

EUROPÆISKE REJSEFORSIKRING A/S
HALF YEARLY REPORT
FOR THE PERIOD 1/1-30/6 2014

**Europæiske Rejseforsikring A/S
Frederiksberg Allé 3
1790 Copenhagen V
Denmark
CVR nr. 62 94 05 14**

The half yearly report is a translation of the Danish original wording. The Danish original wording shall be governing for all purposes and in any case of discrepancy, the Danish wording shall take precedence

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COMPANY NAME

EUROPÆISKE REJSEFORSIKRING A/S

3, Frederiksberg Allé
DK 1790 Copenhagen V
Tel.: +45 33 25 25 25

Registered in: Copenhagen

Company Reg. No. CVR 62 94 05 14

BOARD OF DIRECTORS AND AUDIT COMMITTEE:

Richard Bader (Chairman), Ulrike Timmer, Jørn Sønderup, Gabrielle Bayer,
*Christoffer Nylandsted, *Peter Fobian
*Elected by the staff

BOARD OF MANAGEMENT:

Johann-Dietrich von Hülsen, Managing Director

AUDIT:

KPMG
Statsautoriseret
Revisionspartnerselskab
Jesper Dan Jespersen and Lisbet Kragelund

Management report for the period 1/1-30/6 2014

Main activities of the company

Europæiske Rejseforsikring A/S' primary business areas are sale of travel insurance to the leisure market as well as the corporate market together with health insurance for companies' employees stationed abroad. The majority of travel insurance policies are sold either as trip-by-trip insurance or as annual travel insurance in connection with our customers' holiday trips, business trips or expatriation. Main distribution channels for all travel insurance policies and health insurance policies are either direct business or brokers in the relevant markets.

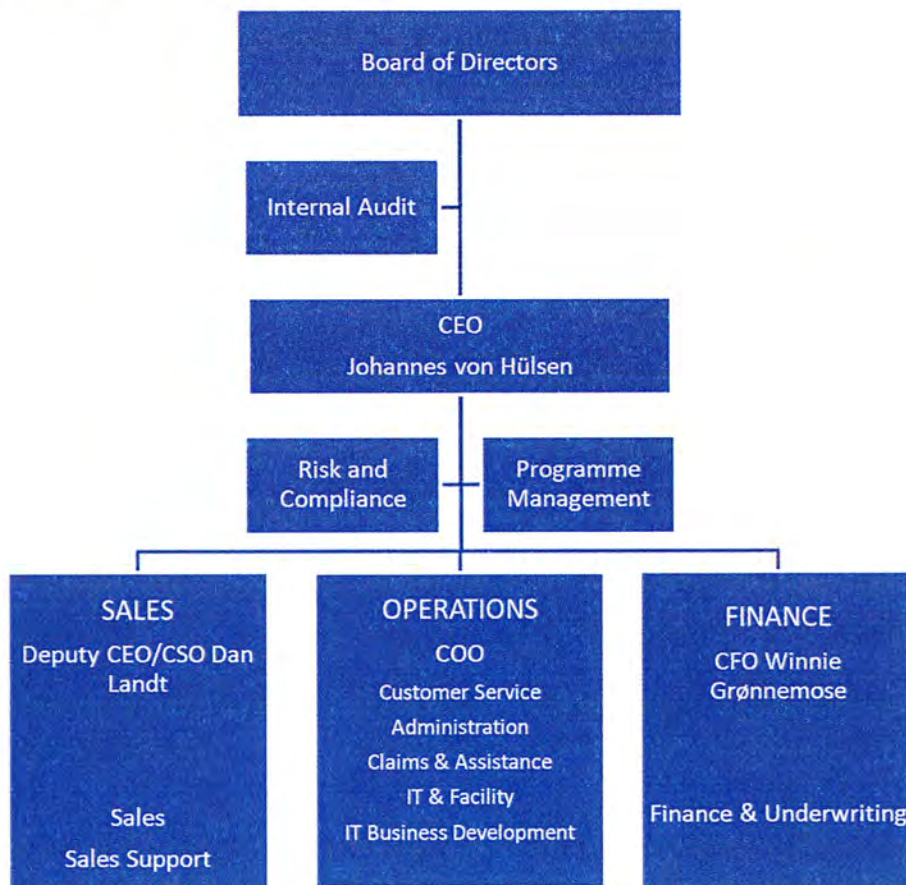
As the market leader within sale of travel insurance in the Danish market, it is vital we offer our customers 24 hour assistance, coverage of claims and related local services everywhere in the world.

Europæiske Rejseforsikring A/S uses the brand name Europæiske ERV. This is part of the strategic efforts to take advantage of the synergy and the brand value by being a part of the German based ERV.

Europæiske's Values

Europæiske's vision is to supply its customers with Denmark's best quality at a competitive price. Therefore, our target is to have an efficient organization with professional employees focusing on the customers' need for security and safety. This vision is also reflected in Europæiske's 8 values, which are Customer Focus, Excellence, Courage, Passion, Teamwork, Forward Looking & Sustainable, Openness & Trust and Leadership & Responsibility.

Organisation Chart



Europæiske's Claims and Assistance Department

Europæiske's Assistance handles close to five thousand emergency assistance cases together with more than 35,000 calls to our emergency telephone number. The claims happen in all parts of the world from small cases such as outpatient cases to bigger and more complex cases such as involving air-ambulances.

Approximately 20% of the cases are complex medical cases, which are handled in close cooperation with our specialised sister assistance company, Euro-Alarm in Prague. Nearly all customer contact and supervision is handled from our own alarm centre.

We believe that the integration and control of all parts of our assistance network means that we can supply our customers with the best and most efficient assistance. For Europæiske it is paramount that we continue our high quality concept of safety before, during and after the travel.

For more than 90 years, a well-developed international network has been our principal foundation, a foundation which is adjusted continuously and expanded concurrently with the development on the travel market and in accordance with the travellers' needs and wishes. Our strength is that we own and/or control all significant elements in the network enabling us directly to ensure the quality of our assistance.

Europæiske's service offices comprise the local anchorage of our well-established network throughout the world. The service offices are the entry to the regional areas and thus the local help and assistance for our customers.

The presence of the service offices means that the traveller has a place to turn to in case of robbery or illness during the travel. Globally, we have 10 offices distributed in every continent, and they are all staffed with Scandinavian staff who also speaks the local language. Hence the service offices function as Europæiske's extended arm in the world.

Product Development

The core of our business is safety. In its role as market leader, one of Europæiske's main tasks is to aim at being ahead of the development and at all times provide new and improved services with relevance to our customers and which secure them the best possible way while travelling.

From 1st august 2014 the blue National Health Service Card will replace the yellow and the right to medical assistance abroad will change from being the same as in Denmark to being the same as the EU-country you are on holiday in. In June 2014 Europæiske launched a new annual cover as replacement for the yellow National Health Service card. The product is called Yellow. The price for this product is very competitive. In addition Europæiske has introduced a new concept with a Basis annual insurance policy, which covers repatriation, recall, delayed baggage and ruined holiday. In the third category there is a Plus cover with a series of other additional covers such as missed departure, replacement holiday and holiday home insurance and the covers also apply in Denmark.

In Europæiske until now elderly people have had to fill in health condition declarations to take out an insurance policy. Europæiske has now changed this so in the future it does not matter whether the person is 70 or 80 as long as he is healthy, then he will be covered like everybody else. If there has been hospitalisation, changed medicine or similar there will be other rules within two months - before this used to be 6 months.

In all cases the quality of the products has been paramount with competitive pricing. Thus we support our image as the specialist who always provides products of high quality and excellent service.

The Corporate Market

Europæiske has continued focus on creating profitable business. This has meant that some large non-profitable contracts have been terminated. Europæiske has maintained focus on communicating the news about our coverage and products to existing as well as to new customers. In addition, our web portal has promoted our products and further supported our profile as experts in the market. In 2014 the compliance requirements have and will prospectively to a much larger extent influence the international corporate travel market. Europæiske has therefore introduced measures to ensure continued international compliance of our products and set-up.

The Leisure Market

Our agreement with the Thomas Cook Group expired at the end of 2013 and has contributed to a decreasing turnover. The agreement was not profitable. It has and will therefore not affect our results negatively.

Nordic Health Care

Europæiske has stopped writing new business with effect from 1st August 2013 and as expected the premium income in this line of business has decreased considerably.

The development in the company's activities and financial matters

The net result is a profit of DKK 29.1m against a deficit of DKK 7.6m for the first half of 2013.

Gross premiums earned have shown a decrease of DKK 36.9m. The decrease is mainly attributable to our decreased sale of international health insurance which is related to the above mentioned stopped sale. In addition have expatriate insurance, corporate travel insurance and Holiday travel insurance shown minor decrease.

The decrease at expatriate insurance and corporate travel insurance is due to Europæiske's demand for increased profitability on non-profitable contracts and products. This has led to loss of a few clients which did not want to renew their contracts due to premium increases. In addition, our compliance measures meant that Europæiske in a few individual cases not could offer insurance to all expatriates in a company, why the company has chosen to place all their business travel and expatriate insurance with another insurance company. The Thomas Cook agreement which expired at the end of 2013 has been the main reason for the decrease on our holiday travel insurance.

The claims record for first half year of 2014 has been satisfactory with a gross claims ratio of 45.3% against 56.4% in first half of 2013. The improved claims ratio can be attributed to a significantly better claim record at international health insurances, the leisure travel segment and at travel agent indemnity.

Net costs to ceded business have decreased by DKK 4.4m compared first half year of 2013. The decrease is due change of one reinsurance contract at our international health insurance from a 60% quota share to an excess of loss contract.

The acquisition costs decrease with DKK 28.1m relative to the first half of 2013. The reason is that Europæiske in the spring 2013 was sentenced to pay a compensation of one of our former agents for lost future earnings totalling DKK 22.3m, which influenced the acquisition costs for extraordinary for first half of 2013.

Commissions and profit share from reinsurers constitute a cost of DKK 12.2m against an income of DKK 14.4m in the first half of 2013. The reason is a clean cut of the above 60% quota agreement regarding international health insurance which caused a realized commission expense of DKK 16.2m under accounting entry "Commissions and profit share from reinsurers", but that a corresponding income realized at the entry "Change in the provision for unearned premiums, reinsurers' share".

Europæiske Rejseforsikring A/S owns 75% of the share capital in the Czech travel insurance company, ERV Pojistovna a.s. In first half year of 2014, the company had a turnover corresponding to DKK 50m. The company's half yearly report shows a profit of DKK 7.9m which is very satisfactory. Our share of the profit for the period amounts to DKK 5.9m.

Europæiske Rejseforsikring A/S is relatively sensitive to the development of the prices of shares and bonds, etc. The company has this first half year had a net profit of 0.1m in connection with realised and unrealised gain & losses adjustments of bonds, share-based unit trusts and exchange rates. Last first half year were a the corresponding figure a loss of DKK 5.6m primarily due to losses in connection with redemption of bonds.

Half yearly accounts

The half yearly result amounts to a profit of DKK 29.1m against a loss of DKK 7.6m in first half year of 2013.

The underwriting result amounts to a profit of DKK 27.1m against a loss of DKK 7.0m in first half year of 2013, which is an improvement of DKK 34.1m.

Gross premiums written amounts to DKK 165.4m against DKK 209.9m first half year of 2013 a decrease of DKK 44.5m. The decrease is primarily due to a decreasing sale of international health insurance products.

Gross claims incurred amount to DKK 74.1m against DKK 113.8m first half year of 2013 which is a decrease of DKK 39.7m. The gross claims ratio is 45.3% against 56.4% first half year of 2013.

The result of business ceded shows an expense for Europæiske Rejseforsikring A/S of DKK 12.2m against an expense of DKK 16.6m first half year of 2013. A decreased expense of DKK 4.4m compared to first half year of 2013. The decrease is primarily due to earlier mentioned changed reinsurance contract at the international health insurance product.

The claims costs net of reinsurance amount to DKK 59.9m against DKK 78.9m, which is a decrease of DKK 19.0m. The claims ratio net of reinsurance is 40.1% against 58.1% first half year of 2013.

Acquisition costs amount to DKK 26.0m against DKK 54.1m first half year of 2013, a decrease of DKK 28.1m. The decrease is due to the previously mentioned case regarding compensation for an agent in first half of 2013.

The cost ratio, including acquisition costs and commission of ceded business amount to 31.5% against 39.5% in first half year of 2013.

The acquisition cost ratio alone is 15.9% against 29.8% in first half year of 2013. The combined ratio net of reinsurance (total costs measured in relation to earned premiums) is 84.2% against 104.1% first half year of 2013.

The administrative expenses amount to DKK 24.5m against DKK 24.6m first half year of 2013.

Commissions and profit commissions from reinsurance amount to an expense of DKK 12.2m against an income of 14.4m in first half year of 2013. The expense is due to the previously mentioned restructure of the reinsurance agreement concerning, International health insurance, as well as clean cut of this in 2014, which cause a realized commission cost of DKK 16.2m under accounting entry "Commission and profit share from reinsurers", but a corresponding income is realized under the accounting entry "Change in the provision for unearned premiums, reinsurers' share".

The result from affiliated companies shows a profit of DKK 5.9m against a profit of DKK 1.3m first half year of 2013. The main reason for the improved result are increased premium income, as well as improved claim ratio and cost ratio. This result is generated by ERV pojistovna a.s., Czech Republic.

Income from associated companies shows a result of DKK 0m against a loss of DKK 0.6m first half year of 2013.

Income from land and buildings amounts to DKK 1.0m against DKK 0.6m first half year of 2013. The increase is primarily attributed to a higher percentage of rentals.

Interest income, dividends, etc. for the period amount to DKK 3.9m against DKK 4.1m for first half year of 2013.

The realized and unrealized gains and losses net for the period amount to a profit of DKK 0.1m against a loss of DKK 5.6m. The loss first half year of 2013 is primarily due to a loss on the bond portfolio.

Interest expenses amount to zero against DKK 2.2m in the first half year of 2013. The interest expenses in first half year of 2013 are caused by interest in connection with the previously mentioned case regarding compensation for an agent.

The result of investment activities before transfer of technical interest amounts to a profit of DKK 10.6m against a loss of DKK 2.7m first half year of 2013.

The tax of the first half year amounts to an expense of DKK 7.8m against an income of DKK 2.0m first half year of 2013.

At 30 June 2014, the company's total capital and reserves amount to DKK 261.9m and total assets amount to DKK 537.3m.

The result of the period compared to earlier statements

The company previously expected following for 2014: "We expect continued decrease in premium income for international health insurance and in our leisure market caused by the previously mentioned agreement with the Thomas Cook Group which has been terminated at the end of 2013. Rescheduling of our reinsurance programme concerning international health insurance from a 60% quota share agreement to an excess of loss contract is expected to lead to a considerable decrease in net expenses to ceded business. It is however difficult to continue the adjustment of the organisation and the fixed costs to the full extent of the expected premium decrease in 2014. At the same time Europæiske does not expect run-off gains in 2014 to the same extent as for 2013. This means that the expectations to the result for 2014 are substantially lower than for 2013."

For the first half of 2014 Europæiske has lived up to these expectations, but the result as a whole is significantly better than expectations. This is due to still high run-off gains combined general lower claim ratios and with improved result from affiliated companies.

Ownership

Europæiske Rejseforsikring A/S is a 100% owned subsidiary of ERV AG, Munich, Germany. ERV AG, Munich is a 100% owned subsidiary of ERGO Versicherungsgruppe AG, Düsseldorf, Germany.

As at 31 December 2013, Münchener Rückversicherungs-Gesellschaft AG, Munich, controls directly and via its Subsidiary P.A.N. GmbH & Co. KG, Grünwald, 100% of the issued share capital of ERGO Versicherungsgruppe AG, Düsseldorf.

Group Ownership

Europæiske Rejseforsikring A/S is associated with the following companies:

		Amount in DKK'000				
Subsidiary:		<u>Registered office</u>	<u>Activity</u>	<u>Shareholding</u>	<u>Capital & Reserves</u>	<u>Result</u>
	a.s.	Czech Republic	Insurance	75.00%	68,332	5,919
Associated company:						
	Euro-Center Holding SE	Czech Republic	Assistance	16.67%	37,214	0

Events after 30 June 2014

No events have occurred subsequent to the balance sheet date, which would have a material influence on the financial position of the company or its subsidiaries.

Outlook for 2nd half year of 2014

We expect continued decrease in premium income for international health insurance. At the same time Europæiske does not expect run-off gains in 2nd half of 2014 to the same extent as for the 1st half of 2014. This means that the expectations to the result for the full year 2014 is in same level as the half year result 2014.

Uncertainty in respect of recognition and measurement

The statement of the accounted value of certain assets and liabilities is conditioned by applying the accounting estimate. The estimates made are based on assumptions which the management finds justifiable but uncertain. The statement of the insurance provisions is in particular connected to estimates. These estimates are described in more details in the accounting policies applied.

Risk Report

Europæiske Rejseforsikring A/S overall risk profile originates from the risks connected with the running of the core business together with the financial and capital requirements. Europæiske Rejseforsikring A/S' aim is to monitor and control the contribution of each individual risks to the overall risk, in such a way that the possibilities to make the right decisions are optimised. Europæiske Rejseforsikring A/S has implemented the necessary and relevant procedures and control functions with a view to minimize the risks in all business areas. The overall risk management guidelines and the framework are stipulated by the board of directors. The responsibility to follow-up on the individual risks and their risk factors is placed with Finance and it is reported to the management and the board of directors.

Each business area works in a structured way with risk management and reports the efforts to the risk management. To secure a complete separation between the operational parts of the business, an independent Risk Management & Compliance function has been established with reference to the management.

Outline

The most important risks in Europæiske Rejseforsikring A/S:

- Insurance Risks
- Market Risks
- Operational Risks

Insurance risks

Europæiske Rejseforsikring A/S has with regard to the insurance part various forms of risks. There are risks in provisions, premium and pricing. It is important to have an overview of the individual risks but it is also an important factor that the identification and monitoring of risks can be used in connection with strategic decisions.

It is Europæiske Rejseforsikring A/S policy that the risks originating from the company's activities shall be covered or limited to such a level that the company will be able to maintain a normal operation and carry out planned initiatives even in case of a very unfavourable development. One of the measures is our excess of loss reinsurance agreements. To cover the risks in connection with disasters, the company has made reinsurance contracts limiting Europæiske Rejseforsikring A/S' risks to about DKK 5.0m per claim event. The company has estimated the effect of a widespread pandemic at DKK 13m at own account. The size of this risk is due to the fact that a pandemic is not seen as one claim. Europæiske's risk is, therefore, not limited to the above mentioned DKK 5m.

Market Risks

It is Europæiske Rejseforsikring A/S aim to control the market risks in such a way that the company obtains a return corresponding to risks taken.

The most important risks are:

- Interest Rate Risk
- Equity Risk
- Real Estate Risk

- Credit and Counterpart Risk
- Exchange Rate Risk

In terms of the result, the company is sensitive towards the development in exchange rates and the prices of bonds and shares. The stress scenarios red and green, set by the Danish Financial Supervisory Authority, have been calculated on a continuous basis and Europæiske Rejseforsikring A/S has always been in the green with a good safety margin. The latest calculation shows a total equity effect of minus DKK 21.4m in case of a decrease corresponding to the Danish Financial Supervisory Authority's red scenario.

Operational risks

The development in the travel market and events limiting the population's travel activity can have a relatively large impact on the company's result. Europæiske Rejseforsikring A/S assesses that such a risk could have a negative effect corresponding to 8% of the company's equity.

Capital requirements

	Amount in DKK'000	
	30/6	31/12
	2014	2013
Base capital	220,402	189,709
Solvency requirements	43,584	49,006
Individual solvency requirements	104,853	*91,364

Re* This figure is calculated based at the rules valid until 31/12 2013 for individual solvency requirements.

The above shown capital requirements are in accordance with Financial Business Act.

Solvency 2

Munich Re and ERGO Group, which Europæiske Rejseforsikring A/S is a part of, started in 2009 a Solvency 2 project. The project is managed by a project group in Germany. As for Europæiske Rejseforsikring A/S the project includes a continuous adjustment and development of a standard model together with a system for risk management. The Board of directors has in June 2014 reviewed and approved the company's ORSA report. The board of directors' involvement and management of the project are secured by the participation in the project of several members of the board of directors including the chairman of the board and the CFO. The board is informed on a continuous basis.

SIGNATURES OF THE BOARD OF MANAGEMENT AND THE BOARD OF DIRECTORS

We have today presented the half yearly report for 1 January – 30 June 2014 to Europæiske Rejseforsikring A/S.

The half yearly report has been prepared in accordance with Financial Business Act.

The half yearly report gives a true and fair view of the Company's assets, liabilities and financial position as of 1 January - 30 June 2014 together with the results of the company's activities for the financial year 1 January – 30 June 2014.

The management report contains a fair and true review of the development of the company's activities and financial performance together with a description of the most significant risks and elements of uncertainty that may have an impact on the company.

The half yearly report has not been audited or reviewed by the company's auditor.

Copenhagen, 5th August 2014

Board of Management:

Johann-Dietrich von Hülsen
Chief Executive Officer

/ Winnie Grønnemose
Chief Financial Officer

Board of Directors:

Richard Bader
Chairman of the Board

Ulrike Timmer
Board Member and
Chairman of the Audit Committee

Gabriele Bayer
Board member and member of the Audit
Committee

Peter Fobian
Board Member, elected by the
Employees

Christoffer Nylandsted
Board Member, elected by the employees

Jørn Sønderup
Board Member and Member of
Audit Committee

Profit and loss account January 1st - June 30th

Note in DKK'000

	2014	2013
<i>Earned premiums</i>		
Gross premiums written	165.410	209.947
Ceded insurance premiums	19.610	-62.170
Change in the provision for unearned premiums	-454	-8.117
Change in the provision for unearned premiums, reinsurers' share	-33.758	-3.612
Total premium income, net of reinsurance	150.808	136.048
Technical interest, net of reinsurance	169	307
<i>Claims incurred</i>		
Claims paid	90.903	130.455
Reinsurance recoveries	-32.047	-40.422
Change in the provision for claims	-16.807	-16.665
Change in the provision for claims, reinsurers' share	17.897	5.573
Total claims incurred, net of reinsurance	59.946	78.941
Bonus and premium discounts	1.251	118
<i>Net operating expenses</i>		
Acquisition costs	25.989	54.061
Administrative expenses	24.489	24.569
Commission and profit share from reinsurers	12.206	-14.378
Total net operating expenses, net of reinsurance	62.684	64.252
3 UNDERWRITING RESULT	27.096	-6.956
<i>Income from investment assets</i>		
Income from affiliated companies	5.919	1.263
Income from associated companies	0	-626
Income from investment properties	986	592
Interest income and dividends etc.	3.866	4.139
Value adjustment	119	-5.605
Interest expenses	0	-2.159
Administrative expenses on investments	-270	-301
Total return on investment activities	10.620	-2.697
Interest on insurance provisions	-169	-307
TOTAL RETURN ON INVESTMENT ACTIVITIES AFTER TECHNICAL INTEREST	10.451	-3.004
Other income	1.696	1.740
Other expenses	2.389	1.395
PROFIT BEFORE TAX	36.854	-9.615
Tax	7.763	-2.018
PROFIT FOR THE PERIOD	29.091	-7.597
STATEMENT OF COMPREHENSIVE INCOME		
Other comprehensive income		
Exchange rate adjustment of foreign entities	19	-1.609
Comprehensive income	19	-1.609
Result of the period	29.091	-7.597
TOTAL COMPREHENSIVE INCOME	29.110	-9.206

Balance Sheet as of

Note in DKK '000

	30/6 2014	30/6 2013	31/12 2013
ASSETS			
<i>Intangible assets</i>			
Software	17.097	19.504	17.810
Software, development projects	0	442	879
TOTAL INTANGIBLE ASSETS	<u>17.097</u>	<u>19.946</u>	<u>18.689</u>
<i>Tangible assets</i>			
Operating equipment	2.609	3.291	2.805
Domicile	87.577	88.624	87.991
TOTAL TANGIBLE ASSETS	<u>90.186</u>	<u>91.915</u>	<u>90.796</u>
<i>Investments in affiliated and associated companies</i>			
Capital holdings (shares) in affiliated companies	51.249	48.858	51.231
Capital holdings (shares) in associated companies	6.217	6.217	6.217
Total investments in affiliated and associated companies	<u>57.466</u>	<u>55.075</u>	<u>57.448</u>
<i>Other financial investments</i>			
Participating interests	33	33	33
Unit trusts	30.107	29.574	29.732
Bonds	260.709	229.995	226.707
Total other financial investments	<u>290.849</u>	<u>259.602</u>	<u>256.472</u>
TOTAL INVESTMENT ASSETS	<u>348.315</u>	<u>314.677</u>	<u>313.920</u>
<i>Reinsurance share of technical provision</i>			
Reinsurance share of unearned premiums	11.880	54.860	45.638
Reinsurance share of claim provision	11.778	43.224	29.675
Total reinsurance share of technical provision	<u>23.658</u>	<u>98.084</u>	<u>75.313</u>
<i>Debtors</i>			
Amounts owed by policy holders	13.864	14.855	26.734
Amounts owed by insurance brokers	5.730	8.770	11.931
Debtors arising out of direct insurance contracts, in total	<u>19.594</u>	<u>23.625</u>	<u>38.665</u>
<i>Other debtors</i>			
Amounts owed by insurance companies	13.660	5.107	0
Amounts owed by affiliated companies	2.873	1.629	2.680
Amounts owed by associated companies	0	2.520	0
Tax asset	0	2.573	0
Deferred tax assets	747	4.065	1.076
Other debtors	3.682	3.882	5.114
Total other debtors	<u>20.962</u>	<u>19.776</u>	<u>8.870</u>
TOTAL DEBTORS	<u>64.214</u>	<u>141.485</u>	<u>122.848</u>
<i>Other assets</i>			
Cash in hand and cash equivalent	11.259	11.958	9.198
Other	165	101	29
TOTAL OTHER ASSETS	<u>11.424</u>	<u>12.059</u>	<u>9.227</u>
<i>Prepayments and accrued income</i>			
Accrued interest	4.206	3.711	2.947
Other prepayments and accrued income	1.835	1.056	965
TOTAL PREPAYMENTS AND ACCRUED INCOME	<u>6.041</u>	<u>4.767</u>	<u>3.912</u>
TOTAL ASSETS	<u>537.277</u>	<u>584.849</u>	<u>559.392</u>

Balance Sheet as of

Note in DKK '000

	30/6 2014	30/6 2013	31/12 2013
LIABILITIES			
<i>Capital and reserves</i>			
Share capital	10.000	10.000	10.000
Revaluation provisions	798	798	798
<i>Reserves</i>			
Contingency reserve, untaxed	115.000	115.000	115.000
Other reserves, year end	43.938	41.547	43.921
Total reserves	158.938	156.547	158.921
Proposed dividend for the accounting year	0	0	26.400
Profit brought forward	92.207	60.627	63.114
TOTAL CAPITAL AND RESERVES	261.943	227.972	259.233
<i>Provisions for insurance contracts</i>			
Provision for unearned premiums	135.291	183.535	134.837
Claim provisions	66.547	114.721	83.352
TOTAL PROVISION FOR INSURANCE CONTRACTS	201.838	298.256	218.189
<i>Provisions for other risks and charges</i>			
Deferred taxation	8.657	10.225	9.278
TOTAL PROVISIONS FOR OTHER RISKS AND CHARGES	8.657	10.225	9.278
<i>Creditors</i>			
Amounts owed in connection with direct insurance business	16.102	14.379	20.158
Amounts owed to reinsurance companies	3.735	6.423	13.625
Amounts owed to affiliated companies	242	4	510
Amounts owed to associated companies	0	0	0
Actual tax liabilities	10.805	0	0
Actual tax liabilities	0	0	5.351
Other creditors	33.955	27.590	33.048
TOTAL CREDITORS	64.839	48.396	72.692
TOTAL LIABILITIES	537.277	584.849	559.392

4 Contingency liabilities

Note 1 – Accounting Policies Applied

General

The half yearly report has been prepared in accordance with Financial Business Act and the executive order issued by the Danish Financial Supervisory Authority on financial reports for insurance companies and profession-specific pension funds.

The half yearly report is presented in thousand crowns.

The accounting policies are unchanged from last year.

Accounting estimate

The preparation of half yearly reports under the Danish Financial Supervisory Authority's executive order requires the use of certain critical accounting estimates and requires the management to exercise its judgment in the process of applying the company's accounting policies.

The statement of the accounted value of certain assets and liabilities is conditioned by applying the accounting estimate. The estimates made are based on assumptions which the management finds justifiable but uncertain. The statement of the insurance provisions is in particular connected to estimates. These estimates are described in more details in the below-mentioned under the individual accounting items.

Recognition and measurement

Assets are recognised in the balance sheet when it is probable that future economic benefits will flow to the company and the value of the asset can be reliably measured.

Liabilities are recognised in the balance sheet when the company has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the company, and the value of the liabilities can be measured reliably.

On initial recognition, assets and liabilities are measured at fair value, however tangible and intangible assets are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the half yearly report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognised in the income statement as earned, whereas costs are recognised by the amounts attributable to this financial year. Value adjustments of financial assets and liabilities are recorded in the income statement unless otherwise described below.

Inter group transactions

The remuneration for the administration of the group's companies is based on the costs of such administration. The interest charged on inter-company accounts is the market rate when these accounts are not considered current business accounts.

Other services (including reinsurance) rendered as part of ordinary insurance operations to and from inter-company buyers are settled at market rates.

Inter-company trading in assets, including securities, is conducted at market prices. No significant inter-company trading with assets has taken place during the accounting year.

Consolidated accounts

The company has chosen not to prepare consolidated accounts in accordance with §134 in the executive order issued by the Danish Financial Supervisory Authority on financial reports for insurance companies and profession-specific pension funds, as the company's ultimate parent company, Münchener Rückversicherungsgesellschaft, Munich, Germany, prepares consolidated accounts in which the company and its subsidiaries are included.

PROFIT AND LOSS ACCOUNT

RESULT OF INSURANCE OPERATIONS

Premium income, net of reinsurance

Premium income, net of reinsurance consists of the premiums collected for the year less ceded reinsurance premiums, adjusted for movements in the unearned premium provision.

Technical interest, net of reinsurance

The interest yield is calculated on the basis of the year's average net technical provisions. The year's average rate for short-maturity bonds is used as the rate of interest.

Technical interest is reduced by the portion of the increase in net provisions that relates to unwinding of discounting.

Claims incurred, net of reinsurance

Claims incurred, net of reinsurance consist of the claims paid together with direct and indirect costs for claims handling less reinsurance recoveries, adjusted for movements in the outstanding claims reserve.

As a result, claims incurred, net of reinsurance consist of reported and expected claims for the accounting year. Furthermore, run-of gains or losses on previous years' provision for outstanding claims are included in claims incurred. The portion of the increase of the provisions that relates to reduction of term has been transferred to technical interest.

Changes in provisions of claims due to changes in the yield curve and exchange rates are recognized as a value adjustment.

Bonus and premium rebates

Bonus and premium rebates represent anticipated and reimbursed premiums where the amount reimbursed depends on the claims record, and for which the criteria for payment have been defined prior to the financial year or when the business was written.

Insurance operating expenses, net

Insurance operating expenses represent acquisition costs and administrative expenses less reinsurance commissions received. Expenses relating to acquiring and renewing the insurance portfolio are recognised at the time of writing the business. Administrative expenses are accrued to match the financial year.

Investment activities

Income from affiliated companies includes the company's share of the affiliates' net profit.

Income from associates includes the company's share of the associates' net profit.

Income from investment properties before fair value adjustment represents the profit from property operations less property management expenses for the part of the property which is not used by the company.

Interest, dividends, etc. represent interest earned, dividends received, etc. during the financial year.

Realised and unrealised investment gains and losses, including gains and losses on derivative financial instruments, value adjustment of land and buildings, exchange rate adjustments.

Exchange rate adjustments: all items in the balance sheet in foreign currency are translated at the exchange rate ruling on the date of the transaction.

Note 1 – Accounting Policies Applied, continued

Investment management charges represent expenses relating to the management of investments.

OTHER ITEMS**Other income and expenditure**

Other income and expenditure contain income and expenses on administration agreements, which cannot be attributed to the insurance portfolio.

Taxation

Tax on the profit for the year is calculated on the basis of the profit for the year before tax, adjusted for non-taxable income and expenditure.

The company is jointly taxed with Danish group companies. Full inter-company tax equalisation is effected so that the company pays for the utilisation of contingent negative taxable income from the jointly taxed company and the company is refunded by the jointly taxed company for its utilisation of contingent taxable deficits of the company.

Deferred tax related to recapture of previously deducted deficits in foreign branches or affiliates' entities is included based on an actual assessment of the purpose of the individual entity.

Deferred taxes are provided for with 24.5% to 22% on all time differences between the result reported in the half yearly report and the result reported in the tax return, and between the book value and taxable value of the company's intangible assets, investment assets, operating equipment and debts.

If deferred tax constitutes a tax asset, it is included in the assets, if it is most probably that it can be used in the future. The tax liable on the contingency reserve (contingent tax) is not provided for in the balance sheet but is disclosed in a note.

BALANCE SHEET**Intangible assets**

The assets are measured at the acquisition costs with deductions of the write down. A straight-line write down is applied based on the following assessment of the assets' expected useful lives:

Software, presently	3-10 years
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Costs that are directly associated with the production of identifiable and unique software products as intangible assets. Direct costs include the software development team's employee costs and other directly related overheads. All other costs associated with developing or maintaining computer software are recognised as an expense as incurred.

After completion of the development the asset is written down on a straight-line basis over the expected useful life, however, presently with a maximum period of 10 years. The basis of writing down is reduced by any impairment write downs.

Intangible assets including development projects are written down to the lower of recoverable amount and carrying amount.

Note 1 – Accounting Policies Applied, continued

Operating equipment

Fixtures and operating equipment are measured at cost less accumulated write down and any accumulated impairment losses. Cost encompasses the purchase price and costs directly attributable to the acquisition of the relevant assets until the time when the asset is ready to be brought into use.

The tangible assets are written down on a straight-line basis from the following assessment of the assets' expected useful lives, as follows:

Furniture and other operating equipment, presently	5 years
Computer hard and software, presently	3-5 years
Motor vehicles, presently	5 years

The assets' residual values and useful lives are reviewed at each balance sheet date and adjusted if appropriate.

Gains and losses on disposals and retirements are determined by comparing proceeds with carrying amount. These are included in the income statement. When revalued assets are sold, the amounts included in the revaluation reserve are transferred to retained earnings.

Tangible assets are written down to the lower of recoverable amount and carrying amount.

Domicile

Domiciles are measured in the balance sheet at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation. Revaluations are performed regularly to avoid the carrying amount differing from the domicile's fair value at the balance sheet date.

Increases in the revalued carrying amount of domiciles are credited in equity, unless the increase corresponds to a decrease previously credited to the income statement. Decreases are credited to the income statement unless the decrease corresponds to an increase previously credited to equity.

The write downs are recognized in the profit and loss account over their useful lives. The expected useful life is measured regularly.

Europæiske Rejseforsikring A/S assessed at the time of the change-over to the rules of Danish Financial Supervisory Authority's executive order on financial reports that the useful life is 50 years and the scrap value is 70%.

Capital holdings (shares) in affiliated and associated companies

Shareholdings are stated at their equity value using the equity method. As a result, the shareholdings are shown in the balance sheet as the pro rata share of the companies' equity value, and the company's share of the result is included in the profit and loss account under "income from affiliated or associated companies".

The total net revaluation of capital holdings in affiliated and associated companies are included in the net revaluation reserve in equity, if the book value is higher than the cost price.

Note 1 – Accounting Policies Applied, continued

Other financial assets

Listed bonds and capital investments are stated at the price listed at closing time on the date of the balance sheet. However, drawn bonds are stated at fair value.

Unlisted capital investments are stated as the estimated market value, based on the last available half yearly accounts of the company in question.

Secured loans are stated as the estimated fair value at the balance sheet date.

The settling day is used as the time of calculation for all investment assets.

Reinsurers' share of provisions for insurance contracts

Contracts entered into by the company with reinsurers under which the company is compensated for losses on one or more contracts issued by the company and that meet the classification requirements for insurance contracts are classified as reinsurance share of the technical provision.

Amounts recoverable from reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract.

The benefits to which the company is entitled under its reinsurance contracts held are recognised as assets and reported as reinsurers' share of claim provisions for insurance contracts.

The reinsurers' share of the provisions for claims is measured at discounted value if such discounting is material. The future payments will be discounted back according to the zero coupon interest rate structure set by the Danish Financial Supervisory Authority.

The company assesses continuously its reinsurance assets for impairment. If there is objective evidence that the reinsurance asset is impaired, the company reduces the carrying amount of the reinsurance asset to its recoverable amount and recognises that impairment loss in the income statement.

Debtors

Debtors are stated net of a bad debt reserve calculated on the basis of an individual assessment of the debtors.

Accruals

Accruals, reported under assets, comprise cost paid relating to the following financial year.

TECHNICAL RESERVES**Provisions for insurance contracts**

Provisions for insurance contracts are recognised as future payments including payments for administration and claims handling regarding future events for in-force policies. However, as a minimum to the part of the premium calculated using the pro rata temporis principle until the next payment date. Adjustments are made to reflect any variations in the incidence of risk. For new annual insurance policies, where a considerable part of the risk is in the immediate continuation of the date they become effective, we add as income 50% of the premium within the first 2-3 weeks and then distribute the rest according to the pro rata temporis principle. The provisions also include amounts reserved to cover risk in connection with increasing age. These provisions are reserved when there no longer is a natural premium and the risks covered increase with the insured person's age.

The provisions for insurance contracts are recognised, taking into account, the deductions for direct acquisition costs.

Note 1 – Accounting Policies Applied, continued

Provisions for claims

Provisions for claims include direct and indirect claims handling costs arising from events that have occurred up to the balance sheet date. Provisions for claims are estimated using the input of assessments for individual cases reported to the company and statistical analyses for the claims incurred but not reported and the expected ultimate cost of more complex claims that may be affected by external factors (such as court decisions).

Provisions for claims are discounted if such discounting is material. The future payments will be discounted back according to the zero coupon interest rate structure set by the Danish Financial Supervisory Authority.

Discounting is not applied at present as it is not considered material.

Provisions for bonus and premium rebates

Provisions for bonus and premium rebates represent amounts expected to be paid to policyholders in view of the claims experience during the financial year.

Liability adequacy test

Tests are continuously performed to ensure the adequacy of the technical provisions. In performing these tests, current best estimates of future cash flows of claims, gains and direct and indirect claims handling costs are used. Any deficiency is charged to the income statement by raising the relevant provision.

Financial liabilities

Bond loans, debt to credit institutions, etc. are recognised at the raising of the loan at a fair value plus transaction costs incurred.

Other liabilities are measured at net realisable value.

Note

In DKK'000

2 Five-year review

	2014	2013	2012	2011	2010
Profit and Loss 1/1-30/6					
Gross premiums earned	164.956	201.830	238.591	246.812	226.028
Claims incurred, net of reinsurance	74.096	113.790	176.086	149.573	144.570
Operating expenses	50.478	78.630	66.988	91.965	90.158
Result of reinsurance (=-net cost)	-12.204	-16.555	1.049	-22.531	-1.616
Underwriting profit/loss	27.096	6.950	7.151	1.464	22.528
Profit/loss of investment after transfer of technical interest	10.451	-3.004	8.291	2.963	12.110
Profit for the period	29.091	-7.597	4.911	-10.875	1.816
Gross run-off profit/loss	12.284	11.365	-7.397	-8.787	-8.364
Run-off profit/loss, net of reinsurance	12.109	6.923	-4.679	-7	-4.728
Assets and Liabilities at					
	30.06.2014	30.06.2013	30.06.2012	30.06.2011	30.06.2010
Insurance assets	23.658	98.084	109.025	89.819	82.919
Technical provisions	201.838	298.256	347.501	300.356	270.445
Capital and reserves at year-end	261.943	227.972	245.838	235.706	242.667
Total assets	537.277	584.849	673.255	603.538	598.534
Claims ratio	45,26%	56,41%	74,13%	60,93%	64,29%
Burden ratio	31,50%	39,52%	28,20%	37,46%	40,09%
Reinsurance ratio net	7,40%	8,20%	-0,44%	9,13%	0,71%
Combined ratio	84,16%	104,13%	101,89%	107,52%	105,10%
Operating ratio	83,47%	103,44%	101,80%	106,78%	104,53%
Relative run-off result	5,39%	4,62%	-2,82%	-9,91%	-10,82%
Return on capital and reserves p.a.	38,04%	-10,96%	3,99%	-9,00%	1,48%
Solvency cover	5,06	2,97	2,81	2,79	3,20

Note January 1st - June 30th

in DKK'000

	<u>2014</u>	<u>2013</u>	
3 Breakdown of underwriting result			
Earned premiums	163.705	201.712	
Underwriting interest, net of reinsurance	169	280	
Claims incurred	-74.096	-113.790	
Administrative expenses	-24.489	-24.569	
Acquisition costs	-25.989	-54.061	
Profit from gross operations	<u>39.300</u>	<u>9.572</u>	
Ceded insurance premiums	-14.148	-65.782	
Reinsurance recoveries	14.150	34.849	
Reinsurance commissions and profit participation	-12.206	14.378	
Result of ceded business	<u>-12.204</u>	<u>-16.555</u>	
Underwriting profit	<u>27.096</u>	<u>-6.983</u>	
Total claims incurred, net of reinsurance, run-off			
Gross run-off profit/loss	12.284	11.365	
Run-off profit/loss, ceded	-175	-4.442	
Total claims incurred, net of reinsurance, run-off, total	<u>12.109</u>	<u>6.923</u>	
	<u>30/6 2014</u>	<u>30/6 2013</u>	<u>31/12 2013</u>
4 Contingency liabilities			
There is a legal claim against the company of USD 4.2 m in connection with notice of subagent agreements in Central America.			
It is the opinion of the management that the claim is partially unfounded and it will not have an effect on the financial position of the company as in Europæiske's opinion a reasonable amount has already been allocated in the accounts to compensate these agents.			
The company has leased copying machines. The payments in the leasing period amount to:	<u>1.804</u>	<u>1.673</u>	<u>2.063</u>