

Annual Report 2018





Founding member of the
Czech Insurance Companies Association



We have won the Association of
Czech Insurance Brokers' Insurance
Company of the Year award eleven times.



ERV Evropská has been voted the best
travel insurance company by tourism
professionals for sixteen years in a row.



www.linkabezpeci.cz

We help, not only on your travels.
We support the Linka bezpečí,
a helpline for children in need.

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Basic Information

Registered Address	ERV Evropská pojišťovna, a. s. Křížíkova 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%
Management Board	JUDr. Vladimír Krajiček, Praha – Chairman Mgr. Ondřej Rušíkvas, Praha – Member (until December 31, 2018) Ing. Libor Dvořák, Čelákovice – Member Ing. Štěpán Landík, Praha - Member	
Supervisory Board	Richard Gustav Johann Bader, Germany - Chairman Mag. Wolfgang Lackner, Austria - Vice-Chairman Oliver Wild, Germany - Member	

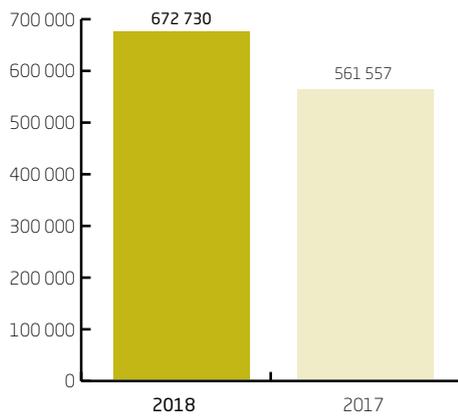


Key Figures

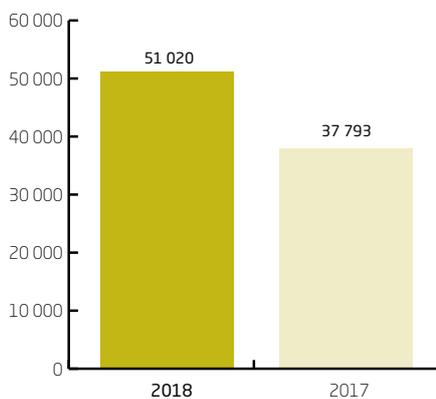
	(TEUR) ¹	2018 (TCZK)	2017 (TCZK)
Gross premium written	26 151	672 730	561 557
Technical result	2 575	66 238	48 562
Result for the year	1 983	51 020	37 793
Total assets	19 943	513 038	489 889
Shareholders' equity	9 372	241 158	274 229
Technical provisions - gross	6 908	177 720	130 208

¹ 1 EUR = 25,725 CZK

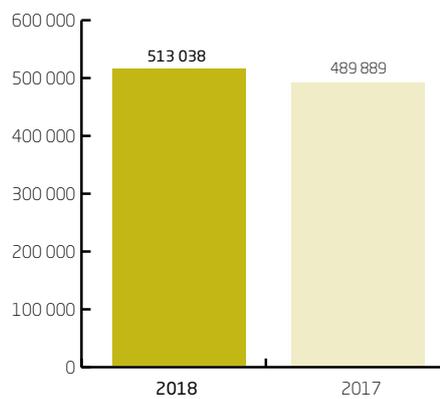
Gross Premium Written (TCZK)



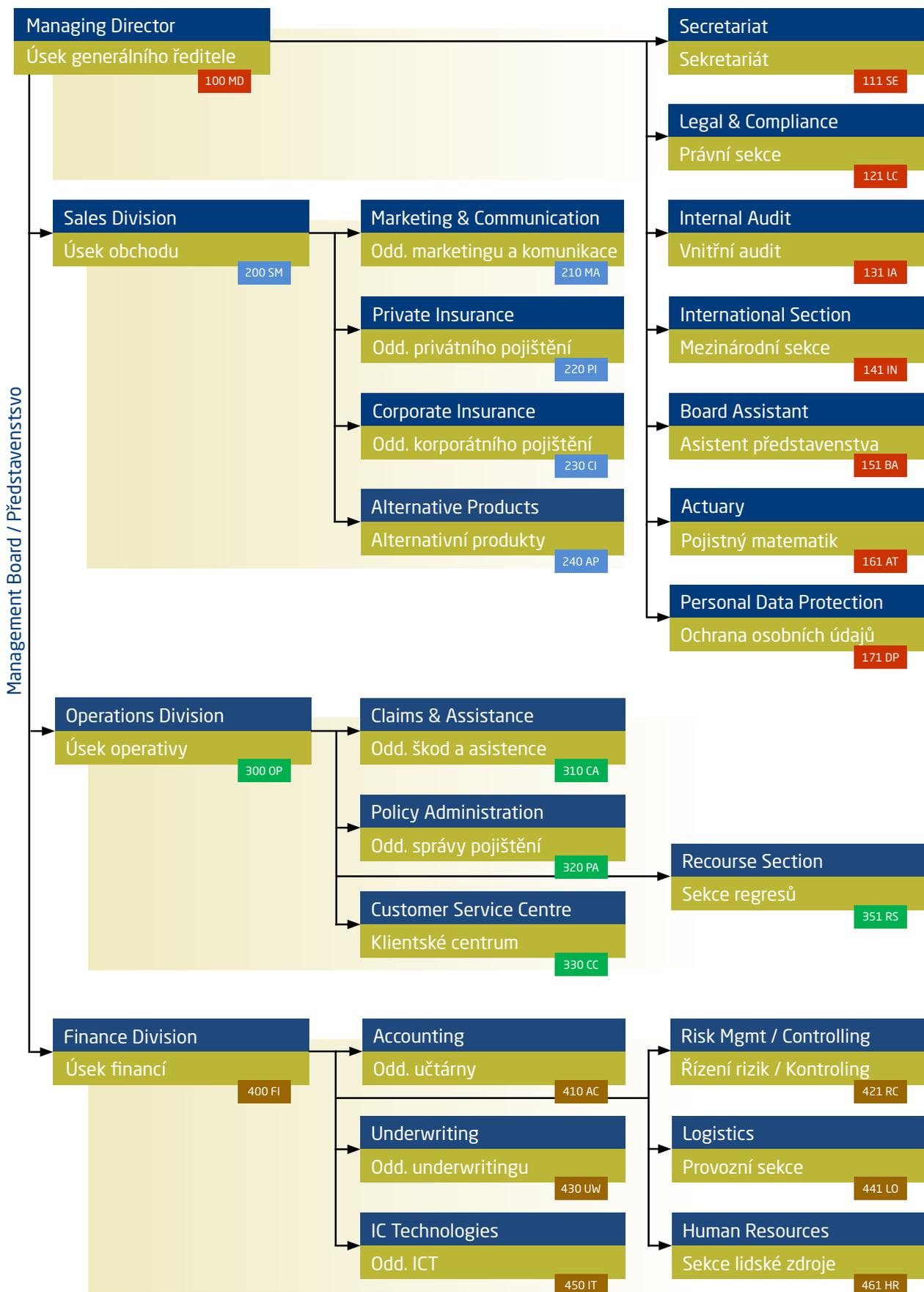
Result for the Year (TCZK)



Total Assets (TCZK)



Organisational Chart as at 31st December 2018



International Group

The Danish Europaeiske Rejseforsikring A/S that has been dealing with travel insurance for already more than 90 years founded our Company in 1992. 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 companies in Denmark, Sweden, Spain, United Kingdom, Italy, Ireland, Portugal, Poland, Turkey, Russia, China and India.

Via our shareholders we belong to the Group of Munich Re - the international reinsurance leader. In 1994 Evropská Cestovní Pojišťovna (today ERV Evropská pojišťovna) 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.



ITI Group Members

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



Management Board Report on Company Activities in 2018

Last year marked the 25th anniversary of ERV Evropská pojišťovna's entrance into the Czech market. A quarter century ago, our company obtained one of the first insurance licenses in the newly demonopolised insurance market. As the first specialised insurer in the country, we started offering travel insurance based on entirely new principles taken over from our Danish founders, who decided to re-introduce the Evropská brand after more than 40 years in the Czech Republic.

Our mission in particular was to finally give our Czech clients a feeling of dignity abroad, the opportunity to receive the same level of insurance protection as the people of, at that time, more developed countries and, most importantly, to get active, on-the-spot assistance abroad. That's why we included since the very beginning a worldwide assistance service into all our products. We have never abandoned the concept of providing customer care before, during, and after the trip, and our today's position on the Czech market confirms not only that we have made the right choice, but also that our small team of staff members has been providing an excellent work.

The turnover of the insurance company steadily increased, albeit with fluctuations in 1999, 2009, and 2010. In the last ten years, the amount of premiums received have nearly tripled. In the last decade, our net profits reached an average of CZK 40 million per year, and the combined ratio was below 92%. This shows why ERV Evropská has been the leader of the Czech travel insurance market for many years, in addition to the countless awards we have received from professionals in both the insurance and tourism sectors.

The steadily positive results have ranked us among the most successful companies in the entire international group. That's why our company has served as our concern hub for Central and Eastern Europe since 2010. Beginning in 2012 our Euro-Center assistance network, which manages 13 alarm centres operating directly in major destinations on all continents, has also been headquartered in Prague. We naturally did not even think about elevating Prague to this position within the international group a quarter century ago. Today, however, we are proud of it and we perceive it primarily as a confirmation that our commitment to the original mission has paid off and that our success is due especially to the professionalism of our entire team, which builds on sincere cooperation, mutual esteem, and, above all, a thorough understanding of our clients.

2018 was a record year for us for the eighth consecutive time in a row - we collected 20% more premiums, reaching CZK 673 million. More than 1.2 million clients used our insurance over the year. It is a great honour for us that nowadays every second Czech uses our insurance services when travelling abroad for an organised tour. In general, however, the growth of travel insurance reflected the very successful development of outbound tourism over the past year.

Thanks to the good growth of the national economy, the unprecedented increase (approximately 11%) of sales of outbound tours has continued for the second consecutive year. Since this positive development primarily concerned the largest travel agencies with which we have been working closely for many years, our income from travel insurance also rose by almost a quarter year on year. Our business with travel agencies and airticket vendors grew as well. In the tourism segment, the total volume of collected premiums increased year-on-year by 22%. Our direct sales to private clients went up mainly due to newly fine-tuned internet and mobile applications.

Our victory in the unquestionably prestigious tender for medical insurance of the Ministry of Foreign Affairs' employees, which we achieved as the main co-insurer together with Kooperativa and PVZP, brought us a significant increase in corporate insurance. Close cooperation with insurance brokers was also key to our acquisition of new corporate and institutional clients. Even in the special insurance segment - including e.g. tour operators insolvency insurance, professional liability insurance, tickets or bicycle insurance - we have seen a very positive development, despite these specific products remain more or less peripheral in terms of our turnover.

Due to a significant increase in revenues from major distributors, the company recorded a relatively large increase in commissions over the past year. However, this has been offset by a generally lower claims ratio, even though the costs of major claims have continued to grow for years. Close coordination with the Euro-Center network brought a very positive outcome: thanks to the launch of an improved preferred providers programme in Egypt, we managed to reduce the relatively high claims frequency in this major destination.

Our administrative costs recorded a relatively large increase in 2018, driven primarily by significantly higher personnel costs and investment in information technology.

However, the admin costs ratio did not increase year-on-year, and the company was able to close the year with a better technical result in excess of CZK 66 million.

Due to a certain increase in non-technical income, our total profit reached CZK 51 million, an increase of one third over the previous year. The solvency ratio throughout the year significantly exceeded the legal requirements for our industry. For these results, reflecting excellent commitment to and support of our common goals, the Management Board of Directors is once again grateful to our entire 50-member team.

For ERV Evropská, the coming year will be significant. After 26 years, two management members who have long been involved in setting up and developing its business, will leave the company. A good team of staff members, however, remains and is well-prepared not only

to defend, but also to consolidate our market position. Our further development will undoubtedly rely on the intensive introduction of new technologies, upgrading insurance products in the interests of clients, and the improvement of internal process efficiency. In this respect, our company has the best starting position and the strong financial backing of the ERV, ERGO and Munich Re international groups. That is why we are not afraid of the 2019 challenges. We believe this year will be successful not only for us, but also for the entire tourism industry, in which we will continue to play an active part.

Prague, January 2019



Vladimír Krajiček
Chairman of the Management Board

Supervisory Board Report on Activities in 2018

The Supervisory Board of the ERV Evropská pojišťovna, a. s., held three meetings during the year 2018 carrying out its duties in accordance with the Company's Articles of Association.

In the year under review no change occurred in the composition of the Supervisory Board. Throughout all the year Mr Richard Gustav Johann Bader (Chairman), Mr Wolfgang Lackner (Vice-Chairman) and Mr Oliver Wild were members of the Board. The members had access to all Company documents when required.

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

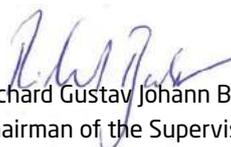
The Supervisory Board examined financial statements for the year, the Management Board Report, and the Management Board proposal on the balance sheet profit distribution for the year 2018. Having studied these documents, we agree to the proposal on the balance sheet profit distribution and have nothing 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 financial statements comply with the Czech legal regulations. 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 Management Board.

During 2018 the Supervisory Board carried out all functions of the audit committee in accordance with the Act No. 93/2009 Coll. on auditors. The Supervisory Board was engaged, besides other duties, in selection of the new audit firm for period starting 2020.

Prague, January 2019



Richard Gustav Johann Bader
Chairman of the Supervisory Board

Report on Relations between Related Parties in 2018

ERV Evropská 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. Europäische Reiseversicherung AG, Munich holds 15% of the Company shares and the remaining 10% is held by the Austrian company Europäische Reiseversicherung AG, Vienna.

Controlling parties and relation description

Europaeiske Rejseforsikring A/S, Denmark, is the founder and the parent company of the Company. The Company has a cooperation agreement with this company to sell Danish Global Corporate travel insurance on the Czech market.

Europäische Reiseversicherung AG, Germany, is the parent company and 100% shareholder of Europaeiske Rejseforsikring A/S, Denmark, and concurrently holds a 25% share in Europäische Reiseversicherung AG, Austria. Directly or indirectly, Europäische Reiseversicherung AG thus controls a 92.5% share of the Company. The Company has agreements with this company, respectively with its Polish branch, regarding the usage of the daGama computing system in Poland, an agreement on user support of the respective software, an agreement on personal data protection, and an agreement on claims management.

ERGO Group AG, Germany, is the 100% shareholder of Europäische Reiseversicherung AG, Germany. The Company has an agreement with ERGO Group AG on the usage of group's accounting system. Furthermore, there is an agreement between the companies on support and consulting services in respect of Solvency II reporting, an agreement on internal audit service provision and an agreement on implementation of the Smaragd IT system.

Münchener Rückversicherung AG, Germany, is the 100% shareholder of ERGO Group AG, Germany. Münchener Rückversicherung AG participates on the reinsurance scheme of the Company with respect to travel insurance, liability insurance, and tour operator insolvency insurance. Reinsurance billing is stated in reinsurance contracts signed between the Company and the reinsurer, under conditions applicable to third parties.

Controlled parties and relations description

Etics ITP, s. r. o., Czech Republic, is a 100% subsidiary of the Company and was established in 2005. The subject of its business is insurance mediation and claims

settlement. With this brokerage company, the Company has an agreement on sales representation, an agreement on claims settlement cooperation, an agreement on cooperation on controlling and monitoring travel agencies financial results and an agreement on sub-tenancy.

Relations to other related parties

Euro-Center Holding SE, Czech Republic, is a company coordinating assistance services within the concern of Europäische Reiseversicherung AG, which controls 83.33% of its shares. The Company itself controls 16.66% of its shares. The Company has concluded a cooperation agreement on the provision of assistance services to clients and an agreement on sub-tenancy with Euro-Center Holding SE.

Euro-Center Prague, s.r.o., Czech Republic, was a 100% subsidiary of the Company until 2016. In 2016 the Company sold all its shares to Euro-Center Holding SE. The subject of its business is the provision of assistance services in respect of travel insurance. With Euro-Center Prague, s.r.o., the Company has signed a cooperation agreement on the provision of assistance service for clients, a cooperation agreement on claims handling in tour operator insolvency insurance, an agreement on the provision of administrative services, an agreement on lease of movable property, and an agreement on sub-tenancy.

CJSIC "European Travel Insurance", Russia, is 100% subsidiary of Europäische Reiseversicherung AG, Germany. In 2018 the Company concluded an amendment to the cooperation agreement from 2011 with the Russian company in particular related to cooperation in IT, management processes, and internal audit principles implementation.

PJSC "European Travel Insurance", Ukraine, was a 100% subsidiary of Europäische Reiseversicherung AG, Germany, until 01/10/2018. Then the Ukrainian company was sold outside the Munich Re group. In 2018 the Company concluded an agreement with the Ukrainian company in particular related to cooperation in business development, management processes, and internal audit principles implementation.

MEAG MUNICH ERGO Asset Management GmbH, Germany, belongs to the concern of Münchener Rückversicherung AG and provides asset management and investment advisory services. The company provides services in the area of investment and asset management to the Company.

All contracts with the above-mentioned parties have been concluded under the arm's-length principle.

In the past year, the Company has not concluded any other agreement with any other company belonging to the Münchener Rückversicherung concern. The exact amount of mutual receivables and liabilities as at the balance sheet date has been stated in the notes to the financial statements.

Shareholders control the Company mainly through decisions taken during General Meetings.

The Company has neither controlling agreements with shareholders nor agreements on profit transfer.

We declare that, according to Section 82 of the Act on Commercial Corporations, as amended, in this report on relations between related parties in 2018 we have stated to the best of our knowledge all new or valid relations between controlling and controlled party, as well as relations between the controlled party and parties controlled by the same party, roles of the controlled

parties, methods and means of control, and assessment of loss inception.

We declare that we are not aware of any losses caused to the Company by the above-mentioned agreements.

At the same time we declare that no potential liability has arisen for the Company from the above-mentioned relations and that they therefore pose no consequent risk for the Company.

Prague, January 2019



Vladimír Krajiček
Chairman of the Management Board



Libor Dvořák
Member of the Management Board

Profit Distribution

The Management Board proposes to distribute the profit for the financial year 2018 in the amount of TCZK 51 020 as follows:

- allocate TCZK 2 551 to the statutory reserve fund in accordance with the Articles of Association,
- use TCZK 38 469 to pay out dividends to the shareholders in accordance with their share in the Company's equity capital,
- transfer the remaining TCZK 10 000 to retained earnings.

Prague, January 2019



Vladimír Krajiček
Chairman of the Management Board



Balance Sheet

(TCZK)

Assets			2018	2017
	Gross	Correction	Net	Net
Intangible fixed assets	39 396	-32 377	7 019	6 853
Investments in affiliated undertakings and participating interests, thereof:	2 363	0	2 363	2 026
Participations in controlled entities	2 363	0	2 363	2 026
Other investment, thereof:	378 443	0	378 443	324 095
Shares and other variable-yield securities, other participating interests	8 324	0	8 324	8 311
Bonds (debt securities)	186 068	0	186 068	184 748
Securities recognized in fair value in P/L accounts (AFS)	186 068	0	186 068	170 574
HTM securities	0	0	0	14 174
Deposits with financial institutions	184 051	0	184 051	131 036
Investment	380 806	0	380 806	326 121
Receivables arising from direct insurance, thereof:	22 750	-352	22 398	17 047
Policyholders	7 902	-193	7 709	6 091
Intermediaries	14 848	-159	14 689	10 956
Other receivables	36 740	0	36 740	60 708
Debtors	59 490	-352	59 138	77 755
Tangible fixed assets other than are noted in section "Land and buildings", and inventories	23 298	-17 041	6 257	5 054
Cash on accounts in financial institutions and cash in hand	20 970	0	20 970	47 007
Other assets	44 268	-17 041	27 227	52 061
Deferred insurance acquisition costs, thereof:	33 362	0	33 362	24 465
In non-life insurance	33 362	0	33 362	24 465
Other temporary assets accounts, thereof:	5 486	0	5 486	2 634
Estimated receivables	0	0	0	0
Temporary assets accounts	38 848	0	38 848	27 099
Total assets	562 808	-49 770	513 038	489 889



Equity and Liabilities	2018			2017*
	Gross	Correction	Net	Net
Share capital	160 000	0	160 000	160 000
Other capital funds	-913	0	-913	286
Statutory reserve fund and other funds from profit	31 320	0	31 320	29 589
Profit or loss brought forward	-269	0	-269	46 561
Profit or loss for the financial year	51 020	0	51 020	37 793
Capital and reserves	241 158	0	241 158	274 229
Provision for unearned premium	102 219	0	102 219	81 793
Gross amount	110 742	0	110 742	89 624
Reinsurance value	-8 523	0	-8 523	-7 831
Provision for outstanding claims	47 886	0	47 886	33 424
Gross amount	66 155	0	66 155	39 687
Reinsurance value	-18 269	0	-18 269	-6 263
Provision for bonuses and rebates	823	0	823	897
Gross amount	823	0	823	897
Other provisions	0	0	0	0
Gross amount	0	0	0	0
Technical provisions	150 928	0	150 928	116 114
Tax provision	5 991	0	5 991	1 241
Provisions	5 991	0	5 991	1 241
Payables arising from direct insurance	7 086	0	7 086	6 881
Payables arising from reinsurance	3 380	0	3 380	3 044
Other payables, thereof:	50 646	0	50 646	41 981
Tax liabilities and payables due to social security and health insurance institutions	4 195	0	4 195	2 801
Creditors	61 112	0	61 112	51 906
Accrued expenses and deferred revenues	2 137	0	2 137	2 143
Other temporary liabilities accounts, thereof:	51 712	0	51 712	44 256
Estimated payables	51 712	0	51 712	44 256
Temporary liability accounts	53 849	0	53 849	46 399
Total liabilities	513 038	0	513 038	489 889

* Restated, for details see Changes in Accounting Principles and Procedures.



Profit & Loss Account

(TCZK)

Technical account non-life	2018	2017*
Gross premium written	672 730	561 557
Ceded premium	-53 622	-47 689
Net premium written	619 108	513 868
Change in unearned premium, gross	21 118	18 317
Change in unearned premium, ceded	-691	-2 409
Net earned premium	598 681	497 960
Allocated investment return transferred from the non-technical account	1 042	1 053
Other technical revenues, net of reinsurance	742	32
Gross claims paid	-211 412	-199 633
Ceded claims paid	466	87
Change in outstanding claims provisions, gross	-26 468	-3 437
Change in outstanding claims provisions, ceded	12 007	-253
Net claims incurred	-225 407	-203 236
Change in other technical provisions, net of reinsurance	74	152
Bonuses and rebates, net of reinsurance	-1 089	-1 623
Acquisition costs	-298 602	-237 340
Change in deferred acquisition costs	8 898	6 385
Administrative expenses	-27 912	-23 751
Reinsurance commissions and profit participation	9 813	8 932
Expenses for underwriting business, net	-307 803	-245 774
Other technical expenses, net of reinsurance	-2	-2
Technical result non-life	66 238	48 562
Non-technical account	2018	2017*
Investment income	1 498	92 571
Investment expenses	-171	-91 621
Allocated investment return transferred to the non-life insurance technical account	-1 042	-1 053
Other income	8 261	8 089
Other expenses	-9 999	-8 949
Income tax on ordinary activities	-13 594	-9 655
Other taxes not shown under preceding items	-171	-151
Profit or loss for the financial year	51 020	37 793

* Restated, for details see Changes in Accounting Principles and Procedures.

Statement on Changes in Equity

(TCZK)

	Share capital	Reserve funds	Changes in valuation	Profit brought forward	Profit/Loss	Total
Balance at 1. 1. 2017*	160 000	24 809	3 402	-3 439	95 609	280 381
FX gains (losses) and changes in valuation not included in the profit and loss statement	0	0	-3 116		0	-3 116
Net profit/loss for accounting period	0	0	0	0	37 793	37 793
Dividends	0	0	0		-40 829	-40 829
Transfer to funds	0	4 780	0	50 000	-54 780	0
Balance at 31. 12. 2017*	160 000	29 589	286	46 561	37 793	274 229
Balance at 1. 1. 2018	160 000	29 589	286	46 561	37 793	274 230
FX gains (losses) and changes in valuation not included in the profit and loss statement	0	0	-1 199		0	-1 199
Net profit/loss for accounting period	0	0	0	0	51 020	51 020
Dividends	0	0	0	-50 000	-32 891	-82 891
Transfer to funds	0	1 731	0	3 170	-4 902	-1
Balance at 31. 12. 2018	160 000	31 320	-913	-269	51 020	241 158

* Restated, for details see Changes in Accounting Principles and Procedures.



Notes to the Financial Statements

Year ending 31st December 2018 (in thousands of Czech Crowns "TCZK")

GENERAL CONTENT

Description and Main Activities

ERV Evropská Pojišťovna, a. s., was entered into the Commercial Register under the name Evropské Cestovní Pojištění, a.s., on 23. 4. 1993 (IČ 492 40 196). Company name was changed on 1. 7. 2014 last time.

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. 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. On 29. 2. 2012 Czech National Bank issued decision no. 2012/1900/570 licensing extension of the scope of insurance activities for non-life insurance branches no. 3, 8 and 9.

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

- Insurance against damage to or loss of property in the range of non-life insurance industry No. 8
- Insurance against damage to or loss of property in the range of non-life insurance industry No. 9
- Liability insurance for damage
- Surety ship 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

ERV Evropská pojišťovna, a. s.
Křižíkova 237/36a
186 00 Praha 8

Statutory Bodies at 31st December 2018

JUDr. Vladimír Krajčíček, Praha - Chairman
Mgr. Ondřej Rušíkvas, Praha – Member (until December 31, 2018)
Ing. Libor Dvořák, Čelákovice - Member
Ing. Štěpán Landík, Praha - Member

Supervisory Board:

Richard Gustav Johann Bader, Germany - Chairman
Mag. Wolfgang Lackner, Austria - Vice-Chairman
Oliver Wild, Germany - member

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 – Sales, Operations and Finance. Divisions are split into departments. The Company director manages internal audit, legal and international departments and secretariat directly.

Legal Conditions

At the day of closing the accounts all legal conditions of the Company are in accordance with the Insurance Act No. 277/2009 Coll., as amended (hereinafter “the Law”), with the Civil Code No. 89/2012 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

In 2005, the Company set up 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 SE and a 10% share in the company European Assistance Holding GmbH. Both these entities are controlled by the Europäische Reiseversicherung AG group, Germany.

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 costs are 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 interests returns from that part of the investment, covering the technical provisions, are transferred to the technical account. Gains and Losses from investments sale are kept on non-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),
- claims handling costs (CSC).

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 for each class of insurance as follows: a) the method of the expected percentage of claims is used in case of property insurance and surety ship insurance classes; b) for other insurance classes as a difference between total claims provision calculated by using Munich Chain Ladder method and already registered amount of RBNS provision. The provision also contains all estimated external costs connected with a claims settlement. The Company perform neither discounting nor deductions in Non-life Outstanding claims provision.

Claims handling costs provision (CSC) contains all expected internal costs connected with claims handling.

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.

Other Provisions

The Company does not create any other technical provisions.

Reinsurance Value

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

Investment

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 valued by equivalent method (acquisition value corrected by the share on equity changes). 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 are shown in the amortized costs value in the balance sheet. The amortised cost value is taken as the purchase price increased by related costs and lowered for discount/premium amortisation and adjustments.

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 shareholder equity. 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 been determined by an expert estimate method.



Shares and Other Variable-yield Securities

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 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 amortized value. For short-term deposits with financial institutions amortized 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 amortized value. Revaluation changes are posted into profit and loss account.

Tangible and Intangible Fixed Assets

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		33,3
furniture, equipment		20
cars		20
buildings, rebuilding		2-25

Foreign Currency Translation

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

At the balance sheet date, foreign currency assets and liabilities are translated at the CNB 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. The company Etics ITP, s.r.o., is included in the consolidation unit. The financial statements will also be included into the consolidated financial statements of Münchener Rückversicherung-Gesellschaft, Königinstrasse 107, München, Germany.

Changes in Accounting Principles and Procedures

Until end of 2017 the Company showed differences arising from debt securities available for sale revaluation in income statement. Since 2018 is revaluation of all debt securities available for sale shown in shareholder equity in the item "Other capital funds". The Company reflected this change retrospectively at 31. 12. 2017.

The impact on the Company financial statements is shown in the following table:

31. 12. 2017	Original value	Change	New value
Equity and Liabilities	489 889	0	489 899
A.IV. Other capital funds	13	273	286
A.VI Profit or loss brought forward	50 005	- 3 444	46 561
A.VII. Profit or loss for the financial year	34 622	3 171	37 793
III. Non-technical account			
3. Investment income	95 932	- 3 361	92 571
5. Investment expenses	98 898	-7 277	91 621
9. Income tax	8 911	744	9 655
16. Profit or loss for the financial year	34 662	3 171	37 793

In 2018 the Company has not performed any other change in accounting methods and processes. During the financial year the Company has applied no deviations from these methods and processes and carried out no corrections of errors coming from prior years.

Risk Management

During 2016 new rules for solvency assessment of insurers including the risk management requirements and their control (hereinafter "Solvency II") came into force. The rules are defined by the Law as well as by related decree. The Company ensured implementation of System of Governance to cover all Company's activities and to be in compliance with all new requirements.

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 an 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 the 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 parent company.

The Company concludes both proportional and disproportional 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 fulfill its obligations towards its clients. The only field being monitored by the Company is a 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 the financial statement of the Company.

Credit Risk

The Company is exposed to credit risk, which results from inability of a counterparty 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 paragraph "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 ensure 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 2018 there were no remarkable facts apart from those mentioned in the Notes to these financial statements.

ADDITIONAL INFORMATION TO STATEMENT OF FINANCIAL POSITION

Long Term Intangible Assets

At 31. 12. 2018 intangible assets of the Company comprised software with a netbook value of TCZK 6 643 (2017: TCZK 6 853). The software acquisition account balance amounted to TCZK 376 (2017: CZK 0).

Investment

Purchase Price and Fair Value of the Investments

	Purchase price		Fair Value	
	2018	2017	2018	2017
Equity participations	2 000	2 000	2 363	2 026
Stocks and bonds, thereof:				
with variable interest				
issued by nonfin. inst. unlisted	8 324	8 324	8 324	8 311
with fixed interest available for sale				
issued by CZ listed in CZ	189 551	173 440	186 068	170 574
with fixed interest hold to maturity				
issued by CZ* listed in CZ	0	13 069	0	14 556
Stocks and bonds total	197 875	194 833	194 392	193 441
Short-term bank deposits	184 051	131 036	184 051	131 036
Investment total	383 926	327 869	380 806	326 503

*At 31. 12. 2018 amortized costs value of bonds held to maturity was CZK 0 (2017: TCZK 14 174).

Currency Structure of the Investments

The Company's investments are kept in CZK except securities (see table below).

Securities, thereof:	Shares and other variable-yield securities		Bonds and other fixed-income securities	
	2018	2017	2018	2017
CZK	8 247	8 247	186 068	184 748
EUR	77	64	0	0
Total	8 324	8 311	186 068	184 748



Equity Participations with Controlling Influence

Business name, head-office	Share in %	Purchase price	Total amount		P/L for the fin. year
			Share cap.	Equity	
Etics ITP, s.r.o., Křížkova 237/36a, 186 00 Praha 8	100	2 000	2 000	2 363	337
Total 2018		2 000	2 000	2 363	337
Etics ITP, s.r.o., Křížkova 237/36a, 186 00 Praha 8	100	2 000	2 000	2 026	57
Total 2017		2 000	2 000	2 026	57

The Equity and Profit for the year were determined by the estimate of result for the years 2018 and 2017 for relevant accounting period.

Equity Participations in Other Companies

Business name, head-office	Share in %	Purchase price	Total amount		P/L for the fin. year
			Share cap.	Equity	
2018					
EURO-CENTER HOLDING SE Křížkova 237/36, 186 00 Praha 8	16,66	8 247	31 230	178 817	14 500
European Assistance Holding, GmbH Rosenheimerstrasse 116, Munich, Germany (v tis. EUR)	10	3	25	16	- 1
2017					
EURO-CENTER HOLDING SE Křížkova 237/36a, 186 00 Praha 8	16,66	8 247	31 230	164 317	13 314
European Assistance Holding, GmbH Rosenheimerstrasse 116, Munich, Germany (v tis. EUR)	10	3	25	17	0

The Equity and Profit for the year were determined by the estimate of result for the year 2018.

For equity participations in other companies was impossible to set objective fair value. Hence the acquisition costs value was used for valuation in accordance with paragraph "Investment - Affiliated Undertakings and participating interest".



Receivables

At 31. 12. 2018	Policy-holders	Insurance intermed.	Other	Total
Due	7 507	14 423	12 840	34 770
Overdue	395	425	23 900	24 720
Total	7 902	14 848	36 740	59 490
Adjustments	193	159	0	352
Net total	7 709	14 689	36 740	59 138
At 31. 12. 2017	Pojistníci	Pojišťovací zprostř.	Ostatní	Celkem
Due	5 901	10 888	33 707	50 496
Overdue	335	273	27 001	27 609
Total	6 236	11 161	60 708	78 105
Adjustments	145	205	0	350
Net total	6 091	10 956	60 708	77 755

Other Receivables

	2018	2017
Inter-company Receivables	29 305	54 556
Inter-company Prepayments	2 573	2 554
Other Prepayments	524	529
Deferred Tax Receivables	3 984	2 554
Prepaid Taxes	-43	6
Other Receivables	397	509
Total	36 740	60 708

The Inter-company receivables contain the receivable from the sale of subsidiary in the amount of TCZK 23 900. On 7. 1. 2019 this receivable was paid back.

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

At 31. 12. 2018 the Company has no long-term receivables (2017: CZK 0).

Other Assets

Long-term Tangible Assets

	Tangible	Acquired assets	Total
Acquisition cost at 31. 12. 2017	22 132	0	22 132
Additions	3 471	0	3 471
Disposals	2 305	0	2 305
Acquisition cost at 31. 12. 2018	23 298	0	23 298
Accumul. depreciation at 31. 12. 2017	17 078	0	17 078
Depreciation	1 973	0	1 973
Disposals	2 010	0	2 010
Accumul. depreciation at 31. 12. 2018	17 041	0	17 041
Net book value at 31. 12. 2017	5 054	0	5 054
Net book value at 31. 12. 2018	6 257	0	6 257

Temporary Asset Accounts

Deferred Acquisition Costs

At 31. 12. 2018 the balance of deferred acquisition costs amounts to TCZK 33 362 (2017: TCZK 24 465).

Estimated Receivables and Prepaid Expenses

At 31. 12. 2018 the balance of estimated receivables amounts to TCZK 144 (2017: CZK 0).

At 31. 12. 2018 the company shows a balance of the prepaid expenses in the amount of TCZK 5 342 (2017: TCZK 2 634), thereof TCZK 4 617 (2017: TCZK 1 167) represents prepaid commissions relating to the future accounting periods.

Equity

Share Capital

The share capital consists of common registered shares in booked-entry 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-entry form. At 31. 12. 2018 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.

Expected Distribution of Profit

Profit of the current year	51 020
Transfer to the legal reserve fund	- 2 551
Transfer to retained earnings	-10 000
Dividends payment from current year profit	-38 469
The Annual General Meeting will decide on the distribution of the profit.	

Valuation Differences Arising from Revaluation of Assets to Fair Value

	2018	2017
Balance at 1. 1.	286	3 402
Change in fair value (w/o security deriv.)	- 1 471	-3 860
Change from sales or permanent value decrease or maturity	- 92	0
Deferred tax change	364	744
Balance at 31. 12.	913	286

At 1. 1. 2018 the Company modified the balance of the account of valuation difference in the amount of TCZK 273 according to the change the Directive No. 502/2002 Coll., valid since 1. 1. 2018 (see paragraph "Changes in accounting principles and procedures").

Technical Provision

Technical Provisions Movements

Provision types	Opening balance	Creation	Drawings	Closing balance
Unearned premium	89 624	110 742	- 89 624	110 742
Outstanding claims	39 687	66 155	- 39 687	66 155
Bonuses and Rebates	897	823	- 897	823
Total	130 208	177 720	- 130 208	177 720

Claims Provision

The claims run-off result is given by the difference between the balance of the claims provision at 1. 1. 2018, less payments made (of claims included in the provision) and the balance of the provision at 31. 12. 2018.

	2018	2017
Gross claims run-off result	10 951	2 056

Provision for Bonuses and Rebates

In 2018 the provision amounted to TCZK 823 (2017: TCZK 897).

Provisions

Provision type	Opening balance	Creation	Drawings	Closing balance
Tax provision	1 241	5 991	- 1 241	5 991
Total	1 241	5 991	- 1 241	5 991

Tax provision creation is reduced by paid tax prepayments in the amount of TCZK 8 588 (2017: TCZK 8 404).

Liabilities

At 31. 12. 2018	Policyhold.	Insurance intermed.	From reins. trans.	Received deposits	Other	Total
Due	4 208	2 878	3 380	38 532	12 114	61 112
Overdue	0	0	0	0	0	0
Total	4 208	2 878	3 380	38 532	12 114	61 112
At 31. 12. 2017	Policyhold.	Insurance intermed.	From reins. trans.	Received deposits	Other	Total
Due	4 535	2 346	3 044	35 380	6 601	51 906
Overdue	0	0	0	0	0	0
Total	4 535	2 346	3 044	35 380	6 601	51 906

Payables in Respect of Social Security and Health Insurance

At 31. 12. 2018 social security and health insurance payables amounted to TCZK 1 799 (2017: TCZK 1 316), of which TCZK 895 represents social security payables (2017: TCZK 780) and TCZK 904 represents health insurance payables (2016: TCZK 536). None of these payables are overdue.

State -tax Liabilities and Grants

At 31. 12. 2018 the Company shows tax liabilities in the total amount of TCZK 2 396 (2017: TCZK 1 485). None of these payables are overdue.

Long-term Liabilities and Payables

(due in more than 5 years)

At 31. 12. 2018 the Company has no long-term liabilities (2017: CZK 0).

Payables on Reinsurance

The Company presents a net payable to reinsurers in the amount of TCZK 3 380 (2017: TCZK 3 044), of which the inter-company balance is TCZK 2 308 (2017: TCZK 1 927).

Temporary Liability Accounts

Passive Adjustments

At 31. 12. 2018 estimated payables amount to TCZK 51 712 (2017: TCZK 44 256), which includes the estimated costs of services used but not invoiced in the accounting period, employee bonus payments for achieving the budget for 2018, which will be paid out in the next accounting period, the estimated costs of non-proportional commissions related to the year 2018 and the estimate of quota share reinsurance.

Inter Company Receivables and Payables

Equity Participations with Controlling Influence

At 31. 12. 2018 the Company has no inter-company receivables and payables with equity participations with controlling influence (2017: CZK 0).

Short-term Inter-company Receivables and Payables Other Companies

Other	Receivables		Payables	
	2018	2017	2018	2017
Euro-Center Prague, Czech Republic	2 574	0	830	0
Europäische Reiseversicherung, Germany	0	1	599	2
ERGO Group, Germany	0	0	1 204	0
Munich RE, Germany	0	0	2 308	1 927
Euro-Center Holding, Czech Republic	26 526	53 564	0	0
Euro-Center Cyprus, Cyprus	0	0	13	0
CJSIC - ERV RU, Russia	2 832	2 208	0	0
PJSC - ERV UA, Ukraine	0	1 552	0	0
Total	31 932	57 325	4 954	1 927

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

At 31. 12. 2018 the Company has neither long-term inter-company receivables (2017: CZK 0) nor long-term inter-company payables (2017: CZK 0).



ADDITIONAL INFORMATION TO PROFIT AND LOSS STATEMENT

Insurance Overview - Non-life Insurance

2018	Gross premi- um written	Gross premi- um earned	Gross claims costs	Gross opera- ting expenses	Reinsurance result
Gross amount					
Property insurance	6 891	5 937	1 056	2 786	0
Liability insurance	9 708	9 780	15 605	1 835	8 150
Suretyship insurance	45 757	44 655	780	7 653	- 34 492
Misc. finan. loses ins.	6 753	5 186	1 332	2 976	0
Travel insurance	603 621	586 054	219 107	302 366	- 4 303
Total	672 730	651 612	237 880	317 616	- 30 645
2017	Gross premi- um written	Gross premi- um earned	Gross claims costs	Gross opera- ting expenses	Reinsurance result
Gross amount					
Property insurance	5 871	5 137	740	2 037	0
Liability insurance	10 421	10 310	432	2 173	- 3 186
Suretyship insurance	39 494	39 452	219	7 844	- 29 901
Misc. finan. loses ins.	4 931	4 691	828	3 016	0
Travel insurance	500 840	483 650	200 851	239 636	- 3 426
Total	561 557	543 240	203 070	254 706	- 36 513

Bonuses and Rebates

In 2018 bonuses and rebates totalled TCZK 1 089 (2017: TCZK 1 623). Bonuses based on the amount of premium amounted to TCZK 486 (2017: TCZK 780) and no claims bonuses amounted to TCZK 603 (2016: TCZK 843).

In accordance with a paragraph "Provision for Bonuses and Rebates", in the notes to the financial statements, the Company posted following changes in the provision for bonuses and rebates:

	2018	2017
Creation of the provision	823	897
Disposal of the provision	897	1 049
Change in the provision	- 74	- 152

Commissions and Other Insurance Contract's Acquisition Costs

	2018	2017
Commissions	225 657	177 209
Other acquisition costs	72 945	60 131
Change in deferred acquisition costs	- 8 898	- 6 385
Total	289 704	230 955

In „Commissions“, revenues and costs of commissions paid for annual travel renewals in the amount of TCZK 7 838 (2017: TCZK 7 488) are reported.

Overheads

	2018	2017
Personnel costs (payroll expenses, social security)	15 563	12 926
Rent	1 843	1 802
Office maintenance and equipment	1 886	1 199
Depreciation of tang. and intang. assets	1 958	1 924
Consultancy	1 134	1 121
Software services	2 405	1 753
SAP costs	153	146
Travel costs	502	430
Other administrative costs	2 468	2 450
Total administrative costs	27 912	23 751

Employees and Executives

The average number of employees and executives and payroll expenses for 2018 and 2017:

	Average number of employees	Total	Payroll expenses	Social security	Social expenses
Employees	48	42 755	30 636	10 401	1 718
Management Board	4	27 217	22 098	4 125	994
Total for 2018	52	69 972	52 734	14 526	2 712
Employees	50	39 047	28 293	9 181	1 573
Management Board	4	19 376	15 564	2 839	973
Total for 2017	54	58 423	43 857	12 020	2 546

Administration staff personnel costs are shown in overheads (see paragraph "Overheads"). Sales staff personnel costs are included in acquisition costs and amounted to TCZK 40 780 in 2018 (2017: TCZK 33 052). Personnel costs related to claims handling staff are included in claims costs and amounted to TCZK 9 767 in 2018 (2017: TCZK 8 328). Personnel costs related to investment management staff are included in financial placement expenses and amounted to TCZK 149 in 2018 (2017: TCZK 137). Personnel costs related to the other employees are shown in other non-technical expenses and amounted to TCZK 3 713 in 2018 (2017: TCZK 3 980). In 2018 no remuneration was paid to members of the statutory bodies connected with their membership in these bodies.

As at 31. 12. 2018 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 2018 these expenses amounted to TCZK 1 301 (2017: TCZK 1 301).

Transfers of Expenses Between the Technical Accounts and the Non-technical Account

In 2018 expenses were transferred from the non-technical account in the total amount of TCZK 116 785 (2017: TCZK 97 429), of which TCZK 15 928 (2017: TCZK 13 547) was transferred to claims costs, TCZK 72 945 (2017: TCZK 60 131) was transferred to acquisition costs and 27 912 (2017: TCZK 23 751) was transferred to administrative expenses.

Transfers of Investment Returns Between the Technical Account and the Non-technical Account

In 2018 investment returns were transferred from the non-technical account to the technical account in the amount of TCZK 1 042 (2017: TCZK 1 053).

Non-technical Account Result

In 2018 the non-technical account result was TCZK -1 624 (2017: TCZK -1 114).

Result Before Tax

In 2018 the result before tax was TCZK 64 614 (2017: TCZK 47 448).

Taxation

Income Tax in Profit and Loss Statement

	2018	2017
Income tax provision	14 578	9 645
Change relating to tax due for previous period and release of budgetted provision	68	- 419
Change in the balance of a deferred tax rec./pay.	-1 052	429
Total income tax	13 594	9 655

Deferred Tax

Reported deferred tax receivables and payables.

	Receivables		Payables		Difference	
	2018	2017	2018	2017	2018	2017
Tangible Fixed Assets	0	0	114	81	- 114	- 81
Intangible Fixed Assets	0	0	243	198	- 243	- 198
Receivables	64	64	0	0	64	64
Employees Bonuses	3 620	2 490	0	0	3 620	2 490
Total	3 684	2 554	357	279	3 327	2 275
Impact to Profit/Loss	1 130		- 78		1 052	
Investment assets (in balance sh.)	299	0	0	0	299	0
Impact to Equity	299		0		299	
Total Deferred Tax. Rec. / Pay.	3 983	2 554	357	279	3 626	2 275

For deferred tax calculation, tax rate that will be valid in period when tax receivable or payable is applied, i.e. 19% (2017: 19 %) was used.

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

During the second week of January the Company received the second and the last payment for the share transfer of the company Euro-Center Prague, s.r.o., in the amount TCZK 23 900 from Euro-Center Holding SE.

The management of the Company is not aware of any other 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. 2018.



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This document is an unsigned 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 ERV Evropská pojišťovna, a.s.

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of ERV Evropská pojišťovna, a.s. ("the Company"), prepared in accordance with Czech accounting legislation, which comprise the balance sheet as at 31 December 2018, the income statement and the statement of changes in equity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory notes. Information about the Company is set out in notes to the financial statements.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2018, and of its financial performance for the year then ended in accordance with Czech accounting legislation.

Basis for Opinion

We conducted our audit in accordance with the Act on Auditors, Regulation (EU) No. 537/2014 of the European Parliament and of the Council, and Auditing Standards of the Chamber of Auditors of the Czech Republic, consisting of International Standards on Auditing (ISAs) as amended by relevant application guidelines. Our responsibilities under those regulations are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Act on Auditors and the Code of Ethics adopted by the Chamber of Auditors of the Czech Republic, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



Valuation of claim provisions

Key audit matter

The Company recognises a provision for outstanding claims of CZK 66,155 thousand.

With respect to the importance of this item in the financial statements of the Company and the complexity of its determination, there always exists the inherent uncertainty that the provision level is not set appropriately to reflect all relevant circumstances.

The provision for claims incurred but not reported by the end of the period ("IBNR") is subject to actuarial calculations. Its determination is influenced by a range of factors based on the judgment of the Company, mainly regarding the used actuarial methodology, the distribution of data among homogeneous groups, risk margin over best estimate, treatment with non-standard values in historical data and the expected ultimate loss ratio.

The provision for claims reported but not settled by the end of the period ("RBNS") represents the sum of all amounts calculated for individual claims. Any risk of inaccuracy in its estimate stems from the quality of information obtained regarding the particular claim and its appropriate application in the determination of the provision. This applies especially to claims involving serious injuries and subsequent protracted medical treatment.

For further information, please refer to the part "Claims provisions" in the notes to the financial statements.

How the audit matter was addressed

Among other things, we performed the procedures outlined below to address this key audit matter:

In cooperation with our actuarial specialist, we critically evaluated the methodology, models and assumptions used by the Company for the measurement of provisions against our knowledge, experience and market standards within the insurance sector and assessed any changes since the previous year.

We analysed in detail the calculation of the provision for the claims incurred but not reported by the end of the period ("IBNR"). For significant lines of business, we compared it to our own calculation and evaluated any identified differences.

For a sample of claims reported but not settled, we assessed the legitimacy and amount of recognised provision ("RBNS") for particular claims based on the information from operational system and inquiries to employees responsible for them.

To evaluate the sufficiency of claim provisions and the adequacy of methods applied to determine the provisions, we assessed the result of claim run-off test.

We assessed the adequacy of the Company's disclosures in the notes to the financial statements and their compliance with valid legislation and methods applied by the Company.



Other Information

In accordance with Section 2(b) of the Act on Auditors, other information is defined as information included in the annual report other than the financial statements and our auditor's report. The statutory body is responsible for the other information.

Our opinion on the financial statements does not cover the other information. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. In addition, we assess whether the other information has been prepared, in all material respects, in accordance with applicable laws and regulations, in particular, whether the other information complies with laws and regulations in terms of formal requirements and the procedure for preparing the other information in the context of materiality, i.e. whether any non-compliance with those requirements could influence judgments made on the basis of the other information.

Based on the procedures performed, to the extent we are able to assess it, we report that:

- the other information describing matters that are also presented in the financial statements is, in all material respects, consistent with the financial statements; and
- the other information has been prepared in accordance with applicable laws and regulations.

In addition, our responsibility is to report, based on the knowledge and understanding of the Company obtained in the audit, on whether the other information contains any material misstatement. Based on the procedures we have performed on the other information obtained, we have not identified any material misstatement.

Responsibilities of the Statutory Body and Supervisory Board for the Financial Statements

The statutory body is responsible for the preparation and fair presentation of the financial statements in accordance with Czech accounting legislation and for such internal control as the statutory body determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the statutory body is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the statutory body either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Supervisory Board is responsible for the oversight of the Company's financial reporting process.



Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the above regulations will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the above regulations, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the statutory body.
- Conclude on the appropriateness of the statutory body's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.



From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In compliance with Article 10(2) of Regulation (EU) No. 537/2014 of the European Parliament and of the Council, we provide the following information in our independent auditor's report, which is required in addition to the requirements of International Standards on Auditing:

Appointment of Auditor and Period of Engagement

We were appointed as the auditors of the Company by the General Meeting of Shareholders on 14 March 2018 and our uninterrupted engagement has lasted for 23 years.

Consistency with Additional Report to Audit Committee

We confirm that our audit opinion on the financial statements expressed herein is consistent with the additional report to the Audit Committee of the Company, which we issued on 24 January 2019 in accordance with Article 11 of Regulation (EU) No. 537/2014 of the European Parliament and of the Council.

Provision of Non-audit Services

We declare that no prohibited services referred to in Article 5 of Regulation (EU) No. 537/2014 of the European Parliament and of the Council were provided.

Except for the statutory audit, we did not provide the Company and its controlled undertakings with any other services.

Statutory Auditor Responsible for the Engagement

Vladimír Dvořáček is the statutory auditor responsible for the audit of the financial statements of ERV Evropská pojišťovna, a.s. as at 31 December 2018, based on which this independent auditor's report has been prepared.

Prague
14 February 2019

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Registration number 71

Vladimír Dvořáček
Partner
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