

# Balance Sheet

as at 30 June 2006

TCZK	Current period	Previous period
Intangible assets	1,213,915	1,425,055
Subsidiaries and associates	14,904,166	16,728,599
Property plant and equipment	3,798,179	3,970,050
Investment property	3,219,314	3,230,699
Financial assets available for sale	1,413,347	1,779,769
Financial assets held to maturity	1,860,964	1,870,728
Financial assets at fair value through profit or loss	69,401,268	67,897,066
Loans and receivables	28,507,678	25,357,831
Reinsurance assets	8,642,025	7,888,762
Deferred tax assets	440,011	427,040
Other assets	56,667	56,670
Prepayments and accrued income	698,331	676,888
Cash and cash equivalents	198,828	249,087
<b>Total assets</b>	<b>134,354,693</b>	<b>131,558,244</b>
Issued capital	2,980,963	2,980,963
Reserves	4,188,832	4,094,378
Retained earnings	8,320,417	13,787,834
<b>Total equity</b>	<b>15,490,212</b>	<b>20,863,175</b>
Insurance liabilities	87,589,513	87,652,105
Financial liabilities for investment contracts with DPF	1,267,914	1,065,924
Subordinated liabilities	2,500,000	2,500,000
Other liabilities evidenced by paper	4,076,141	4,068,190
Financial liabilities at fair value through profit or loss	1,299,060	511,817
Liabilities to banks	420,952	264,910
Provisions	2,278,870	2,275,839
Payables	17,042,414	9,971,765
Deferred tax liabilities	1,036,920	1,030,739
Other liabilities	36,268	38,635
Accruals and deferred income	1,316,429	1,315,145
<b>Total liabilities</b>	<b>118,864,481</b>	<b>110,695,069</b>
<b>Total equity and liabilities</b>	<b>134,354,693</b>	<b>131,558,244</b>

# Income Statements

as at 30 June 2006

TCZK	Current period	Previous period
Insurance premium revenue	18,899,992	20,755,412
Insurance premium ceded to reinsurers	-5,654,601	-6,754,697
Net insurance premium revenue	13,245,391	14,000,715
Net income from investments in subsidiaries and associates	1,658,734	654,387
Interest and similar income	1,138,402	1,403,394
Other income from financial assets	-857,716	4,061,802
Income from investment property	96,089	93,090
Fee and commission income	131,939	125,581
Other income	322,388	463,646
<b>Total revenue</b>	<b>15,735,227</b>	<b>20,802,615</b>
Insurance claims and benefits incurred	-11,561,040	-15,730,300
Insurance claims and benefits recoverable from reinsurers	2,991,760	3,779,917
Net insurance claims and benefits	-8,569,280	-11,950,383
Investment contracts benefits	-201,990	-116,969
Interest and similar expenses	-156,342	-175,574
Other expenses from financial assets	-50,078	-77,747
Expenses from investment property	-29,342	-292,108
Acquisition costs and other operating expenses	-2,836,256	-3,257,036
Fee and commission expenses	-121,182	-124,063
Other expenses	-936,969	-629,081
<b>Total expenses</b>	<b>-12,901,439</b>	<b>-16,622,961</b>
Profit before tax	2,833,788	4,179,654
Income tax expense	-235,718	-935,982
Profit after tax	2,598,070	3,243,672
<b>Net profit for the year</b>	<b>2,598,070</b>	<b>3,243,672</b>

# 05

ČESKÁ  
POJIŠŤOVNA

ČESKÁ POJIŠŤOVNA A.S.  
HALF-YEAR PERFORMANCE REPORT  
AS AT 30 JUNE 2006



# Chairman's Statement

Dear business friends,

The success of Česká pojišťovna's core products and their popularity with clients in 2005, as well as many awards won, clearly demonstrated that our product portfolio and the ancillary services that go with it satisfy clients' most demanding wishes.

In life assurance, Česká pojišťovna's core offering consisted of Dynamik, which was repeatedly declared the most popular product in public surveys, along with Sluníčko (Sunbeam) and Kombi. The investment life assurance product Dynamik Plus, which is designed to appeal in particular to more discerning clients, was launched in September 2005. In mid-2006, the already successful life product portfolio was expanded further with the addition of the single-premium product 15S, which will help to renew client interest in this type of life assurance.

In non-life insurance, the first half of 2006 saw Česká pojišťovna continue to implement new products in the central operations system. First, the entire portfolio of agriculture insurance contracts was successfully transferred to the new system. This was followed in June with the launch of a new class of property and casualty insurance for individuals. Ongoing activities are focusing on the utilization of new alternative distribution channels – telephone and Internet – for entering into new insurance contracts. Insurance is now more accessible even in the smallest villages thanks to our presence in the Česká pošta (Czech Post) network.

Česká pojišťovna's gross premiums written as of 30 June 2006 totaled nearly CZK 20.5 billion, down 9.4%, or CZK 2.1 billion, from the same period of 2005. The decline is mostly attributable to single-premium life assurance which, however, is not a priority area for Česká pojišťovna.

In life assurance, premiums written in the regular-payment segment, which forms the backbone of the insurance market's stability, were up 4%. The accident insurance segment grew by 7% year-on-year as accident insurance products become more and more significant in the Česká pojišťovna portfolio. On the other hand, the weaker demand for single-premium life assurance was offset by considerably higher demand for products of our subsidiaries – Penzijní fond ČP and ČP Invest.

Penzijní fond ČP saw its total assets increase by 20% in the first half, thanks to a significant rise in client contributions. ČP Invest grew its assets under management by 36% year-on-year, and net sales of mutual funds nearly tripled.

Non-life premiums written totaled CZK 13.8 billion, which corresponds to a year-on-year decline of 2.5%. The decrease in premiums written was due to several factors: in particular, a change in the month-to-month distribution of MTPL premiums written (the January figure is in long-term decline, while the figures for other months are growing) and, further, an overall decline in industrial insurance rates, the fact that most motorists that carry MTPL insurance from Česká pojišťovna received safe driver bonuses, declining prices in the motor vehicle insurance market, and measures taken to improve the quality of the policy portfolio in business insurance.

One very successful category this time around was liability insurance for individuals, which grew 10%. The same type of insurance in the large risks category grew by 6%. Freight insurance grew 24%, continuing in the positive trend established in the previous period.

Claims paid in non-life insurance were up significantly compared to the 1st half 2005 results. In particular, this is attributable to extraordinary catastrophic events in the first half of this year. Build-ups of heavy snow caused by the longest winter in the past 30 years combined with high winds and floods to cause nearly 50,000 loss events and estimated claims of approximately CZK 1.5 billion.

Despite this, the earnings result as of 30 June 2006 was CZK 2.6 billion, only CZK 646 million less than in the same period of last year. Besides the catastrophic losses, another factor in the decline was unfavorable financial market performance towards the end of the first half.

The Company's total assets figure reached CZK 134.4 billion, up CZK 6 billion from the previous year. Technical provisions stood at CZK 88.9 billion. Shareholders' equity totaled CZK 15.5 billion.

In its new assessment of the financial and credit position of Česká pojišťovna, Moody's, the international credit rating agency, changed the outlook on our Baa3 financial strength rating from "stable" to "positive".

According to Moody's, the positive outlook for ČP's rating reflects significant progress made by the Company in the risk management, investments, IT, and claims processing areas. The current grade is also substantiated by Česká pojišťovna's strong market position and healthy profitability in the face of growing competition in the Czech market. Another important factor influencing the rating level is the ongoing restructuring, the aim of which is to increase the transparency of Česká pojišťovna's ownership structure.

Česká pojišťovna is the only insurance company in the Czech Republic to have full rating assessments performed by the two largest international credit rating agencies. In addition to the rating from Moody's, the Company also received a credit rating and financial strength rating of BBB, with stable outlook, from Standard & Poor's.

In March 2006, the last portion of the Communications Center was moved from Prague to Pardubice. This completed the transfer of selected Client Services Division functions from Prague to more cost-effective locations – Pardubice and Brno. The move took place in a very short time, without any negative impact on clients.

At the beginning of this year, we adopted the following vision as part of our strategy for the 2006 – 2010 period: "We are and will continue to be the Czech market leader and a major European insurance company thanks to our ability to deliver clients the highest quality services for a good price. We are the right choice for those who want to work hard and grow, both in Czechia and abroad. Every one of us, every day, strives for client satisfaction."

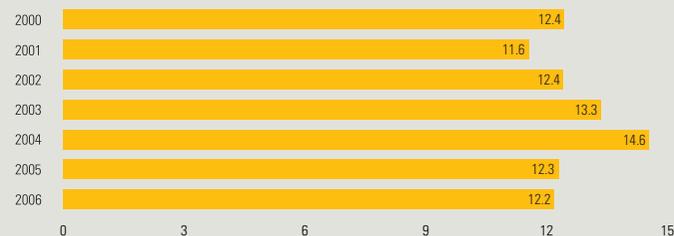


**Ladislav Bartoniček**  
Chairman of the Board of Directors

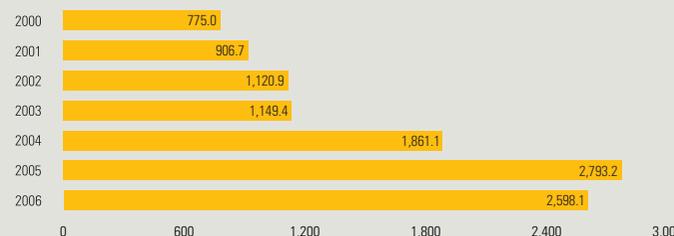
**Life Gross Premiums Written  
as at 30 June (CZK billions) \*)**



**Non-life Gross Premiums Written  
as at 30 June (CZK billions) \*)**



**Earnings  
as at 30 June (CZK millions)**



**Shareholders' Equity  
as at 30 June (CZK billions) \*)**



\*) 2005 and 2006 figures are according to IFRS