

# ANNUAL REPORT 2005



ČESKÁ PODNIKATELSKÁ POJIŠŤOVNA, A. S.

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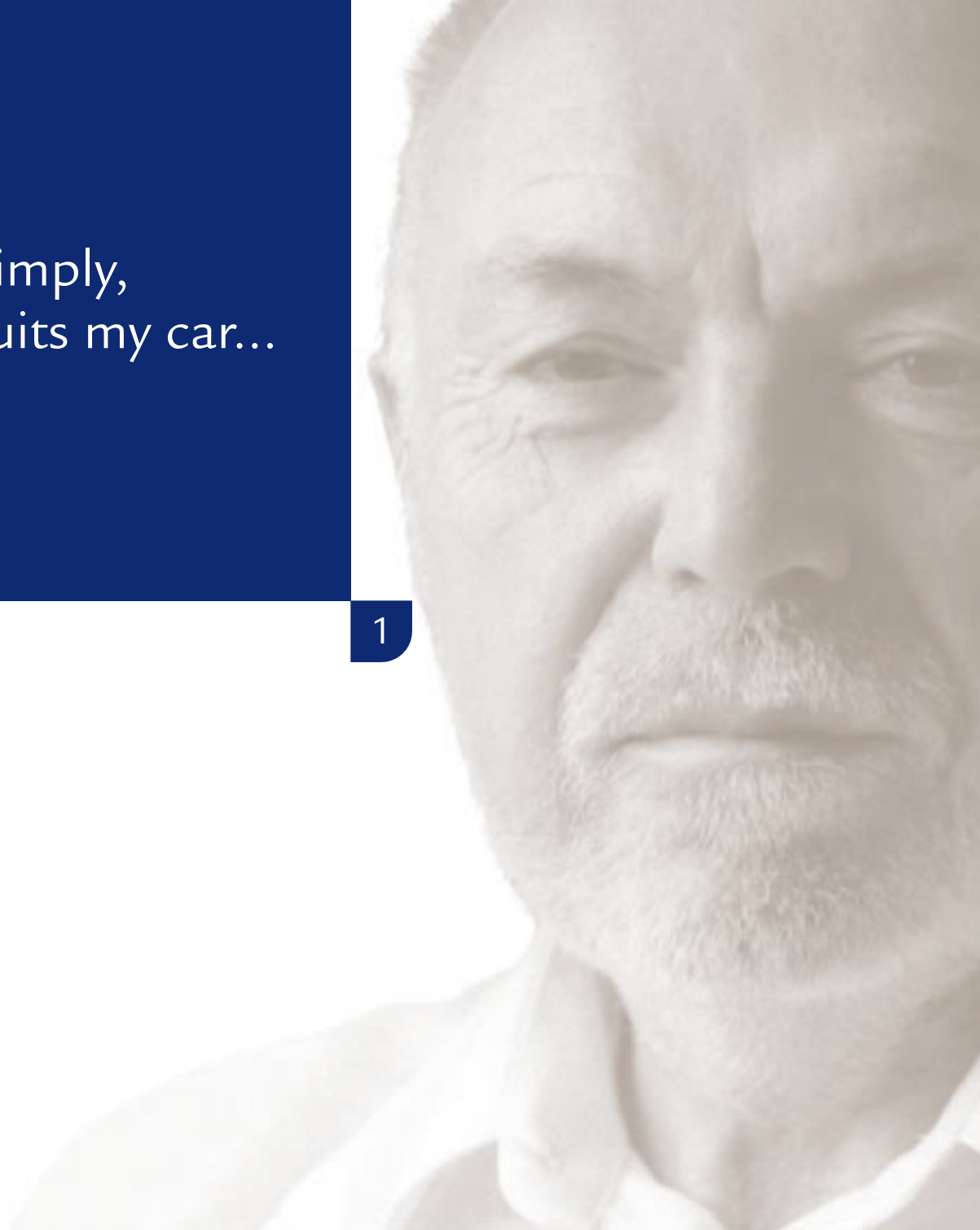
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simply,  
it just suits my car...

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Looking back at year 2005, in terms of the results of Česká podnikatelská pojišťovna, as well as its 100% owner, the Kooperativa, we can declare the year as a success. In addition to the anniversary, which the company celebrated during the year in particular with a number of anniversary new products and bonuses for clients, it was a year of major changes and dynamic growth.

It was also a year when the Vienna Insurance Group commenced also in the Czech Republic to develop its multi-brand strategy, which is a proven business model of our parent group. Premium written of both companies grew at a faster rate than the Czech insurance market as a whole.

During the last year the company also received a capital increase, hence ending discussions regarding the capital adequacy or the level of technical reserves. This immediate and very prudent take-up of shareholder rights by Kooperativa and its parent Vienna Insurance Group in ČPP was a signal for clients, business partners and government and regulatory bodies that ČPP is becoming financially strong, stable company, with ambitions to play an increasingly important role on the Czech insurance market, in motor vehicle insurance sector in particular. The company Board of Directors and Supervisory Board were strengthened and further personnel changes took place in early 2006. The business results indicate that the change was received very favourably by clients, as well as our business partners.

In terms of market environment, all insurance companies had to absorb new legislative norms, with the application of new insurance contract law and law regulating intermediaries and independent claim assessors, required and still require a major effort on our part, but at the same time contributing to increased quality of insurance services in the Czech Republic. Also in terms of financial performance the Czech insurance market has posted a solid result. Total premium income of the ČAP (Czech Association of Insurers) members has increased in 2005 by 3.5% against year 2004 reaching a level of 115 bln CZK. The Czech insurance market continues growing, however at a slower pace than during the previous years.

Long-term objective of the shareholder, who through the acquisition of ČPP confirmed reputation of the most active player on the insurance market, is to become also in European terms a strong, respected company with quality products, who is a friendly and reliable partner for clients, as well as employees of both brands on the Czech market.

Last year was for ČPP demanding, but also successful. I would like to thank very much to all who participated in these ambitious changes – to my closest colleagues and all employees, as well as our business partners. In particular to our clients – as a result of their support, ČPP is a dynamically growing significant financial institution on the Czech market.

A large, stylized handwritten signature in blue ink, consisting of a large loop and a series of smaller strokes.

**Ing. Vladimír Mráz**  
Supervisory Board Chairman



Dear ladies and gentlemen,

year 2005 was a year of important changes for the Česká podnikatelská pojišťovna. It is with pleasure to announce that all changes, which took place, were positive changes, which delivered clear support for successful and on-going company growth.

In July 2005 Kooperativa, pojišťovna, a.s. became the sole shareholder of Česká podnikatelská pojišťovna, a.s. Main shareholder of Kooperativa is Wiener Städtische Allgemeine Versicherung AG, which last year was granted A+ rating with stable outlook from Standard & Poor's rating agency. Hence ČPP became a part of major international financial group, newly renamed the Vienna Insurance Group brand, having more than 17 million clients in 17 European countries. This change has provided ČPP with strength, stability and opportunity to continue developing as a separate brand on the Czech insurance market. Strategy of the Vienna Insurance Group in the Czech Republic, same as is the case in other countries, is to maintain a permanent dual brand presence. This means that ČPP shall continue in its dynamic growth.

Looking at our financial results for 2005 we can conclude that we have met our target for the year. Major boost to the company's financial stability was due mainly to capital increase to 1 bln CZK, which is in year-on-year terms an increase by 440 mln CZK. Technical reserves have increased by 1.4 bln CZK and financial placements grew approximately by 2 bln CZK. With its product offer the company has strengthened its position on the Czech insurance market. In non-life business the company was placed 4th on the market in terms of growth rate. MTPL, which remains our most popular product, has placed out company 3rd on the market in terms of number of policies sold. Comprehensive car insurance has increased by 16.5%, property insurance and business liability and commercial risk by 13% and household and private liability insurance increased by as much as 49%. We have also posted a significant increase in life insurance segment by 10.8%, outperforming the market growth rate by 9%. However our greatest success remains the year-on-year increase by 8.2% in total premium written, which was more than double the year-on-year growth rate of the whole insurance market. This indicates to us the interest and confidence of our clients and business partners in our quality products. We shall continue to work hard in order to provide our clients with attractive products, supported by fast and professional services and to fulfil the vision of dynamic insurance company, which understands its clients, responds to their requirements and needs, therefore proving that it can provide services "faster than the market".

In 2005 we have paid great attention to the development and launching of new products on the market. In the area of motor vehicle insurance the biggest innovation was discounted comprehensive car insurance linked to compulsory cover. It was so called Insurance Package, which contained the windshield insurance, wild animal collision cover and extended accident insurance of the driver's seat. As a part of expanded life insurance offer we have introduced 2 new products, namely life insurance under the brand name Future - single premium product, with premium and bonuses payout at death, product designed for specific target group. In co-operation with General Health Insurance company we have commenced the sale of life insurance product under the name Jistota, with optional health insurance cover.

In the area of customer care our goal was to strengthen and improve our communication. One of the important steps taken in 2005 was the establishment of our own Client Centre. Professional staff in our state-of-the-art centre is ready to respond to enquiries from our clients and to address their requirements and wishes. Output from the Centre is for us also a feedback, which we use in planning and provision of additional client services.

I would like to take this opportunity to express my appreciation of the involvement, diligence and professional approach by ČPP employees in their daily work and major contribution they made to the overall company results. I want to thank all clients and business partners for their long-term confidence in our company. We value this trust very much and we will do everything to develop further our partnership also in the years to come.

I wish all of us a lot of success.

**Dr. Franz Kosyna**  
General manager

**MEMBERS OF THE BOARD OF DIRECTORS  
AS OF 24. 5. 2006**

**Dr. Franz Kosyna**  
Chairman



**RNDr. Jakub Strnad, Ph.D.**  
Deputy Chairman



**Ing. Jaroslav Besperát**  
member



**Jaroslav Dostal, CSc.**  
member

**MEMBERS OF THE BOARD OF DIRECTORS  
AND SUPERVISORY BOARD, COMPANY  
MANAGEMENT AS OF 31. 12. 2005****■ Board of Directors:****Ing. Zdeněk Štástka**

Chairman (position and membership terminated on 31. 3. 2006)

**Jaroslav Dostal, CSc.**

member since 22. 7. 2005

**Ing. Jaroslav Besperát**

member since 11. 3. 2005

**RNDr. Jakub Strnad, Ph.D.**

member since 22. 7. 2005

**■ Supervisory Board:****Ing. Vladimír Mráz**

Chairman since 22. 7. 2005

**Dr. Franz Kosyna**

member (membership terminated on 31. 3. 2006)

**prof. Ing. Jaroslav Daňhel, CSc.**

member since 1. 4. 2005

**Mag. Peter Höfinger**

member since 23. 11. 2005

**Jiří Nedvídek**

member since 1. 4. 2005

**Ing. Jaroslav Sirotek**

member since 1. 4. 2005

**Ing. Zdeněk Srp**

member since 1. 4. 2005

**■ Sole shareholder:**

Kooperativa, pojišťovna, a. s. (from 1. 7. 2005)

**■ Sole shareholder:**

Capital Management Company, a.s. (until 30. 6. 2005)

## ■ Sales division director

**Ing. Jaroslav Besperát**

Tel.: 261 023 195

E-mail: jaroslav.besperat@cpp.cz

## ■ Motor vehicle insurance division director

**Ing. Filip Holý, Ph.D.**

Tel.: 261 023 521

E-mail: filip.holy@cpp.cz

## ■ Motor vehicle claim settlement division director

**Tomáš Klofát**

Tel.: 261 023 259

E-mail: tomas.klofat@cpp.cz

## ■ Life insurance division director

**Bc. Marek Woitsch**

Tel.: 261 023 342

E-mail: marek.woitsch@cpp.cz

## ■ Non-life insurance division director

**JUDr. Václav Hönig**

Tel.: 261 022 374

E-mail: vaclav.honig@cpp.cz

## ■ Finance division director

**Ing. Katarína Lovásová, CSc.**

Tel.: 261 022 407

E-mail: katarina.lovasova@cpp.cz

## ■ Marketing and communication division director

**Tereza Fricová**

Tel.: 261 022 413

E-mail: tereza.fricova@cpp.cz

## ■ IT division director

**Ing. Ladislav Zámečník**

Tel.: 261 023 304

E-mail: ladislav.zamecnik@cpp.cz

## ■ Legal division director

**JUDr. Jana Mejtská**

Tel.: 261 023 306

E-mail: jana.mejtska@cpp.cz

## ■ General secretariat division director - General Secretary

**Ing. Tomáš Neumann, CSc.**

Tel.: 261 023 289

E-mail: tomas.neumann@cpp.cz

## ■ Personnel division director

**Ing. Filip Holý, Ph.D. (temporary appointment)**

Tel.: 261 023 113

E-mail: filip.holy@cpp.cz

## ■ Internal audit division director

**Ing. Ludmila Přibilová**

Tel.: 261 023 213

E-mail: ludmila.pribilova@cpp.cz

## ■ Actuarial division director

**Mgr. Jan Šváb**

Tel.: 222 827 500

E-mail: jan.svab@cpp.cz

## ■ Controlling division director

**Mag. Gerhard Lahner**

Tel.: 261 022 406

E-mail: gerhard.lahner@cpp.cz

## ■ Reinsurance division director

**Ing. Roman Brablec**

Tel.: 261 023 338

E-mail: roman.brablec@cpp.cz

## ■ Treasury division director

**Ing. Luděk Marek**

Tel.: 221 000 406

E-mail: ludek.marek@cpp.cz



I don't want life  
to be just  
coincidence...



## COMPANY PROFILE

- Česká podnikatelská pojišťovna, a.s., (ČPP) operates on the Czech insurance market since November 1995. In 2005 the company celebrated its 10th year in the business and on this occasion offered its clients a number of anniversary advantages and bonuses.
- Company share capital is 1 billion CZK.
- 2004 – 2005 year-on-year comparison:
  - Premium income 4.01 bln CZK (year-on-year increase by 8.2 %)
  - 7<sup>th</sup> position overall among insurers on the Czech insurance market (8<sup>th</sup> in 2004)
  - Profit of 27.8 mln CZK (year-on-year increase by 76 mln CZK)
- Significant strengthening of financial stability:
  - Share capital (year-on-year increase by 440 mln CZK)
  - Technical reserves 4.6 bln CZK (increase by 1.4 bln CZK)
  - Financial placements 4.4 bln CZK (increase by 2 bln CZK)
  - Balance sheet value 5.3 bln CZK (increase by 1.4 bln CZK)
- Key products are MTPL products SPECIÁL Plus and SUPER Plus, life insurance s Filipem, travel and health insurance. Significant portion of the portfolio is industrial risk insurance.
- In the area of MTPL ČPP belongs among 3 largest insurers on the Czech market.
- The company is servicing almost 800,000 client contracts with approximately 30,000 new insurance contracts per month.
- Number of settled claims in 2005 – 68,301
- ČPP operates across the country – it has 10 regional directorates, 70-branch network and 200 external offices and other sales outlets.
- In July 2005 Kooperativa pojišťovna, a.s. became the sole shareholder of Česká podnikatelská pojišťovna, a.s. Main shareholder of Kooperativa pojišťovna, a.s., is Wiener Städtische Allgemeine Versicherung AG, which was last year awarded rating A+ with stable outlook by rating agency Standard & Poor's.
- Lately the concern operates under Vienna Insurance Group brand name.

- ČPP is a full member of Česká asociace pojišťoven (Czech Association of Insurers, Česká kancelář pojistitelů (Czech Bureau of Insurers) and other associations.

## STRATEGIC PARTNERS

- **Všeobecná zdravotní pojišťovna ČR (General Health Insurance)**
  - Branch network, assistance services, joint marketing events
- **Pojišťovna VZP**
  - joint products, joint marketing events
- **Hasičská vzájemná pojišťovna, a.s.**
  - joint products, joint marketing events
- **Česká pošta, s.p.**
  - Sale of MTPL, approx. 4,500 sales outlets
- **Makler Service Bohemia International (MSBI)**
  - Sale of joint life insurance product
- **Škoda Auto, a.s.**
  - Employee insurance, joint marketing events

## REINSURANCE

Reinsurance programme for 2005 with its parameters represented for ČPP another step towards the company's financial stability improvement and significant strengthening of ability to honour the client obligations. Conservatively low net excess and sufficient reinsurance capacities for individual insurance classes contributed to an optimum environment for further company's development. Arrangement of adequate reinsurance coverage for cumulative natural disaster damages was one of the significant priorities of reinsurance terms and conditions for 2005.

Reinsurance programme was placed with traditionally financially stable reinsurers, where the key parameter was Standard&Poor's reinsurer creditworthiness rating, which was at minimum AA- level for leading reinsurers in case of the most important programmes.

New leading reinsurer in 2005 of the group reinsurance contract was company Transatlantic Re, MTPL was led by Faraday Re. Leading reinsurer for natural disasters contract remained Hannover Re. Recently in 2005 ČPP gained the support of Partner Re, which was a further improvement of the reinsurer portfolio. The company received traditional support also from other very creditworthy reinsurers, such as Everest Re, Mapfre Re, Odyssey Re and others.

## SPONSORING

Česká podnikatelská pojišťovna, a.s. is aware of its position and responsibility, therefore the company sees as one of its important roles also in the support of projects, which are beneficial to the society in most diverse areas. ČPP supports mainly projects focussing on the development of healthy lifestyle, culture, humanitarian activities, youth support and damages prevention.

■ The most important ČPP project include:

- Theatre TaFantastika  
Status: General partner
- Fotbal trading, a.s. – Football hopes  
Status: General partner  
Youth football support
- Medea Kultur, s. r. o. – Communication series, focussing on primary prevention against drug dependency.
- Police and firemen foundation – Joint emergency assistance foundation Podpora (Support), objective of this foundation is to improve the lives of orphaned children of policemen and firemen, whose fathers died on duty.
- SDH – Sborny dobrovolných hasičů (Voluntary Firemen Brigade)  
ČPP supports individual brigades in organising firemen competitions and balls, contributions towards the purchases of technology.



*Award recognising the co-operation between the Police and Firemen Foundation and ČPP*

## ■ Other activities

- Road traffic safety  
Car insurance represents major portion of the ČPP insurance policy register. Therefore we have decided to work closely with projects, addressing the loss prevention and positive awareness of road participants, including children.
- Foundation Malina  
In 2004 ČPP became the foundation's Main Partner. Goal of this foundation, established by motor car driver Roman Krest and singer Daniel Landa, is prevention and education of drivers in particular, as well as other road traffic participants. The foundation distributes, free of charge, high-quality educational films, bringing in a friendly format to thousands of households information about correct habits and other aspects related to the improvement in road traffic safety.

## ■ Regional activities (selection):

- co-operation with foundation Konto Bariéry
- Purchase of motor vehicles for handicapped people
- support:
  - National rescue championship VZS ČR
  - Synthesia Pardubice - basketball club
  - FC Hradec Králové
  - Igor Kaláb - motorcycle rider

AWARDS

In 2005 Česká podnikatelská pojišťovna, a.s., received award for the most successful insurance company of the year, organised by the Association of Czech insurance brokers. In category “Motor vehicle insurance” the company received recognition for 5<sup>th</sup> place, with the same results in category “Co-operation with brokers” and recently the company finished 5<sup>th</sup> also in the main category “Insurance company of the year“.



## PRODUCT STRUCTURE IN 2005

### ■ Motor vehicle insurance

#### ■ MTPL

Motor vehicle third-party liability insurance, so-called compulsory insurance, remained also in 2005 one of the key products of ČPP and in terms of number of insurance contracts it placed the company in 3<sup>rd</sup> place among all insurance companies on the Czech market.

Basic product was liability insurance **Speciál** with claim amount limited to 30 mln CZK for property damage and loss of profit and 45 mln CZK for health damages. Product **Super** provided comfortable limits of 54 mln CZK for property damage and loss of profit, as well as for health damages. Part of this insurance are also additional services free of charge, in particular high-quality and extensive assistance service and accident insurance for the driver with increased claim limits.

Towards the end of 2005 we launched on the market brand new products for the MTPL segment for year 2006 – products **Speciál Plus** and **Super Plus**, where the insurance premium is determined by the age of the insured driver and vehicle and insured's place of residence.

#### ■ COMPREHENSIVE INSURANCE

**Comprehensive motor vehicle insurance** underwent changes leading to competitiveness increases, e.g., by loyalty discount of up to 20% in combination with MTPL for the same vehicle insured with ČPP.

Simple, variable and fully competitive comprehensive car insurance product offers three options according to the extent of insurance cover:

1. **ALL RISK** - insurance of vehicle and equipment in the event of damage or destruction in accident, against theft and vandalism and against damage or destruction in the event of natural disaster
2. **ACCIDENT + NATURAL DISASTER** - insurance of vehicle and equipment in the event of damage or destruction in accident and against damage or destruction in the event of natural disaster
3. **THEFT + NATURAL DISASTER** - insurance of vehicle and equipment in the event of theft and vandalism and against damage or destruction in the event of natural disaster

Novelty in 2005 was an **Anniversary Insurance Package**, containing the cover for windshield, collision involving wild animal and extended accident insurance for the driver's seat. Optional cover included also separate insurance against the motor vehicle theft with maximum limit of 50,000 CZK and excess of 5,000 CZK.

As a part of a drive to stabilise the policy register and 10<sup>th</sup> anniversary celebration, this package was offered to majority of MTPL customers free of charge for 1 year.

### ■ Life insurance

**Key products in 2005 continued to be Life insurance with Filip Plus, Life insurance with Filip Variant, Accident insurance with Filip Plus and Accident insurance with Filip Variant.**

Life insurance **Filip Plus** is a family of five separate products, offering life insurance, as well as a host of riders for the client and his family. In comparison Filip Variant is less extensive in terms of the number of insurance riders, however more flexible as far as the selection of total premium and the maturity vs death premium allocation. This product is exclusively offered by brokers Makler Service Bohemia International (MSBI s.r.o.).

**Savings with Filip, Budoucnost and Jistota** are products developed for a particular target group and the combination of insured risks is designed according to the current market requirements.

We will continue in innovation of our products on an on-going basis to cover specific, untapped segments of insurance market.

The company is getting ready to respond to the developments in the area of public pension, health and hospital insurance by gradual introduction of corresponding products. In 2006 we will launch a new product Private Health Insurance, which will be designed for employees, as well as self-employed people. This product has been developed in conjunction with links to other associated healthcare insurance products, addressing the public health insurance. Implementation itself will take place after the changes in legislation will make this area available to commercial insurance companies.

## ■ Non-life insurance

Our products are designed for all industrial sectors, in particular engineering, smelting works, construction, textiles, timber and chemical industry. ČPP is also focusing on providing insurance cover for non-manufacturing companies and complexes, such as hotels, trading companies, insurance for municipalities and townships and districts.

In segment of property and liability insurance for business customers, ČPP is concentrating on covering insurance risk of FLEXA type, theft, high water and high water as a direct result of flooding. Common risk insured is also liquids leakage from industrial equipment.

For insurance of household contents, building and personal liability we have designed several special products in various modifications in order to be able to respond to the broadest possible range of clients.

In travel insurance segment we have continued our co-operation with PVZP, a.s., the biggest insurer of medical expenses in the Czech Republic and with VZP ČR, the leading sales force of combined travel insurance in ČPP sales network. Another channel used for the sale of travel insurance are travel agencies. Here ČPP signed co-operation contract win the largest travel agency operating on the Czech market.

In compulsory insurance against travel agency bankruptcy segment, ČPP is one of five insurers providing this type of cover on the Czech market, specialising in medium and small travel agencies.

In financial adequacy insurance for transport companies ČPP acquired dominant position on the market.

In 2006 ČPP is preparing new product for small and medium businesses under brand name Podnikatel Plus, hence expanding product base with broad focus on property, as well as liability.

In relation to increasing frequency of natural disasters, such as floods and hurricanes, environmental disasters and events triggered by globalisation, ČPP will continue to deal with procedures and outlook in property and liability insurance with respect to new insurance risks.

In the future, liability risks shall continue to develop significantly, depending in particular on legislative development.

## ČPP PRODUCT OFFER

### ■ Motor vehicle insurance

- MTPL insurance
- Comprehensive motor vehicle insurance
- Insurance package (windshield, wild animal collision and extended driver accident insurance cover)

### ■ Life insurance

- Life insurance with Filip PLUS
- Life insurance with Filip (MSBI)
- Life insurance with Filip
- Life insurance Budoucnost
- Social and health insurance Jistota

### ■ Accident insurance

- Accident insurance with Filip Plus (individual, family, group)
- Accident insurance with Filip Variant (MSBI)
- Additional health insurance VZP

### ■ Property insurance

- Household and property insurance for private individuals
- Property insurance for business against natural disaster, technology break-down, theft and vandalism
- Building construction insurance
- Cargo and shipment insurance
- Business interruption insurance
- Exhibition insurance
- Financial adequacy insurance for transport companies

### ■ Liability insurance

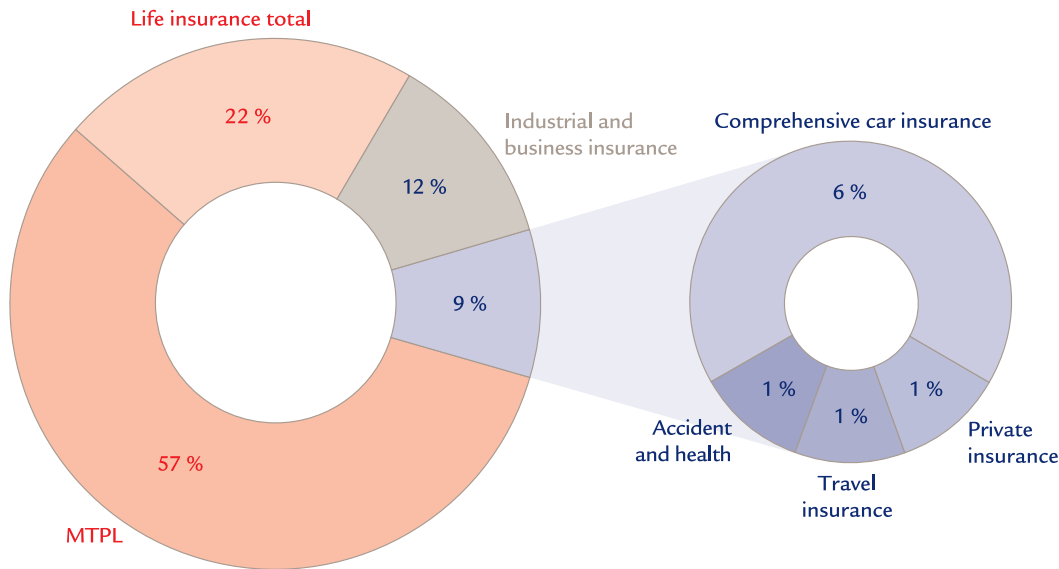
- General liability insurance for private individuals, in a position as property owner or manager, professional liability as animal carer
- Liability insurance for hunters
- General liability insurance for business people
- All types of professional liability insurance
- Faulty product liability insurance

### ■ Travel insurance

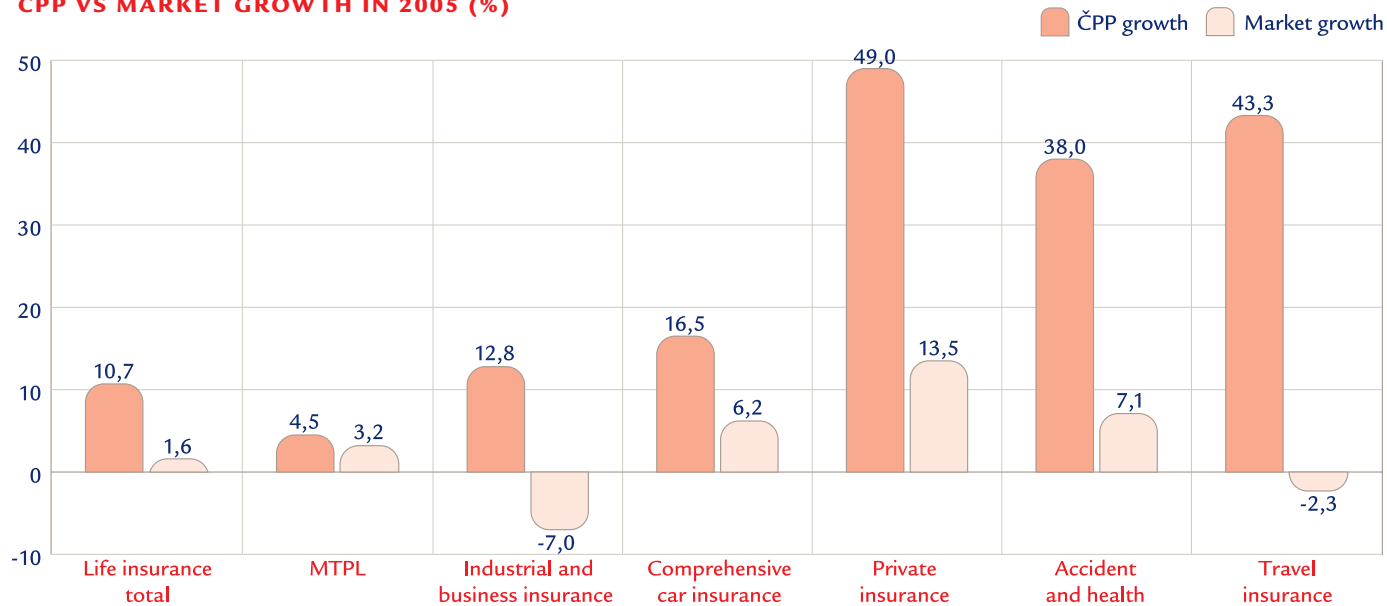
- Acquisition through travel agencies
- Over the counter insurance sales

### ■ Compulsory bankruptcy insurance for travel agencies

POLICY REGISTER STRUCTURE IN 2005



ČPP VS MARKET GROWTH IN 2005 (%)



BUSINESS OPERATIONS IN 2005

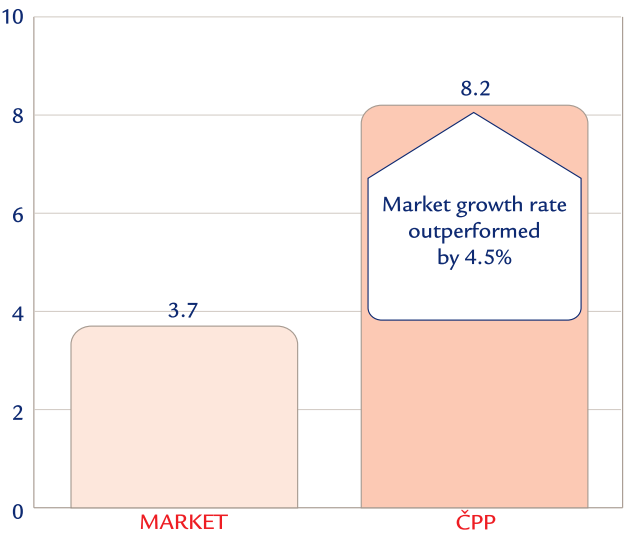
In 2005 ČPP recorded a premium income increase by 8.2 %, i.e., outperformed the market growth rate by 4.5 %. In overall market growth dynamics for 2005, the company achieved 4<sup>th</sup> position and in total premium income it holds 7<sup>th</sup> place on the market. The company has improved its market share to 3.5 %.

Measures adopted in the middle of the year and new motivational measures aimed at business activity increase introduced in September have delivered full impact in the last quarter, when the company experienced significant growth increase.

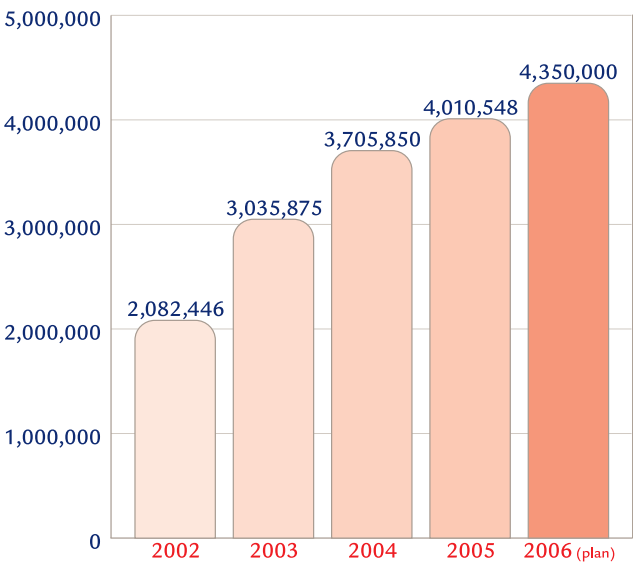
■ ČPP – total premium income

In 2005 the company achieved significant milestone by exceeding 4 bln CZK mark. In view of the changes the company underwent during the year, the business result can be considered as very good.

■ Premium income growth ČPP - vs market in 2005



■ Total premium income (in TCZK)

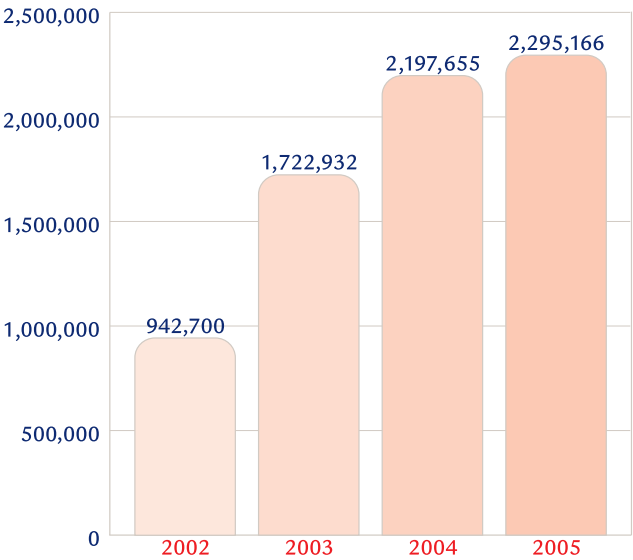


BUSINESS OPERATIONS ACCORDING TO PRODUCT LINES

■ MTPL

In MTPL segment ČPP achieved 3<sup>rd</sup> place in terms of the number of policies and 4<sup>th</sup> when measured by the premium income. The achieved rate of growth was 4.5%, which was 1% above the average rate of market growth in this insurance segment. ČPP holds a market share of 10.6 %.

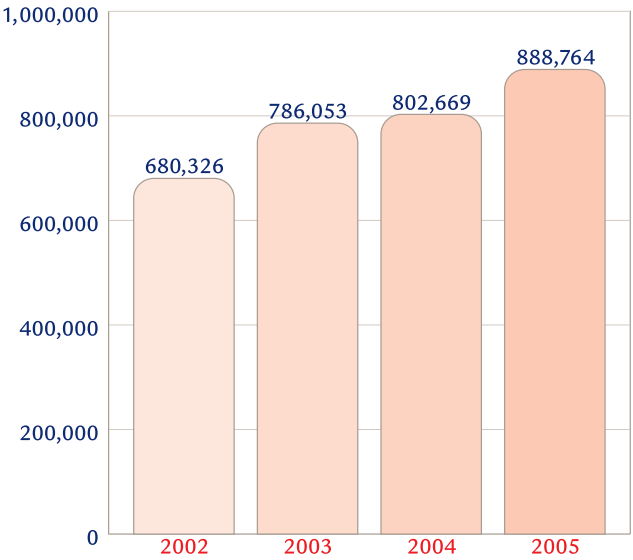
■ Premium income - MTPL (in TCZK)



■ Life insurance

In the area of life insurance the company achieved 7<sup>th</sup> place in terms of growth rate. In terms of total premium written the company is in 11<sup>th</sup> position on the market. Market share has improved to 1.2%. Company growth in the life insurance segment was at the rate of 10.8%, which meant outperforming the market growth rate by 9 %.

■ Premium income – life insurance (in TCZK)

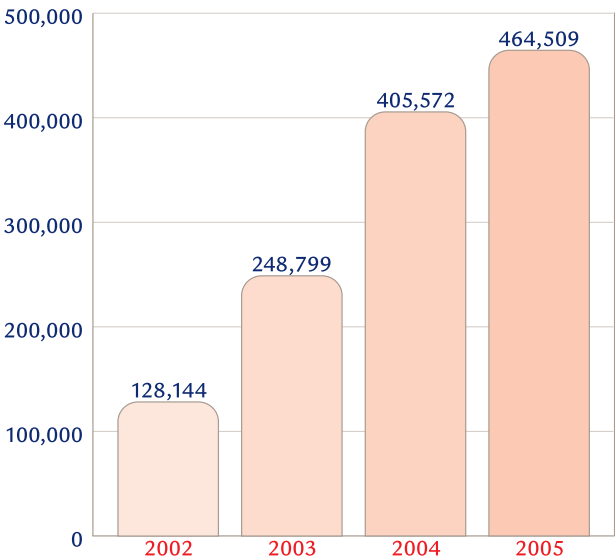




■ Industrial and business insurance

In the industrial and business liability insurance we have achieved the planned premium income, even despite the negative market conditions resulting from competitive pressure on insurance rates by 10 – 20% and market entry of multinational insurance corporations. Overall the company posted a 13% increase in comparison with year 2004 and strengthened its market position.

■ Premium income – industrial and business insurance (in TCZK)



INTERNAL AND EXTERNAL SALES NETWORKS,  
CO-OPERATION WITH BUSINESS PARTNERS

In 2005 we have launched a project to strengthen and improve own internal network with specialisation on the sale of life insurance and at the same time we have introduced certain measures within the aim to increase the internal sales force management standard. In order to increase the speed and quality of communication between the head office and regional offices, since the beginning of 2005 we have utilised modern communications technology for regular video conferences and meetings at various management levels. The quality of the sales process and management within internal network have improved by the introduction of new employee training system and improved methodology support from product managers in individual regional offices. We have managed the completion of transformation to the new legislative environment, regulating the activities of insurance intermediaries and by the end of June 2005 the company has filed a bulk intermediary registration application for all internal sales representatives. Following the approval of the extended business operations by the Ministry of Finance we have commenced training programme and examinations at the basic level for internal, as well as external network.

Broker company Makler Service Bohemia International (MSBI) remained the most significant partner for the sale of life insurance contracts in particular. We have completed electronic hand-over of contracts to the system and the sale of other types of insurance has increased significantly.

In the sale of MTPL we have continued in our co-operation with the Czech Post and significant sales channel for this type of insurance remained also the Hasičská vzájemná pojišťovna. Joint sale of travel and health insurance products in conjunction with Pojišťovna VZP and Všeobecná zdravotní pojišťovna continued well.

Co-operation with more than 300 brokers recorded the most dynamic growth, in particular in car insurance and industrial and business insurance segments.

Support and service provided to all external sales force members has translated not only to increased new premium production, but also in the quality of the sales process. More than 3,200 agents from external companies, used car dealerships, mandated agents, etc., have completed specialist training, required for certification. Sales software

SUS has proven very successful in introducing new products to the sales network. By the end of the year the software was installed in more than 1,000 outlets and in December 2005 more than 50% of contracts were arranged this way.

This had brought about significant reduction in corrections, and the policy entry into the system and commission payment times have been reduced.

Acquisition of new clients, maintenance and prospecting for new business partners were significantly enhanced by motivational competitions, regular meetings and seminars.

We can conclude that we have achieved the stabilisation of internal, as well as external sales network. We have been successful in balancing out the share of individual distribution channels in total premium income. We can observe an increase in the share attributable to our internal network and at the same time we can see also a progressive growth in production of broker networks. Prerequisites for the continuation of this trend also in year 2006 are in place.

**BUSINESS STRATEGY FOR YEAR 2006**

- Sale of new segmented MTPL products Speciál PLUS and Super PLUS, maintaining above-market rate of premium income growth.
- Increase of life insurance premium income portion of total premium income.
- Maintaining the sales growth in property and liability insurance for corporate and private clients.
- Further development of product sales using SUS software and sale improvement of selected products over the Internet.
- Further development of co-operation with strategic partners, major brokers and sales/acquisition companies operating on the Czech insurance market.

they say:  
"you must be careful"  
But you know what  
it's like...

## **SUPERVISORY BOARD REPORT FOR 2005, INCLUDING REPORT ON CONTRACTS CONCLUDED PURSUANT TO §196A OF THE COMMERCIAL CODE**

Supervisory Board received and thoroughly examined the annual accounts for year 2005, including the Appendix and company profit, management and business status report as of 31. 12. 2005. Result of this examination is a unanimous Supervisory Board resolution to approve the company annual accounts prepared by the Board of Directors and approval of the profit distribution proposal drafted by the Board of Directors.

Furthermore, the Supervisory Board informs that it had the opportunity to supervise the management of the company individually, as well as a unit. Since 1.1.2005 it had met 7 times to review the company results. In its assessment the Supervisory Board was guided by the documents submitted and information, acquired during the course of its involvement with the company, as well as six decisions by the sole shareholder, which were adopted by the General Assembly during the monitored period.

Furthermore, the Supervisory Board informs the sole shareholder that the company annual accounts for 2005 were approved by auditing firm BDO CS, s.r.o., that the Supervisory Board received, reviewed and discussed the report and that the report conclusions do not give rise to any comments. Supervisory Board would like to declare that it does not have additional comments to make with respect to the auditors' report.

Furthermore, the Supervisory Board informs that pursuant to Article 18, par. 3), letter m) of the company Articles, it is within the sole shareholder competence to grant approval to contracts pursuant to §196a of the Commercial Code. In 2005 financial year the Supervisory Board discussed one case of a contract pursuant to §196a of the Commercial Code.

**In Prague, on 28. 3. 2006**



**Ing. Vladimír Mráz**  
Supervisory Board Chairman



BDO Prima Audit s. r. o.  
Auditors & Accountants

Oficiální sídlo: 190/5, 140 08 Praha 4  
Česká republika  
Tel.: 241 046 111, Fax: 241 046 221  
E-mail: bdo@bdo.cz

## THE INDEPENDENT AUDITOR'S REPORT

to the shareholders of Česká podnikatelská pojist'ovna, a.s.

On the basis of our audit, on March 6, 2006 we issued an auditor's report on the financial statements, which are included in this annual report, and our report was as follows:

„We have audited the accompanying financial statements of Česká podnikatelská pojist'ovna, a.s. as at 31 December 2005. These financial statements are the responsibility of the Company's management. 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 related national application guidelines issued by Czech Republic's Chamber of Auditors. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements give a true and fair view of assets, liabilities and financial position of the Company as at 31 December 2005, and expenses, revenues and result of its operations for the year then ended in accordance with the relevant accounting legislation valid in the Czech Republic.”

We have reviewed the other financial information in the annual report for consistency with the audited financial statements. In our opinion, the information is consistent in all material aspects with the audited financial statements.

The management of the Company is responsible for the completeness and accuracy of the report on relations between related parties. During our review nothing came to our attention that would cause us to believe that the information contained in the report is materially inaccurate.

Prague, August 30, 2006

BDO Prima Audit s.r.o.  
Represented by partners:

  
Jan Doležal  
Certificate No. 0070

  
Jan Běča  
Certificate No. 0034

ID Code 45 31 43 81  
Registered in Praha  
No. C. 7279  
Certificate No. 8/8



*Vienna Insurance Group is the largest Austrian insurance group in Central and Eastern Europe.*

#### **VIENNA INSURANCE GROUP**

From the beginning of 2006, Wiener Städtische Group is operating under a new umbrella brand – Vienna Insurance Group. This shared brand is intended to strengthen the Group identity and enhance the sense of cohesion of the Group companies. Under the Group's multi-brand strategy, the companies use their locally established names in their home markets. With this shared brand, we emphasize our financial strength as a major Central and Eastern European insurer based in Vienna.

#### **■ The largest Austrian insurance group in Central and Eastern Europe**

With premium volume of about EUR 5 billion, the international Vienna Insurance Group is the largest Austrian insurance group in Central and Eastern Europe. We provide high-quality insurance services both in the life and non-life segments. Our central aim is to deliver innovative local insurance solutions for all areas of life through optimum customer service.

#### **■ A tradition of success**

At Vienna Insurance Group we build on a long history of success, tracing our roots to the year 1824.

#### **■ Presence in 17 countries**

We are currently operating in 15 countries and in the case of Russia and Georgia, are about to enter the market; about 16,000 employees look after the security of our customers. In addition to our presence in Austria, we have Group companies or branch offices in Belarus, Bulgaria, Croatia, the Czech Republic, Germany, Hungary, Italy, Liechtenstein, Poland, Romania, Serbia & Montenegro, Slovakia, Slovenia and Ukraine.

#### **■ Focus on Central and Eastern Europe**

Building on its leading position in Austria, Vienna Insurance Group has for more than 15 years been expanding purposefully into the emerging markets of Central and Eastern Europe. In 2005 the share of the Group's premiums generated in this region was already well over 30%. No other international insurance group is active in so many Central and Eastern European countries.

#### **■ Rated A+ by Standard & Poor's**

The Group's excellent financial strength is also confirmed by the international rating agency Standard & Poor's, which has given Wiener Städtische AG a rating of A+ with a stable outlook.

#### **■ Traded on the Vienna stock exchange**

The share of Wiener Städtische AG (ISIN: AT00000908504) is listed on Wiener Börse, where it is one of the most actively traded and highly capitalised issues. Our share is thus also represented in the ATX, Austria's blue-chip equity index. The Group's superb financial results were a key driver of the share's solid performance in 2005.

*To finance our expansion in Central and Eastern Europe, Wiener Städtische AG conducted a capital increase.*

## ■ GROUP HIGHLIGHTS IN 2005

### Capital increase

Primarily to finance our region-wide expansion in Central and Eastern Europe via acquisitions and organic growth, Wiener Städtische AG conducted a capital increase in December 2005. With proceeds of about EUR 910 million, this was not only the largest capital increase ever carried out by an Austrian insurance company, but also one of the largest in the history of the Vienna stock exchange. Fully about one-half of the staff of Wiener Städtische AG, as well as many employees at our subsidiaries, used the opportunity to buy shares, thus demonstrating their confidence in the future of Vienna Insurance Group.

### Partnership with the Kardan Group

In 2005 Vienna Insurance Group launched a sweeping strategic collaboration with Kardan Financial Services. Kardan Financial Services is a holding company with a majority stake in TBIH, which in turn has a broad portfolio of investments in financial services companies in Central and Eastern Europe. As the first step, in the middle of 2005, Vienna Insurance Group acquired from TBIH the majority ownership of Romanian insurance group Omnisig, thus becoming the market leader in Romania. Next, agreement was reached for us to take a 40% interest in Kardan Financial Services. Vienna Insurance Group is to assume operating control of the insurance holdings of TBIH. The subsidiaries of TBIH in the pension fund, asset management and leasing businesses are to unlock access to a wide customer base for Vienna Insurance Group. The insurance assets of TBIH include companies in Bulgaria (Bulstrad), Croatia (Helios), Georgia (GPIH), Romania (Omnisig Life) and Russia (Standard Reserve, SoVita). The regulatory and other government approvals for our investment in Kardan Financial Services are expected in the first half of 2006.

## ■ AUSTRIA

### Double-digit growth rates in life insurance

In Austria, the Vienna Insurance Group includes Wiener Städtische AG, Donau Versicherung, Union Versicherung and BA-CA Versicherung. Given the growing importance of private retirement savings, 2005 brought impressive double-digit premium growth in life insurance for all Austrian Group companies. In fact, Wiener Städtische AG and BA-CA Versicherung, with life insurance growth of about 25%, far outpaced the Austrian life insurance market as a whole. For their part, Donau Versicherung and Union Versicherung delivered premium growth of approximately 12% in this segment last year.

## ■ Italy

### Successful launch of bancassurance distribution

Vienna Insurance Group has already been active in Italy for six years, through a branch office of Wiener Städtische AG. After long and careful preparation, the launch of insurance sales via banks was implemented to very good effect in 2005. We won several banks as distribution partners, among them Banca Popolare FriulAdria, Rothschild Bank, Banca Popolare di Puglia and Hypo Tirol Italy.

## ■ Slovenia

### Premiums of EUR 5 million in the very first full year

We entered the Slovenian market in 2004 by opening a branch of Wiener Städtische AG, immediately after the country's accession to the European Union. Slovenia is one of the most highly developed of the emerging life insurance markets in CEE. In Slovenian branch office's first full financial year there, we already took in premiums of about EUR 5 million.

## ■ CZECH REPUBLIC

### Market share of 26.4%

The Czech Republic is the most important insurance market for Vienna Insurance Group outside Austria. In 2005 we wrote premiums of close to EUR 1 billion in this country, expanding our market share to 26.4%. Kooperativa Prague, the Group's second largest company, has long been one of the leading insurers in the Czech market. In 2005 Kooperativa Prague was recognized for the fourth time as Insurer of the Year, an award annually given out by insurance brokers. To further bolster the position of Vienna Insurance Group in the Czech Republic, last year we acquired Ceska podnikatelska pojistovna (CPP). CPP is a composite insurer deriving more than three-quarters of its premiums from non-life lines. Its products are sold via Czech Post, the public health insurance plan and the firefighters associations of the Czech Republic. The most important business in the insurance portfolio of CPP is motor insurance. Overall in 2005, CPP achieved premium growth considerably higher than that of the Czech insurance market.



*We are going to enlarge our market position in the growth markets of Central and Eastern Europe.*

## ■ SLOVAKIA

### Further growth in market share

The market share of Vienna Insurance Group in Slovakia, where we operate through Kooperativa Bratislava, Komunálna poisťovňa and Kontinuita poisťovňa, rose from 23.9% in 2004 to 26.8% in 2005. Kooperativa Bratislava, which has been part of Vienna Insurance Group since 1990, not only marked its fifteenth year in business last year, but also delivered outstanding premium growth of more than 12%. Kooperativa Bratislava was the Slovak "Trend" business magazine's Insurance Company of the Year for 2005, with Komunálna placing third. Likewise, Kontinuita thrived in the Slovak insurance market in 2005. It is the country's fifth largest life insurance company and enjoyed superior growth in new business.

## ■ REMAINING CEE MARKETS

### ■ Bulgaria

#### Stake in insurer Bulstrad strengthens market position

The Vienna Insurance Group acquired majority ownership of the Bulgarian companies Bulgarski Imoti Life and Bulgarski Imoti Non-Life as long ago as 2002. This positioned us in the rapidly growing Bulgarian insurance market as a life and general insurer with a well-developed branch network. The foremost insurance product in the Bulgarian market is motor liability insurance, but there is also high potential in the life business. With growth of about 50% in 2005 the two Bulgarski Imoti companies thus achieved an expansion in premiums far above the growth rate of the Bulgarian insurance market. Since last year, both these insurers are now nearly 100% owned by Vienna Insurance Group: we bought the remaining 26% stake in each of Bulgarski Imoti Life and Bulgarski Imoti Non-Life from HUK-Coburg Holding. By our indirect investment through Kardan Financial Services in Bulstrad, the third-ranking company in the Bulgarian insurance market, Vienna Insurance Group will strengthen its position in Bulgaria significantly further.

### ■ Georgia

#### Dynamic growth

The Georgian insurance market has burgeoned in recent years. Thus, its premium growth in 2004 of 17.4% was twice the rate of Georgian GDP growth. Through GPIH, the third largest insurer in Georgia, we plan to enter this country's market via our stake in Kardan Financial Services.

### ■ Croatia

#### Vienna Insurance Group among the top five

In the form of Kvarner Wiener Städtische osiguranje d.d., which writes both life and non-life insurance, Vienna Insurance Group has been successfully operating in Croatia since 1999. With the purchase of Croatian non-life and life insurer Aurum at the end of 2004, which was merged with Kvarner in 2005 to reap synergies, we extended our presence in Croatia. In 2005 Vienna Insurance Group acquired Cosmopolitan Life, a life insurance firm based in Zagreb. As a result of these investments, we are one of the five largest insurance groups in the country. As part of the investment in Kardan Financial Services, Vienna Insurance Group is also to gain an indirect stake in the insurer Helios.

### ■ Poland

#### Presence of Vienna Insurance Group substantially strengthened

Poland, with a population of about 40 million, is one of the largest insurance markets in Central and Eastern Europe. We took far-reaching steps in 2005 to further enlarge the presence of Vienna Insurance Group in this market. In the first half of the year, we bought Benefia Non-Life and Benefia Life, which were recognized by the Polish Business Club as 2005 Company of the Year. The principal focus of Benefia Non-Life, founded in 1999, is motor insurance. It maintains a close relationship to the Fiat group, which has manufacturing operations in Poland. In July 2005 we acquired the Polish life insurer Royal Polska, including that company's own distribution firm. In addition, we secured from HUK-Coburg Holding its shares in the two Compensa insurance companies, which we now own almost entirely. In the second half of 2005, as the preliminary latest step in our Polish expansion, we were able to conclude an agreement to buy Cigna, an important non-life player in Poland.

### ■ Romania

#### Market leader in Romania

Vienna Insurance Group has been in the Romanian market for some time through Unita and Agras. Unita is a successful composite insurer that in 2005 achieved 80% growth in motor insurance and doubled the number of its household insurance policies; Agras remained the clear market leader in farm insurance. In 2005 we bolstered our position in the Romanian market by acquiring majority ownership of the country's third largest insurance company, Omnisig Non-Life, which holds 50% of Omnisig Life. By this purchase we have become the largest insurance group in the Romanian market.

## *Vienna Insurance Group as First Mover: first Austrian insurance group in Russia.*

### ■ Russia

#### **First mover in Russia**

In November 2005 Vienna Insurance Group agreed with the Russian general insurer MSK to start a life insurance company in Russia. This makes us the first Austrian insurance group to enter the Russian market. The company is to begin operations in the middle of 2006. Its products are to be sold both by Bank of Moscow, the country's fifth largest bank, and MSK Insurance, the third biggest non-life insurance company in Russia.

### ■ Serbia

#### **Wiener Städtische Belgrade is a growth leader**

Wiener Städtische Belgrade, which received its operating licence in February 2003, now has 13 branches in the Serbian insurance market. With premium growth of more than 160% to about EUR 15 million in the 2005 financial year, Wiener Städtische Belgrade performed superbly and again was one of the most rapidly growing insurance companies in Serbia last year. After only three years in business, Wiener Städtische Belgrade already ranks as one of the top five Serbian insurance companies.

### ■ Vienna Insurance Group

#### ■ Ukraine

#### **Two new insurance companies added**

We entered the Ukrainian insurance market at the end of 2004 by acquiring Jupiter, a life insurer. In 2005 Jupiter stepped up its distribution of insurance products through banks. Last year Vienna Insurance Group followed the Jupiter purchase with more acquisitions in Ukraine. By taking a majority equity interest in Kniazha, the second largest Ukrainian provider of third-party liability motor insurance by number of customers, we intensified our activities in the Ukrainian insurance market in 2005 and expanded into the non-life segment. In its yearly review of financial institutions, the Ukrainian weekly magazine "Invest Gaseta" ranked Kniazha among the best companies in the country's financial industry. Another achievement last year was the agreement reached to buy Globus, one of the top ten among Ukraine's approximately 400 insurance firms. The supervisory authorities' approval still required for this purchase is expected for 2006.

### ■ Hungary

#### **Best year ever for Union Biztosito**

2005 was the most successful year in the history of Union Biztosito, our insurance company in Hungary. Especially by expanding the car insurance business, the company decisively improved its market position thanks to growth far superior to the market's. Thus, Union boosted its premium income 50% in 2005 to about EUR 60 million and made a profit for the year.

### ■ Belarus

#### **Victoria acquired**

Since 2002 Vienna Insurance Group had already been co-owner of Kupala; in 2005 this participating interest was raised to more than 90%. Thanks to the sustained effectiveness of the restructuring, which realigned the company to focus on accident, personal and vehicle insurance, the target for 2005 was surpassed by more than 90%. With the acquisition of the insurer Victoria in July 2005, we continued to build our position in the Belarusian market.

### ■ OTHER MARKETS

#### ■ Germany

#### **Vienna Insurance Group – stronger than the German market**

Our insurance companies in Germany are the two InterRisk firms, based in Wiesbaden. In 2005 both the InterRisk Non-Life and the InterRisk Life grew more quickly than the German insurance market. The clear strategic focus on market-leading product and service quality in selected market niches continued to bear fruit last year. For instance, the company placed first among all German property and casualty insurers in the leading survey of brokers, the "Charta Quality Barometer 2005".

### ■ Liechtenstein

#### **Premium volume tripled**

In 2005 Vienna Life, our life insurance company in Liechtenstein established in 2000, carried on the outstanding sales trend of the previous years. Vienna Life's premium income tripled from one year earlier, to approximately EUR 170 million. The key growth engine was the segment of high-net-worth individuals, a group targeted since 2003.

*Detailed information on the companies of Vienna Insurance Group is published in the Group annual report on the Internet at [www.wienerstaetische.at](http://www.wienerstaetische.at).*

*We expanded into the non-life segment in the Ukrainian insurance market in 2005.*

VIENNA INSURANCE GROUP AS OF 31<sup>ST</sup> DECEMBER 2005

Country	Company	Core business	Share in the capital
<b>Austria</b>	Wiener Städtische AG	life/non-life	-
	Donau Versicherung	life/non-life	89,47 %
	Bank Austria Creditanstalt Versicherung	life	90,00 %
	Union Versicherung	life	45,00 %
<b>Czech Republic</b>	Kooperativa pojišťovna	life/non-life	87,67 %
	Česká podnikatelská pojišťovna	life/non-life	87,67 %
<b>Slovakia</b>	Kooperativa poisťovňa	life/non-life	100,00 %
	Komunálna poisťovňa	life/non-life	95,14 %
	Kontinuita poisťovňa	life	100,00 %
<b>Remaining CEE Markets</b>			
<b>Bulgaria</b>	Bulgarski Imoti non-life	non-life	98,36 %
	Bulgarski Imoti life	life	98,35 %
<b>Croatia</b>	Kvarner Wiener Städtische osiguranje	life/non-life	98,21 %
	Cosmopolitan Life	life	73,00 %
<b>Poland</b>	Compensa non-life	non-life	99,86 %
	Compensa life	life	100,00 %
	Benefia non-life	non-life	100,00 %
	Benefia life	life	100,00 %
	Royal Polska	life	95,00 %
	Cigna*	non-life	63,09 %
<b>Romania</b>	Omniasig non-life	non-life	70,56 %
	Omniasig life	life	35,28 %
	Unita	non-life	100,00 %
	Agras	non-life	74,45 %
<b>Russia</b>	MSK Life*	life	25,01 %
<b>Serbia &amp; Montenegro</b>	Wiener Städtische Belgrade	life/non-life	100,00 %
<b>Ukraine</b>	Jupiter	life	73,00 %
	Kniazha	non-life	50,01 %
	Globus*	non-life	51,00 %

Country	Company	Core business	Share in the capital
Hungary	Union Biztosito	life/non-life	100,00 %
Belarus	Kupala	non-life	90,97 %
	Victoria	non-life	99,97 %
Other markets			
Germany	InterRisk non-life	non-life	100,00 %
	InterRisk life	life	100,00 %
Liechtenstein	Vienna Life	life	100,00 %
Branches			
Italy	Wiener Städtische Italia	life/non-life	n.a.
Slovenia	Wiener Städtische zavarovalnica	life/non-life	n.a.

Status as of 31<sup>st</sup> December 2005, \* Regulatory and other government approvals were still pending as of 31<sup>st</sup> December 2005



4

My insured house,  
my safe castle...

Description	Line number	Base	Subtotal	Result
	b	1	2	3
<b>I. TECHNICAL ACCOUNT FOR NON-LIFE INSURANCE</b>				
<b>1. Earned premiums, net of reinsurance:</b>	1	x	x	x
a) Gross premiums written	2	3 121 784	x	x
b) Outward reinsurance premiums (-)	3	781 307	2 340 476	x
c) Change in the gross provision for unearned premiums (+/-)	4	99 565	x	x
d) Change in the gross provision for unearned premiums, reinsurers' share (+/-)	5	27 923	71 642	2 268 834
<b>2. Allocated investment return transferred from the non-technical account (entry III.6.)</b>	6	x	x	41 286
<b>3. Other technical income, net of reinsurance</b>	7	x	x	51 101
<b>4. Claims paid, net of reinsurance:</b>	8	x	x	x
a) Claims paid:	9	x	x	x
aa) gross amount	10	1 245 068	x	x
ab) reinsurers' share (-)	11	663 777	581 291	x
b) change in the provision for outstanding claims (+/-):	12	x	x	x
ba) gross amount	13	579 659	x	x
bb) reinsurers' share (-)	14	-170 681	750 340	1 331 632
<b>5. Change in other technical provisions, net of reinsurance (+/-)</b>	15	x	x	73 035
<b>6. Bonuses and rebates, net of reinsurance</b>	16	x	x	3 168
<b>7. Net operating expenses</b>	17	x	x	x
a) Acquisition costs	18	x	625 281	x
b) Change in deferred acquisition costs (+/-)	19	x	36 893	x
c) Administrative costs	20	x	374 132	x
d) Commission from reinsurers and profit participations	21	x	158 429	877 877
<b>8. Other technical costs, net of reinsurance</b>	22	x	x	179 264
<b>9. Change in the equalisation provision (+/-)</b>	23	x	x	-97 820
<b>10. Sub-total on the technical account for non-life insurance (item III.1.)</b>	<b>24</b>	<b>x</b>	<b>x</b>	<b>-5 935</b>
<b>II. TECHNICAL ACCOUNT FOR LIFE ASSURANCE</b>				
<b>1. Earned premiums, net of reinsurance:</b>	25	x	x	x
a) Gross premiums written	26	x	888 764	x
b) Outward reinsurance premiums (-)	27	x	7 170	x
c) Change in the gross provision for unearned premiums, reinsurers' share (+/-)	28	x	754	880 840

<b>2. Income from financial placements (investments):</b>	29	x	x	x
a) income from participating interests, with a separate indication of that derived from controlling influence	30	x	0	x
b) income from other investments, with a separate indication of that derived from controlling influence	31	x	x	x
ba) income from land and buildings (real estate)	32	0	x	x
bb) income from other financial placements (investments)	33	41 227	41 227	x
c) value adjustments on financial placements	34	x	0	x
d) income from disposal of financial placements	35	x	126 907	168 134
<b>3. Unrealised gains on financial placements</b>	36	x	x	0
<b>4. Other technical income, net of reinsurance</b>	37	x	x	1 234
<b>5. Claims paid, net of reinsurance:</b>	38	x	x	x
a) Claims paid:	39	x	x	x
aa) brutto	40	215 839	x	x
ab) reinsurers' share	41	1 392	214 446	x
b) change in the provision for outstanding claims (+/-):	42	x	x	x
ba) brutto	43	1 487	x	x
bb) reinsurers' share	44	-500	1 987	216 433
<b>6. Change in other technical provisions, net of reinsurance (+/-):</b>	45	x	x	x
a) Change in the life assurance provision:	46	x	x	x
aa) brutto	47	385 635	x	x
ab) reinsurers' share	48	0	385 635	x
b) Change of other technical provisions	49	x	-1 000	384 635
<b>7. Bonuses and rebates, net of reinsurance</b>	50	x	x	0
<b>8. Net operating expenses:</b>	51	x	x	x
a) Acquisition costs	52	x	129 924	x
b) Change in deferred acquisition costs (+/-)	53	x	72 572	x
c) Administrative costs	54	x	70 150	x
d) Commission from reinsurers and profit participations, net	55	x	2 305	270 341
<b>9. Expenses connected with financial placements (investments):</b>	56	x	x	x
a) investment management charges, including interest	57	x	8 977	x
b) value adjustments on financial placements	58	x	0	x
c) book value of disposed financial placements	59	x	117 280	126 257

<b>10. Unrealised losses on financial placements (investments)</b>	60	x	x	0
<b>11. Other technical costs, net of reinsurance</b>	61	x	x	12 969
<b>12. Allocated investment return transferred to the non-technical account (-) (item III.4.)</b>	62	x	x	0
<b>13. Subtotal, Result of the technical account for life insurance (entry III.2.)</b>	<b>63</b>	<b>x</b>	<b>x</b>	<b>39 573</b>
<b>III. NONTECHNICAL ACCOUNT</b>				
<b>1. Result of the technical account for non-life insurance (entry I.10.)</b>	64	x	x	-5 935
<b>2. Result of the technical account for life insurance (entry II.13.)</b>	65	x	x	39 573
<b>3. Income from financial placements:</b>	66	x	x	x
a) income from participating interests, with a separate indication of that derived from controlling influence	67	x	0	x
b) income from other investments, with a separate indication of that derived from controlling influence	68	x	x	x
ba) income from land and buildings	69	0	x	x
bb) income from other financial placements (investments)	70	40 024	40 024	x
c) value adjustments on financial placements	71	x	0	x
d) income from disposal of financial placements	72	x	246 349	286 373
<b>4. Allocated investment return transferred from the technical account for life-assurance (item II.12.)</b>	73	x	x	x
<b>5. Expenses connected with financial placements:</b>	74	x	x	x
a) investment management charges, including interest	75	x	17 427	x
b) value adjustments on financial placements	76	x	0	x
c) book value of disposed financial placements	77	x	227 660	245 087
<b>6. Allocated investment return transferred to the technical account for non-life-insurance (item I.2.)</b>	78	x	x	-41 286
<b>7. Other income</b>	79	x	x	1 190
<b>8. Other expenses</b>	80	x	x	6 184
<b>9. Income tax on ordinary activities</b>	81	x	x	16 819
<b>10. Profit or loss on ordinary activities after tax</b>	82	x	x	11 826
<b>11. Extraordinary expenses</b>	83	x	x	0
<b>12. Extraordinary income</b>	84	x	x	437
<b>13. Extraordinary profit or loss</b>	85	x	x	-437
<b>14. Income tax on extraordinary activities</b>	86	x	x	0
<b>15. Other taxes and fees</b>	87	x	x	410
<b>16. Profit of loss for the financial year (entry III.3.)</b>	<b>88</b>	<b>x</b>	<b>x</b>	<b>10 978</b>



Description	Line number	Last period 1	Gross 2	Adjustment 3	Net 4
<b>ASSETS</b>					
<b>A. Receivables for subscribed registered capital</b>	1	0	0	0	0
<b>B. Intangible assets, thereof:</b>	2	49 990	99 028	-56 457	42 571
a) Incorporation costs	3	0	0	0	0
b) Goodwill	4	0	0	0	0
<b>C. Financial placements (Investments)</b>	5	2 460 365	4 414 941	0	4 414 941
<b>I. Land and buildings (real estate), thereof:</b>	6	0	0	0	0
a) Land and buildings - self-occupied	7	0	0	0	0
<b>II. Investments in affiliated undertakings and participating interests</b>	8	0	0	0	0
1. Participating interests with controlling influence	9	0	0	0	0
2. Debt securities issued by, and loans to, undertakings - controlling influence	10	0	0	0	0
3. Participating interests with significant influence	11	0	0	0	0
4. Debt securities issued by, and loans to, undertakings - significant influence	12	0	0	0	0
<b>III. Other financial placements</b>	13	2 460 365	4 414 941	0	4 414 941
1. Shares and other variable-yield securities, other shares	14	124 940	42 592	0	42 592
2. Bonds and other fixed-income securities	15	1 047 654	2 484 448	0	2 484 448
3. Financial placements in investments companies	16	28 474	1 296	0	1 296
4. Other loans	17	0	0	0	0
5. Deposits with financial institutions	18	1 259 297	1 886 605	0	1 886 605
6. Other financial placements	19	0	0	0	0
<b>IV. Deposits with ceding undertakings</b>	20	0	0	0	0
<b>D. Financial placements for the benefit of life assurance policyholders     who bear the investment risk</b>	21	0	0	0	0
<b>E. Debtors</b>	22	968 106	745 113	-227 519	517 594
<b>I. Receivables arising from direct insurance operations</b>	23	421 607	626 207	-221 804	404 403
1. Receivables due from the policyholders	24	419 361	569 948	-221 804	348 145
2. Receivables due from intermediaries	25	2 246	56 259	0	56 259
<b>II. Receivables arising from reinsurance operations</b>	26	467 747	45 077	0	45 077
<b>III. Other receivables</b>	27	78 752	73 829	-5 716	68 113

<b>F. Other assets</b>	28	<b>62 117</b>	<b>133 485</b>	<b>-72 105</b>	<b>61 380</b>
<b>I. Tangible fixed assets other than land and buildings (real estate), and inventories</b>	29	53 781	118 353	-72 105	46 248
<b>II. Cash on accounts in financial institutions and cash in hand</b>	30	8 336	15 131	0	15 131
<b>III. Other assets</b>	31	0	0	0	0
<b>G. Temporary asset accounts</b>	32	<b>389 574</b>	<b>277 241</b>	<b>0</b>	<b>277 241</b>
<b>I. Accrued interest and rent</b>	33	3 018	1 064	0	1 064
<b>II. Deferred acquisition costs, thereof:</b>	34	334 454	224 990	0	224 990
a) in life assurance	35	109 258	36 686	0	36 686
b) in non-life insurance	36	225 196	188 304	0	188 304
<b>III. Other temporary asset accounts, thereof</b>	37	52 102	51 188	0	51 188
a) Estimated receivables	38	19 757	42 408	0	42 408
<b>TOTAL ASSETS</b>	39	<b>3 930 152</b>	<b>5 669 808</b>	<b>-356 081</b>	<b>5 313 727</b>

Description	Line number	Last period 1	Gross 2	Adjustment 3	Net 4
<b>LIABILITIES</b>					
<b>A. Equity</b>	40	<b>462 144</b>			<b>825 557</b>
<b>I. Registered capital, thereof:</b>	41	560 000			1 000 000
a) Changes in registered capital	42	0			0
b) Own shares or own scrips, own share in a bussines	43	0			0
<b>II. Share premium</b>	44	0			0
<b>III. Revaluation fund</b>	45	0			0
<b>IV. Other capital funds</b>	46	-1 502			7 801
<b>V. Statutory reserve fund and other funds from profit</b>	47	0			672
<b>VI. Profit or loss brought forward</b>	48	-109 788			-193 893
<b>VII. Profit or loss for the financial year</b>	49	13 434			10 978
<b>B. Subordinated liabilities</b>	50	<b>0</b>			<b>0</b>
<b>C. Technical provisions</b>	51	<b>2 243 199</b>	<b>4 569 754</b>	<b>-682 594</b>	<b>3 887 159</b>
<b>1. Provision for unearned premiums, thereof:</b>	52	412 861	732 750	-151 119	581 631
a) Provision for unearned premiums related to life assurance	53	21 582	22 336	0	22 336
b) Provision for unearned premiums related to non-life insurance	54	391 279	710 414	-151 119	559 295
<b>2. Life assurance provision</b>	55	943 462	1 329 097	0	1 329 097
<b>3. Provision for outstanding claims, thereof:</b>	56	360 689	1 973 723	-530 010	1 443 713
a) Provision for outstanding claims related to life assurance	57	18 621	21 731	-100	21 631
b) Provision for outstanding claims related to non-life insurance	58	342 068	1 951 993	-529 910	1 422 082
<b>4. Provision for bonuses and rebates, thereof:</b>	59	10 087	16 482	0	16 482
a) Provision for bonuses and rebates related to life assurance	60	10 000	9 000	0	9 000
b) Provision for bonuses and rebates related to non-life insurance	61	87	7 482	0	7 482
<b>5. Equalisation provision</b>	62	74 300	6 509	0	6 509
<b>6. LAT reserve</b>	63	0	0	0	0
<b>7. Non-life insurance provision, thereof:</b>	64	3 134	2 930	-1 465	1 465
a) Non-life insurance provision related to life assurance	65	0	0	0	0
b) Non-life insurance provision related to non-life insurance	66	3 134	2 930	-1 465	1 465
<b>8. Other technical provisions, thereof:</b>	67	438 665	508 263	0	508 263
a) Other technical provisions related to life assurance	68	0	0	0	0
b) Other technical provisions related to non-life insurance	69	438 665	508 263	0	508 263
<b>D. Life assurance technical provision where the investment risk is borne by the policyholder</b>	70	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

<b>E. Provisions for other risks and losses</b>	71	<b>0</b>	<b>0</b>
<b>1. Provisions for pensions and similar obligations</b>	72	0	0
<b>2. Provisions for taxation</b>	73	0	0
<b>3. Other provisions</b>	74	0	0
<b>F. Deposits received from reinsurers</b>	75	<b>0</b>	<b>6 514</b>
<b>G. Creditors</b>	76	<b>962 513</b>	<b>330 725</b>
<b>I. Payables arising from direct insurance operations</b>	77	117 685	187 137
<b>II. Payables arising from reinsurance operations</b>	78	584 645	67 661
<b>III. Debenture loans, thereof:</b>	79	0	0
a) convertible loans	80	0	0
<b>IV. Amounts owed to credit institutions</b>	81	0	0
<b>V. Other payables, thereof</b>	82	260 183	75 927
a) Tax liabilities and payables due to social security	83	12 855	18 500
<b>VI. Guarantee fund of the Office</b>	84	0	0
<b>H. Temporary liability accounts</b>	85	<b>262 296</b>	<b>263 772</b>
<b>I. Accrued expenses and deferred revenues</b>	86	256 990	229 328
<b>II. Other temporary liability accounts, thereof</b>	87	5 307	34 443
a) Estimated payables	88	5 307	34 443
<b>TOTAL LIABILITIES</b>	89	<b>3 930 152</b>	<b>5 313 727</b>

**I GENERAL CONTENTS****I. 1. Description and principal activities**

Česká podnikatelská pojišťovna, a.s. ("the Company" or "the Insurance Company") was entered into the Commercial register on 6 November 1995.

Identification number of the Company: 63 99 85 30

**Principal business activities:**

1. insurance activities pursuant to Section 7 (3) of Act No. 363/1999 Coll., on Insurance and Amendments to Related Legislation (the Insurance Act), as amended
  - in the scope of life assurance classes 1, 2, 3, 4 and 6 listed in Part A of the Annex to the Insurance Act
  - in the scope of non-life insurance classes 14, 15, 16 and 18 listed in Part B of the Annex to the Insurance Act
  - in the scope of non-life insurance groups a), b), c), d) and e) listed in Part C of the Annex to the Insurance Act.
2. reinsurance activity pursuant to Section 3 (3) of the Insurance Act only in the scope of facultative reinsurance pursuant to Section 9 (5) of the Insurance Act
  - in respect of non-life insurance classes 3 and 7 listed in Part B of the Annex to the Insurance Act.
3. activities related to insurance and reinsurance activities pursuant to Section 3 (4) of the Insurance Act
  - intermediary activity performed in relation to insurance activities in compliance with the Insurance Act
  - advisory activity related to insurance of natural persons and legal entities in compliance with the Insurance Act
  - investigation of claims performed based on a contract entered into with the insurance company in compliance with the Insurance Act
  - pursuit of intermediary activity
  - pursuit of intermediary activity in terms of construction savings
  - pursuit of intermediary activity in terms of supplementary pension insurance with state contribution
  - educational activities for insurance intermediaries and independent loss adjusters

**Registered office of the Company**

Česká podnikatelská pojišťovna, a. s.  
Budějovická 5  
140 21 Praha 4

**Members of the Board of Directors and Supervisory Board as at 31 December 2005:****Members of the Board of Directors**

Chairman: Ing. Zdeněk Štáštka, Praha 4, Starochodovská 530  
Members: Jaroslav Dostal, CSc., Praha 4, Na Komořsku 2175/2A (since 22 July 2005)  
Ing. Jaroslav Besperát, Praha 9, Černovická 2142 (since 11 March 2005)  
RNDr. Jakub Strnad, Ph.D., Praha 9, Semilská 926/54a (since 22 July 2005)

**Supervisory Board**

Chairman: Ing. Vladimír Mráz, Praha 7, U letenského sadu 6/1294 (since 22 July 2005)

Members: Dr. Franz Kosyna, Weimarerstrasse 93/1, Vienna, Austria, (since 22 July 2005)  
Prof. ing. Jaroslav Daňhel, CSc. Praha 10, Vršovice, K louži 1261/9, (since 1 April 2005)  
Mag. Peter Höfinger, Dammhaufen 58a, Vienna, Austria, (since 23 November 2005)  
Jiří Nedvídek, Ostrava – Vítkovice, Nerudova 9, (since 1 April 2005)  
Ing. Jaroslav Sirotek, Praha 8, Bojarova 1252, (since 1 April 2005)  
Ing. Zdeněk Srp, Praha 6, Nevanova 1053, (since 1 April 2005)

Sole shareholder: since 1 July 2005  
Kooperativa, pojišťovna, a. s.  
Templová 747, 110 01 Praha 1  
Identification number: 471 16 617

until 30 June 2005  
Capital Management Company, a. s.  
Masarykovo nábřeží 28, 110 00 Praha 1  
Identification number: 630 79 992

The Board of Directors acts in the name of the Company. Two members of the Board must always act together on behalf of the Board of Directors in the name of the Company outward and bind the Company together. In order to sign on behalf of the Company their signatures, their printed name, surname, title and function, are required alongside the printed or written name of the Company.

## I. 2. Compliance with legislation

### Notes to financial statements

The Ministry of Finance imposed a duty to prepare a Short-term recovery plan to ČPP a.s. by its decision No. 32/96906/2004/R-324 as of 8 November 2004.

On 14 January 2005 ČPP a.s. received a letter from the Ministry of Finance No. 32/128078/2004-324 as of 7 January 2005 in which the Ministry of Finance approves the submitted Short-term recovery plan aimed in particular at a sufficient creation of technical provisions and financial placement of assets the resource of which are technical provisions and also at a sufficient amount of own resources of the Insurance Company.

After the acquisition by Kooperativa, a.s., the new sole shareholder, the parent company increased the registered capital of the Company to BCZK 1 during the second half of 2005 and strengthened the other parts of the Company's equity. These steps subsequently enabled the Company to carry out, in accordance with the recovery plan, operations resulting in creation of sufficient technical provisions the placement of which as at 31 December 2005 is fully in compliance with Section 21a of Act No. 363/1999, on Insurance and Amendments to Related Legislation, and Section 4 of Regulation of the Ministry of Finance No. 303/2004 to implement some provisions of the Insurance Act. Description of the related operations is stated in Part III – point 2 and 7 of these Notes.

### Significant accounting policies

The accounting records of the Company are maintained and the financial statements of the Company have been prepared in accordance with Regulation No. 502/2002 Coll., to implement certain provisions of Act No. 563/1991 Coll., on Accounting, and with the Czech Accounting Standards for insurance companies.

The accounting records of the Company are maintained in such a manner that the financial statements prepared based on these records present a true and fair view of the accounting and financial position of the accounting unit.

**(a) Gross premiums written**

Gross premiums written comprise all amounts due during the financial year in respect of insurance contracts regardless of the fact that such amounts may relate in whole or in part to future financial years.

**(b) Claims paid**

Claims paid comprise the amount assessed for payment based on the claims investigation 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 investigation of the claim and in the amount of the assessed settlement (proportional, full).

**(c) Acquisition costs**

Acquisition costs comprise all direct and indirect costs arising from the conclusion of insurance contracts.

**(d) Deferred acquisition costs**

Deferred acquisition costs represent the proportion of the acquisition costs incurred during the current financial year that relates to the revenues of subsequent financial years.

*Non-life insurance*

In respect of non-life insurance, deferred acquisition costs are based on total acquisition 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.

A proportion of acquisition costs on the individual marketing activities in respect of which it is possible to determine the length of the period in terms of which they were spent are deferred during this period.

A proportion of acquisition costs on launch of new products the entire revenues from which relate to the subsequent accounting periods are deferred in these periods at maximum for the period of 12 months.

*Life assurance*

In life assurance the Company determines deferred acquisition costs using the zillmerisation method, which is the method used to calculate the life assurance provision.

**(e) Provision for unearned premiums**

The provision for unearned premiums represents that part of gross premiums written which is to be allocated to subsequent financial years. It represents the sum of all amounts calculated for individual contracts using the “pro rata temporis” method.

**(f) Provision for outstanding claims**

The provision for outstanding claims in respect of both life and non-life insurance comprises the amount of expected costs in respect of claims:

- a) Reported but not settled during the period (RBNS),
- b) Incurred but not reported during the period (IBNR).

The provision for outstanding claims reported by the end of the year represents the sum of all amounts calculated for individual claims.

The provision for outstanding claims incurred but not reported as at the balance sheet date is determined using the actuarial methods.

The provision for outstanding claims includes all relating estimated external claims handling costs.

Where for individual types of insurance the claim payment is provided in the form of annuities, the provision for outstanding claims is established based on actuarial methods.

Although the Company 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.

**(g) Provision for bonuses and rebates**

The provision for bonuses and rebates is created in accordance with the respective terms set out in insurance contracts. In respect of non-life insurance, the provision is created principally in cases where the Company is liable to refund to policyholders a portion of the premiums relating to the current financial year due to favourable claims experience.

In respect of life assurance, the provision for bonuses and rebates includes shares of surpluses arising as at 31 December of the current period, which have not been allocated to individual insurance contracts and thus are not included within the provision for life assurance.

**(h) Equalisation provision**

The equalisation provision is created for individual classes of non-life insurance and is intended to equalise the increased claims costs arising due to fluctuations in the claims ratio caused by events beyond the Company's control. The creation and release of this provision is in compliance with Regulation No. 303/2004 Coll.

Regulation No. 303/2004 Coll. prescribes the method and criteria for calculating the equalisation provision, the amounts to be added to the provision and the amounts to be released, and the maximum level of the provision for selected classes of non-life insurance (insurance of damage to property caused by storm, other natural forces, nuclear energy, landslide or subsidence, hailstorm or frost, and credit insurance).

For other insurance classes, the Company, in accordance with Point (4) of Annexes 1 and 2 of Regulation No. 303/2004 Coll. and the opinion of the Ministry of Finance in its capacity as the State Insurance Supervisory Authority of 29 August 2000, uses the rates set for that insurance class which is closest to the given insurance class.

**(i) Life assurance provision**

The life assurance provision comprises the sum of the provisions for individual life assurance policies. The life assurance provision is calculated using actuarial methods, including profit shares declared and allocated and a provision for expenses, related to the administration of contracts, after deducting the value of future premiums.

The Company accounts for the provision using the zillmerisation method in accordance with the calculation of individual tariffs approved by the Ministry of Finance. The zillmerisation method results in the deferral of acquisition costs for life assurance contracts. These costs are included within the life assurance provision through actuarial methods after eliminating temporary negative balances, which are capitalised and presented as deferred acquisition costs. The acquisition costs are capitalised and deferred in accordance with the prudence principle and taking into account the risk of lapses and cancellations.



**(j) Non-life insurance provision**

The non-life insurance provision is created for those classes of non-life insurance where the premium amount depends on the entry age of the insured. This provision represents the value of the insurance company's liabilities calculated using actuarial methods, including already allocated profit shares or contractual claims for premium refunds and maintenance expenses deducting the present value of future premiums.

**(k) Other technical provisions**

As at the balance sheet date Other technical provisions also include the provision for the liabilities of the Czech Bureau of Insurers created pursuant to Section 15a of Act No. 363/1999 Coll., as amended, on Insurance. The amount of this provision is determined on the basis of information provided by the Czech Bureau of Insurers. This provision has replaced another technical provision for the liabilities of the Czech Bureau of Insurers created under Act No. 168/1999 Coll., on Motor Third Party Liability Insurance, that had been created by the Company pursuant to Section 13(4) of Act No. 363/1999 Coll., as amended, on Insurance, based on an application approved by the Ministry of Finance.

**(l) Reinsurers' share of technical provisions**

Technical provisions are presented as a net liability, i.e. after deduction of the reinsurers' share. The amount of this share is calculated based on the terms of the related reinsurance contracts, the method of settlement with reinsurers and in consideration of the prudence principle.

As at the balance sheet date the Company presents the reinsurers' share of the provision for unearned premiums, the provision for outstanding claims and the non-life insurance provision. The reinsurer does not participate in the other technical provisions.

**(m) Investments***Bonds and other fixed-income securities*

Bonds and other fixed-income securities are stated at acquisition cost. As at the balance sheet date the securities are revalued at their fair value.

Acquisition cost is the amount for which a bond or another fixed-income security has been acquired and includes a proportionate part of any accrued interest and expenses directly associated with the acquisition.

Fair value means the price achieved on a public market (domestic or foreign) while liquidity of the security is reflected. Where the security is traded on more than one domestic market, the market price of the Prague Stock Exchange (Burza cenných papírů Praha) is applied.

The revaluation of bonds and other fixed-income securities held to maturity at the fair value is accounted for in the Company's balance sheet.

Where debt securities are denominated in a foreign currency, their value is translated based on the current exchange rate published by the Czech National Bank ("ČNB"). The appropriate exchange rate difference is included in the fair value.

*Shares and other variable-yield securities*

At the acquisition date, shares and other variable-yield securities are accounted for at acquisition cost.

Acquisition cost is the amount for which the shares or other variable-yield securities were acquired and includes all expenses directly associated with the acquisition.

At the balance sheet date, shares and other variable-yield securities are revalued at their fair value.

Fair value means the price published by a domestic or foreign stock exchange or other public market.

The revaluation of shares and other variable-yield securities at the fair value is accounted for in the Company’s profit and loss account.

Where shares and other variable-yield securities are denominated in a foreign currency, their value is translated based on the current exchange rate published by ČNB. The appropriate exchange rate difference is included in the fair value.

*Other investments*

Deposits with banks and provided loans are stated at nominal value.

As at 31 December 2005 foreign exchange gains and losses are reflected in respect of foreign deposits.

**(n) Expenses and income from financial placements**

*Method of allocation of expenses and income from financial placements between life assurance and non-life insurance accounts*

Expenses and income from financial placements, which are directly related to life assurance activities, are recorded in the technical account for life assurance.

Other expenses and income from financial placements, which are not related to life assurance activities, are recorded in the non-technical account.

*Expenses and income from disposal of financial placements*

The disposal of financial placements is presented on a gross basis, whereby the revenues from disposal in the amount of the selling price of the relevant financial instruments are recorded separately from the carrying value of the relevant portion of financial placements.

**(o) Tangible and intangible fixed assets**

Tangible and intangible fixed assets are stated at acquisition (or replacement acquisition) cost.

Tangible fixed assets costing less than TCZK 40 are recorded as low-value tangible assets. Intangible fixed assets costing less than TCZK 60 are charged to the profit and loss account in the year in which they are acquired. The annual depreciation rate reflects the assets’ expected useful lives.

The following depreciation rates are used for the individual asset classes:

Fixed Assets	Method	Number of years
Software	straight-line	3
Other intangible fixed assets	straight-line	3
Low-value tangible fixed assets	straight-line	3
Tangible fixed assets	straight-line	4-50
<i>(grouped according to material subclasses with the same depreciation rate)</i>		

**(p) Foreign currency translation**

Transactions during the year are recorded at the ČNB rate effective on the transaction date or at the rate at which the transaction was realised.

At the balance sheet date, foreign currency assets and liabilities are translated at the ČNB official rate valid as at the date of preparation of the financial statements.

**(q) Establishment of adjustments**

The Company creates adjustments to receivables and other assets except for financial placements. Adjustments represent a temporary decrease in value of individual assets. The amount of the decrease is determined on the basis of a professional risk assessment carried out by the management of the Company.

The Company accounts for adjustments by recording the difference between the opening and closing balance in the profit and loss account at the balance sheet date.

*Adjustments to receivables*

Adjustments to receivables from policyholders are calculated based on an analysis of their recoverability and ageing structure. The analysis includes an ageing analysis of the receivables and assessment of the risk of non-payment of specific receivables.

**(r) Method of allocation of items between life assurance and non-life insurance**

In order to account for items common to both life assurance and non-life insurance, the Company uses a method approved by the Ministry of Finance. Under this method individual items are grouped according to the class of insurance to which they relate. For items that cannot be allocated directly, the following basis is used: the ratio of gross non-life insurance premiums written and gross life assurance premiums written excluding additional deposits.

*Expenses and revenues from financial placements*

Expenses and revenues from financial placements are allocated between life assurance and non-life insurance in the ratio of total life assurance/non-life insurance provisions to total technical provisions. The minimum amount of net revenue on the life assurance technical account equals to the amount of revenues allocated to the insured persons and recorded in the life assurance provision and the provision for bonuses and rebates of life assurance. The other expenses related to placement of technical provisions are allocated in the same manner as well.

**(s) Income tax**

Income tax on the profit for the year comprises current income tax and the change in deferred tax. Current income tax comprises the tax liability calculated from the tax base using the effective tax rate and any additional payments or refunds of tax for previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets for accounting purposes and the amounts used for taxation purposes multiplied by the expected tax rate applicable to the next period.

**I. 3. Change in accounting policies and procedures**

Since 2004 ČPP a.s. has also been reporting a deferred tax asset the creation of which is based on accumulated losses that have not been applied and on difference between future tax-deductible / non tax-deductible adjustments.

**II. SPECIAL CONTENTS****II. 1. Non-life insurance**

Non-life insurance for 2005 and 2004 divided by classes of insurance:

	<b>Gross premiums written</b>	<b>Gross premiums earned</b>	<b>Gross claims paid</b>	<b>Gross operating expenses</b>	<b>Reinsurance balance</b>
<b>Direct insurance</b>					
Travel insurance					
2005	35 616	35 928	17 473	4 268	0
2004	24 862	25 112	6 092	2 630	0
Accident and sickness					
2005	36 262	36 126	22 523	4 346	-305
2004	26 268	25 587	19 817	2 779	1 488
Motor - liability					
2005	2 295 166	2 237 072	931 476	275 063	-2 410
2004	2 196 835	2 087 417	889 862	232 419	19 105
Property insurance					
2005	334 016	312 182	65 132	40 030	-85 787
2004	300 660	288 451	94 920	31 809	-143 539
Liability insurance					
2005	176 225	166 163	55 803	21 120	1 268
2004	145 437	142 188	52 517	15 387	16 895
Collision insurance					
2005	244 502	234 752	152 661	29 302	-10 605
2004	209 878	206 396	143 252	22 205	57 134
Insurance of travel agencies against bankruptcy - pool					
2005	-4	-4	0	2	2
2004	-759	-759	1 101	1	396
Total					
2005	3 121 784	3 022 219	1 245 068	374 130	-97 838
2004	2 903 181	2 774 392	1 207 561	307 230	-48 521

Gross claims paid – they include all claims allocated in the financial year and subsidiary costs related to claims handling (account 501).

Gross operating expenses – they include administrative expenses (account 512).

The balance of reinsurance of non-life insurance is determined using the balances of the accounts of gross premiums written ceded to reinsurers, accounts 602, the reinsurer's share in the provision for unearned premiums, the reinsurer's share in the claims paid, accounts 502, the reinsurer's share in the provision for outstanding claims, the reinsurer's share in the non-life insurance provision, relevant accounts from the account class 5 and 6, other expenses and income (e.g. paid or received reinsurance commissions, profit sharing) on which the accounting events related to reinsurance are recorded.

II. 2. Life assurance

Gross premiums written in life assurance:

	2004	2005
Individual (special) premium	799 184	888 764
Premiums under group contracts	3 485	0
Regular premium	795 719	876 825
Single premium	6 950	11 939
Premiums from profit-sharing contracts	777 053	881 901
Premiums from non profit-sharing contracts	25 616	6 863
Total	802 669	888 764
Balance of reinsurance of life assurance	-3480	-3972

II. 3. Total amount of Gross premiums written by country in which the insurance contract was concluded

All contracts were concluded in the Czech Republic.

II. 4. Summary of commissions

The total amount of commission for direct insurance amounted to TCZK 562 157 in 2005 (2004: TCZK 505 993) and is divided as follows:

	2004	2005
Non-life insurance	358 411	413 530
Life assurance	147 582	148 627
Total	505 993	562 157

**III. OTHER DISCLOSURES****III. 1. Intangible fixed assets**

The net book value of intangible fixed assets of the Company as at 31 December 2005 was TCZK 42 571 (2004: TCZK 49 990).

	Software	Other intangible fixed assets	Total
Acquisition cost at 1. 1. 05	77 694	7 625	85 319
Additions	15 196	99	15 295
Disposals	0	1 586	1 586
Acquisition cost at 31. 12. 05	92 890	6 138	99 028
Accumulated dep. at 1. 1. 05	31 762	3 568	35 230
Depreciation expense	20 993	1 720	22 713
Disposals	0	1 586	1 586
Accumulated dep. at 31. 12. 05	52 755	3 702	56 457
Net book value at 1. 1. 05	45 932	4 058	49 990
Net book value at 31. 12. 05	40 135	2 436	42 571

**III. 2. Investment****(a) Carrying amount and fair value of investments**

	carrying value		fair value	
Description	2004	2005	2004	2005
Fixed-income securities	1 049 157	2 473 907	1 047 655	2 484 448
Deposits with banks	1 259 297	1 886 605	1 259 297	1 886 605
Other investments	153 414	43 888	153 414	43 888
Total	2 461 868	4 404 400	2 460 365	4 414 941

**III. 3. Receivables and payables****(a) Adjustments to receivables**

As at 31 December 2005, the Company created adjustment to receivables from the insured persons and insurance intermediaries of TCZK 211 930 (2004: TCZK 119 378).

Adjustments to receivables from salvation were TCZK 9 873 (2004: TCZK 5 256).

Adjustments to other receivables were TCZK 5 716 (2004: TCZK 4 665).

(b) Long-term payables and receivables (maturity over 5 years)

The Company does not have long-term payables and receivables with a remaining period to maturity in excess of five years.

(c) Payables and receivables due to or from the reinsurer

The Company has a net payable to reinsurers of TCZK 22 583 (2004: TCZK 116 898).

III. 4. Inter-company receivables and payables

(a) Payables and receivables due to or from the shareholder

	Receivables		Liabilities	
Name	2004	2005	2004	2005
Long-term	0	0		
Short-term	0	0	150 000	0
Contract on transfer of securities	0	0	0	0
Contract on loan	0	0	150 000	0
Subscribed share capital	0	0	0	0
Total	0	0	150 000	0

III. 5. Tangible fixed assets

	Tangible fixed assets and low-value tangible fixed assets	Acquisition of assets and advances paid	Total
Acquisition cost at 31. 12. 2004	93 148	7 876	101 024
Additions for 2005	22 159	32 592	54 751
Disposals for 2005	3 690	37 454	41 144
Acquisition cost at 31. 12. 2005	111 617	3 015	114 631
Accumulated depreciation at 31. 12. 2004	56 456		56 456
Depreciation expense	19 335		19 335
Disposals	3 686		3 686
Accumulated depreciation at 31. 12. 2005	72 105		72 105
Net book value at 31. 12. 2004	36 692	7 876	44 569
Net book value at 31. 12. 2005	39 512	3 015	42 527

**III. 6. Other assets and temporary asset or liability accounts****(a) Deferred acquisition costs**

	2004	2005
Life assurance	109 258	36 686
Non-life insurance	225 196	188 304
Total	334 454	224 990

**(b) Foreign exchange losses and gains**

As at 31 December 2005 the Company did not account for foreign exchange losses and gains.

**III. 7. Equity****(a) Share capital**

The share capital consists of 10 000 common shares (each with a nominal value of CZK 100 000) in book form with a total nominal value of TCZK 1 000 000. The shares are convertible without limitation and are 100% paid up.

During the year 2005 the share capital was gradually increased by the original single shareholder, CMC, a.s., at first from TCZK 560 000 to TCZK 660 000 and then in August 2005 by an additional TCZK 340 000 to the final TCZK 1 000 000, by the new single shareholder, Kooperativa pojišťovna, a.s. These increases were entered in the Company register. At the same time as the last increase of the share capital took place, the share premium with a total value of CZK 560 000 400 was paid.

**(b) Other changes in share capital**

Based on the proposal of the Board of Directors, the General meeting of ČPP, a.s., held on 23<sup>rd</sup> May 2005, decided on the allocation of the profit of the year 2004 amounting to TCZK 13 434. The first part in the amount of TCZK 12 762 was allocated to the profit or loss brought forward account and the second part in the amount of TCZK 672 was allocated to the statutory reserve fund account.

Under the authority of the single shareholder, Kooperativa pojišťovna, a.s., the Board of Directors ČPP, a.s., held on 3<sup>rd</sup> October 2005, approved the use of the share premium to settle historical losses brought forward.

The single shareholder, Kooperativa pojišťovna, a.s., decided on the 12<sup>th</sup> December 2005 to create another capital fund and put in a contribution amounting to TCZK 200 000 aside from the share capital. This contribution was made on 14<sup>th</sup> December 2005. Based on the proposal of the Board of Directors, the Supervisory board approved on the 13<sup>th</sup> December 2005 using the other capital fund to settle the losses brought forward account.

During the second half of the year 2005 changes were made to the losses brought forward account in the amount of TCZK 856 868. These changes were primarily focused on quota share re-insurance, a change of method for the IBNR calculation in the amount of TCZK 243 290 and a reserve for claim handling fees.



**(c) Movement in the individual components of equity**

	Registered capital	Share premium/ revaluation of securities	Profit (loss) for the current period	Retained earnings	Statut. reserve fund	Other funds	Total
Balance at 1. 1. 2005	560 000	-1 502	13 424	- 109 788	0	0	462 144
Shares issued	440 000	560 000					1 000 000
Receivable due from unpaid share capital/ paid-up share capital							0
Additions to funds						200 000	200 000
Transfer of retained profit/ accumulated losses			-13 434	12 762	672		0
Reductions of funds		-560 000		760 000		- 200 000	0
Revaluation of securities at fair value		9 303					9 303
Dividends in CZK per share							0
Other changes				-856 868			-856 868
Profit/loss for 2005			10 978				10 978
Balance at 31. 12. 2005	1 000 000	7 801	10 978	-193 893	672	0	825 557

**(d) Other funds**

2004	Social fund	Fund of bonuses	Other capital contributions	Total
Balance at 1. 1. 2005			0	0
Additions to funds			200 000	200 000
Reductions of funds			-200 000	- 200 000
Balance at 31. 12. 2005			0	0

**III. 8. Technical provisions****(a) Technical provisions summary**

<b>2005</b>	<b>Gross</b>	<b>Reinsurers' share</b>	<b>Net</b>
Provision for unearned premium	732 749	- 151 119	581 630
Life assurance provision	1 329 097	0	1 329 097
Provision for outstanding claims	1 973 724	- 530 011	1 443 713
Provision for bonuses and rebates	16 482	0	16 482
Equalisation provision	6 509	0	6 509
Non-life insurance provision	2 930	- 1 464	1 465
Other technical provisions	508 263	0	508 263
Life assurance technical provision where the investment risk is borne by the policyholders	0	0	0
<b>Total</b>	<b>4 569 754</b>	<b>- 682 595</b>	<b>3 887 159</b>

<b>2004</b>	<b>Gross</b>	<b>Reinsurers' share</b>	<b>Net</b>
Provision for unearned premium	632 431	- 219 569	412 861
Life assurance provision	943 461	0	943 461
Provision for outstanding claims	1 035 239	- 674 550	360 689
Provision for bonuses and rebates	10 087	0	10 087
Equalisation provision	74 300	0	74 300
Non-life insurance provision	6 268	- 3 134	3 134
Other technical provisions	438 665	0	438 665
Life assurance technical provision where the investment risk is borne by the policyholders	0	0	0
<b>Total</b>	<b>3 140 452</b>	<b>- 897 253</b>	<b>2 243 199</b>

**(b) Provision for unearned premium**

	<b>2004</b>	<b>2005</b>
Non-life insurance	391 279	559 295
Life assurance	21 582	22 336
<b>Total</b>	<b>412 861</b>	<b>581 631</b>

**(c) Life assurance provision**

	2004	2005
Unzillmerised provision	1 041 480	1 363 195
Elimination/capitalisation of negative reserves	-98 018	-34 098
Zillmerised provision presented in the balance sheet	943 462	1 329 097

**(d) Provision for outstanding claims***Claims run-off result*

The claims run-off result is the difference between the provision for outstanding claims as at 1 January 2005, the claims payments during 2005 (with respect to claims included within this provision) and the residual amount of this provision as at 31 December 2005.

The net run-off result is as follows:

Class of insurance	2004	2005
Motor	- 1 826	5 204
Motor – liability	- 85 989	47 490
Fire and other damage to property	-3 293	7 506
Liability	- 5 619	8 179
Accident and sickness	-427	-4 772
Life assurance	-4 055	255
Travel	0	0
Other	0	0
Total	-101 209	63 862

*Provision for outstanding claims in the form of annuities*

The gross provision for outstanding claims paid in the form of annuities is TCZK 254 922 (2004: TCZK 117 316).

**(e) Provision for bonuses and rebates**

Provision for bonuses and rebates is created in accordance with the conditions stipulated in the insurance contracts based on the methods described in Point I. 2(g). This table shows its segmentation by individual classes of insurance:

Class of insurance	2004	2005
Non-life insurance	87	7 482
Life assurance	10 000	9 000
Total provision for bonuses and rebates	10 087	16 482

**(f) Equalisation provision**

<b>Class of insurance</b>	<b>2004</b>	<b>2005</b>
Travel insurance	0	0
Accident insurance	0	0
Motor – liability	61 974	0
Liability insurance	4 310	1 792
Property insurance	1 466	3 944
Collision insurance	5 801	0
Other	749	773
Total equalisation provision	74 300	6 509

**(g) Other technical provisions**

The creation and release of other technical provisions during the financial year is analysed below:

<b>Type of provision</b>	<b>Opening balance</b>	<b>Creation</b>	<b>Release</b>	<b>Closing balance</b>
Provision to cover the Company's share of liabilities from the Czech Bureau of Insurers (ČKP)	438 665	69 598	0	508 263
Provision for exchange rate loss	0	0	0	0
Total other technical provisions	438 665	69 598	0	508 263

Based on approval of the Ministry of Finance No. 323/37995/2001 as of 18 January 2001, No. 323/14115/2001 as of 7 March 2002, No. 323/9638/2003 as of 19 February 2003, No. 32/15 388/2004-323 as of 2 March 2004, No. 32/33112/2005-323 as of 12 April 2005 (issued based on the applications as of 28 December 2000, 19 December 2001, 31 January 2003, 13 February 2004 and 9 March 2005 which included a business plan) the Company created another technical provision for the liabilities of the Czech Bureau of Insurers following from the deficit in provisions for the motor third-party liability insurance as at 31 December 2005 of TCZK 508 263.

**III. 9. Off-balance sheet liabilities****(a) Commitments under leasing contracts**

As at the balance sheet date the Company was committed to make payments under a finance lease for equipment over the following two years; the total value of this liability is approximately TCZK 1810.

**III. 10. Contingent liabilities****(a) Law suits**

Until 31 December 2005 \_PP was the defendant in 187 law suits the proceedings in respect of which have still not been terminated (usually due to disagreement with the amount of the settlement for a handled claim or due to refusal to provide settlement or damages) with the total amount of TCZK 111 248 256. The related provision amounts to CZK 102 967 082. In 2005 135 new actions were filed against the Insurance Company (the other actions are older) and 91 law suits were terminated (of which 24 laws suits in the very same year in which the action was filed – i.e. in 2005).

**(b) Membership in the Czech Bureau of Insurers (the Bureau)**

As a member of the Bureau the Company is obliged to guarantee the liabilities of the Bureau pursuant to Section 18(5) of Act No. 168/1999 Coll. The Company contributes to the guarantee fund and creates other technical provisions. The amount of contributions and other technical provisions is determined based on a calculation from the Bureau.

As a result of its membership in the Bureau the Company may become liable for payment of a settlement for a damage incurred as a result of operation of a vehicle where the person liable for the damage has liability insurance with an insurer that cannot pay the settlement due to bankruptcy.

**(c) Czech Nuclear Pool**

As a member of the Czech Nuclear Pool, the Company, under a “Joint and Several Liability” agreement, has assumed a liability, in proportion to the Company’s net retention for the given contract, should one or more members of the Czech Nuclear Pool be unable to fulfil their obligation. The total contingent liability of the Company including joint and several liability is contractually limited to double the retention for the specific insured risk.

**III. 11. Additional disclosures in respect of the profit and loss account****(a) Administrative expenses**

	2004	2005
Personnel expenses (payroll, social and health insurance)	263 525	301 457
Rental	36 161	43 253
Consultancy	19 206	17 529
Energy consumption	10 844	6 762
Material consumption	14 164	8 827
Other administrative expenses	29 219	72 638
Total administrative expenses	373 118	450 466

**(b) Employees and management**

The average number of employees and executives and remuneration for 2005 and 2004 are as follows:

<b>2005</b>	<b>Average number of employees</b>	<b>Payroll</b>	<b>Social and health hinsurance</b>
Executives	56	33 084	11 579
Employees	629	181 396	63 221
Total	685	214 480	74 800

<b>2004</b>	<b>Average number of employees</b>	<b>Payroll</b>	<b>Social and health hinsurance</b>
Executives	73	49 669	17 643
Employees	566	144 913	51 300
Total	639	194 582	68 943

**(c) Statutory, Executive and Supervisory Board members' remuneration**

During the financial years 2005 and 2004 the statutory, executive and supervisory board members were provided the following remuneration:

<b>2005</b>	<b>Members of the Board of Directors</b>	<b>Members of the Supervisory Board</b>
Remuneration paid	6 802	4 583
Paid retirement pension	0	0
Total remuneration paid	6 802	4583

<b>2004</b>	<b>Members of the Board of Directors</b>	<b>Members of the Supervisory Board</b>
Remuneration paid	598	218
Paid retirement pension	0	0
Total remuneration paid	598	218

**(d) Expense and revenues allocation between technical accounts and non-technical account**

The expenses and revenues divided based on their purpose are recorded to the relevant technical or non-technical account during the financial year. Expenses and revenues which cannot be allocated directly are first recorded on the non-technical account and subsequently allocated to the technical accounts based on the ratio of gross non-life insurance premiums written and gross life assurance premiums written. The total amount of expenses and revenues allocated in this manner is TCZK 476 679 and TCZK 7 713 respectively.

Expenses and income from financial placements (including expenses and income from disposal of financial placements) used to cover the technical provisions of the Insurance Company are recorded primarily in the technical account for life assurance (group 63). The proportion of income belonging to the relevant accounts of the non-technical account was allocated in the ratio of life assurance technical provisions and non-life insurance technical provisions. The total amount of allocated income and expenses is TCZK 286 373 and TCZK 245 087 respectively. The Company also allocated income from financial placement of TCZK 41 286 from the non-technical account to the technical account for non-life insurance.

**(e) Result of non-technical account**

The result of the non-technical account as at 31 December 2005 amounted to TCZK - 5 431 (2004: TCZK - 59 077).

**(f) Result before tax**

The result before tax as at 31 December 2005 amounted to TCZK 28 208 (2004: TCZK - 47 972).

**III. 12. Taxation***Current income tax*

Current income tax for 2005 amounts to CZK 0. (2004: TCZK 0)

*Deferred tax assets and liabilities*

Deferred tax liability for 2005 increased to TCZK 8 167 (2004: TCZK 3 041).

Deferred tax asset for 2005 decreased to TCZK 48 768 (2004: TCZK 63 114).

**In Prague on 22 February 2006****Ing. Zdeněk Štáštka**

Chairman of the Board of Directors

**RNDr. Jakub Strnad, Ph.D.**

Member of the Board of Directors

Prepared by: Ing. Katarína Lovasová, CSc., Finance Manager

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Chodov, Staroměstská 538  
Chomutov, Revoluční 30  
Chrudim, Palackého 55  
Jablonec nad Nisou, E. Floriánové 810/2  
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Jičín, Zahradní 28  
Jihlava-město, Žižkova 13  
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Karlovy Vary, Majakovského 97  
Karviná, Svatováclavská 97  
Kladno, Tyršova 1396  
Klatovy, Denisova 212/I  
Kolín, Legerova 182  
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tel.: 376 321 122  
tel.: 321 716 931  
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tel.: 553 624 989  
tel.: 596 911 421  
tel.: 565 322 449  
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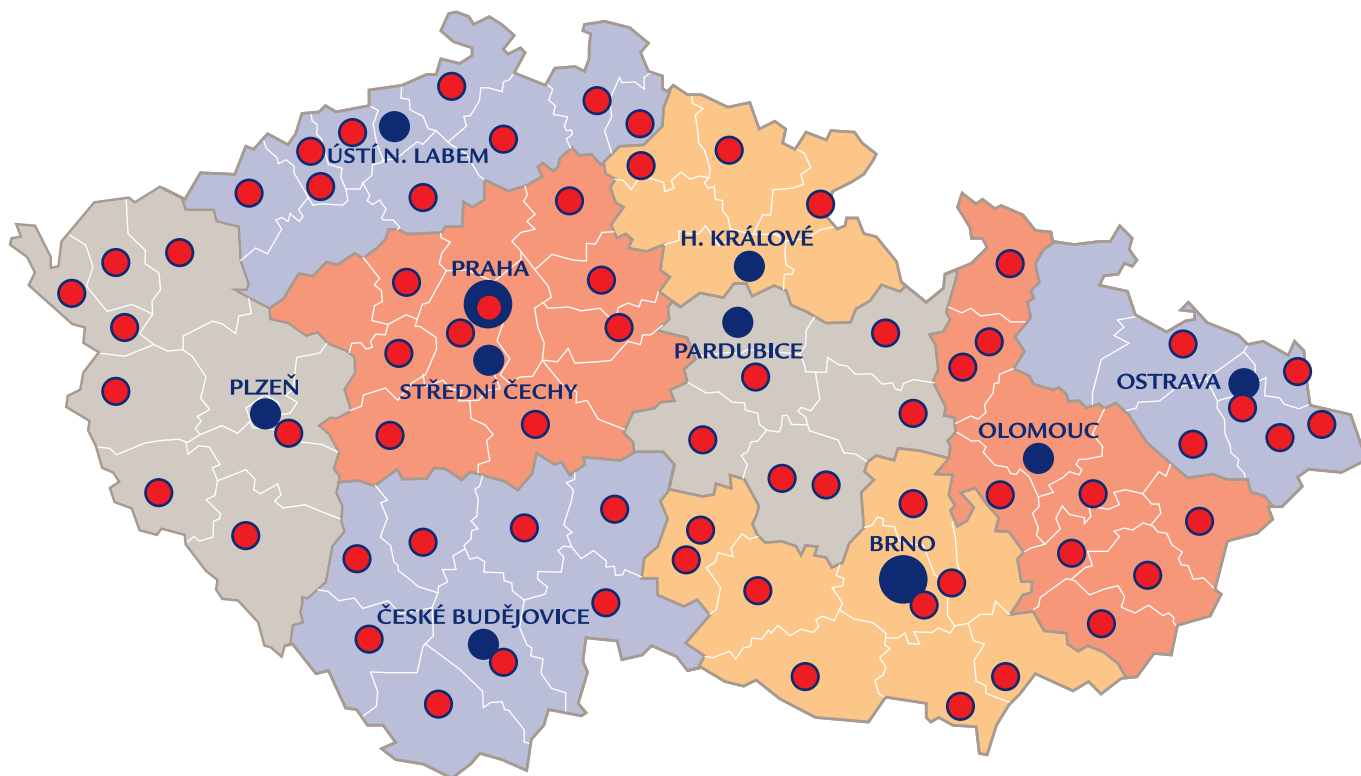


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● Regional office  
 ● Branch

**REPORT OF THE COMPANY BOARD OF DIRECTORS ON RELATIONS BETWEEN ASSOCIATED ENTITIES/PERSONS  
pursuant to provisions of §66a of the Commercial Code**

**■ PART I.  
ENTITIES/PERSONS REPRESENTING THE HOLDING**

**1. Controlled entity/person**

**Company Česká podnikatelská pojišťovna, a. s.,**

with registered office at Budějovická 5, 140 21 Praha 4

Company ID: 63998530

registered in the Commercial Register maintained by the District Court in Prague, section B, file 3433 (hereinafter the “ČPP”).

ČPP is a commercial insurance company, operating under the Insurance Act no. 363/1999 Coll. Business operation description is specified in Company Articles and filed in the Commercial Register.

**2. Controlling entity/person**

**a) for period 1. 1. 2005 – 30. 6. 2005**

**Company Capital Management Company, a.s.**

with registered office at Masarykovo nábřeží 28, 110 00 Praha 1

Company ID: 63079992

registered in the Commercial Register maintained by the District Court in Prague, section B, file 3245 (hereinafter the “CMC”).

CMC (owned by company SPGroup, a.s., hereinafter the “SPGroup”), became owner of 100% of shares in ČPP on 29. 12. 2003.

CMC is a commercial company, dealing with real estate, brokerage, advisory and engineering services in the investment construction area. Business operation description is specified in Company Articles and filed in the Commercial Register.

**b) for period 1.7.2005 – 31.12.2005**

**Company Kooperativa, pojišťovna, a.s.**

with registered office at Templová 747, 110 00 Praha 1

Company ID: 47116617

registered in the Commercial Register maintained by the District Court in Prague, section B, file 1897 (hereinafter the “Kooperativa”).

Kooperativa is a commercial insurance company, operating under the Insurance Act no. 363/1999 Coll. Business operation description is specified in Company Articles and filed in the Commercial Register.

**3. Associated entity/person**

List of Kooperativa subsidiaries, with business name, address, Commercial register number, company holding in the share capital and business description are specified in Appendix no. 1. Appendix no. 2 of this report contains an overview of CMC (SPGroup) subsidiaries.

## ■ PART II.

## RELATIONS BETWEEN ENTITIES/PERSONS OF THE HOLDING

## 1. Method of control

CMC during 1. 1. 2005 – 30. 6. 2005 and Kooperativa during 1. 7. 2005 – 31. 12. 2005, owned ČPP shares, totalling 100% nominal value of share capital.

## 2. Personnel union

## a) a) CMC (SPGroup) / ČPP

- Chairman of the Board of Directors in ČPP is Ing. Zdeněk Štáštka, who was at the same time until, 24. 6. 2005, Chairman of the Board of Directors in Jihočeská tiskárna, a.s., until 30. 6. 2005 Supervisory Board chairman of SPGroup, until 29. 6. 2005 member of the Supervisory Board of Obchodní tiskárny Hořovice, a.s., as of 30. 8. 2005 terminated his membership in the Board of Directors of company Jitka, a.s., a Board of Directors in Elektroporcelán Louny, a.s., and is a member of Supervisory Board of FILIP Media, a.s., and member of Board of Directors in Šroubárny Žatec, a.s.
- Member of the ČPP Board of Directors was, until 22. 7. 2005 Ing. Petr Brabenec, who was at the same time, until 29. 6. 2005, member of the CMC Board of Directors, until 30. 6. 2005 Supervisory Board member of SPGroup, furthermore during the monitored period he was Supervisory Board chairman in Jitka, a.s, member of Board of Directors in Gallery MYŠÁK, a.s. and he is a Supervisory Board member in Šroubárna Žatec, a.s.
- Until 22. 7. 2005, Supervisory Board chairman in ČPP was Ing. Petr Kachlík, who was at the same time, until 29. 6. 2005, Supervisory Board chairman in CMC (from 29. 6. 2005 member of the Board of Directors CMC), Deputy chairman of the Board of Directors in company Jitka, a.s., Deputy chairman of the Board of Directors in SPGroup, Supervisory Board chairman in Podnikatelská komunální, a.s., Supervisory Board chairman in AAINDUSTRY, a.s., member of Board of Directors AAABYTY, a.s., Supervisory Board chairman in Šroubárna Žatec, a.s., Supervisory Board member Elektroporcelán Louny, a.s., Supervisory Board member Jihočeské tiskárny, a.s., Supervisory Board chairman in FILIP Media, a.s.
- Member of the Board of Directors in ČPP je Ing. Jaroslav Besperát, který je zároveň Supervisory Board member společnosti FILIP Media, a.s.

## b) Kooperativa / ČPP

- Supervisory Board chairman in ČPP je Ing. Vladimír Mráz, who is at the same time Chairman of the Board of Directors and General Manager in Kooperativa.
- Supervisory Board member ČPP je Dr. Franz Kosyna, who is at the same time a Member of the Board of Directors in Kooperativa and member of extended Board of Directors of Wiener Städtische Allgemeine Versicherung AG.
- Member of the Board of Directors in ČPP is Jaroslav Dostal, Csc., who is at the same time member of the Board of Directors in Kooperativa.
- Supervisory Board member of ČPP is Mag. Peter Höfinger, who is at the same time Member of the Board of Directors in Donau Allgemeine Versicherungs AG.

## 3. Connection structure

Kooperativa ownership shareholding in individual subsidiaries is listed in Appendix no.1. Overview of associated entities/persons in CMC (SPGroup) in Appendix no. 2. Overview of Wiener Städtische Allgemeine Versicherung AG subsidiaries is in Appendix no. 3 of this report.

■ PART III.  
DETERMINING PERIOD

This report refers to the last accounting period, i.e., a period from 1. 1. 2005 until 31. 12. 2005.

■ PART IV.  
CONTRACTS AND AGREEMENTS CONCLUDED BETWEEN ENTITIES/PERSONS IN THE HOLDING

**1. Contracts and agreements concluded between controlling entities/persons (CMC, Kooperativa) in relation to controlled company ČPP.**

**a) Contracts and agreements concluded between CMC (SPGroup) and ČPP.**

- Amendment to the management contract, specifying goals and tasks for ČPP and reward amount (management contract passes the the management of ČPP to company SPGroup a.s., which supplies the management of ČPP at its own expenses). ČPP delivered under the contract.
- Motor vehicle insurance contract (MTPL and comprehensive cover).
- International business travel insurance contract.
- Property insurance contract.
- Loan contract dated 26. 10. 2004.
- Loan contract dated 24. 11. 2004.
- Loan contract dated 27. 12. 2004. ČPP delivered under the contract.

**b) Contracts and agreements concluded between Kooperativa and ČPP.**

- As of 31. 12. 2005 a total of 37 ČPP vehicles was insured with Kooperativa. They are insured under MTPL contract no. 6920339049 dated 30. 12. 2004.

The aforementioned contracts and agreements did not result in any losses for ČPP.

**2. Contracts and agreements concluded between ČPP and other controlled entities/persons, where the controlling entity was CMC (SPGroup), Kooperativa.**

**a) Contracts and agreements concluded between ČPP and other controlled entities/persons, where the controlling entity is CMC (SPGroup).**

- Property insurance contracts were concluded with the following companies:
  - I. Jitka, a. s.
  - II. Obchodní tiskárny Kolín, a. s.
  - II. Elektroporcelán Louny a. s.
  - IV. AP Ceram, a. s. od 9. 2. 2005 AAA BYTY.CZ, a. s.
  - V. Obchodní tiskárny Hořovice, a. s.
  - VI. Jihočeské tiskárny, a. s.

- MTPL or comprehensive car insurance contracts were concluded with the following companies:

- I. Jitka, a. s.
- II. Obchodní tiskárny Kolín, a. s.
- III. Elektroporcelán Louny, a. s.
- IV. Obchodní tiskárny Hořovice, a. s.
- V. AAAINDUSTRY.CZ, a. s.
- VI. Jihočeské tiskárny, a. s.

- Entities who received claim settlement payments:

- I. Elektroporcelán Louny, a. s.
- II. AAAINDUSTRY.CZ, a. s.
- III. Obchodní tiskárny, a. s.
- IV. Jihočeské tiskárny, a. s.
- V. Obchodní tiskárny Hořovice, a. s.

- Other contracts and agreements:

- I. An amendment to portfolio management contract was concluded with Burzovní společnost pro kapitálový trh, a.s., specifying a fee for the portfolio management. This contract expired on 31. 10. 2005.
- II. Contract for printing services and advertising material delivery was entered into with Obchodní tiskárny Kolín, a.s. ČPP delivered under the contracts.
- III. Advertising contract was entered into with FILIP Media, a.s. ČPP delivered under the contract.
- IV. Contract for printing services was entered into with Hořovice, a.s. ČPP delivered under the contract.

The aforementioned contracts and agreements did not result in any losses for ČPP.

**b) Contracts and agreements concluded between ČPP and other controlled entities/persons, where the controlling entity is Kooperativa.**

- in 2005 there were no such contracts entered into.

The aforementioned contracts and agreements did not result in any losses for ČPP.

**■ PART V.**

**OTHER LEGAL ACTIONS AND OTHER MEASURES IN THE INTERESTS OR INITIATED BY ASSOCIATED ENTITIES/PERSONS**

In 2005 there were no legal actions/steps taken nor other measures in the interests or initiated by associated entities/persons.

## ■ PART VI. CONFIDENTIALITY

1. Within the holding as confidential are treated information and facts, which are part of business secret of CMC, Kooperativa, ČPP and other affiliated entities/persons, as well as information, which was designated as confidential by any entity/person, which is part of the holding. Furthermore, as confidential is all trading information, which could be separately or in relation to other information or facts detrimental with respect to any entity/person within the holding.
2. In order to avoid losses on part of controlled entity/person with respect to paragraph 1. of this Part VI, the statutory body report does not contain financial details of concluded contracts and agreements.

## ■ PART VII. CONCLUSION

1. This report was prepared by the Board of Directors of the controlled entity/person, Česká podnikatelská pojišťovna, a.s. submitted for perusal to the Supervisory Board and auditors BDO, s.r.o., which will conduct verification of the company's annual accounts. Considering the fact that by law ČPP is obliged to issue annual report, this report will be attached as an integral part.
2. ČPP Board of Directors will publish in the Commercial Gazette a notification, that the annual report will be filed in deeds archive, maintained by the District Court in Prague.

**In Prague, on 31. 3. 2006**

Signatures of the members of the Board of Directors of controlled entity, company Česká podnikatelská pojišťovna, a. s.



**Ing. Zdeněk Štástka**

Chairman of the Board of Directors and General Manager



**Jaroslav Dostal, CSc.**

Member of the Board

■ **Company name:**

Česká podnikatelská pojišťovna, a. s.

■ **Address:**

Budějovická 5, 140 21 Praha 4

■ **Internet:**

www.cpp.cz

■ **E-mail:**

pojistovna@cpp.cz

■ **Company ID:**

639 98 530

■ **Founded:**

The company was founded on June 22, 1995, registration in the Companies' Register was made on November 6, 1995 at the District Court in Prague 1, Section B, file 3433

■ **Insurance business permit:**

October 26, 1995

■ **Business commencement date:**

November 6, 1995

■ **Share capital:**

1,000,000,000 Kč

■ **Number of full-time employees (as of 31. 12. 2005):**

750

■ **Sole shareholder:**

■ **since 1 July 2005**

**Kooperativa, pojišťovna, a. s.**

Templová 747, 110 01 Praha 1

Identification number: 471 16 617

■ **until 30 June 2005**

**Capital Management Company, a. s.**

Masarykovo nábřeží 28, 110 00 Praha 1

Identification number: 630 79 992

