

OBSAH
CONTENTS

I. ÚVODNÍ SLOVO
OPENNING ADDRESS

**II. ÚDAJE O
SPOLEČNOSTI**
COMPANY PROFILE

**III. FINANČNÍ
VÝSLEDKY**
FINANCIAL RESULTS

IV. VÝROK AUDITORA
AUDITOR'S STATEMENT

**V. VÝROK DOZORČÍ
RADY**
STATEMENT OF THE
SUPERVISORY BOARD

Dear Ladies and Gentlemen,

When facing the task of briefly describing the past year at the Hasičská vzájemná pojišťovna, a.s. insurance company, the following ideas come to my mind: "Is it at all true? We are balancing again!"

So, what was the past year like? Many adjectives could be attached to it. I have in mind especially the following ones: the year of re-licensing, the year of the floods, the revitalization year, the year of hard work, and the year during which the Czech insurance system started to approach Europe.

Please allow me to briefly introduce the particular adjectives to you. In regard to the re-licensing, this act was an obligation stipulated by the law about the insurance system for all the insurance companies which wanted to successfully continue existing in our market also in the year 2002 and the following years. We had to process a lot of statistical materials supported by statistical calculations. I have to say the materials we presented were accepted by the Ministry of Finance without any comments and we received our new license among the first ones. In connection to it, the security that had been blocked for a long time was released, which significantly helped to improve our payment morale. This was the beginning of the year and everything looked as if the worst is already behind us, and the way to prosperity is wide open. The half-yearly economic results suggested that already at the end of June our insurance company was making the profit of about 10 million CZK.

But then it happened! The end of the holidays and the catastrophic floods, so far unknown in the history of this country. Prior to the beginning of the year 2002 I could hardly imagine a worse scenario than that nature wrote for us in the form of the torrential rains. I strongly hope I will never have to experience similar catastrophes. After some confusion at first, the insurance company started to gradually deal with the

catastrophe in a responsible way and steadfastly. During the floods our insureds suffered about 3500 damages that the group of 20 of our surveyors and other methodologists dealt with not only within the scope of their usual working duties, but in order to achieve early compensations of the flooded, these employees often sacrificed also their free weekends. They deserve to be thanked for that, because according to the statistics continuously processed by the Czech Association of Insurance Companies, we were always among the best. Also the small number of unfinished claims at the end of the year 2002 (about 600 cases), which is the parameter monitored also by the Ministry of Finance, prove that in case of most claims only 14 days pass between the time our insurance company is notified about the damage and the time it sends out the insurance benefit.

Independently of these facts, other two adjectives appeared. The one representing the hard work was connected to the floods, but also to autumn and the nationwide windstorms, so the increased effort of all employees continued till the end of the year. It was good we had a very well negotiated reinsurance. It was thanks to that our insurance company spent "only 10 million CZK" that we paid for the flood damages. However, we, unfortunately, lost the planned share in profits of the reinsurers which would usually be about 3 million, and the increased costs for the settlement of extraordinary losses cost us another 2 million CZK. You have to admit that such an unplanned burden at a time when you want to revitalize the firm came at the least convenient moment. The revitalization is connected not only to savings in all possible areas that may unnecessarily burden the company, but also to savings of advertisement costs, and, of course, to savings of employee rewards, including the statutory bodies. Most employees withstood also this burden and deserve to be thanked for that.

Now only dry numbers: prescribed insurance was successfully increased by 13 % in comparison with the year 2001 to the amount of 236 million CZK. The economic result before taxation is the profit of 9.694 million CZK. It is the best economic result since the re-commencement of the Hasičská vzájemná pojišťovna, a.s. insurance company's activity. Even though we did not succeed in fulfilling the tasks the general assembly set for us 100 %, we got to the position where we deserve to be, i.e. among the good insurance companies existing in the Czech market.

In regard to approaching Europe, we are especially expecting a huge number of new laws adjusting the insurance enterprise (the law about the insurance system, about the insurance contract, about insurance brokers and external surveyors, but also the amendments of the Civil Code and the business law). Most of them want to say roughly the following: There is no place for loafers in the sun, and a better service needs to be better paid. Regardless whether we identify with such ideas or not, we will have to get used to this new way of life.

I do not feel competent to make a clear conclusion or to say a motto which would close the past year. I would rather ask the shareholders to continue entrusting us with the administration of the deposited property, I will once again thank the employees for their effort and I will wish the Hasičská vzájemná pojišťovna, a.s. insurance company significantly better conditions for its prosperity than it had last year. In the end, if there had been no floods, we could have all happily said together at the upcoming general assembly: "We have fulfilled everything!"



Ing. Josef Kubeš

HVP, a.s. Board of Directors Head

Establishment of the Company: the foundation meeting took place in Brno on November 26, 1991

Incorporation of the Company: the entry into the business register was made in Brno on November 11, 1992

Business Name:
Hasičská vzájemná pojišťovna, a.s.

Company Residence:
Praha 2, Římská 45

Identification Number:
46973451

Legal Status of the Insurance Company:
stock company

Scope of Business:
1. Insurance activity
2. Reinsurance activity
3. Operating activities connected to the insurance activity

Permit to operate in the Czech Republic in the area of non-life insurance: issued by the Ministry of Finance of the Czech Republic on July 30, 1992, Ref. No. 103/39 561/92 in the area of life insurance: issued by the Ministry of Finance of the Czech Republic on December 23, 1993, Ref. No. 323/41 385/1993 permits to operate the insurance activity, reinsurance activity and related activities.

Based on § 42, par. 4 and 5 of the Act 363/1999 of the Legal Code, the insurance company had to put its legal situation in accordance with this legal norm.

Based on the request submitted by the insurance company, the Ministry of Finance awarded, in the sense of § 42, par. 5 of the Act No. 363/1999 of the Legal Code, the permit to operate the insurance activity, reinsurance activity and the related activities on March 20, 2002, Ref. No. 322/26946/2002.

Commencement of the Insurance Activity: in the area of the non-life insurance November 11,

1992, in the area of life insurance October 1, 1994.

Reinsurance of the Insurance Activity:

The HVP, a.s.'s reinsurance program is ensured by AON, the French broker. The offered kinds of insurance are covered by a group of reinsurers, Swiss Re Germany is the main reinsurers.

Life insurance is covered by surplus reinsurance. Non-life insurance is covered by combined surplus and quota-share reinsurance. The actual retention of the proportional reinsurance is covered by reinsurance of the excess of loss per event.

In the year 2002 the composition of the statutory bodies was the following:

Board of Directors:

Head:

• Ing. Josef Kubeš, Praha 6, Na Hutích 13/693.

Deputy Head:

• Jan Dřínek, Žďár nad Sázavou, Ferencova 6

Members:

• Ing. Ladislav Raul, CSc., Praha 4, Šalounova 1936/12
• Vlastimil Dlab, Jičín, Židovská 69, 30.4.2002 activity terminated
• Petr Kurzweil, Praha 4, Pod Krčským lesem 759/42 activity from 30.4.2002 till 30.9.2002
• Ing. Tomáš Spurný, Praha 4, Květnového vítězství 496/82 activity since 30.4.2002
• Ing. Ivana Laitlová, Průhonice, Třešňová 483, activity since 23.10.2002

Supervisory Board:

Head:

• Ing. Jaroslav Schulz, CSc., Brno, Fleischnerova 936/19

Deputy Head:

• František Hanus, Manětín 68, p. Manětín

Members:

• Bc. Dalibor Gosman, Praha 10, Radostná 1, requested release from the SB
• Luboš Zeman, Polnička, Polnička 182

• Ing. Miroslav Slovják, Ostrava-Nová Bělá, Mitrovická 477
• Ing. Jaroslava Reichlová, Praha 10- Kolovraty, U železnice 413
• Ing. Ivan Jirota, Praha 6, Jugoslávských partyzánů 42, co-opted to the SB since 26.3.2003

Directors of Branches:

Praha and Příbram:

• Ing. Jaroslava Jelenová, since 4.4.2003
Ing. Ret Václav charged with management

České Budějovice:

• Václav Žižka

Pízeň:

• Ing. Dušan Duchek, terminated the employment relationship 31.3.2003, 1.4.2003
• Ing. Yveta Korunková charged with management

Ústí nad Labem:

• Pavel Doubrava

Jičín:

• Vlastimil Dlab, 14.6.2002 elected a member of the CR Parliament, since 15.6.2002
• Břetislav Holšán charged with management

Brno:

• Ing. Jan Tesař, since 11.4.2003
• Ing. Poláchová Marie charged with management

Ostrava:

• Ing. Leo Kuběna

Žďár nad Sázavou:

• Jan Dřínek

Foundation Capital:

In the period from 1992 till 2001 the Hasičská vzájemná pojišťovna, a.s. insurance company's shares existed as registered stock. Based on the Act 363/1999 of the Legal Code about the insurance system, the form of the HVP, a.s. shares has to be changed from the documentary registered stock to the registered stock filed with the Stock Center.

The general assembly resolution dated May 15, 2001 changed the nominal value of one share to 100 CZK in case of all the hitherto emitted shares of the Hasičská vzájemná pojišťovna, a.s. insurance company.

The extraordinary general assembly resolution dated December 10, 2001 decreased the foundation capital of the company by the losses that occurred due to the ownership of the Moravia Bank shares, in bankruptcy, by 20%. The value of one share decreased to 80 CZK. The Hasičská vzájemná pojišťovna, a.s. insurance company's foundation capital thus decreased to 236 160 000 CZK due to this resolution.

The extraordinary general assembly resolution is recorded in the business register. Since July 2001 all documentary shares have been withdrawn from all shareholders and they are being en bloc registered at the Stock Center. The unreturned documentary shares were pronounced invalid by the HVP, a.s.'s board of directors, the relevant shareholders were informed about this fact, and at the same time the list of these shares was published in the Business Gazette.

Shareholders' Shares:

Association of Firemen of Bohemia, Moravia and Silesia
168 203 200 CZK
which is 71.22 %
Moravia Bank
43 200 000 CZK
which is 18.29 %
Tep, a. s.
8 000 000 CZK
which is 3.39 %

Other shareholders
16 756 800 CZK
which is 7.10 %

Total
236 160 000 CZK
which is 100%

On December 31, 2002 the total number of shareholders was 6 571.

Insurance Activities:

The insurance activity is ensured by a network of insurance agents who are trained and after passing exams work based on the contract about intermediary activity in the insurance system. The insurance company also cooperates with insurance brokers based on contracts.

On December 31, 2002 the Hasičská vzájemná pojišťovna, a.s. insurance company had 685 insurance agents and brokers.

Permanent Staff of the Insurance Company:

On December 31, 2002 the number of staff, individuals 118.

Organizational Structure of the Insurance Company:

Hasičská vzájemná pojišťovna, a.s. insurance company operates the insurance activity throughout the Czech Republic. For this purpose its organization is divided into 8 branches and the headquarters of the insurance company. Within the branches there are offices where the insurance agents promote, offer and sell the particular kinds of our insurance, give information and advise to our present and future clients. We operate 43 offices in total.

Offered Products:

- insurance
- insurance of permanently inhabited and recreational contents
- complex insurance of housing cooperatives, towns, municipalities, firemen
- insurance of entrepreneurs
- insurance of motor cars and transported persons and cargo
- agricultural insurance (crop, ani-

mals)

- damage liability insurance
- life insurance
- life insurance with additional insurance of serious illness
- pension insurance
- accident insurance
- travel insurance

Aside from our own products, we cooperate on the sale of products for ČPP, a.s. and VZP, i.e. the sale of mandatory contractual insurance and health insurance.



III. FINANČNÍ VÝSLEDKY

FINANCIAL RESULTS

VÝSLEDEK HOSPODAŘENÍ / PROFIT AND LOSS ACCOUNT
v tis. Kč / in thousands of CzK

Ukazatel / Indicator	2000	2001	2002	2002 / 2001	2002 / 2000
Celkové výnosy / Revenues - Total	402730	380014	436748	1,15	1,08
Předepsané pojistné / Written premium	227327	208635	236110	1,13	1,04
z toho životní / of which Life Insurance	15171	14994	17799	1,19	1,17
neživotní / Non - Life Insurance	212156	193641	218311	1,13	1,03
z toho majetek / of which Property	106453	106930	128301	1,20	1,21
domácnosti / Households	22265	22647	23470	1,04	1,05
odpovědnost / Third Party	23602	22026	25723	1,17	1,09
úraz / Accident	17928	16988	17743	1,04	0,99
motorová vozidla / Motor - Hull	41908	25050	23074	0,92	0,55
Podíl zajištětele na předpisu pojistného / Ceded to Reinsurer	-101229	-90396	-113506	1,26	1,12
Provize od zajištětele / Commission for Reinsurer	37506	37758	39272	1,04	1,05
Použití rezerv / Utilized Surplus	136479	163106	188102	1,15	1,38
z toho na poj. jiných období / of which for Insurance Premiums from other periods	120196	118195	119934	1,01	1,00
na poj. plnění / for Insurance Idemnities	918	2447	10206	4,17	11,12
na prémie a slevy / for Bonuses and Discounts	1496	2381	3156	1,33	2,11
vyrovnávací rezerva / Compensating Reserve	5233	8176	8504	1,04	1,63
na životní pojištění / for Life Insurance	8636	31907	46302	1,45	5,36
Ostatní výnosy / Other Revenues	102647	60911	86770	1,42	0,85
Celkové náklady / Costs - Total	412718	415599	427054	1,03	1,03
Náklady na pojistná plnění / Insurance Benefits	90679	74420	190207	2,56	2,10
z toho životní / of which for Life Insurance	1448	1397	4077	2,92	2,82
neživotní / for Non - Life Insurance	89231	73023	186130	2,55	2,09
Podíl zajištětele na pojistných plněních / Ceded to Reinsurer	-41266	-33188	-128691	3,88	3,12
Tvorba rezerv / Reserves Formation	145307	170698	200103	1,17	1,38
z toho na poj. jiných období / of which for Insurance Premiums from other periods	119188	116918	126264	1,08	1,06
na poj. plnění / for Insurance Idemnities	15697	39889	55724	1,40	3,55
na prémie a slevy / for Bonuses and Discounts	1532	3527	3337	0,95	2,18
vyrovnávací rezerva / Compensating Reserve	1828	2382	3156	1,32	1,73
na životní pojištění / for Life Insurance	7062	7982	11622	1,46	1,65
Náklady na pojistné smlouvy / Insurance Contracts Costs	35100	26179	29054	1,11	0,83
Ostatní náklady / Other Costs	182898	177490	136381	0,77	0,75
Výsledek hospodaření / Business Performance	-9988	-35585	9694	4,67	2,03

ROZVAHA / BALANCE SHEET

v tis. Kč/in thousands CzK

AKTIVA / ASSETS	Stav 1.1.2002/ as of 1.1.2002	Stav 31.12.2002/ as of 31.1.2002
Nehmotný inv. majetek / Intangible Fixed Assets	4804	3119
Hmotný majetek / Tangible Fixed Assets	14254	11685
Finanční umístění / Financial Assets	272189	288794
z toho pozemky a stavby / of which Lands and Buildings	33617	33159
majetkové účasti v podnicích s rozhodujícím vlivem/ Capital Participation in Companies with definitive influence	85690	88632
majetkové účasti v podnicích s podstatným vlivem/ Capital Participation in Companies with fundamental influence	64092	70998
cenné papíry s pevným výnosem / stocks with fixed production	41574	57450
depozita u bank / Bank Deposits	47096	38435
ostatní / other Assets	120	120
Zásoby / Inventories	3308	3386
Finanční prostředky / Financial Assets - Total	9287	24212
z toho účty u bank / of which Bank Deposits	8520	23412
hotovost / Cash in Hand	767	800
Pohledávky / Receivables - Total	105556	133131
z toho z přímého pojištění / of which Direct Insurance Premiums	26908	34184
ze zajištění / from Reinsurance	71578	88252
ostatní pohledávky / other Assets	7070	10695
Přechodné účty aktiv / Temporary Assets Accounts	8277	12312
Neuhrazená ztráta z min. let / Unsettled Loss from Recent Years	35585	
AKTIVA CELKEM / ASSETS GRAND TOTAL	453260	476639
PASIVA / LIABILITIES		
Základní kapitál / Authoorized Capital	236160	236160
Základní rezervní fond / Basic Reserve Fund	911	0
Jiné kapitálové fondy / Other Capital Funds		-47690
Technické rezervy / Technical reserves - Total	103744	115745
z toho na nezasloužené pojistné / for Undeserved Insurance Premiums	43927	50257
na pojistné životních pojištění / for Life Insurance Premiums	30823	40244
na pojistná plnění / for Insurance Idemnities	23074	16205
na premie a slevy / for Bonuses and Discounts	3500	3500
vyrovnávací rezerva / Compensating Reserve	2420	5539
Závazky celkem / Liabilities - Total	117805	141975
z toho z přímého pojištění / of which Direct Insurance Premiums	12198	41210
ze zajištění / Reinsurance Operations	93685	94306
ostatní závazky / other Liabilities	11922	6459
Přechodné účty pasiv / Temporary Accounts of Liabilities	640	1729
Nerozdělený zisk minulých let / Indiscrete Profit from Recent Years		19026
Zisk běžného roku / Current Year Profit		9694
PASIVA CELKEM / LIABILITIES GRAND TOTAL	459260	476639

The report is destined for the shareholders of the company and was negotiated at the board of directors' meeting, with the supervisory board head's participation on May 6, 2003.

The audit was carried out by the Louša&Christensen, spol. s r.o. company, Černovice, Táborská 95, auditor license number 132, ing. František Louša auditor, auditor license number 158.

The first part of the audit was carried out in February and March 2003. The next part was carried out during April, the audit was finished at the beginning of May 2003.

The audited company, Hasičská vzájemná pojišťovna, a.s. insurance company, residence Římská 45, Praha 2, was incorporated on November 11, 1992. The registered scopes of business include insurance and reinsurance activities, and activities related to the insurance activity.

The originally registered foundation capital of the company of 21 000 000 CZK was gradually increased to the amount of 295 200 000 CZK as lastly registered in the business register.

The company's general assembly decided on December 10, 2001 to decrease the foundation capital, according to § 216 par. 1b) of the Business Code, by 59 040 000 CZK to 236 160 000 via decreasing the nominal value of shares. This foundation capital decrease came into force on September 2, 2002.

The Subject of the Audit

The subject of our audit included the financial statement (i.e. the balance sheet, the profit and loss account and the appendix) of the Hasičská vzájemná pojišťovna, a.s. insurance company on December 31, 2002 for the accounting period equivalent to the 2002 calendar year, and the annual report corresponding with this financial statement.

Defining Responsibilities

The board of directors is responsible for the accounting, its comprehensiveness, conclusiveness, correctness and for putting together the financial statement and the annual report. The auditor verifies the information proving the data stated in the financial statement and makes a statement based on this audit. He furthermore verifies the accord of the information about the audited company for the past period stated in the annual report with the audited financial statement.

Extent of the Audit

We produced the financial statements and annual reports in accordance with the Act No. 254/2000 of the Legal Code about auditors, and with the auditor directives of the Czech Republic Chamber of Auditors. These auditor directives require the planning and carrying out of the audit in such a way that the auditor receives an appropriate reassurance that the financial statement does not include significant incorrectness. The audit includes in a selective way the verification of the comprehensiveness and conclusiveness of the amounts and information stated in the financial statement, reviewing the accounting procedures and significant estimations of the accounting unit and also the review of the total presentation of the financial statement and the annual report. We believe that the carried out audit provided us with an appropriate material to make our statement.

Auditor Statement

Part of the financial assets of the company is in real estate, which the company is obliged to, according to §27 par. 1c), estimate with a real value.

The real value should represent the market value which should be set based on an opinion not older than five years. This opinion is not available to the company and that is why it did not make the estimation with the real value. At the

same time there are also no reserves for repairing this property. In our opinion, the financial statement, with the exception of the effect the above described fact can have, gives in all the significant respects a true and honest picture of the assets, liabilities, capital, transferred results of past years and the financial situation of the Hasičská vzájemná pojišťovna, a.s. insurance company on December 31, 2002 and the economic result for the accounting period corresponding with the calendar year which ended on this date.

The financial statement was put together in accordance with the Act No. 563/1991 of the Legal Code about accounting and with the relevant rules of the Czech Republic. We verified the accord of the information about the audited company for the past period stated in the annual report with the financial statement. In our opinion, this information is in all significant respects in accordance with this financial statement.

There is a report attached to the annual report about the relations of the connected persons. The statutory body of the company is responsible for the comprehensiveness and correctness of this report. We verified the factual correctness of data stated in this report and discovered no significant incorrectness. The company created technical reserves in the amount prescribed by the Act 363/1999 of the Legal Code which was verified by the responsible insurance mathematician, MGr. Petr Zahrádka and is able to fulfill its obligations that could result from the agreement about joint liability within the Czech nuclear pool.

Černovice on May 15, 2003

Report produced by:
Louša&Christensen, spol. s r.o.,
auditor license number 132,

Responsible auditor and director
of the company:
ing. František Louša auditor, audi-
tor license number 158.

In accordance with §198 of the business code, the supervisory board reviewed the proper financial statement of the Hasičská vzájemná pojišťovna, a.s. insurance company (hereafter only HVP a.s.) for the accounting period of the year 2002 and came to this conclusion:

The supervisory board repeatedly and thoroughly dealt with the HVP a.s.'s business performance also during the year 2002 accounting period. It continuously incorporated its findings into its resolutions and informed the board of directors and the company's responsible staff about the possible faults.

The supervisory board insisted on the observance of principles defined by the law about accounting, the law about the insurance system, the business code and the related rules, and it also continuously controlled their observance. It also continuously dealt with the relationship between the HVP a.s. and the insuree. It is pleased to state that there is a significant speeding up of the settlement of claims, including their payment, which today is faster than the relevant laws stipulate.

From the point of view of the HVP a.s. insurees, it considers the amount of the technical reserves, their location and the form of securing to be decisive. Today the technical reserves are created not only in a sufficient amount, but at the same time they are located into highly credible assets enabling a fast settlement of losses.

The supervisory board states that the HVP a.s.'s insurees today receive high security which was apparent, among other things, during the settlement of losses from the year 2002 floods. In the board's opinion, the accounting is managed with a sufficient care and from the point of view of a usual business performance, the future results should not be distorted by uncalculated losses or uncreated adjustments.

In respect to the floods of the year 2002 which had a significant and unpredictable impact on the HVP a.s.'s profit, the supervisory board considers the economic result of the year 2002, which is after many years positive, as successful and confirming the board's report presented to the shareholders at the last general assembly of the company. The supervisory board approved the company's financial statement for the year 2002.



Ing. Jaroslav Schulz
head of the Supervisory Board

