums and discounts are amortised to the profit and loss account on the basis of the effective interest rate method from the date of acquisition to the date of their maturity.

Debt Securities held to the Maturity

Bonds held to the maturity, which are issued by a member state of the Organization for Economic Co-operation and Development and whose rating was set at the level of the Czech Republic or higher by at least two of internationally respected rating agencies ("OECD bonds") are shown in the amortized costs value in the balance sheet. Other debt securities held to the maturity are revaluated to fair value in accordance with the Ministry of Finance Directive No. 502/2002, as amended, at the date of closing the accounts. Differences arising from revaluation are shown in equity.

Debt Securities Available for Sale

Debt securities available for sale are revaluated to fair value in accordance with the Ministry of Finance Directive No. 502/2002, as amended, at the date of closing the accounts. Differences arising from revaluation are shown in income statement. The amortised cost value is taken as the purchase price increased by related costs and

Shares and other
Variable-yield Securities

lowered for discount/premium amortisation and adjustments.
The fair value is taken as the market price announced by home or foreign Stock Exchange or presented on alternative public (organized) market. The Company applies the market value announced at the moment no later than the day of closing the accounts and closest to this date. If the market value had not been available or insufficiently represented the fair value, the market value would have determined by the method of an expert estimate.
Shares and other variable-yield securities are booked on the day they are purchased at their acquisition cost.
The acquisition cost of a share or other variable-yield security includes the purchase price and other direct costs connected with the acquisition.
At the balance sheet date, shares and other variable-yield securities are revaluated to fair value. Revaluation changes are posted into profit and loss accounts.
In case of shares and other variable-yield securities are issued in foreign currency, their value is valued in Czech crown using exchange rate set by Czech National Bank. The exchange rate difference becomes a part of the revaluation to fair value. If there is no objective way of measuring the fair value, the securities are valued at the purchase price.

Deposits with Financial Institutions

Bank deposits are initially recognised at their nominal value. At the date of closing the accounts these assets are revaluated to fair value. For short-term deposits with financial institutions fair value means the nominal value increased by accrued interest.
In case of deposits issued in foreign currency, their value is valued in Czech crown using exchange rate set by Czech National Bank. The exchange rate difference becomes a part of the revaluation to fair value. Revaluation changes are posted into profit and loss accounts.

Loans

Loans are booked at their nominal value on the lending date. At the date of closing the accounts, these assets are revaluated to fair value. The fair value of short-term loans is represented by the nominal value increased by accrued interest.

Tangible and Intangible

Tangible and intangible fixed assets are stated at their purchase price.
Tangible fixed assets with their purchase price under TCZK 40 and intangible assets with their purchase price under TCZK 60 are booked as expenses in an accounting period in which they were acquired, unless it was agreed otherwise to record them in assets in a balance sheet.
An annual rate of accounting depreciation reflects the expected useful lifetime of assets.
The Company calculates depreciation using the methods and over the periods shown in the following table:

fixed assets	method	rate %
software	straight-line	33,3
machines, PCs	straight-line	33,3
furniture, equipment	straight-line	20
cars	straight-line	20
buildings, rebuilding	straight-line	2 - 25

Foreign Currency Translation

Transactions during the year are translated at the ČNB (Czech National Bank) rate effective on the transaction date.



At the balance sheet date, foreign currency assets and liabilities are translated at the ČNB official rate on that date. Foreign currency gains and losses are recorded in the Company's profit and loss account.

Adjustments

Adjustments are created for receivables. The adjustments represent a temporary reduction in the value of individual receivables as evaluated by the Management of the Company.

The Company creates the adjustments using the net method, i.e. the net release or net creation of adjustments in the current accounting period is charged to the profit or loss account.

Adjustments for Receivables from Policyholders

Adjustments for receivables from policyholders are created based on an analysis of their recoverability. The adjustments are created in accordance with the age of the receivables and reflect the risk of non payment in some individual cases.

Corporate Tax

Corporate income tax on the profit for the year comprises current income tax and the change in deferred tax. Current income tax comprises the tax payable calculated on the basis of the expected taxable income for the year, using the tax rate valid at the balance sheet date and any adjustment to the tax payable for previous years. Deferred tax is provided on all temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes multiplied by the income tax rate prescribed by the Income Tax Act for the next period.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which this asset can be utilised.

Income Tax Provision

An income tax provision is created in the amount of the estimated corporate income tax liability at the balance sheet date. This provision is accounted for at the moment the corporate income tax return is filed.

Consolidation

These financial statements have been prepared on a non-consolidated basis. The financial statements of the Company are included into the consolidated financial statements prepared by the Company as a consolidating accounting unit. Also included in the consolidation unit are the companies EUROALARM Assistance Prague, s.r.o. and Etics ITP, s.r.o. The financial statements will also be included into the consolidated financial statements of Europäische Reiseversicherung AG, registered in Germany.

CHANGES IN ACCOUNTING PRINCIPLES AND PROCEDURES

In 2010 the Company has not performed any change in accounting methods and procedures compared to 2009.

RISK MANAGEMENT

In accordance with the decree No. 434/2009 Coll., which administrates some provisions of the Act on Insurance, the Company ensured an implementation of System of Governance to cover all its activities.

The System of Governance is set to ensure a continuous and systematic risk management.

The Company is exposed to insurance risk naturally resulting from underwritten insurance contracts as well as to other risks, especially market, credit, operational, liquidity and concentration risk.

Insurance Risk in non-life Insurance

The Company is exposed to insurance risk and a risk arising from underwriting insurance contracts within its product portfolio.

The insurance risk results from uncertainty relating to a period, frequency and a claims burden covered by insurance contracts.

The most significant risk is the one resulting from an insufficient technical reserve as well as the risk arising from a premium volume. The premium volume is arranged upon historical background, which may differ from reality.

An assessment of a reserve may be significantly influenced by the risk of trend, risk of estimation, change in background etc. Tests of reserve sufficiency are being used while assessing reserves to eliminate the risk resulting from it.

To manage the insurance risk the Company utilizes internal guidelines for product development, internal rules for calculation of technical reserves, and obtains a strategy on reinsurance undertakings.

Concentration of Insurance Risk

A concentration of an insurance risk may exist in cases, when some event or a sequence of events may significantly affect liabilities of the Company. The concentration of insurance risk then determines scope of a possible influence of these events on the volume of liabilities of the Company. This concentration may result from one insurance contract or from a large number of connected insurance contracts, and it relates to circumstances that constituted the reason for creation of significant liabilities. A concentration of insurance risk may result from accumulation of risks within several individual group of contracts, may arise in cases of less frequent large-scale events (e.g. natural disasters), as well as in cases of serious legal processes, or in cases of change of legislation.

Strategy of Reinsurance

The Company reinsures some risks arising from insurance contracts to mitigate a risk of loss and protect its own sources of capital. The reinsurance program of the Company is based upon a combination of reinsurance treaties with external reinsurers and reinsurance treaties with its own mother company.

The Company concludes both proportional and disproportionate reinsurance treaties to reduce its exposure to risks. To obtain a supplementary protection the Company utilizes facultative reinsurance at some insurance contracts.

Market Risk

With respect to the nature of pursued insurance activities, market risk does not represent a significant threat to the operation of the Company and its ability to fulfil its obligations towards its clients. The only field being monitored by the Company is monetary risk.

Monetary Risk

The Company is exposed to monetary risk through transactions conducted in foreign currencies. Since the Company closes its books in Czech crowns, any changes in rates of exchange of Czech crown may have an impact on a financial statement of the Company.

Credit Risk

The Company is exposed to credit risk, which results from inability of a counter party to pay sums due from a debt in full amount.

Main areas where the Company is exposed to credit risk are:

- -Reinsurer's share on insurance liabilities
- -Debt of a reinsurer concerning a settled claim
- -Outstanding premium

An outstanding premium is continuously monitored and a methodology of creation of adjustments is described in the article adjustments.

The Company conducts its own recovery of debt from insurance. Efficiency of this process is regularly controlled.

Operational Risk

Operational risk is a risk of a potential loss resulting from missing or insufficient internal processes, human resources and/or systems, or from other reasons, which may arise from either internal or external events.

The Company analyses these risks and proposes adjustments of working procedures and processes with the aim to eliminate events incurring loss related to operational risk.

Liquidity Risk

The Company is exposed to daily requirements for liquidity resulting from compensation payments. The risk of liquidity is represented by an event when an amount of money necessary to meet obligations is not available for adequate costs at its due date.

The need for liquidity is continuously monitored in order to protect necessary sources. The Company has several disposable sources of financing, and keeps, in accordance with the legislation, a sufficient proportion of financial placements in liquid financial instruments.

OTHER REMARKABLE FACTS

In 2010 there were no remarkable facts apart from those mentioned in the appendix to this financial statement.

LONG TERM INTANGIBLE ASSETS

At 31. 12. 2010 intangible assets of the Company comprised software with a net book value of TCZK 2 978 (2009: TCZK 2 444; 2008: TCZK 1 463). The software acquisition account balance amounted to TCZK 4 941 (2009: TCZK 3 168; 2008: TCZK 1 021).

FINANCIAL PLACEMENTS

Purchase Price and Fair Value of Financial Placements

	purchase price			fair value		
	2008	2009	2010	2008	2009	2010
Equity participations	2 200	2 200	2 200	12 632	27 269	21 099
Stocks and bonds, thereof:						
<i>With variable interest issued by non-fin. inst. - unlisted</i>	8 324	8 324	8 324	8 324	8 324	8 324
<i>With fixed interest available for sale</i>						
<i>issued by CZ listed in CZ</i>	0	29 763	52 137	0	29 845	52 481
<i>With fixed interest hold to maturity</i>						
<i>issued by CZ kótované v ČR</i>	136 246	90 823	90 871	143 271	98 938	99 065
<i>issued by fin. inst. listed in CZ</i>	31 200	31 200	21 065	31 237	31 013	20 961
<i>issued by fin. inst. listed in EU</i>	9 898	9 898	0	9 466	9 857	0
Total	177 344	131 921	111 936	183 974	139 808	120 026
Stocks and bonds total	185 668	170 008	172 397	192 298	177 977	180 831
Short-term bank deposits	19 733	54 961	63 208	19 733	54 961	63 208
Financial placement total	207 601	227 169	237 805	224 663	260 207	265 138

At 31. 12. 2010 was amortized costs of OECD bonds hold to maturity TCZK 91 792 (2009: TCZK 92 121; 2008: TCZK 134 836).

In 2010 the Company received dividends from EUROALARM Assistance Prague, s.r.o., TCZK 15 320 (2009: TCZK 694; 2008: TCZK 2 100).

**Equity Participations
with Controlling Influence**

Business name, quarter	share in %	purchase price	total amount share cap.	total amount equity	P/L for the fin. year
EUROALARM Assistance Prague, s.r.o. Křižíkova 237/36a, 186 00 Praha 8	100	200	200	19 359	8 743
Etics ITP, s.r.o. Křižíkova 237/36a, 186 00 Praha 8	100	2 000	2 000	1 740	176
Total		2 200	2 200	21 099	8 919

For the accounting period were the Shareholders capital and Profit for the year determined by the estimate of result for the year 2010 in controlled companies.

Loans

At 31. 12. 2010 the Company shows no loans (2009: TCZK 0; 2008 TCZK 0).

RECEIVABLES

at 31. 12. 2008	policyholders	insurance intermed.	from reins trans.	other	total
Due	4 721	15 183	0	16 608	36 512
Overdue	307	4 655	0	0	4 962
Total	5 028	19 838	0	16 608	41 474
Adjustments	137	908	0	0	1 045
Net total	4 891	18 930	0	16 608	40 429
at 31. 12. 2009	policyholders	insurance intermed.	from reins trans.	other	total
Due	3 653	7 653	0	13 456	24 762
Overdue	326	535	0	0	861
Total	3 979	8 188	0	13 456	25 623
Adjustments	224	303	0	0	527
Net total	3 755	7 885	0	13 456	25 096
at 31. 12. 2010	policyholders	insurance intermed.	from reins trans.	other	total
Due	5 366	11 826	0	14 794	31 986
Overdue	364	3 715	0	0	4 079
Total	5 730	15 541	0	14 794	36 065
Adjustments	258	838	0	0	1 096
Net total	5 472	14 703	0	14 794	34 969

Other Receivables

	2008	2009	2010
Inter-company Receivables	0	0	0
Inter-company Prepayments	2 611	2 587	4 770
Other Prepayments	2 719	267	614
Deferred Tax Receivables	217	176	246
Prepaid Taxes	10 770	10 343	9 158
Other Receivables	291	83	6
Adjustments for Doubtful Rec.	0	0	0
Total	16 608	13 456	14 794

Long-term Receivables (due in more than 5 years)

At 31. 12. 2010 the Company has no long-term receivables (2009: TCZK 0; 2008: TCZK 0).

LONG TERM TANGIBLE ASSETS

	tangible	acquired assets	total
Acquisition cost at 31. 12. 2008	20 531	108	20 639
Additions	2 983	0	2 983
Disposals	4 818	108	4 926
Acquisition cost at 31. 12. 2009	18 696	0	18 696
Additions	2 935	0	2 935
Disposals	2 586	0	2 586
Acquisition cost at 31. 12. 2010	19 045	0	19 045
Accumul. depreciation at 31. 12. 2008	13 900	0	13 900
Depreciation	3 468	0	3 468
Disposals	4 552	0	4 552
Accumul. depreciation at 31. 12. 2009	12 816	0	12 816
Depreciation	3 099	0	3 099
Disposals	2 543	0	2 543
Accumul. depr. at 31. 12. 2010	13 372	0	13 372
Net book value at 31. 12. 2008	6 631	108	6 739
Net book value at 31. 12. 2009	5 880	0	5 880
Net book value at 31. 12. 2010	5 673	0	5 673

TEMPORARY ASSET ACCOUNTS

Deferred Acquisition Costs

At 31.12.2010 the balance of deferred acquisition costs amounts to TCZK 7 747 (2009: TCZK 6 097; 2008: TCZK 6 011).

Estimated Receivables and Prepaid Expenses

At 31.12.2010 the balance of estimated receivables amounts to TCZK 0 (2009: TCZK 1 136; 2008: TCZK 19), which includes the estimated income from reinsurance settlement.

At 31.12.2010 the balance of accrued receipts amounts to TCZK 3 (2009: TCZK 8; 2008: TCZK 0), represents accrued interests from bank deposits.

At 31.12.2010 the company shows balance of the prepaid expenses in the amount of TCZK 8 104 (2009: TCZK 3 765; 2008: TCZK 5 746), thereof TCZK 5 140 (2009: TCZK 2 570; 2008: TCZK 5 340) represents prepaid commissions relating to the future accounting periods.

EQUITY

Share Capital

The share capital consists of common registered shares in booked form. The share capital consists of 303 shares with a booked value of TCZK 500, 41 shares with a booked value of TCZK 100, and 88 shares with a booked value of TCZK 50. All shares are in booked form. At 31. 12. 2010 100 % of the registered capital was fully paid up, i.e. TCZK 160 000.

The level of the registered equity is in accordance with the requirements of the Law, taking into account the insurance classes in which the Company is licensed to do business.

Movements in Equity

	registered capital	share premium	result for the year	retained earnings	diff. from legal inv. reval.	legal res.. fund	total
Balance at 1. 1. 2010	160 000	0	30 279	4	24 954	11 973	227 210
Share capital increase	0	0	0	0	0	0	0
Dividends (CZK 194 356 per share)	0	0	- 27 210	0	0	0	- 27 210
Dividends (CZK 38 871 per share)	0	0	- 778	0	0	0	- 778
Dividends (CZK 19 436 per share)	0	0	- 778	0	0	0	- 778
Transfer to the legal reserve fund	0	0	- 1 513	0	0	1 513	0
Transfer to retained earnings	0	0	0	0	0	0	0
Diff. from investment revaluation	0	0	0	0	- 5 873	0	- 5 873
Profit for the year 2010	0	0	37 263	0	0	0	37 263
Balance at 31. 12. 2010	160 000	0	37 263	4	19 081	13 486	229 834

Expected Distribution of Profit

Profit of the current year	37 263
Transfer to the legal reserve fund	- 1 863
Profit to be transferred	35 400

The Annual General Meeting will decide on the distribution of the profit for the year 2010.

Valuation Differences arising from Revaluation of Assets to Fair Value

	2008	2009	2010
Balance at 1. 1..	12 102	13 734	24 954
Change in fair value (w/o security deriv.)	2 247	14 941	- 5 926
Change from sales or permanent value decrease or maturity	0	16	96
Change in OECD bonds reporting	0	- 4 562	0
Deferred tax change	- 615	825	- 43
Balance at 31. 12.	13 734	24 954	19 081

TECHNICAL PROVISIONS Claims Provision

The claims run-off result is given by the difference between the balance of the claims provision at 1. 1. 2010, less payments made (of claims included in the provision) and the balance of the provision at 31. 12. 2010

	2008	2009	2010
Gross claims run-off result	2 907	4 806	1 807

Provision for Bonuses and Rebates

In 2010 the provision amounted to TCZK 1 119 (2009: TCZK 974; 2008: TCZK 1 268).

Equalisation Provision

	2008	2009	2010
Result at the end of the year	0	0	0

In 2010 the equalisation provision was not created since the amount of premium written within the class of Suretyship insurance did not exceed 4 % of the premium written total.

The Company has not created any new reserves in equity listed under Sec. A IV or A with the same reason for which the equalisation provision existed.

PROVISIONS

Provision types	opening balance	creation	drawings	closing balance
On pensions and under oblg.	0	0	0	0
On tax	7 835	5 315	- 7 835	5 315
Other	0	0	0	0
Total	7 835	5 315	- 7 835	5 315

LIABILITIES

at 31. 12. 2008	policyhold.	insurance intermed.	from reins. trans.	received deposits	other	total
Due	713	1 439	28 344	0	5 536	36 032
Overdue	0	0	0	0	0	0
Total	713	1 439	28 344	0	5 536	36 032
at 31. 12. 2009	policyhold.	insurance intermed.	from reins. trans.	received deposits	other	total
Due	663	1 880	26 717	0	4 252	33 512
Overdue	0	0	0	0	0	0
Total	663	1 880	26 717	0	4 252	33 512
at 31. 12. 2010	policyhold.	insurance intermed.	from reins. trans.	received deposits	other	total
Due	2 147	1 698	27 748	8 246	7 308	47 147
Overdue	0	0	0	0	0	0
Total	2 147	1 698	27 748	8 246	7 308	47 147

Payables in Respect of Social and Health Insurance

At 31. 12. 2010 social security and health insurance payables amounted to TCZK 450 (2009: TCZK 402; 2008: TCZK 470), of which TCZK 315 represents social security payables (2009: TCZK 282; 2008: TCZK 326) and TCZK 135 represents health insurance payables (2009: TCZK 120; 2008: TCZK 144). None of these payables are overdue.

State - Tax Liabilities and Grants

At 31. 12. 2010 the Company shows tax liabilities in the total amount of TCZK 1 193 (2009: TCZK 702; 2008: TCZK 1 804). None of these payables are overdue.

Long-term Liabilities and Payables (due in more than 5 years)

At 31. 12. 2010 the Company has no long-term liabilities (2009: TCZK 0; 2008: TCZK 0).

Payables on Reinsurance

The Company presents a net payable to reinsurers in the amount of TCZK 27 748 (2009: TCZK 26 717; 2008: TCZK 28 344), of which the inter-company balance is TCZK 25 061 (2009: TCZK 24 046; 2008: TCZK 25 510).
The Company shows a deposit from reinsurers in the amount of TCZK 26 868 (2009: TCZK 26 717; 2008: TCZK 28 344), of which the inter-company amount is TCZK 24 181 (2009: TCZK 24 046; 2008: TCZK 25 510). The deposit covers the reinsurers' share of the technical provisions.

TEMPORARY LIABILITY ACCOUNTS**Passive Adjustments**

At 31. 12. 2010 estimated payables amount to TCZK 11 168 (2009: TCZK 10 311; 2008: TCZK 12 577), which includes the estimated costs of services used but not invoiced in the accounting period, employee bonus payments for achieving the budget for 2010, which will be paid out in the next accounting period, the estimated costs of non-proportional commissions related to the year 2010 and the estimate of quota share reinsurance.

**INTER-COMPANY RECEIVABLES
AND PAYABLES****Short term equity participations with controlling influence**

	receivables			payables		
	2008	2009	2010	2008	2009	2010
EUROALARM Assistance Prague, s.r.o	0	0	0	0	0	0
Etics ITP, s.r.o.	0	0	0	0	0	0
Total	0	0	0	0	0	0

Short term inter-company receivables and payables

	receivables			payables		
	2008	2009	2010	2008	2009	2010
Europäische Reiseversicherung, Germany	0	0	0	24	0	1 515
Multiasistencia Europea, Spain	0	0	0	0	0	178
Munich Re, Germany	0	0	0	0	0	880
Euro-Center Holding, Denmark	2 611	2 587	4 770	206	0	2 405
Total	2 611	2 587	4 770	230	0	4 978

Reinsurance deposit

	receivables			payables		
	2008	2009	2010	2008	2009	2010
Europäische Reiseversicherung, Germany		0	0	25 510	24 046	24 181

**Long-term Receivables
and Payables
(due in more than 5 years)**

At 31. 12. 2010 the Company has neither long-term inter-company receivables (2009: TCZK 0; 2008: TCZK 0) nor long-term inter-company payables (2009: TCZK 0; 2008: TCZK 0).

ADDITIONAL INFORMATION TO PROFIT AND LOSS STATEMENT

INSURANCE OVERVIEW - NON-LIFE INSURANCE

2008	Surety ship insurance	Liability insurance.	Misc. finan. loses ins.	Travel insurance	Total
Gross premium written	0	0	0	268 359	268 359
Gross premium earned	0	0	0	259 610	259 610
Gross claims costs	0	0	0	85 995	85 995
Gross operating expenses	0	0	0	114 563	114 563
Result of reinsurance	0	0	0	- 13 777	- 13 777
2009	Surety ship insurance	Liability insurance.	Misc. finan. loses ins.	Travel insurance	Total
Gross premium written	0	0	0	236 120	236 120
Gross premium earned	0	0	0	238 035	238 035
Gross claims costs	0	0	0	80 835	80 835
Gross operating expenses	0	0	0	108 549	108 549
Result of reinsurance	0	0	0	- 16 533	- 16 533
2010	Surety ship insurance	Liability insurance.	Misc. finan. loses ins.	Travel insurance	Total
Gross premium written	3 490	926	1	214 005	218 422
Gross premium earned	826	230	1	210 213	211 270
Gross claims costs	0	0	0	71 162	71 162
Gross operating expenses	0	0	0	105 408	105 408
Result of reinsurance	0	0	0	- 12 468	- 12 468

BONUSES AND REBATES

In 2010 bonuses and rebates totalled TCZK 1 128 (2009: TCZK 2 851; 2008: TCZK 3 555). Bonuses based on the amount of premium amounted to TCZK 783 (2009: TCZK 2 512; 2008: TCZK 3 145) and no-claims bonuses amounted to TCZK 345 (2009: TCZK 339; 2008: TCZK 410).

In accordance with the principle mentioned in paragraph 7.9., in the notes to the financial statements, the Company accounted for the following changes in the provision for bonuses and rebates:

	2008	2009	2010
Creation of the provision	1 268	974	1 119
Disposal of the provision	1 439	1 268	974
Change in the provision	- 171	-294	145

COMMISSIONS AND OTHER INSURANCE CONTRACTS'S ACQUISITION COSTS

	2008	2009	2010
Commissions	57 769	52 048	47 721
Other acquisition costs	39 606	35 985	38 337
Change in deferred acquisition costs	- 1 538	- 86	- 1 650
Total	95 837	87 947	84 408

Overheads

	2008	2009	2010
Personnel costs (payroll expenses, social security)	9 887	11 241	11 600
Rent	1 748	1 777	1 771
Office maintenance and equipment	1 188	1 341	962
Depreciation of tang. and intang. assets	1 675	1 783	1 870
Consultancy	679	573	512
Software services	492	835	622
SAP costs	1 049	1 117	1 674
Travel costs	492	438	599
Other administrative costs	1 516	1 497	1 390
Total administrative costs	18 726	20 602	21 000

EMPLOYEES AND EXECUTIVES

The average number of employees and executives and payroll expenses for 2010, 2009 and 2008:

	average number	payroll expenses	social expenses	social expenses	total
Employees	31	11 490	4 135	1 263	16 888
Executives	5	14 350	291	851	15 492
Total for 2008	36	25 840	4 426	2 114	32 380
Employees	33	11 246	3 942	973	16 161
Executives	5	13 958	2 123	848	16 929
Total for 2009	38	25 204	6 065	1 821	33 090
Employees	38	12 960	4 263	906	18 129
Executives	5	11 962	2 902	819	15 683
Total for 2010	43	24 922	7 165	1 725	33 812

Administration staff personnel costs are shown in overheads Sales staff personnel costs are included in acquisition costs and amounted to TCZK 18 140 in 2010 (2009: TCZK 17 547; 2008: TCZK 18 275). The personnel costs related to claims handling staff are included in claims costs and amounted to TCZK 3 975 in 2010 (2009: TCZK 4 211; 2008: TCZK 4 138). The personnel costs related to investment management staff are included in financial placement expenses and amounted to TCZK 97 in 2010 (2009: TCZK 91; 2008: TCZK 80).

In 2010 no remuneration was paid to members of the statutory bodies connected with their membership of these bodies.

As at 31. 12. 2010 the Company has no record of loans provided to members of statutory bodies.

Information on the Statutory Auditor Fees

The company shows the statutory auditor fee in other expenses and in 2010 amounted to TCZK 1 094 (2009: TCZK 1 102; 2008: TCZK 1 093).

TRANSFERS OF EXPENSES BETWEEN THE TECHNICAL ACCOUNTS AND THE NON-TECHNICAL ACCOUNT

In 2010 expenses were transferred from the non-technical account in the total amount of TCZK 67 112 (2009: TCZK 64 741; 2008: TCZK 65 913), of which TCZK 7 775 (2009: TCZK 8 154; 2008: TCZK 7 581) was transferred to claims costs, TCZK 38 337 (2009: TCZK 35 985; 2008: TCZK 39 606) was transferred to acquisition costs and TCZK 21 000 (2009: TCZK 20 602; 2008: TCZK 18 726) was transferred to administrative expenses.

TRANSFERS OF INVESTMENT RETURNS BETWEEN THE TECHNICAL ACCOUNT AND THE NON-TECHNICAL ACCOUNT

In 2010 investment returns were transferred from the non-technical account to the technical account in the amount of TCZK 1 978 (2009: TCZK 2 510; 2008: TCZK 2 748).

NON-TECHNICAL ACCOUNT RESULT

In 2010 the non-technical account result was TCZK 20 129 (2009: TCZK 5 623; 2008: TCZK 7 451).

RESULT BEFORE TAX

In 2010, the result before tax was TCZK 42 427 (2009: TCZK 38 214; 2008: TCZK 52 579).

TAXATION

Income Tax in Profit and Loss Statement

	2008	2009	2010
Provision on income tax - current year	10 744	7 836	5 315
Difference on tax due for past period and disposal of budgeted provision	- 99	0	- 290
Income tax due incurred in past period	0	0	0
Diff. in status of a deferred tax rec./pay.	217	99	139
Total income tax	10 862	7 935	5 164

Deferred Tax

Reported deferred tax receivables and payables.

	receivables			payables			difference		
	2008	2009	2010	2008	2009	2010	2008	2009	2010
Tangible Fixed Assets	0	0	0	237	282	479	- 237	- 282	- 479
Intangible Fixed Assets	1	0	0	0	14	26	1	- 14	- 26
Receivables	163	52	120	0	0	0	163	52	120
Other	53	124	126	0	0	0	53	124	126
Impact to Profit/Loss	217	176	246	237	296	505	- 20	- 120	- 259
Investment assets (in balance sh.)	0	0	0	825	0	43	- 825	0	- 43
Impact to Equity	0	0	0	825	0	43	- 825	0	- 43
Total Deferred Tax.	217	176	246	1 062	296	548	- 845	- 120	- 302

For deferred tax calculation was used tax rate that will be valid in period when tax receivable or payable is applied, i.e. 19 %.

OTHER INFORMATION

Actual Concern

The Company has not concluded a controlling agreement with the majority shareholder Europæiske Rejseforsikring A/S, Denmark. A report on relations between related parties is a part of the Annual Report.

EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE

The management of the Company is not aware of any events that have occurred since the balance sheet date that would have a material impact on the Company's financial statements as at 31. 12. 2010.

Evropská Cestovní Pojišťovna, a. s.

Křižíkova 237/36a
186 00 Praha 8

Insurance on-line: www.evropska.cz
Customer centre: +420 221 860 860