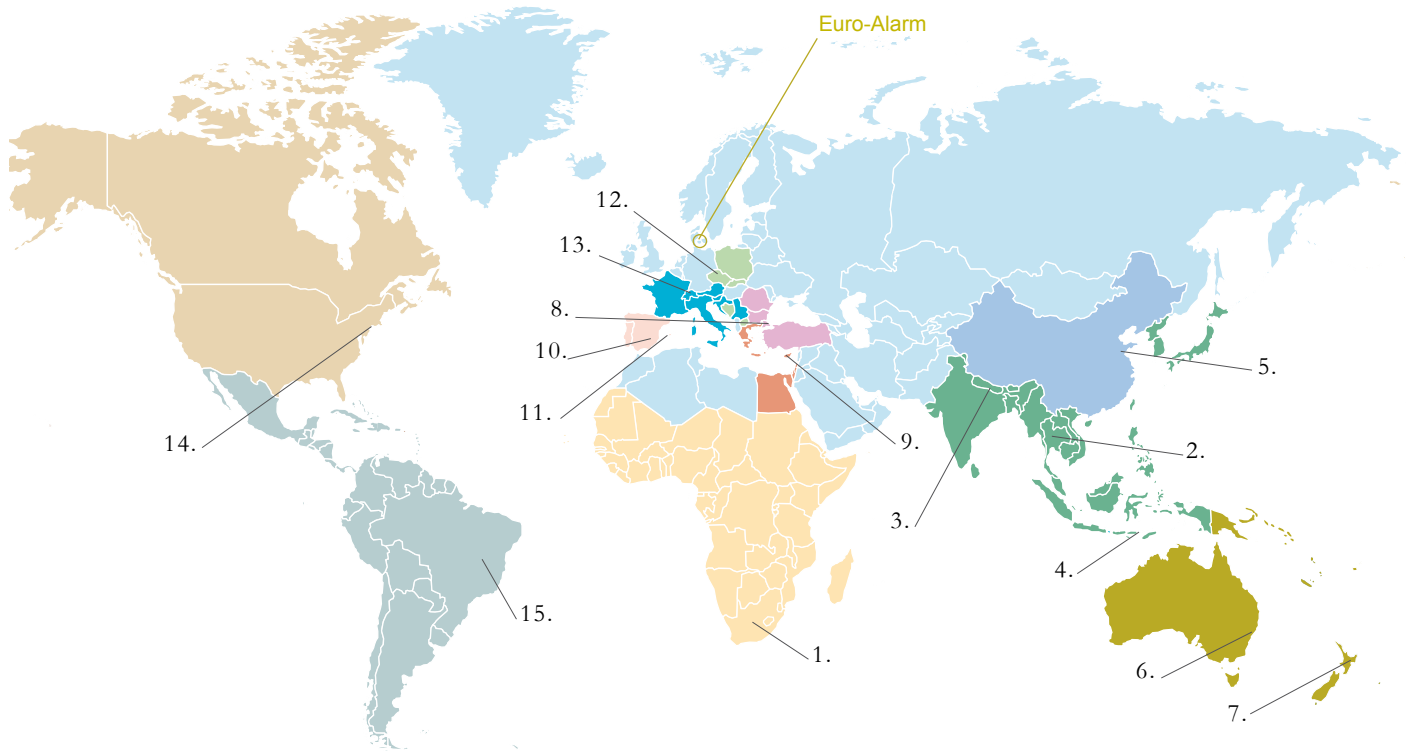




# ANNUAL REPORT 2006

EUROPEISKA FÖRSÄKRINGS AB (PUBL),  
EUROPEISKA INSURANCE CO  
TRANSLATION OF THE SWEDISH ANNUAL REPORT

# THE UNIQUE WORLDWIDE NETWORK OF EUROPEISKA



## OUR EURO-CENTERS AND EURO-ALARM HELP YOU ON THE SPOT

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... ONE OF THE BEST UNDERWRITING RESULTS IN THE COMPANY'S MODERN HISTORY...

When closing the books for another year it is automatically so that you compare the Company's performance with that of the previous years. For some companies such a comparison may be hard to make if there are major changes within the company, or if the surrounding market has undergone major changes. For other companies it may be just another year with no or small changes and years may be hard to separate from each other. For Europeiska it is fair to say that the year was a year of un-dramatic but constant change.

Our market is actually split in two markets; one part is the intimate and historic closeness with the travel market or the travel industry and the other part is of course the insurance market. Neither market has undergone any significant changes, even though it is relevant to say that both markets are changing continuously and in a positive way. The significant changes or new features can for both markets be summarised in key words like increased competitiveness, transparency, demands for higher flexibility and client satisfaction, increased use of tools for e-commerce, etc.

In last years annual report we indicated that we expected to maintain our result from 2005 also during 2006. We did not quite make that as we have a result that is below that of the previous year. Nevertheless, what is most rewarding is the fact that our net insurance result before allocation of investments is considerably better compared to 2005 and actually one of the best underwriting results in Europeiska's modern history. This confirms that we are on the right track in maintaining our general insurance and underwriting skills, a key factor when it comes to securing a financial stability and paving the way for future growth. On the other hand it is of course also obvious that we over the years must have a better outcome of our investments than in 2006 even though the Company should not be or become too much dependant on a volatile investment market.

The net result of 13,7 MSEK for 2006 compared with 17,7 MSEK in 2005 confirms again that the Company has stabilised its result at a satisfactory level. Based on the current very competitive market situation a gross premium growth of about 9% is very satisfactory, so is also the decrease of the net claims ratio from 54,5% to 52,35% and the reduction of the combined ratio from 97,4, % to 95,9 %.

What is even more rewarding is the strong loyalty we have from our clients. Almost all annual insurance agreements were renewed or expanded during the year, and just about all of the distributors and partners have been loyal to Company for several years.

From a general market perspective we have maintained our very strong market position. We have continuously added new clients for corporate insurances as well as created new solutions with partners when it comes to distributing new leisure- and card products. On the leisure side we are perceived as a key company to talk to when it comes to discussing tailor made insurance-our distribution solutions.

The successive growth in the corporate and card segment is also noticeable, in particular as several competitors from time to time have voiced their plans to enter the travel insurance market or declared their ambitions to increase their market share.

Europeiska's strategic ambition to be the markets most credible travel security provider is also confirmed by the fact that all sorts of media see us as their key source of information. Our press releases or comments from us are regularly published in most Swedish major and local daily newspapers, travel magazines, media bureaus, information sites on the Internet, radio, etc. As one result of our marketing strategy we have in a recent survey noted an increase from a historic 12% to a current 42 % in spontaneous recognition of our trademarks.

With growth comes also demand for higher efficiency, investment in new or updated technology and training. Our investments remained high in 2006 and are primarily limited by available resources and a need for strong prioritizations. Development is also a key word when it comes to product- and service concepts and a continuous work has been going on throughout the year in order to develop new or modified products and services. "E-commerce" is also an umbrella word in the company and virtually no products are launched or studied without a digital perspective.

Our efforts have also continued with improving and streamlining our various administrative processes. This includes the deployment of new releases of our new production system for corporate business, im-

plementing new internal development processes and a general approach to eliminate tasks of limited value.

We have during the year worked with the development of an exclusive “backpacker” product to be launched via our Travel Diary. Even if the product at this point in time is very new, the results have so far dramatically exceeded our expectations. The Travel diary have also broken a lot of other historic records, during 2006 we had more than 14,5 million visitors to the site whereof more than 2 million were unique visitors.

As a niche company we are closely related to and dependent of the travel industry. This also means that we are directly affected by and are vulnerable to any major changes within that industry. The outlook for 2007 is perceived as stable and the entire travel industry are acting and planning for growth and increased volumes. There is still a significant optimism influenced by the rather strong economic situation in Sweden, and the private- as well as the corporate travel is expected to grow. At the same time, and this we have seen happen before; a new terror attack in a major tourist destination or large city, or a major global disease could change this abruptly.

Our cost- and distribution ratios will continue to be in focus for further improvement and obtaining additional cost efficiency. The loss ratio will, as always be the dominating factor when it comes to making a forecast about the expected results. However, at this point in time we see no direct threat to our operations and we expect to reach a result well in line with the insurance result in the previous years.

We expect to maintain and also expand our leading position through all our lines of business also in 2007. The long-term ambition to move from being the leading travel insurer to become the leading travel security provider is our guiding tool. This requires continued focus on client-service and client relations; quick claims handling and immediate responses to our clients and partners in their contacts with us. In addition, our flexibility and ambition to create concepts and products in close contact with our clients, reflecting new demands and needs, will continue.

At the same time, our menu becomes wider every year as we step by step implement new tools and features

related to travel security. This also requires excellent quality throughout all our business processes and a strong belief in technical innovations.

We are well positioned and I am personally convinced that we also for the coming years will have a continued success and reach our goals, based on a proactive approach and with a positive attitude to arising challenges.

I would finally like to extend a warm thanks to all employees and management for their dedication and contribution during 2006. I would also like to conclude by personally thanking our clients and partners for their continued faith in Europeiska, as well as our shareholders for their support.

Stockholm, February 22, 2006



Kenneth Sandén  
Chief Executive Officer

Europeiska Insurance Co



## REPORT OF THE BOARD OF DIRECTORS

EUROPEISKA FÖRSÄKRINGSAKTIEBOLAGET (PUBL) CORPORATE IDENTITY NO. 502005-5447

The Board of Directors and the Managing Director of Europeiska Försäkringsaktiebolaget hereby submit their Annual Report for 2006, the 86th year of operations.

The attached annual accounts have been prepared in conformity with the Swedish Annual Accounts Act for Insurance Companies (ÅRFL), and also in accordance with the guidelines of the Swedish Financial Supervisory Authority.

The Company is a wholly owned subsidiary of European Holding A/S in Copenhagen and part of the Munich Re group, domiciled in Munich, where consolidated group accounts may be obtained.

The Company was formed in 1920 and is a specialised company in travel insurance. In addition to leisure and corporate travel insurance, the Company offers special insurances for bankcards and insurance for watches and jewellery in co-operation with retail associations.

### FINANCIAL RESULTS

The operating profit before appropriations and tax amounted to 13,7 MSEK as compared to 17,7 MSEK in year 2005. Gross premiums written by the Company increased from 357,8 MSEK to 390,9 MSEK, and net premiums earned increased from 271,5 MSEK to 289,4 MSEK. The net claims ratio including claims handling decreased from 54,5 % to 52,3 %. The net combined ratio decreased from 97,4 % to 95,9 %. The investment income decreased from 9,9 MSEK for 2005 to 2,8 MSEK.



Company management:

Oscar Solberg, Per-Anders Foxberg, Kajsa Peedu, Mikael Karlsson, Peter Amling,  
Ylwa F. Lundvall, Helen Hellströmer, Kenneth Sandén.

### MANAGEMENT SUMMARY OF 2006

The year 2006 was in many ways an ordinary year in terms of no significant events influencing the operations of the Company. The first half of the year it was a tendency of increased claims cost, particularly for the corporate portfolio, but this development slowed down and the ultimately outcome was actually an improvement of the claims ratio compared to the previous year.

The premium income for the Corporate, Leisure and Card related lines of business grew significantly during the year. The growth of the Corporate portfolio was due to a combination of new clients and premium adjustments including additional premiums due to actual growth of the client's own operations. The Leisure portfolio grew primarily due to the signing of a new partnership with a major Swedish tour operator, where the tour operator exclusively will sell and distribute the Company's private products.

The Card market is growing year by year, the growth is primarily due to an expansion of the Card volume from one large client, but also to a new contract signed with a potential to grow significantly during the future years.

The internationalisation of the Company's corporate portfolio continues. The Company is currently insuring clients based in more than 175 different countries around the world, if to this is added the business travellers the Company is more or less insuring clients in all countries in the world.

In order to service these clients no matter where in the world the need is, there is a continuous adaption of the Company's services from the home office as well from the Company's claims and assistance organisation, Euro-Center and Euro-Alarm. There has been a significant growth of claims in new geographic areas, in particular in many Asian countries like mainland China, Russia and all over Eastern Europe.

Europeiska did during 2005 launch a completely new version of the "Resdagboken"

("The Travel Diary") which is the Company's meeting place on the web ([www.resdagboken.com](http://www.resdagboken.com)) for travellers. The site enables the user to publish his diary and digital photos on the net and through automatically generated mails stay in contact with friends and relatives back home.

During 2006 there has been a significant increase of the traffic with more than 14,5 million visitors whereof more than 2 million unique visitors to the site. 60.000 new members were registered and the site has stored more than 6 million digital photos.

In the Company's "Resesäkerhetsbutiken" ("The Travel Security Shop") in central Stockholm there has been a strong growth in respect of direct sales of travel security articles, and also for sales via the web shop which is part of the Travel Security Shop. The web shop was established in line with the Company's objective to offer travellers from all parts of the country the opportunity to purchase travel security articles.

The Company has during 2006 continued to strengthen its position in the corporate as well as in the leisure market. Europeiska have for example extended and expanded the global agreements with all major corporate clients.

Throughout the year the Company has continued the work with the new production- and business support system and launched new releases.

The Company's result for the years 2003-2005 were good in consequence of many concurring positive factors. The year 2006 can be considered a more normalised year, leading to a slightly weaker result than 2005. Nevertheless, the insurance result before taking investment income into account was actually the best result ever in the Company's modern history. This is particularly rewarding as this confirms the long-term strategic foundation; the Company's operations must be built on qualified risk selection, competent underwriting activities and satisfied customers in order to secure a long-term stability for clients, owners and staff.

## MARKET / PRODUCTS

### Leisure travel insurance

The leisure travel market is reflecting the general economic situation in Sweden. During 2006 the major tour operators reported improved financial results, improved penetration for full price trips and lower last minute sales through reduced overcapacity. In addition, some of the improvements were due to a more diverse product content and new charter destination to meet the changes in client behaviour.

As can be seen during the past several years, the client

behaviour continues in the direction of more Internet bookings, more frequent but shorter trips increased purchasing of cheap flight tickets with low cost airlines, etc. This development is likely to continue. Together with its partners Europeiska are continuously adapting its products and services to the emerging new client behaviour. This has also already led to increased shares of travel insurance sales via Internet and Internet links.

New or improved insurance products have also been continuously launched, for example a new virtual product on the Internet sold exclusively via the Travel diary. The product "Backup" was developed together with and primarily for the backpacker segment. During the first period of sales at year-end this product have sold far more than expected, and has at this point in time the potential of becoming a major success.

The Company's position in the card related travel insurance market has also expanded during the year through new agreements with major clients.

The gross premium has continued to increase. This is primarily due to new distributors but also a result of premium increases and volume increases amongst many of the small and medium size distributors.

The market position in the domestic market continues to be extremely strong.

## CORPORATE TRAVEL INSURANCE

The corporate portfolio has continued to show good results, however not fully in line with the previous year.

The Company has during the year continued to work as a group competence Center of Excellence in Stockholm with the primary aim to expand the international insurance portfolio within the different companies in the Group.

The ambition is to supply the companies with the necessary knowledge and products to enable sales of corporate insurance in their respective domestic markets.

The Company has during the year focussed on optimising sales processes, developed tools and routines for improved follow up included a continuous review and improvements of service-, claims handling- and price models. The Company has also during the year extended the optional life insurance for business travel clients to cover death as a result of illness or disease during business trips to also include employees sta-

tioned abroad.

The market position in the domestic market continues to be extremely strong.

#### Non-travel insurance

The Company's non-travel related portfolio includes cooperation agreements with "Stjärnumakarna", "Din Guldsmed" and others. This portfolio continues to be very stable and shows continued good contribution to the Company's financial result.

### DISTRIBUTION

From an overall perspective Europeiska distributes its products and services through a number of different distribution channels. The external channels range from major Tour Operators to more than 700 small to medium sized travel agents as well as most of the insurance brokers in the Swedish market. The Company's own distribution channels include sales representatives as well as telephone sales through internal customer service and via Internet.

From a product perspective this means that Europeiska have a unique know-how to sell existing as well as new products via many different channels. The Internet development continues, and the Company will continue to invest in improved Internet based options for several of the services that are offered. The strategy is to very quickly monitor changes in the market and quickly adapt to new customer preferences and behaviour.

### EXPECTED FUTURE DEVELOPMENT

Europeiska believe that private tourism and travelling is a stable, growing market primarily influenced by the general economic situation. The major threats that exists in a general perspective, and this opinion is shared by most companies in the industry, are of course different types of terror attacks or a global pandemic threat. How and with whom you book your trip, where you will go and how long you will stay away may vary; but people will travel more frequently, vary the destinations more and will travel at higher ages. And the traveller will definitely to a larger extent use the Internet and mobile services in relation to the planning, booking and purchasing of trips, and as communication tools while travelling.

The corporate travelling is also on the rise, primarily explained by a good economic situation for most of the business community, a general increasing globalisation and more investments abroad. This is also reflected by the fact that the number of insured expatriates increases continuously.

To meet this development the Company must during the coming years continue be extremely flexible and adapt the services to an environment under constant change. For Europeiska it is an ongoing and proactive process to have a built-in flexibility for future changes, which also influences all development work. All investment decisions are based on key words like flexi-

bility, modern technology, cost efficiency and quality.

Europeiska is well equipped to meet these future challenges in order to present an insurance result in line with or better than during the previous years. The Company's market position is strong and the staff will do its absolute best to meet all clients', partners' and owner's expectations.

### RISKS

#### Financial risks

According to the Company's policy, assets shall mainly be invested in interest bearing instruments. The major part of the investments during the year is made in government bonds with an average duration of approximately 3 years. One part of the assets is invested in government treasury bills with an even maturity over the year and a smaller part has been invested in Equity funds. In case of a change in market interest rates, the financial effect for the Company is very limited.

Insurance amounts are normally stated in Swedish Kronor. An increased number of claims are paid in foreign currencies and consequently increase the Company's sensitivity for fluctuations in foreign currency rates. However, through fast claims adjustment, the currency risk is limited.

Agents collect a substantial part of the premium income. Accounting is normally made monthly and is carefully monitored; a number of steps have been taken to further reduce these risks. For instance, invoices that are not paid on due date are handed over to a credit service company for reminders and recovery, etc. Bad debt losses have been very limited during the year.

#### Insurance risks

The average sums insured and claims are comparatively low, and single claims consequently have a rather limited effect on the result. However, the accumulation of risks connected with transportation and hotels, etc, is not insignificant and is reinsured with a net retention for the Company of maximum 2.0 MSEK per occurrence. A separate reinsurance program also exists to protect the corporate portfolio.

#### Operational risks

The operational risks that exist are especially risks associated to tele- and data communication systems both in respect of operational disturbances and from a quality point of view regarding monitoring and control of the operations. Furthermore there is always a risk due to strong dependency of persons holding key positions. Within Europeiska there is ongoing work to identify all possible risks in order to minimize and limit these as much as possible.

The Company has also initiated the work aiming at meeting the new general guidelines from the FSA regarding governance and control of Financial undertakings.



## PROPOSED APPROPRIATION OF EARNINGS (SEK)

Earnings at the disposal of the General Meeting of shareholders:	
Profit brought forward from 2005	12 409 299
Change in fund for unrealised gain	1 352 029
Profit for the year	-
Total unappropriated earnings	13 761 328

The board and Managing Director propose,	
to be distributed to the shareholders	6 500 000
to carry forward to new account	7 261 328

Sundbyberg, February 22, 2007



Franz Josef Biesel  
Chairman



Helmut Pritscher



Stefan Holzhauser



Kenneth Sandén  
Chief Executive Officer

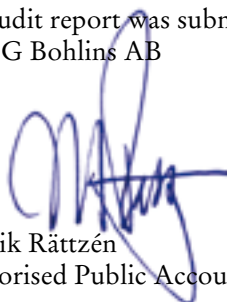


Björn Engström  
Employee representative (FTF)



Emilia Arlegård  
Employee representative (SACO)

My audit report was submitted February 22, 2007  
KPMG Bohlins AB



Henrik Rättzén  
Authorised Public Accountant



## FIVE-YEAR OVERVIEW

Result (SEK Thousand)	2006	2005	2004	2003	2002
<b>Insurance Operations</b>					
Gross premiums written	390 945	357 760	333 292	326 346	313 791
Net premiums earned	289 387	271 545	251 984	253 489	265 532
Net investment income of the insurance operations	3 065	2 299	2 997	4 057	4 657
Net claims incurred	-151 399	-147 878	-122 033	-125 712	-151 889
Net technical result, insurance operations	14 860	9 394	19 157	11 930	-2 208
Profit for the year	-	766	-	-	-
<b>Economic Status</b>					
Investment assets at current value	229 373	234 146	237 352	225 570	213 605
Technical provisions for own accounts	105 027	105 181	104 094	113 652	142 952
Shareholders' equity	26 040	32 605	36 346	41 838	41 838
Untaxed funds	132 916	119 835	103 460	83 421	69 087
Return of deferred tax on unrealised gains	46	572	44	15	92
Total consolidation capital	159 002	153 012	139 850	125 274	111 017
Capital base	153 258	147 497	136 998	125 259	110 925
Required solvency margin	47 629	56 193	36 942	41 057	47 341
<b>Key Figures</b>					
Claims ratio, for own account %	52.3	54.5	48.4	49.6	57.2
Expense ratio, for own account %	43.6	42.9	45.2	47.3	45.3
Combined ratio, for own account %	95.9	97.4	93.6	96.9	102.5
Solvency ratio %	54.5	56.2	56.4	50.7	40.6
Direct yield of investments %	3.0	2.6	2.7	3.7	4.4
Total yield of investments %	0.8	4.6	2.9	3.8	4.5



## STATEMENT OF INCOME

(SEK Thousand)	Note	2006	2005
Technical account of insurance operations			
Premium earned (for own account)			
Premium income (before reinsurance ceded)	1	390 945	357 760
Reinsurance premiums ceded		-99 139	-85 372
Change in provision for unearned premiums and remaining risks		-3 470	-1 558
Reinsurers' share of change in provision for unearned premiums and remaining risks		1 051	715
<b>Total premium earned (for own account)</b>		<b>289 387</b>	<b>271 545</b>
Investment income allocated from non-technical account	2	3 065	2 299
Claims incurred (for own account)			
Claims paid	3		
Gross		-206 693	-184 545
Reinsurers' share		52 721	36 910
Change in provision for outstanding claims			
Gross		1 254	29 740
Reinsurers' share		1 319	-29 983
<b>Total claims incurred (for own account)</b>		<b>-151 399</b>	<b>-147 878</b>
Operating expenses	4	-126 193	-116 572
Technical result of insurance operations		14 860	9 394



## STATEMENT OF INCOME

(SEK Thousand)	Note	2006	2005
Non-technical account			
Technical result of insurance operations		14 860	9 394
Investment income	5	4 091	9 721
Unrealised gains on investments	6	165	1 884
Investment expenses	7	-1 478	-1 655
Unrealised losses on investments			
Investment income allocated to technical account	8	-2 043	-2 299
Result after investment income			
Other income	9	1 849	774
Other expenses	10	-671	-144
Result before appropriations and tax			
Appropriations			
Change in safety reserve		-13 081	-16 375
Result before tax			
Tax for the year	11	-627	-534
Result for the year			
		-	766



## BALANCE SHEET

(SEK Thousand)	Note	2006	2005
<b>Assets</b>			
<b>Intangible assets</b>			
Other intangible assets	12	5 698	4 942
<b>Investments</b>			
Investments in group companies and associated companies			
Interest-bearing loans to group companies	13	32 314	41 818
Shares and participation in associated and affiliated companies	14	1 483	1 803
Other financial investment assets			
Shares and participation	15	9 167	0
Bonds and other fixed-income securities	16	175 104	162 219
<b>Total investments</b>		<b>218 068</b>	<b>205 840</b>
<b>Reinsurers' share of technical provisions</b>			
Provision for unearned premiums and remaining risks	17	10 936	9 885
Provision for claims outstanding	18	13 688	12 369
<b>Total reinsurers' share of technical provisions</b>		<b>24 624</b>	<b>22 254</b>
<b>Receivables</b>			
Receivables arising out of direct insurance operations	19	19 910	16 497
Receivables arising out of reinsurance operations	20	5 087	145
Other receivables	21	19 367	60 654
<b>Total receivables</b>		<b>44 364</b>	<b>77 296</b>
<b>Other assets</b>			
Fixed and tangible assets and inventories	22	1 941	1 206
Cash at bank and in hand		12 411	28 306
<b>Total other assets</b>		<b>14 352</b>	<b>29 512</b>
<b>Prepaid expenses and accrued income</b>			
Accrued interest income		3 762	3 203
Deferred acquisition cost	23	11 436	11 769
Other deferred expenses and accrued income		2 538	2 917
<b>Total prepaid expenses and accrued income</b>		<b>17 736</b>	<b>17 889</b>
<b>Total assets</b>		<b>324 842</b>	<b>357 733</b>

## BALANCE SHEET

(SEK Thousand)	Note	2006	2005
Equity, provisions and liabilities			
Shareholders' equity			
Share capital (20.000 shares with par value of SEK 500 each)		10 000	10 000
Reserve fund		2 160	2 160
Fund for unrealised gains		119	1 471
Profit brought forward		13 761	18 208
Result for the year		-	766
<b>Total shareholders' equity</b>	24	<b>26 040</b>	<b>32 605</b>
Untaxed reserves			
<b>Equalisation reserve</b>		<b>132 916</b>	<b>119 835</b>
Technical provisions (before reinsurance ceded)			
Provision for unearned premiums and remaining risks	25	69 409	65 939
Provision for claims outstanding	26	60 242	61 496
<b>Total technical provision (before reinsurance ceded)</b>		<b>129 651</b>	<b>127 435</b>
Provisions for other risks and charges			
<b>Provision for tax</b>	27	<b>46</b>	<b>572</b>
Liabilities			
Liabilities arising out of direct insurance operations	28	18 365	25 633
Liabilities arising out of reinsurance operations	29	520	-
Other liabilities		7 743	39 382
<b>Total liabilities</b>		<b>26 628</b>	<b>65 015</b>
Accrued expenses and prepaid income			
Reinsurers' share of prepaid acquisition cost		3 802	3 442
Other accrued expenses and prepaid income		5 759	8 829
<b>Total accrued expenses and prepaid income</b>		<b>9 561</b>	<b>12 271</b>
<b>Total shareholders' equity, provisions and liabilities</b>		<b>324 842</b>	<b>357 733</b>
Pledged assets and contingent liabilities			
Pledged assets		None	None
Contingent liabilities		None	None

## ACCOUNTING PRINCIPLES

The annual accounts have been prepared in conformity with the Swedish Annual Accounts Act for Insurance Companies (ÅRFL), and also in accordance with the guidelines of the Swedish Financial Supervisory Authority.

Assets and liabilities (including appropriations) have been valued at their acquisition cost, unless stated otherwise below.

### PREMIUM INCOME

The premium income is accounted according to the inception day principle. This means that only the insurance agreements for which the Company's responsibility has begun during the financial year are accounted as premium income.

### OPERATING EXPENSES

Operating expenses are classified per function as acquisition costs or administration expenses. Operating expenses for claims adjustment are accounted as part of claims incurred in the statement of income, and operating expenses for investment management are accounted as part of the investment costs.

### DEFERRED TAX

Deferred tax is calculated on the fund for unrealized gains that is part of the restricted equity. For the calculation a tax rate of 28 % has been used.

### INTANGIBLE ASSETS

Intangible assets consist mainly of developing cost for own development and acquired computer software that can be deemed to be of essential financial value for the operation during the next coming years. Intangible

assets are accounted to acquisition cost with deduction of accumulated depreciations. The depreciation time is decided at time of completion and the expected financial lifetime. If the real value of the asset after depreciation is deemed to be below booked assets the asset will be accounted to the lowest value.

### INVESTMENT ASSETS

Unit trusts are valued at market value. Interest-bearing securities are valued at market value if market value exceeds accrued acquisition value if not it is valued to accrued acquisitions value. Shares in associated companies have been valued to the lowest of acquisition cost or market value. Surplus value, positive change between market value and acquisition cost on investment assets, with deduction for deferred tax, is accounted for in fund for unrealised gains, within the restricted equity. The investment assets are valued collectively per class of assets.

### RECEIVABLES

Receivables are reported at the amount expected to be collected, based on individual assessment of collectibles. Provision for doubtful receivables is normally made upon individual assessment of the receivable.

### TANGIBLE FIXED ASSETS

Depreciation according to plan is based on the asset's historic cost. Depreciation is made over the period that the fixed assets are used and is accounted for as a cost in the profit and loss account. The following depreciation periods are applied:

Data equipment	3 years
Other fixed assets	5 years





### DEFERRED ACQUISITION COST

For purposes of obtaining a real accrual accounting of costs relating to sale of insurance, the acquisition cost is capitalized and depreciated over one year. Costs fluctuating with, and being directly or indirectly related to acquisition or renewal of insurance agreements, are the base for capitalization.

Examples of direct related sales costs are sales commission, salaries and other costs for own sales staff.

### RECEIVABLES AND PAYABLES IN FOREIGN CURRENCIES

Receivables and payables have been recalculated at the year-end rates of exchange. Currency gains and losses are accounted as income/costs in the investment result.

### APPROPRIATIONS AND SAFETY RESERVES

Swedish tax legislation allows companies to reduce the financial year's taxable income through appropriations to untaxed reserves. The following forms of untaxed reserves exist:

Equalisation reserve

The equalisation reserve forms a collective safety reinforcement of the insurance technical provisions. Accessibility is limited to the covering of loss and demands. For other purposes it is necessary to obtain permission from the Financial Supervisory Authority.

### TECHNICAL PROVISIONS

Technical provisions forms by appropriation for non-earned premium and remaining risks as well as appropriation for outstanding claims and corresponds to obligations in accordance with entered contracts.

Provision for unearned premiums and remaining risks; For non-life insurance and reinsurance the calculation of technical provision for unearned premiums is normally made strictly time-proportional in accordance with the pro rata temporis calculation. If the premium level is considered to be insufficient to cover expected claims and administrative expenses, an additional provision for unearned premiums must be added for such remaining risks, a so-called premium deficiency reserve.

Provision for claims outstanding;

Technical provision claims outstanding are calculated to correspond with the policy commitments. Provision for outstanding claims has been augmented with supplements for unknown claims and inflation effects.

Receivables from recourse claims are accounted in accordance with the accruals concept and have reduced the provision for claims outstanding.

### REINSURERS' SHARE IN TECHNICAL PROVISIONS

Reinsurers' share in technical provisions is taken up to the amount that corresponds to the reinsurance agreements.

### WRITE DOWN

If there at the time of closing the accounts exist any indication of that a material or immaterial asset has decreased in value a calculation of the assets recovery value is made. With recovery value one mean the highest of the assets net market value or its useful value. If the accounted value exceeds the recovery value a write down will take place. If at a later time a higher value is established then a reversal of previous write down will take place.



## Notes

SEK THOUSAND

Note 1 Premium income	2006	2005
	Gross	Gross
Direct insurance, Sweden	390 473	357 346
Reinsurance assumed	472	414
<b>Total</b>	<b>390 945</b>	<b>357 760</b>

## Note 2 Investment income allocated from non-technical account

An amount based on a calculation of the average technical provisions for own account, after deduction for net receivables arising out of insurance operations has been allocated from the total investment income to the insurance operations. In the calculation, an interest rate of 2.56% has been used which was the average interest rate of 90 days STIBOR for year 2006.

Note 3 Claims paid	Before reinsurance ceded	Reinsurers' share	For own account
Claims paid	192 534	-52 721	139 813
Operating expenses for claims adjustment	14 159	-	14 159
<b>Total claims paid</b>	<b>206 693</b>	<b>-52 721</b>	<b>153 972</b>

Note 4 Operating expenses	2006				2005
Acquisition costs	114 753				112 286
Change in deferred acquisition costs	333				-112
Management expenses	48 124				38 829
Commission and profit share from reinsurance operations	-37 377				-35 135
Change in deferred commission and profit share from reinsurance operations	360				704
<b>Total operating expenses in insurance *</b>	<b>126 193</b>				<b>116 572</b>
<b>Total oper. exp. categorized by functions</b>	Capital admin	Acquisition	Claims adjustment	Administration	Total
Cost of staff		14 966	8 920	30 318	54 204
Cost of premises				4 687	4 687
Depreciation				4 975	4 975
Acquisition costs incurred, for own account		54 314			54 314
Other	788	8 789	5 239	8 143	22 960
<b>Total</b>	<b>788</b>	<b>78 069</b>	<b>14 159</b>	<b>48 124</b>	<b>141 140</b>

\* The amount includes payments to KPMG Bohlins AB for an audit fee of TSEK 500 that fully refers to year 2006.

Note 5 Investment income	2006	2005
Interest income etc.		
Bonds and other fixed-income securities	2 889	7 586
Other interest income*	1 202	2 135
<b>Total investment income</b>	<b>4 091</b>	<b>9 721</b>
* Thereof from group companies	783	1 003

Note 6 Unrealised gains on investments	2006	2005
Unrealised gains on shares and participations	165	-
Unrealised gains on bonds and other interest-bearing securities	-	1 884
<b>Total unrealised gains on investments</b>	<b>165</b>	<b>1 884</b>

Note 7 Investment expenses	2006	2005
Interest expenses etc.		
Bonds and other fixed-income securities	-	-
Other interest expenses	162	380

Loss on foreign currency exchange, net	255	629
Investment management expenses*	788	646
Write-down	273	-
<b>Total investment expenses</b>	<b>1 478</b>	<b>1 655</b>

\* Whereof investment management fee TSEK 236 (461).

Note 8 Unrealised losses on investments	2006	2005
Unrealised loss on bonds and other interest-bearing securities	2 043	-
<b>Total unrealised losses on investments</b>	<b>2 043</b>	<b>-</b>

Note 9 Other income	2006	2005
Resesäkerhetsbutik (The Travel Security Shop) and Resdagboken (The Travel Diary)	1 839	774
Brokering of insurance business	1	-
Disposal of telephony	9	-
<b>Total other income</b>	<b>1 839</b>	<b>774</b>

Note 10 Other expenses	2006	2005
Resesäkerhetsbutik (The travel Security Shop) and Resdagboken (The Travel Diary)	671	144
<b>Total other expenses</b>	<b>671</b>	<b>144</b>

Note 11 Tax for the year	2006	2005
Tax on income for the year	1 153	7
Deferred tax on unrealised result	-526	527
<b>Total tax for the year</b>	<b>627</b>	<b>534</b>

Note 12 Other Intangible assets	2006	2005
Capitalized development costs and similar items		
Accumulated capitalized development costs and similar items		
Balance brought forward	7 413	2 808
Internally developed assets during the year	4 840	4 605
<b>Balance carried forward</b>	<b>12 253</b>	<b>7 413</b>
Accumulated depreciation according to plan		
Balance brought forward	2 471	-
Depreciation for the year	4 084	2 471
<b>Balance carried forward, accumulated depreciation</b>	<b>6 555</b>	<b>2 471</b>
<b>Total residual value according to plan</b>	<b>5 698</b>	<b>4 942</b>

The assets refer mainly to an own developed insurance system. The depreciation for the year is accounted in operating expenses.

Note 13 Interest-bearing loans to group companies	2006	2005
European International Holding A/S	32 314	41 818

Note 14 Shares and participation in associated and affiliated companies						
	Corp. identity No	No	Owner share	Acq. Cost	Book value	Domicile
Euro-Center Holding A/S	A/S 174224	4	16,67%	2 015	1 460	Copenhagen
European Assist. Holding GmbH	139284	1	10,00%	23	23	Munich
<b>Total shares and participation in associated companies</b>				<b>2 038</b>	<b>1 483</b>	

Note 15 Shares and participations		
	Total current value	Acquisition value
Fund participation		
SHB Klick Sverige 90 A1	9 167	9 001
<b>Total shares and participations</b>	<b>9 167</b>	<b>9 001</b>

Note 16 Bonds and other fixed-income securities		
	Total current value	Accrued acquisition value
Listed securities		
Bond's The Swedish Government	105 087	105 980
Mortgage bonds, Nordbanken Hypotek 5519	2 827	2 936
Mortgage bonds, Spintab 173	3 557	3 614
Treasury bills, the Swedish Government	62 528	62 574
<b>Total bonds and other fixed-income securities</b>	<b>173 999</b>	<b>175 104</b>

*Bonds and other fixed-income securities are accounted to an accrued acquisition value.*

Note 17 Provision for unearned premiums and remaining risks	2006	2005
Reinsurer's share		
Balance brought forward	9 885	9 170
Change in provision	1 051	715
<b>Balance carried forward</b>	<b>10 936</b>	<b>9 885</b>

Note 18 Provision for claims outstanding	2006	2005
Reinsurers' share		
Brought forward incurred and reported claims	10 393	17 473
Change in incurred and reported claims	1 284	-7 080
Brought forward incurred but not reported claims	1 976	24 879
Change in incurred but not reported claims	35	-22 903
<b>Balance carried forward</b>	<b>13 688</b>	<b>12 369</b>

Note 19 Receivables arising out of direct insurance operations	2006	2005
Policyholders	19 338	12 779
Agents/brokers	572	3 718
<b>Total receivables arising out of direct insurance operations</b>	<b>19 910</b>	<b>16 497</b>

Note 20 Receivables arising out of reinsurance	2006	2005
- The amount includes receivables from group companies	-	-

Note 21 Other receivables	2006	2005
- The amount includes receivables from associated companies	10 846	18 734

Note 22 Fixed and tangible assets and inventories	2006	2005
Fixed and tangible assets and inventories		
Accumulated purchase value		
Balance brought forward	7 248	6 578
Disposal of assets	-	-358
Acquisitions for the year	1 626	1 028
<b>Balance carried forward, purchase value</b>	<b>8 874</b>	<b>7 248</b>

Accumulated depreciation according to plan		
Balance brought forward	- 6 042	-5 175
Disposal of assets	-	285
Depreciation for the year	-891	-1 152
<b>Balance carried forward, accumulated depreciation</b>	<b>-6 933</b>	<b>-6 042</b>
<b>Total residual value according to plan</b>	<b>1 941</b>	<b>1 206</b>

Note 23 Deferred acquisition cost	2006	2005
Brought forward deferred acquisition cost	11 769	11 656
Depreciation for the year	-11 769	-11 656
Activation for the year	11 436	11 796
<b>Carried forward deferred acquisition cost</b>	<b>11 436</b>	<b>11 769</b>

*The acquisition cost has a depreciation time up to one year.*

Note 24 Shareholders' equity						
	Share Capital	Reserve fund	Fund for unrealised gain	Profit brought forward	Result for the year	Total
BF balance 2006-01-01	10 000	2 160	1 471	18 208	766	32 605
Appropriation of profits				766	-766	-
Dividend				-6 565		-6 565
Change in fund for unrealised gains			-1 352	1 352		-
Result for the year					-	-
<b>CF balance 2005-12-31</b>	<b>10 000</b>	<b>2 160</b>	<b>199</b>	<b>13 761</b>	<b>-</b>	<b>26 040</b>

Note 25 Provision for unearned premiums and remaining risks	2006	2005
Balance brought forward	65 939	64 381
Change in provision	3 470	1 558
<b>Balance carried forward</b>	<b>69 409</b>	<b>65 939</b>

Note 26 Provision for claims outstanding	2006	2005
BF Incurred and reported claims	44 732	73 440
Change in incurred and reported claims	-2 003	-28 708
BF Incurred but not reported claims	13 945	15 344
Change in incurred but not reported claims	328	-1 399
BF Claims adjustment provision	2 819	3 281
Change in claims adjustment provision	421	-462
<b>Balance carried forward</b>	<b>60 242</b>	<b>61 496</b>

Note 27 Provision for tax	2006	2005
Deferred tax on unrealised result	46	572
<b>Total</b>	<b>46</b>	<b>572</b>

Note 28 Liabilities arising out of direct insurance operations	2006	2005
Agents / brokers	4 988	4 565
Policyholders	13 378	21 068
<b>Total</b>	<b>18 365</b>	<b>25 633</b>

Note 29 Liabilities arising out of reinsurance	2006	2005
- The amount includes liabilities to associated companies	-	-

Note 30 Staff and salaries			2006	2005
	Men	Women	Total	Total
Board of Directors and CEO	1		1	1
Office staff*	24	51	75	74

\*recalculated to average full time employees

Salaries, remuneration and social expenses have been paid as follows:

(SEK Thousand)	Board and CEO		Office staff	
	2006	2005	2006	2005
Salaries and remuneration				
Basic salary and professional fee	1 580	1 566	27 084	26 136
Variable benefits	374	693	1 188	2 031
Other benefits	10	10	787	787
Social security costs	1 763	911	10 235	10 184
Pension expenses	3 689	879	4 976	4 278
<b>Total</b>	<b>7 416</b>	<b>4 059</b>	<b>44 270</b>	<b>43 416</b>

Salaries and remuneration for the board includes a bonus of 374 TSEK to the CEO.

The CEO has 1 years notice of cancellation. Upon dismissal of the CEO by the company, the severance payment amounts to 2 years salary. The retirement age for the CEO is 60 years. Other employees in the company's management enjoy employment and pension conditions normal for the insurance business.

Additional information regarding sick leave	2006	2005
Total sick leave in percentage of ordinary work time	5,12 %	5,15 %
Share of the total sick leave which relates to continuous sick leave of 60 days or more	58,80 %	61,60 %
Sick leave as a share of each group's ordinary work time:		
Sick leave split into sex:		
Men	2,02 %	2,80 %
Women	6,36 %	6,21 %
Sick leave split into age structure:		
29 years or younger	4,99 %	2,88 %
30-49 years	4,33 %	4,22 %
50 years or older	7,84 %	9,83 %

Note 31 Additional information regarding the insurance operations

	Insurance classes					
	Total 2006	Health	Accident	Property	Other financial loss	Transport
Gross premium income	390 945	222 648	32 294	99 926	9 454	26 624
Gross premium earned	387 475	220 672	32 007	99 039	9 370	26 387
Gross claims incurred	205 439	117 000	16 970	52 510	4 968	13 990
Gross operating expenses	163 210	92 950	13 482	41 717	3 947	11 115
Reinsurance result ceded	-7 031	-4004	-581	-1 797	-170	-479
Claims ratio, gross %	53	53	53	53	53	53

## AUDIT REPORT

To the general meeting of the shareholders of Europeiska Försäkringsaktiebolaget (publ)  
Corporate identity number 502005-5447

I have audited the annual accounts, the accounting records and the administration of the board of directors and the managing director of Europeiska Försäkringsaktiebolaget (publ) for the year 2006. These accounts and the administration of the company are the responsibility of the board of directors and the managing director. My responsibility is to express an opinion on the annual accounts and the administration based on my audit.

I conducted my audit in accordance with generally accepted auditing standards in Sweden. Those standards require that I plan and perform the audit to obtain high but not absolute assurance that the annual accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. An audit also includes assessing the accounting principles used and their application by the board of directors and the managing director and significant estimates made by the board of directors and the managing director when preparing the annual accounts as well as evaluating the overall presentation of information in the annual accounts. As a basis for my opinion concerning discharge from liability, I examined significant decisions, actions taken and circumstances of the company in order to be able to determine the liability, if any, to the company of any board member or the managing director. I also examined whether any board member or the managing director has, in any other way, acted in contravention of the Insurance Business Act, the Insurance Annual Accounts Act or the Articles of Association. I believe that my audit provides a reasonable basis for opinion set out below.

The annual accounts have been prepared in accordance with the Insurance Annual Accounts Act and, thereby, give a true and fair view of the company's financial position and results of operations in accordance with generally accepted accounting principles in Sweden. The statutory administration report is consistent with the order parts of the annual accounts.

I recommend to the general meeting of shareholders that the income statement and balance sheet be adopt-

ed, that the profit be dealt with in accordance with the proposal in the administration report and that the members of the board of directors and the managing director be discharged from liability for the financial year.

Stockholm February 22, 2007



Henrik Rättzén  
Authorized Public Accountant

KPMG Bohlins AB



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