

**INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
OF THE CAPITAL GROUP OF  
POWSZECHNY ZAKŁAD UBEZPIECZEŃ  
SPÓŁKA AKCYJNA  
FOR A 6-MONTH PERIOD  
ENDED 30 JUNE 2010**



## TABLE OF CONTENTS

<b>INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION</b> .....	<b>3</b>
<b>INTERIM CONSOLIDATED INCOME STATEMENT</b> .....	<b>5</b>
<b>INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME</b> .....	<b>7</b>
<b>INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY</b> .....	<b>8</b>
<b>INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS</b> .....	<b>11</b>
<b>ADDITIONAL INFORMATION TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS</b> .....	<b>13</b>
1. Information about PZU and the PZU Group.....	13
2. Compliance with International Financial Reporting Standards .....	17
3. Summary of Significant Accounting Policies.....	18
4. Changes in accounting principles (policy) and comparability of financial data.....	19
5. Key assumptions made for the purpose of accounting estimates and judgments used in the process of selection and application of accounting principles (policy) .....	19
6. Other information regarding the method of preparation of the interim condensed consolidated financial statements.....	19
7. Significant events with a substantial impact on changes in the structure of individual items of the financial statements.....	20
8. Changes in risk management .....	20
9. Notes to the condensed interim consolidated financial statements .....	21
10. Contingent assets and liabilities.....	40
11. Solvency .....	41
12. Segment reporting.....	42
13. Issues, redemption and repayment of debt and equity securities.....	50
14. Credit facility/loan collateral or guarantees given by PZU or its subsidiaries .....	50
15. Dividends .....	50
16. Receivables and liabilities due to litigious proceedings.....	51
17. Other information.....	52
18. Related party transactions .....	57

## INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

PLN '000

<b>Assets</b>	<b>Note</b>	<b>30 June 2010</b>	<b>31 March 2010</b>	<b>31 December 2009</b>	<b>30 June 2009</b>
Intangible assets		88 866	92 154	85 069	77 590
Goodwill		21 960	19 676	19 631	21 731
Property, plant and equipment		1 026 571	1 025 038	1 043 811	1 059 674
Investment property		379 378	390 518	346 552	284 593
Entities measured using the equity method		-	-	-	-
Financial assets	9.1 9.4				
Financial instruments held to maturity	9.1.1	22 231 720	21 982 409	23 327 568	25 006 541
Financial instruments available for sale	9.1.2	8 518 770	8 732 300	10 027 845	12 801 459
Financial instruments measured at fair value through profit or loss	9.1.3	9 974 724	8 940 641	10 213 631	10 233 918
Loans	9.1.4	1 457 745	7 754 173	4 668 549	5 904 790
Receivables, including receivables from insurance contracts	9.2 9.4	1 397 558	1 601 963	1 383 978	1 509 794
Reinsurers' share in technical provisions	9.3 9.4	1 116 283	732 036	748 313	927 256
Estimated salvages and subrogations		72 922	75 285	82 330	43 868
Deferred tax assets		20 481	24 075	24 913	9 496
Current income tax receivables		63	89 351	87 599	148
Deferred acquisition costs		514 010	516 066	481 139	473 669
Prepayments	9.6	241 174	230 461	252 944	198 861
Other assets		13 683	17 094	15 781	8 942
Cash and cash equivalents		398 398	284 561	366 556	388 128
<b>Assets used in continuing operations</b>		<b>47 474 306</b>	<b>52 507 801</b>	<b>53 176 209</b>	<b>58 950 458</b>
Non-current assets held for sale and disposal groups		-	-	-	-
<b>Total assets</b>		<b>47 474 306</b>	<b>52 507 801</b>	<b>53 176 209</b>	<b>58 950 458</b>

## INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONT'D)

PLN '000

Equity and liabilities	Note	30 June 2010	31 March 2010	31 December 2009	30 June 2009
<b>Equity</b>					
Issued share capital and other equity attributable to the shareholders of the parent					
Share capital		86 352	86 352	86 352	86 352
Other capitals		6 458 122	5 781 577	5 802 568	14 589 360
Supplementary capital		6 296 393	5 485 051	5 485 014	14 478 579
Revaluation reserve		181 688	323 077	340 970	123 949
Exchange differences from translation of controlled entities		(19 959)	(26 551)	(23 416)	(13 168)
Undistributed profit / uncovered loss		4 794 179	6 185 199	5 377 826	7 680 105
Previous year profit (loss)		3 624 340	5 377 784	2 365 282	5 371 256
Net profit (loss)		1 169 839	807 415	3 762 945	2 308 849
Appropriations on net profit during the financial year		-	-	(750 401)	-
Non-controlling interest		128	121	133	164
<b>Total equity</b>		<b>11 338 781</b>	<b>12 053 249</b>	<b>11 266 879</b>	<b>22 355 981</b>
<b>Liabilities</b>					
Technical provisions	9.7				
Provision for unearned premiums and for unexpired risks		4 145 284	4 265 606	3 846 600	4 312 992
Life insurance provision		14 545 165	14 523 344	14 582 590	14 585 510
Provisions for outstanding claims		5 118 083	4 367 088	4 456 464	4 268 205
Provision for capitalized value of annuity claims		4 869 974	4 904 855	4 874 653	4 673 443
Provisions for bonuses and rebates for the insured		4 523	3 252	5 071	2 354
Other technical provisions		641 804	669 411	698 918	667 478
Unit linked technical provisions		2 097 786	2 117 703	2 017 501	1 807 911
Investment contracts	9.8				
- with guaranteed and fixed terms and conditions		446 568	1 148 407	2 632 054	2 687 777
- for the client and at the client's risk		1 099 292	1 179 236	1 094 475	903 763
Provisions for employee benefits		269 652	253 999	260 946	269 452
Other provisions	9.9	280 665	311 497	314 595	244 512
Provision for deferred income tax		402 437	528 742	444 053	381 042
Current income tax liabilities		48 101	2 223	3 056	23 345
Derivatives		13 886	5 692	3 533	2 332
Other liabilities	9.10	1 647 689	5 635 644	5 974 052	1 252 102
Accruals and deferred income	9.11				
Cost accruals		359 540	383 922	464 126	328 790
Deferred income		145 076	153 931	236 643	183 469
<b>Liabilities related to continuing operations</b>		<b>36 135 525</b>	<b>40 454 552</b>	<b>41 909 330</b>	<b>36 594 477</b>
Liabilities directly related to non-current assets classified as held for sale		-	-	-	-
<b>Total liabilities</b>		<b>36 135 525</b>	<b>40 454 552</b>	<b>41 909 330</b>	<b>36 594 477</b>
<b>Total equity and liabilities</b>		<b>47 474 306</b>	<b>52 507 801</b>	<b>53 176 209</b>	<b>58 950 458</b>

## INTERIM CONSOLIDATED INCOME STATEMENT

PLN '000

Consolidated income statement	Note	1 April - 30 June 2010	1 January - 30 June 2010	1 April - 30 June 2009	1 January - 30 June 2009
Gross written premiums	9.12	3 465 916	7 393 705	3 494 670	7 486 843
Reinsurer's share in the written premium		(28 877)	(115 729)	(26 908)	(102 879)
<b>Net written premium</b>		<b>3 437 039</b>	<b>7 277 976</b>	<b>3 467 762</b>	<b>7 383 964</b>
Change in net provision for unearned premium		121 315	(275 058)	147 312	(154 626)
<b>Net earned premiums</b>		<b>3 558 354</b>	<b>7 002 918</b>	<b>3 615 074</b>	<b>7 229 338</b>
Fee and commissions income	9.13	67 458	130 090	79 225	159 110
Net investment income	9.14	555 060	997 369	589 700	1 268 127
Net profit or loss on realization and impairment loss on investments	9.15	25 480	160 754	16 636	(91 978)
Net change in the fair value of assets and liabilities plus equity measured at fair value	9.16	(226 912)	106 919	480 521	327 427
Other operating income	9.17	53 355	79 249	13 163	88 921
Claims and change in technical provisions		(3 055 780)	(5 492 732)	(2 356 528)	(4 080 182)
Reinsurers' share in claims and change in technical provisions		425 492	403 320	34 244	64 504
<b>Net insurance claims</b>	<b>9.18</b>	<b>(2 630 288)</b>	<b>(5 089 412)</b>	<b>(2 322 284)</b>	<b>(4 015 678)</b>
Investment benefits and change in valuation of investment contracts	9.19	4 931	(57 257)	(89 920)	(145 375)
Acquisition costs	9.20	(444 235)	(877 564)	(439 984)	(864 965)
Administrative expense	9.20	(431 343)	(821 635)	(405 472)	(848 439)
Other operating expense	9.21	(60 932)	(131 336)	(98 858)	(235 340)
<b>Operating profit (loss)</b>		<b>470 928</b>	<b>1 500 095</b>	<b>1 437 801</b>	<b>2 871 148</b>
Financial expense	9.22	(11 635)	(58 654)	-	-
Share in net profit (loss) of entities measured using the equity method		-	-	-	-
<b>Gross profit (loss)</b>		<b>459 293</b>	<b>1 441 441</b>	<b>1 437 801</b>	<b>2 871 148</b>

## INTERIM CONSOLIDATED INCOME STATEMENT (CONT'D)

PLN '000

Consolidated income statement	Note	1 April - 30 June 2010	1 January - 30 June 2010	1 April – 30 June 2009	1 January - 30 June 2009
Income tax					
- current portion		(192 515)	(289 218)	(193 863)	(391 196)
- deferred portion		95 644	17 611	(79 751)	(171 119)
<b>Net profit (loss), including:</b>		<b>362 422</b>	<b>1 169 834</b>	<b>1 164 187</b>	<b>2 308 833</b>
- profit (loss) attributable to equity holders of the parent		362 424	1 169 839	1 164 201	2 308 849
- minority profits (loss)		(2)	(5)	(14)	(16)
Net profit (loss) from continuing operations		362 422	1 169 834	1 164 187	2 308 833
Net profit (loss) from discontinued operations		-	-	-	-
Weighted average basic and diluted number of ordinary shares		86 352 300	86 352 300	86 352 300	86 352 300
Basic and diluted profit (loss) on continuing operations per ordinary share (in PLN)		4,20	13,55	13,48	26,74
Basic and diluted profit (loss) on discontinued operations per ordinary share (in PLN)		-	-	-	-
Basic and diluted profit (loss) per ordinary share (in PLN)		4,20	13,55	13,48	26,74

## INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

PLN '000

<b>Consolidated statement of comprehensive income</b>	<b>1 April - 30 June 2010</b>	<b>1 January - 30 June 2010</b>	<b>1 April - 30 June 2009</b>	<b>1 January - 30 June 2009</b>
Net profit (loss)	362 422	1 169 834	1 164 187	2 308 833
Other comprehensive income:	(134 788)	(155 825)	173 503	(5 242)
Financial assets available for sale	(141 389)	(169 740)	179 170	(15 365)
Exchange differences from translation of controlled entities	6 601	3 457	(5 667)	10 123
Real property reclassified from property, plant and equipment to investment property	-	10 458	-	-
<b>Net comprehensive income total</b>	<b>227 634</b>	<b>1 014 009</b>	<b>1 337 690</b>	<b>2 303 591</b>
- comprehensive income attributable to holders of the parent's equity	227 627	1 014 014	1 337 713	2 303 595
- comprehensive income attributable to equity under discretionary participation features contracts	-	-	-	-
- comprehensive income attributable to non-controlling interest	7	(5)	(23)	(4)

## INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

PLN '000

Statement of changes in consolidated Equity	Equity and provisions attributable to owners of the parent's share capital							Non-controlling interest	Total equity	
	Share capital	Supplementary capital	Other capitals		Undistributed profit / uncovered loss					
			Revaluation reserve	Exchange differences from translation	Previous year profit (loss)	Net profit (loss)	Appropriations of net profit during the financial year (negative value)			Total
<b>Balance as at 1 January 2010</b>	<b>86 352</b>	<b>5 485 014</b>	<b>340 970</b>	<b>(23 416)</b>	<b>5 377 826</b>	<b>-</b>	<b>-</b>	<b>11 266 746</b>	<b>133</b>	<b>11 266 879</b>
Change in measurement of AFS financial assets	-	-	(169 740)	-	-	-	-	(169 740)	-	(169 740)
Exchange differences from translation	-	-	-	3 457	-	-	-	3 457	-	3 457
Real property reclassified from property, plant and equipment to investment property	-	-	10 458	-	-	-	-	10 458	-	10 458
<b>Total increases (decreases) recognized directly in net capital (including income tax)</b>	<b>-</b>	<b>-</b>	<b>(159 282)</b>	<b>3 457</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(155 825)</b>	<b>-</b>	<b>(155 825)</b>
Net profit (loss) for the financial year	-	-	-	-	-	1 169 839	-	1 169 839	(5)	1 169 834
<b>Total increases (decreases)</b>	<b>-</b>	<b>-</b>	<b>(159 282)</b>	<b>3 457</b>	<b>-</b>	<b>1 169 839</b>	<b>-</b>	<b>1 014 014</b>	<b>(5)</b>	<b>1 014 009</b>
<b>Other changes, including:</b>	<b>-</b>	<b>811 379</b>	<b>-</b>	<b>-</b>	<b>(1 753 486)</b>	<b>-</b>	<b>-</b>	<b>(942 107)</b>	<b>-</b>	<b>(942 107)</b>
Distribution of the financial profit/loss to supplementary capital	-	811 116	-	-	(1 753 220)	-	-	(942 104)	-	(942 104)
Other	-	263	-	-	(266)	-	-	(3)	-	(3)
<b>Balance as at 30 June 2010</b>	<b>86 352</b>	<b>6 296 393</b>	<b>181 688</b>	<b>(19 959)</b>	<b>3 624 340</b>	<b>1 169 839</b>	<b>-</b>	<b>11 338 653</b>	<b>128</b>	<b>11 338 781</b>



## INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONT'D)

PLN '000

Statement of changes in consolidated Equity	Equity and provisions attributable to owners of the parent's share capital							Non-controlling interest	Total equity	
	Share capital	Other capitals			Undistributed profit / uncovered loss					Total
Supplementary capital		Revaluation reserve	Exchange differences from translation	Previous year profit (loss)	Net profit (loss)	Appropriations of net profit during the financial year (negative value)				
<b>Balance at 1 January 2009</b>	<b>86 352</b>	<b>14 478 547</b>	<b>139 314</b>	<b>(23 279)</b>	<b>5 371 288</b>	<b>-</b>	<b>-</b>	<b>20 052 222</b>	<b>168</b>	<b>20 052 390</b>
Change in measurement of AFS financial assets	-	-	184 693	-	-	-	-	184 693	-	184 693
Exchange differences from translation	-	-	-	(137)	-	-	-	(137)	(1)	(138)
Real property reclassified from property, plant and equipment to investment property	-	-	16 963	-	-	-	-	16 963	-	16 963
<b>Total increases (decreases) recognized directly in net capital (including income tax)</b>	<b>-</b>	<b>-</b>	<b>201 656</b>	<b>(137)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>201 519</b>	<b>(1)</b>	<b>201 518</b>
Net profit (loss) for the financial year	-	-	-	-	-	3 762 945	-	3 762 945	(34)	3 762 911
<b>Total increases (decreases)</b>	<b>-</b>	<b>-</b>	<b>201 656</b>	<b>(137)</b>	<b>-</b>	<b>3 762 945</b>	<b>-</b>	<b>3 964 464</b>	<b>(35)</b>	<b>3 964 429</b>
<b>Other changes, including:</b>	<b>-</b>	<b>(8 993 533)</b>	<b>-</b>	<b>-</b>	<b>(3 006 006)</b>	<b>-</b>	<b>(750 401)</b>	<b>(12 749 940)</b>	<b>-</b>	<b>(12 749 940)</b>
Financial profit/loss reclassified to supplementary capital	-	3 005 798	-	-	(3 005 798)	-	-	-	-	-
Advance payment for dividend	-	(11 999 516)	-	-	-	-	(750 401)	(12 749 917)	-	(12 749 917)
Other	-	185	-	-	(208)	-	-	(23)	-	(23)
<b>Balance at 31 December 2009</b>	<b>86 352</b>	<b>5 485 014</b>	<b>340 970</b>	<b>(23 416)</b>	<b>2 365 282</b>	<b>3 762 945</b>	<b>(750 401)</b>	<b>11 266 746</b>	<b>133</b>	<b>11 266 879</b>

## INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONT'D)

PLN '000

Statement of changes in consolidated Equity	Equity and provisions attributable to owners of the parent's share capital								Non-controlling interest	Total equity
	Share capital	Supplementary capital	Other capitals		Undistributed profit / uncovered loss			Total		
			Revaluation reserve	Exchange differences from translation	Previous year profit (loss)	Net profit (loss)	Appropriations of net profit during the financial year (negative value)			
<b>Balance as at 1 January 2009</b>	<b>86 352</b>	<b>14 478 547</b>	<b>139 314</b>	<b>(23 279)</b>	<b>5 371 288</b>	<b>-</b>	<b>-</b>	<b>20 052 222</b>	<b>168</b>	<b>20 052 390</b>
Change in measurement of AFS financial assets	-	-	(15 365)	-	-	-	-	(15 365)	-	(15 365)
Exchange differences from translation	-	-	-	10 111	-	-	-	10 111	12	10 123
<b>Total increases (decreases) recognized directly in net capital (including income tax)</b>	<b>-</b>	<b>-</b>	<b>(15 365)</b>	<b>10 111</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(5 254)</b>	<b>12</b>	<b>(5 242)</b>
Net profit (loss) for the financial year	-	-	-	-	-	2 308 849	-	2 308 849	(16)	2 308 833
<b>Total increases (decreases)</b>	<b>-</b>	<b>-</b>	<b>(15 365)</b>	<b>10 111</b>	<b>-</b>	<b>2 308 849</b>	<b>-</b>	<b>2 303 595</b>	<b>(4)</b>	<b>2 303 591</b>
Other changes	-	32	-	-	(32)	-	-	-	-	-
<b>Balance as at 30 June 2009</b>	<b>86 352</b>	<b>14 478 579</b>	<b>123 949</b>	<b>(13 168)</b>	<b>5 371 256</b>	<b>2 308 849</b>	<b>-</b>	<b>22 355 817</b>	<b>164</b>	<b>22 355 981</b>

## INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

PLN '000

Consolidated statement of cash flows	1 January – 30 June 2010	1 January – 31 December 2009	1 January – 30 June 2009
<b>Cash flows from operating activities</b>			
Inflows	8 178 490	19 181 014	8 795 556
- gross inflows from insurance premiums	7 265 103	14 526 646	7 471 383
- inflows from investment contracts	494 295	3 576 627	790 016
- inflows from reinsurance commissions and share in reinsurers' profits	2 531	11 781	3 796
- reinsurers' payments due to share in claims	66 078	173 025	60 121
- other inflows from operating activities	350 483	892 935	470 240
Outflows	(9 930 834)	(20 721 570)	(10 679 407)
- insurance premiums paid due to reinsurance	(76 987)	(143 575)	(71 901)
- paid commissions and profit sharing due to outward reinsurance	(1 111)	(24 413)	(18 620)
- gross claims paid	(4 481 291)	(8 871 634)	(4 380 269)
- claims paid due to investment contracts	(2 624 804)	(5 991 022)	(3 203 371)
- outflows due to acquisition	(709 857)	(1 322 888)	(658 766)
- administrative outflows	(1 089 205)	(2 142 752)	(1 072 671)
- interest payments	(98)	(170)	(8)
- income tax payments	(66 659)	(617 902)	(208 764)
- other operating outflows	(880 822)	(1 607 214)	(1 065 037)
<b>Net cash flows generated by operating activities</b>	<b>(1 752 344)</b>	<b>(1 540 556)</b>	<b>(1 883 851)</b>
<b>Cash flows from investment activities</b>			
Inflows	163 376 126	419 444 801	171 146 644
- inflows from investment property	3 545	6 546	4 944
- disposal of intangible assets and property, plant and equipment	4 110	2 712	1 380
- disposal of shares	2 472 322	3 430 935	1 234 287
- redemption of debt securities	12 040 241	34 672 090	10 215 070
- withdrawal of term deposits at credit institutions	71 055 432	182 406 133	91 189 619
- cash from other investments	77 380 869	197 472 475	67 943 580
- interest received	387 523	1 393 811	532 690
- dividends received	32 084	60 030	25 074
- other inflows from investments	-	69	-
Outflows	(156 776 505)	(410 040 675)	(169 407 572)
- acquisition of investment property	(343)	(283)	(283)
- payments for maintenance of investment property	(5 774)	(8 431)	(4 854)
- acquisition of intangible assets and property, plant and equipment	(80 224)	(155 781)	(70 183)
- acquisition of shares	(2 586 419)	(3 625 911)	(1 225 067)
- decrease in cash balance due to discontinued investment funds consolidation	(201)	(43 784)	(43 784)
- acquisition of debt securities	(8 548 065)	(30 645 717)	(11 356 007)
- acquisition of term deposits at credit institutions	(67 889 526)	(178 998 253)	(88 559 613)
- acquisition of other investments	(77 649 588)	(196 505 813)	(68 123 693)
- other payments for investments	(16 365)	(56 702)	(24 088)
<b>Net cash used in/generated by investment activities</b>	<b>6 599 621</b>	<b>9 404 126</b>	<b>1 739 072</b>

## INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (CONT'D)

PLN '000

Consolidated statement of cash flows	1 January – 30 June 2010	1 January – 31 December 2009	1 January – 30 June 2009
Cash flows from financing activities			
Inflows	205	4 712 755	55
- loans and borrowings and issues of debt securities	205	4 712 755	55
Outflows	(4 810 603)	(12 742 730)	(54)
- dividends paid to holders of the parent's equity	(3 533)	(12 742 237)	-
- repayment of loans and borrowings and redemption of debt securities	(4 807 070)	(493)	(54)
<b>Net cash used in financing activities</b>	<b>(4 810 398)</b>	<b>(8 029 975)</b>	<b>1</b>
<b>Total net cash flows</b>	<b>36 879</b>	<b>(166 405)</b>	<b>(144 778)</b>
Cash and cash equivalents at the beginning of the financial year	366 556	533 206	533 206
Change in cash due to exchange differences	(5 037)	(245)	(300)
Cash and cash equivalents at the end of the financial year, including:	<b>398 398</b>	<b>366 556</b>	<b>388 128</b>
- of limited disposability	58 857	29 666	56 302

## **ADDITIONAL INFORMATION TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

### **1. Information about PZU and the PZU Group**

#### **1.1. PZU**

Powszechny Zakład Ubezpieczeń Spółka Akcyjna with its registered office in Warsaw at Al. Jana Pawła II 24 ("PZU") is the Parent of the PZU Group. It was established as a result of transforming of Państwowy Zakład Ubezpieczeń into a joint-stock company wholly owned by the State Treasury pursuant to Article 97 of the Act on insurance activity of 28 July 1990 (consolidated text: Journal of Laws No. 11 of 1996, item 62, as amended).

PZU is recorded in the Register of Entrepreneurs of the National Court Register at the District Court for the capital city of Warsaw, XII Business Division of the National Court Register, under KRS number 0000009831.

In line with NACE classification, the core business of PZU includes property and casualty insurance (NACE 66.03).

## 1.2. PZU Group Companies

The organization of the PZU Group did not change substantially in the 6-month period ended 30 June 2010 and by the date of provision of this interim report. In Q2 2010 PZU's direct and indirect share in the net assets of PZU Fundusz Inwestycyjny Otwarty Papierów Dłużnych Polonez dropped below 50%, as a result of which the above fund has not been subject to consolidation since 1 April 2010.

No.	Entity's name	Registered office	Date of commencing control/ significant impact	% of share capital directly or indirectly held by PZU		% of votes directly or indirectly held by PZU		Business activity
				30 June 2010	31 December 2009	30 June 2010	31 December 2009	
<b>Entities included in consolidation</b>								
1	Powszechny Zakład Ubezpieczeń SA	Warszawa	n/a	n/a	n/a	n/a	n/a	Property and casualty insurance.
2	Powszechny Zakład Ubezpieczeń na Życie SA („PZU Życie”)	Warszawa	18.12.1991	100,00%	100,00%	100,00%	100,00%	Life insurance.
3	Powszechne Towarzystwo Emerytalne PZU SA („PTE PZU”)	Warszawa	08.12.1998	100,00%	100,00%	100,00%	100,00%	Pension fund management.
4	PZU Centrum Operacji SA („PZU CO”)	Warszawa	30.11.2001	100,00%	100,00%	100,00%	100,00%	Auxiliary activity related to insurance and pension funds.
5	Tower Inwestycje Sp. z o.o. (former: PZU Tower Sp. z o.o.; „Tower Inwestycje”)	Warszawa	27.08.1998	100,00%	100,00%	100,00%	100,00%	Other finance services excluding insurance and pension funds.
6	PrJSC IC PZU Ukraine („PZU Ukraine”)	Kijów (Ukraina)	01.07.2005	100,00%	100,00%	100,00%	100,00%	Property insurance.
7	UAB DK PZU Lietuva („PZU Lietuva”)	Wilno (Litwa)	26.04.2002	99,76%	99,76%	99,76%	99,76%	Property insurance.
8	Ogrodowa-Inwestycje Sp. z o.o.	Warszawa	15.09.2004	100,00%	100,00%	100,00%	100,00%	Acquisition, operation, lease and disposal of real property.

No.	Entity's name	Registered office	Date of commencing control/ significant impact	% of share capital directly or indirectly held by PZU		% of votes directly or indirectly held by PZU		Business activity
				30 June 2010	31 December 2009	30 June 2010	31 December 2009	
<b>Non-consolidated subsidiaries</b>								
9	PZU Pomoc SA	Warszawa	18.03.2009	100,00%	100,00%	100,00%	100,00%	Assistance services.
10	Ipsilon Sp. z o.o.	Warszawa	02.04.2009	100,00%	100,00%	100,00%	100,00%	Assistance and medical services.
11	Syta Development Sp. z o.o. w likwidacji	Warszawa	29.04.1996	100,00%	100,00%	100,00%	100,00%	Acquisition and disposal of real property, trade agency and administration of real property.
12	Towarzystwo Funduszy Inwestycyjnych PZU SA („TFI PZU”)	Warszawa	30.04.1999	100,00%	100,00%	100,00%	100,00%	Creation, representing and management of investment funds.
13	Sigma Investments Sp. z o.o.	Warszawa	28.12.1999	100,00%	100,00%	100,00%	100,00%	Investment activity Acquisition and disposal of shares in public companies, bonds and other listed securities.
14	PZU Asset Management SA („PZU AM”)	Warszawa	12.07.2001	100,00%	100,00%	100,00%	100,00%	Management of securities portfolios for the account of third parties.
15	Międzypokładowe Pracownicze Towarzystwo Emerytalne PZU SA („MPTE PZU SA”)	Warszawa	13.08.2004	100,00%	100,00%	100,00%	100,00%	Management of employee pension fund.
16	PrJSC IC PZU Ukraine Life Insurance	Kijów (Ukraina)	01.07.2005	100,00%	100,00%	100,00%	100,00%	Life insurance.
17	LLC SOS Services Ukraine	Kijów (Ukraina)	01.07.2005	100,00%	100,00%	100,00%	100,00%	Assistance services.
18	Company with Additional Liability Inter-Risk Ukraine	Kijów (Ukraina)	01.07.2005	100,00%	100,00%	100,00%	100,00%	Legal services.
19	UAB PZU Lietuva Gyvybes Draudimas	Wilno (Litwa)	26.04.2002	99,34%	99,34%	99,34%	99,34%	Life insurance.
20	Armatura Kraków SA	Kraków	07.10.1999	64,63%	64,63%	64,63%	64,63%	Production of kitchen and bathroom mixing faucets.
21	Armatoora SA	Nisko	10.12.2008	64,63%	64,63%	64,63%	64,63%	Production of radiators and aluminum casts.
22	Armatoora SA i wspólnik sp. k.	Kraków	10.02.2009	64,63%	64,63%	64,63%	64,63%	Use of free funds, development investments.
23	Armagor Sp. z o.o.	Gorzów Śląski	06.09.2009	64,08%	63,20%	64,08%	63,20%	Production of valves, tooling services .
24	ICH Center SA	Warszawa	31.01.1996	90,00%	90,00%	90,00%	90,00%	Green Card claims handling.

The Capital Group of PZU Spółka Akcyjna  
Interim consolidated financial statements for the 6-month period ended 30 June 2010

No.	Entity's name	Registered office	Date of commencing control/ significant impact	% of share capital directly or indirectly held by PZU		% of votes directly or indirectly held by PZU		Business activity
				30 June 2010	31 December 2009	30 June 2010	31 December 2009	
<b>Affiliates</b>								
26	Kolej Gondolowa Jaworzyna Krynicka SA	Krynica	17.08.1998	37,53%	37,53%	36,71%	36,71%	Operation of ski hoists.
27	Nadwiślańska Agencja Ubezpieczeniowa SA	Tychy	08.06.1999	30,00%	30,00%	30,00%	30,00%	Insurance activities.



## 2. Compliance with International Financial Reporting Standards

These interim consolidated financial statements of the PZU Group have been prepared in compliance with International Financial Reporting Standards as endorsed by the European Commission (the "Commission") as of 30 June 2010, including the requirements of IAS 34 *Interim Financial Reporting*.

These interim consolidated financial statements cover a 6-month period from 1 January to 30 June 2010.

### 2.1. Introduction of new IFRS

#### 2.1.1. Standards and interpretations as well as revised standards effective as of 1 January 2010

The following standards, interpretations and revised standards have been applied to these interim consolidated financial statements for the first time (as regards the financial statements of the PZU Group, they are applicable to reporting periods beginning on 1 January 2010):

Standard/interpretation	Effective date for periods beginning on	Commission Regulation endorsing the standard or interpretation
Revised IFRS 2 – Group cash-settled share-based payments	1 January 2010	244/2010
Improvements to IFRS resulting from the 2009 annual review	1 July 2009 / 1 January 2010	243/2010
IFRIC 18 - Transfers of assets from customers	1 July 2009	1164/2009
IFRIC 17 - Distributions of non-cash assets to owners	1 July 2009	1142/2009
Revised IFRS 1 - First-time adoption of International Financial Reporting Standards	1 July 2009	1136/2009
Revised IAS 39 - Financial instruments: recognition and measurement	1 July 2009	839/2009
Revised IFRS 3 - Business combinations	1 July 2009	495/2009
Revised IAS 27 - Consolidated and separate financial statements	1 July 2009	494/2009

The above standards and interpretations do not have any effect on changes in the accounting principles applied to comprehensive income or equity of the PZU Group as presented in these interim consolidated financial statements.

### 2.1.2. **Published standards, interpretations and revised standards which have not come into force yet**

The following standards, interpretations and revised standards have been published but have not come into force yet:

- Approved by EC Regulations:

Standard/interpretation	Effective date for periods beginning on	Commission Regulation endorsing the standard or interpretation
Revised IAS 32 – Classification of rights issues	1 February 2010	1293/2009
Revised IFRS 1 - First-time adoption of International Financial Reporting Standards - additional exemptions for first-time adopters	1 January 2010	550/2010
Revised IFRS 1 - First-time adoption of International Financial Reporting Standards: exemption from additional disclosures to IFRS 7	1 July 2010	574/2010
Revised IFRIC 14 - Minimum Funding Requirements	1 January 2011	633/2010
Revised IAS 24 - Related party disclosures	1 January 2011	632/2010
IFRIC 19 - Extinguishing financial liabilities with equity instruments	1 July 2010	662/2010

The PZU Group did not take the opportunity of earlier application of the above revised standards.

- Not approved by EC Commission:

Standard/interpretation	Effective date for periods beginning on (according to the International Accounting Standards Board)
IFRS 9 - Financial Instruments	1 January 2013
Improvements to IFRS (published by the International Accounting Standards Board in May 2010)	Various dates of which 1 July 2010 is the earliest

It is expected that application of the above standards, interpretations and revised standards will not have a material effect on the comprehensive income and equity of the PZU Group, except for IFRS 9, for which, considering a remote effective date, expected further revisions regarding financial instruments, related among others to the current work aimed at replacement of IAS 39 with new regulations, the effects of application on the comprehensive income and equity of the PZU Group have not been estimated.

### 3. **Summary of Significant Accounting Policies**

Detailed accounting principles (policy) have been presented in the annual consolidated financial statements of the Capital Group of Powszechny Zakład Ubezpieczeń Spółka Akcyjna for 2009, signed by the Management Board of PZU on 7 March 2010, on which the certified auditor issued an unqualified opinion on the above date (the “Consolidated financial statements of the PZU Group for 2009”).

The above financial statements have been enclosed to the Prospectus of PZU published on 16 April 2010 and available on the PZU website [www.pzu.pl](http://www.pzu.pl) under “Investor Relations”.

#### **4. Changes in accounting principles (policy) and comparability of financial data**

In the 6-month period ended 30 June 2010 no changes were introduced to the accounting principles (policy) or the method of presentation of the financial data in the consolidated financial statements compared to the annual consolidated financial statements for 2009. However, it should be emphasized that these interim consolidated financial statements are condensed within the meaning of IAS 34.

#### **5. Key assumptions made for the purpose of accounting estimates and judgments used in the process of selection and application of accounting principles (policy)**

Key assumptions made for the purpose of accounting estimates and judgments used in the process of selection and application of accounting principles (policy) were presented in the consolidated financial statements of the PZU Group for 2009.

In the 6-month period ended 30 June 2010 the above assumptions and judgments were not changed.

#### **6. Other information regarding the method of preparation of the interim condensed consolidated financial statements**

##### **6.1. Functional and presentation currency**

The Polish zloty (PLN) is the functional and presentation currency of the PZU Group. Unless expressly stated otherwise, all amounts presented in the interim consolidated financial statements are in PLN thousand.

##### **6.2. Going concern**

These interim consolidated financial statements have been prepared on the assumption that the PZU Group companies will continue as a going concern in the foreseeable future, i.e. in the period of at least 12 months from the end of the reporting period. As of the date of signing the interim consolidated financial statements, no facts and circumstances indicated a risk to the ability of the PZU Group companies to continue as a going concern within 12 months of the end of the reporting period due to intended or forced discontinuation or material limitation of their activities.

##### **6.3. Discontinued operations**

In the 6-month period ended 30 June 2010 the PZU Group companies did not discontinue any of their operations.

##### **6.4. Seasonal or cyclical nature of business**

Operations of the PZU Group are not of a seasonal or cyclical nature to the extent that would justify application of the suggestions presented in IAS 34.21.

## 6.5. Foreign exchange rates

The following exchange rates have been applied to translate data of foreign controlled entities and to present selected financial data in the interim consolidated financial statements:

Currency	1 January – 30 June 2010	30 June 2010	1 January – 31 December 2009	31 December 2009	1 January – 30 June 2009	30 June 2009
LTL	1,1597	1,2007	1,2571	1,1898	1,3086	1,2945
UAH	0,3850	0,4293	0,3897	0,3558	0,4263	0,4144
EUR	4,0042	4,1458	4,3406	4,1082	4,5184	4,4696

The rates are:

- average rates of the National Bank of Poland ruling as of the balance sheet date – for the statement of financial position;
- rates determined as the arithmetic mean of the rates published by the National Bank of Poland, ruling as of the last day of each month of a given period - for the income statement, statement of comprehensive income and statement of cash flows.

## 7. Significant events with a substantial impact on changes in the structure of individual items of the financial statements

### 7.1. Repayment of liabilities related to financing of the advance payment towards dividend for 2009

On 22 April 2010, which was the maturity date, PZU repaid liabilities related to financing of the advance payment towards dividend for 2009. The issue has been described in more detail in point **Błąd! Nie można odnaleźć źródła odwołania.**

### 7.2. Key dividends paid among the PZU Group companies

#### 7.2.1. Dividend from PZU Życie to PZU

On 15 April 2010, PZU Życie paid a dividend to PZU in the total amount of PLN 3 120 000 thousand (including PLN 2 743 099 thousand from net profit for 2009 and PLN 376 901 thousand from the supplementary capital created from previous year profits).

The operation has no influence of the profit/loss of the PZU Group, but on the presentation of the results of individual segments.

#### 7.2.2. Dividend from PTE PZU to PZU Życie

On 13 April 2010, PTE PZU paid a dividend to PZU Życie of PLN 116 882 thousand (the total net profit for 2009).

The operation has no influence of the profit/loss of the PZU Group, but on the presentation of the results of individual segments.

## 8. Changes in risk management

### 8.1. Establishment of the Risk Division within the structure of PZU SA and PZU Życie

On 4 March 2010 the position of a Risk Managing Director was established within the structure of PZU and PZU Życie and the Risk Office was established in those entities on 1 August 2010.

The scope of responsibilities of the Risk Office includes:

- development of the risk management system;

- identification of investment, insurance and operational risks, their measurement as well as development and implementation of an effective risk reporting system;
- development and implementation of an internal model for investment, insurance and operational risks;
- development of an effective system of reporting profitability of operations, taking into account the cost of capital;
- ensuring the PZU Group's compliance with the requirements of the Solvency II Directive as well as other external acts regarding the insurance and operational risk management system.

## 8.2. Stress tests

To comply with the requirement imposed by the Polish Financial Supervision Authority (KNF) on insurance companies, PZU SA and PZU Życie conducted stress tests relating to financial data reported as of 31 December 2009 in line with KNF guidelines and submitted their results by the end of July 2010. The stress tests showed that the largest PZU Group companies have sufficient capitals to safely continue as a going concern if adverse events with considerable financial implications occur in their business environment.

The previous stress tests focused on financial data reported as of 31 December 2008 and their results were submitted to KNF at the beginning of February 2010.

It is an objective of KNF to oblige insurance companies to conduct stress tests based on their annual financial data on a yearly basis.

## 9. Notes to the condensed interim consolidated financial statements

### 9.1. Financial assets

#### 9.1.1. Financial instruments held to maturity

Financial instruments held to maturity	30 June 2010	31 March 2010	31 December 2009	30 June 2009
<b>Instruments for which fair value may be determined</b>	<b>22 231 720</b>	<b>21 982 409</b>	<b>23 327 568</b>	<b>25 006 541</b>
Debt securities	22 231 720	21 982 409	23 327 568	25 006 541
- government securities	21 629 627	21 378 470	22 724 017	24 546 225
- fixed rate	21 629 627	21 378 470	22 407 507	24 267 275
- floating rate	-	-	316 510	278 950
- other securities	602 093	603 939	603 551	460 316
- listed on a regulated market	429 012	435 519	428 328	408 320
- fixed rate	429 012	435 519	428 328	408 320
- not listed on a regulated market	173 081	168 420	175 223	51 996
- fixed rate	52 001	50 707	79 998	51 996
- floating rate	121 080	117 713	95 225	-
<b>Total financial instruments held to maturity</b>	<b>22 231 720</b>	<b>21 982 409</b>	<b>23 327 568</b>	<b>25 006 541</b>

### 9.1.2. Financial instruments available for sale

Financial instruments available for sale	30 June 2010	31 March 2010	31 December 2009	30 June 2009
<b>Instruments for which fair value may be determined</b>	<b>8 401 793</b>	<b>8 631 159</b>	<b>9 926 704</b>	<b>12 708 287</b>
Equity instruments	1 094 387	1 202 396	1 324 807	1 123 858
- listed on a regulated market*	670 942	796 655	909 525	724 503
- not listed on a regulated market	423 445	405 741	415 282	399 355
Debt securities	7 307 406	7 428 763	8 601 897	11 584 429
- government securities	7 220 571	7 365 027	8 537 465	11 518 837
- fixed rate	7 220 571	7 036 071	8 208 297	11 193 583
- floating rate	-	328 956	329 168	325 254
- other securities	86 835	63 736	64 432	65 592
- listed on a regulated market	38 804	15 301	15 067	15 138
- fixed rate	23 771	-	-	-
- floating rate	15 033	15 301	15 067	15 138
- not listed on a regulated market	48 031	48 435	49 365	50 454
- floating rate	48 031	48 435	49 365	50 454
<b>Instruments for which fair value may not be determined</b>	<b>116 977</b>	<b>101 141</b>	<b>101 141</b>	<b>93 172</b>
Equity instruments	116 977	101 141	101 141	93 172
- not listed on a regulated market**	116 977	101 141	101 141	93 172
<b>Total financial instruments available for sale</b>	<b>8 518 770</b>	<b>8 732 300</b>	<b>10 027 845</b>	<b>12 801 459</b>

\* This item includes shares in a subsidiary not included under consolidation, whose value as of 30 June 2010 was as follows: carrying amount - PLN 42 952 thousand, fair value - PLN 121 495 thousand (as of 31 March 2010: carrying amount - PLN 42 952 thousand, fair value - PLN 153 031 thousand; as of 31 December 2009: carrying amount - PLN 42 952 thousand, fair value - PLN 142 175 thousand; as of 30 June 2009: carrying amount: PLN 42 645 thousand, fair value - PLN 114 552 thousand).

\*\* This item includes shares in controlled entities not included under consolidation, whose carrying amount as of 30 June 2010 was PLN 113 735 thousand (as of 31 March 2010: PLN 98 001 thousand, as of 31 December 2009: PLN 98 001 thousand and as of 30 June 2009: PLN 90 074 thousand).

### 9.1.3. Financial instruments measured at fair value through profit or loss

Financial instruments measured at fair value through profit or loss – classified as such upon initial recognition	30 June 2010	31 March 2010	31 December 2009	30 June 2009
<b>Instruments for which fair value may be determined</b>	<b>4 934 376</b>	<b>3 787 958</b>	<b>5 498 886</b>	<b>6 295 947</b>
Equity instruments	421 211	359 212	340 009	299 554
- listed on a regulated market	21 256	8 590	6 887	7 618
- not listed on a regulated market	399 955	350 622	333 122	291 936
Debt securities	4 513 165	3 428 746	5 158 877	5 996 393
- government securities	4 426 060	3 364 693	5 094 085	5 928 259
- fixed rate	4 426 060	3 364 693	4 852 891	5 627 088
- floating rate	-	-	241 194	301 171
- other securities	87 105	64 053	64 792	68 134
- listed on a regulated market	39 074	15 618	15 427	17 680
- fixed rate	24 041	317	288	2 544
- floating rate	15 033	15 301	15 139	15 136
- not listed on a regulated market	48 031	48 435	49 365	50 454
- floating rate	48 031	48 435	49 365	50 454
<b>Total financial instruments measured at fair value through profit or loss – classified as such upon initial recognition</b>	<b>4 934 376</b>	<b>3 787 958</b>	<b>5 498 886</b>	<b>6 295 947</b>

<b>Financial instruments measured at fair value through profit or loss – held for trading</b>	<b>30 June 2010</b>	<b>31 March 2010</b>	<b>31 December 2009</b>	<b>30 June 2009</b>
<b>Instruments for which fair value may be determined</b>	<b>5 040 348</b>	<b>5 152 683</b>	<b>4 714 745</b>	<b>3 937 971</b>
Equity instruments	3 294 769	3 314 879	3 001 885	2 249 454
- listed on a regulated market	1 892 134	1 973 839	1 795 234	1 303 108
- not listed on a regulated market	1 402 635	1 341 040	1 206 651	946 346
Debt securities	1 702 017	1 811 645	1 699 137	1 669 815
- government securities	1 672 747	1 760 083	1 649 374	1 627 249
- fixed rate	1 667 683	1 752 576	1 641 849	1 609 321
- floating rate	5 064	7 507	7 525	17 928
- other securities	29 270	51 562	49 763	42 566
- listed on a regulated market	5 254	8 199	7 683	-
- fixed rate	5 254	5 199	7 683	-
- floating rate	-	3 000	-	-
- not listed on a regulated market	24 016	43 363	42 080	42 566
- fixed rate	-	7 039	2 952	3 605
- floating rate	24 016	36 324	39 128	38 961
Other, including:	43 562	26 159	13 723	18 702
- derivatives	43 562	26 159	13 723	18 702
<b>Total financial instruments measured at fair value through profit or loss – held for trading</b>	<b>5 040 348</b>	<b>5 152 683</b>	<b>4 714 745</b>	<b>3 937 971</b>

#### 9.1.4. Loans

<b>Loans</b>	<b>30 June 2010</b>	<b>31 March 2010</b>	<b>31 December 2009</b>	<b>30 June 2009</b>
<b>Debt securities</b>	-	-	-	-
<b>Other, including:</b>	<b>1 457 745</b>	<b>7 754 173</b>	<b>4 668 549</b>	<b>5 904 790</b>
- reverse repo transactions	272 002	4 443 508	345 789	527 486
- term deposits with credit institutions	1 163 493	3 266 698	4 297 184	5 368 653
- deposits with ceding undertakings	2 092	1 832	1 542	5 585
- loans	20 158	42 135	24 034	3 066
<b>Total loans</b>	<b>1 457 745</b>	<b>7 754 173</b>	<b>4 668 549</b>	<b>5 904 790</b>

#### 9.2. Receivables, including under insurance contracts

<b>Receivables, including under insurance contracts – carrying amount</b>	<b>30 June 2010</b>	<b>31 March 2010</b>	<b>31 December 2009</b>	<b>30 June 2009</b>
Receivables from direct insurance, including:	1 136 829	1 178 068	1 073 599	1 178 815
- receivables from policyholders	1 057 166	1 106 491	1 011 631	1 111 971
- receivables from insurance intermediaries	45 439	63 745	51 616	21 353
- other receivables	34 224	7 832	10 352	45 491
Receivables from reinsurance	51 169	32 468	26 334	39 065
Other receivables	209 560	391 427	284 045	291 914
<b>Net receivables, including under insurance contracts</b>	<b>1 397 558</b>	<b>1 601 963</b>	<b>1 383 978</b>	<b>1 509 794</b>

### 9.2.1. Other receivables

Other receivables	30 June 2010	31 March 2010	31 December 2009	30 June 2009
Receivables from Metro Projekt sp. z o.o. claimed at court	91 482	90 863	89 831	86 682
Receivables relating to prevention activities	25 059	21 896	24 593	18 055
Receivables from loss adjusting services	8 969	26 921	41 568	39 945
Receivables from disposal of securities	50 435	211 814	93 537	116 969
Other	33 615	39 933	34 516	30 263
<b>Total other receivables</b>	<b>209 560</b>	<b>391 427</b>	<b>284 045</b>	<b>291 914</b>

### 9.3. Reinsurers' share in technical provisions

Reinsurers' share in technical provisions – property and casualty insurance	30 June 2010	31 March 2010	31 December 2009	30 June 2009
Provision for unearned premiums	93 897	101 214	75 096	85 946
Provision for unexpired risks	13	-	-	-
Provisions for claims outstanding, including:	550 107	160 721	191 210	322 606
- for claims reported	378 462	131 285	156 106	242 745
- for claims incurred but not reported (IBNR)	156 510	15 000	19 056	55 534
- for claims handling costs	15 135	14 436	16 048	24 327
Provision for capitalized value of annuity claims	472 266	470 101	482 007	518 704
<b>Reinsurers' share in technical provisions (net)</b>	<b>1 116 283</b>	<b>732 036</b>	<b>748 313</b>	<b>927 256</b>



#### 9.4. Impairment of financial assets and receivables

Changes in impairment losses on financial assets in period 1 January 2010 - 30 June 2010	Impairment losses – opening balance	Impairment losses recognized in the income statement	Release of impairment losses recognized in the income statement	Derecognition of impairment losses from the accounting records (not recognized in the income statement)	Exchange differences	Other changes in impairment losses	Impairment losses – closing balance
Financial assets available for sale	303 779	17 391	-	(22 249)	342	-	299 263
- equity instruments	303 779	17 391	-	(22 249)	342	-	299 263
Loans	19 124	-	-	(423)	1	-	18 702
Loans	19 124	-	-	(423)	1	-	18 702
Receivables, including under insurance contracts	432 507	61 465	(26 185)	(69)	1 298	781	469 797
Receivables from direct insurance	347 079	38 927	(4 807)	(19)	1 103	1 020	383 303
Receivables from reinsurance	17 824	21 917	(19 542)	-	2	-	20 201
Other receivables	67 604	621	(1 836)	(50)	193	(239)	66 293
Reinsurers' share in technical provisions	30 370	-	-	-	-	-	30 370
<b>Total</b>	<b>785 780</b>	<b>78 856</b>	<b>(26 185)</b>	<b>(22 741)</b>	<b>1 641</b>	<b>781</b>	<b>818 132</b>

Changes in impairment losses on financial assets in the year ended 31 December 2009	Impairment losses – opening balance	Impairment losses recognized in the income statement	Release of impairment losses recognized in the income statement	Derecognition of impairment losses from the accounting records (not recognized in the income statement)	Exchange differences	Other changes in impairment losses	Impairment losses – closing balance
Financial assets available for sale	263 724	75 267	(294)	(34 836)	(82)	-	303 779
- equity instruments	263 724	75 267	(294)	(34 836)	(82)	-	303 779
Loans	51 911	-	(1)	(32 783)	(3)	-	19 124
Loans	51 911	-	(1)	(32 783)	(3)	-	19 124
Receivables, including under insurance contracts	421 494	77 908	(60 710)	(6 541)	(380)	736	432 507
Receivables from direct insurance	319 217	51 026	(21 567)	(1 168)	(262)	(167)	347 079
Receivables from reinsurance	20 365	21 463	(21 399)	(2 618)	(7)	20	17 824
Other receivables	81 912	5 419	(17 744)	(2 755)	(111)	883	67 604
Reinsurers' share in technical provisions	20 303	14 882	(4 815)	-	-	-	30 370
<b>Total</b>	<b>757 432</b>	<b>168 057</b>	<b>(65 820)</b>	<b>(74 160)</b>	<b>(465)</b>	<b>736</b>	<b>785 780</b>

Changes in impairment losses on financial assets in period 1 January 2009 - 30 June 2009	Impairment losses – opening balance	Impairment losses recognized in the income statement	Release of impairment losses recognized in the income statement	Derecognition of impairment losses from the accounting records (not recognized in the income statement)	Exchange differences	Other changes in impairment losses	Impairment losses – closing balance
Financial assets available for sale	263 724	75 389	(294)	(11 500)	187	-	327 506
- equity instruments	263 724	75 389	(294)	(11 500)	187	-	327 506
Loans	51 911	-	(1)	(31 682)	9	-	20 237
Loans	51 911	-	(1)	(31 682)	9	-	20 237
Receivables, including under insurance contracts	421 494	58 412	(17 240)	(659)	635	268	462 910
Receivables from direct insurance	319 217	52 538	(1 804)	(30)	606	(129)	370 398
Receivables from reinsurance	20 365	5 776	-	-	9	-	26 150
Other receivables	81 912	98	(15 436)	(629)	20	397	66 362
Reinsurers' share in technical provisions	20 303	8 723	(130)	-	-	-	28 896
<b>Total</b>	<b>757 432</b>	<b>142 524</b>	<b>(17 665)</b>	<b>(43 841)</b>	<b>831</b>	<b>268</b>	<b>839 549</b>

## 9.5. Credit risk exposure – investment activities

The table below presents credit risk exposure of assets broken down by Fitch rating categories (if Fitch ratings are unavailable, Standard&Poors or Moody's ratings have been used). The exposure to credit risk resulting from repo transactions has been presented as exposure towards the issuer.

The maximum credit risk exposure of other assets is presented in the table below. The table does not present information on assets used to cover liabilities under unit-linked insurance and investment contracts.

<b>Assets exposed to credit risk as at 30 June 2010 (PLN million)</b>	<b>AAA</b>	<b>AA</b>	<b>A</b>	<b>BBB</b>	<b>BB</b>	<b>No rating</b>	<b>Total</b>
Debt securities	668	71	33 474	332	5	3	<b>34 553</b>
Bank deposits and repo transactions involving treasury securities	-	53	623	311	57	174	<b>1 218</b>
Loans	-	-	-	-	-	17	<b>17</b>
Derivatives	-	35	8	-	-	-	<b>43</b>
Reinsurers' share in net claims provisions	8	432	507	17	-	58	<b>1022</b>
Receivables from reinsurance	-	19	9	1	-	22	<b>51</b>
<b>Total assets exposed to credit risk</b>	<b>676</b>	<b>610</b>	<b>34 621</b>	<b>661</b>	<b>62</b>	<b>274</b>	<b>36 904</b>

<b>Assets exposed to credit risk as at 31 December 2009 (PLN million)</b>	<b>AAA</b>	<b>AA</b>	<b>A</b>	<b>BBB</b>	<b>BB</b>	<b>No rating</b>	<b>Total</b>
Debt securities	861	70	36 217	321	5	11	<b>37 485</b>
Bank deposits and repo transactions involving treasury securities	-	60	1 759	2 345	59	52	<b>4 275</b>
Loans	-	-	-	-	-	21	<b>21</b>
Derivatives	-	1	11	-	-	-	<b>12</b>
Reinsurers' share in net claims provisions	12	329	280	17	-	35	<b>673</b>
Receivables from reinsurance	1	8	10	1	-	6	<b>26</b>
<b>Total assets exposed to credit risk</b>	<b>874</b>	<b>468</b>	<b>38 277</b>	<b>2 684</b>	<b>64</b>	<b>125</b>	<b>42 492</b>

<b>Assets exposed to credit risk as at 30 June 2009 (PLN million)</b>	<b>AAA</b>	<b>AA</b>	<b>A</b>	<b>BBB</b>	<b>BB</b>	<b>No rating</b>	<b>Total</b>
Debt securities	444	-	42 276	248	-	20	<b>42 988</b>
Bank deposits and repo transactions involving treasury securities	-	86	3 749	1 707	61	57	<b>5 660</b>
Loans	-	-	-	-	-	-	<b>-</b>
Derivatives	-	7	5	-	-	-	<b>12</b>
Reinsurers' share in net claims provisions	18	434	344	22	-	23	<b>841</b>
Receivables from reinsurance	2	21	8	1	-	7	<b>39</b>
<b>Total assets exposed to credit risk</b>	<b>464</b>	<b>548</b>	<b>46 382</b>	<b>1 978</b>	<b>61</b>	<b>107</b>	<b>49 540</b>

The table below presents credit risk ratios used to calculate the credit risk.

Ratingi Standard&Poor's	AAA	AA	A	BBB	BB	No rating
Ratio (%) 30 June 2010	0.7	0.7	1.7	4.4	14.6	30.4
Ratio (%) 31 December 2009	0.7	0.7	1.7	4.4	14.6	30.4
Ratio (%) 30 June 2009	0.7	0.7	1.7	4.4	14.6	30.4

As of 30 June 2010 the credit risk involved in investment activities amounted to PLN 714 million (PLN 826 million as of 31 December 2009 and PLN 924 million as of 30 June 2009).

## 9.6. Prepayments

Prepayments	30 June 2010	31 March 2010	31 December 2009	30 June 2009
IT expenses	2 692	2 665	3 338	6 295
Deferred acquisition costs relating to OFE PZU	46 484	47 074	38 154	25 148
Prepayments relating to reinsurance	137 736	130 230	164 228	102 566
Settlements of payments to the National Health Fund	-	-	-	27 183
Commissions on prepaid premiums	41 742	31 231	37 140	25 601
Other	12 520	19 261	10 084	12 068
<b>Total</b>	<b>241 174</b>	<b>230 461</b>	<b>252 944</b>	<b>198 861</b>

## 9.7. Technical provisions

### 9.7.1. Technical provisions - property and casualty insurance

Technical provisions - property and casualty insurance	30 June 2010	31 March 2010	31 December 2009	30 June 2009
Provision for unearned premiums	3 998 758	4 102 709	3 704 128	4 140 995
Provision for unexpired risks	43 709	59 424	37 167	67 092
Provisions for claims outstanding	4 474 629	3 749 444	3 837 211	3 697 152
Provision for capitalized value of annuity claims	4 869 974	4 904 855	4 874 653	4 673 443
Provisions for bonuses and rebates for the insured	2 914	2 113	4 180	-
<b>Total</b>	<b>13 389 984</b>	<b>12 818 545</b>	<b>12 457 339</b>	<b>12 578 682</b>

9.7.1.1. *Change in technical provisions in property and casualty insurance*

Change in provision for unearned premium in property and casualty insurance	1 January - 30 June 2010			1 January - 31 December 2009			1 January - 30 June 2009		
	gross	reinsurers' share	own share	gross	reinsurers' share	own share	gross	reinsurers' share	own share
Opening balance	3 704 128	(75 096)	3 629 032	3 945 694	(64 990)	3 880 704	3 945 694	(64 990)	3 880 704
Increase (decrease) in provisions for policies concluded in the current year	2 940 484	(31 557)	2 908 927	3 486 501	(35 415)	3 451 086	3 097 896	(32 282)	3 065 614
Increase (decrease) in provisions for policies concluded in previous years	(2 651 875)	13 626	(2 638 249)	(3 727 724)	26 325	(3 701 399)	(2 913 138)	14 008	(2 899 130)
Exchange differences during the period	6 021	(870)	5 151	(343)	(1 016)	(1 359)	10 543	(2 682)	7 861
<b>Closing balance</b>	<b>3 998 758</b>	<b>(93 897)</b>	<b>3 904 861</b>	<b>3 704 128</b>	<b>(75 096)</b>	<b>3 629 032</b>	<b>4 140 995</b>	<b>(85 946)</b>	<b>4 055 049</b>

Change in provision for unearned premium in property and casualty insurance	1 January - 30 June 2010			1 January - 31 December 2009			1 January - 30 June 2009		
	gross	reinsurers' share	own share	gross	reinsurers' share	own share	gross	reinsurers' share	own share
Opening balance	37 167	-	37 167	74 498	(51)	74 447	74 498	(51)	74 447
Increase (decrease) in provisions for policies concluded in the current year	35 162	-	35 162	30 528	53	30 581	49 668	-	49 668
Increase (decrease) in provisions for policies concluded in previous years	(29 065)	(12)	(29 077)	(67 411)	-	(67 411)	(57 671)	58	(57 613)
Exchange differences during the period	445	(1)	444	(448)	(2)	(450)	597	(7)	590
<b>Closing balance</b>	<b>43 709</b>	<b>(13)</b>	<b>43 696</b>	<b>37 167</b>	<b>-</b>	<b>37 167</b>	<b>67 092</b>	<b>-</b>	<b>67 092</b>

The Capital Group of PZU Spółka Akcyjna  
Interim consolidated financial statements for the 6-month period ended 30 June 2010

Change in provisions for claims outstanding in property and casualty insurance	1 January - 30 June 2010			1 January - 31 December 2009			1 January - 30 June 2009		
	gross	reinsurers' share	own share	gross	reinsurers' share	own share	gross	reinsurers' share	own share
Opening balance, including:	3 837 211	(191 210)	3 646 001	3 776 095	(290 662)	3 485 433	3 776 095	(290 662)	3 485 433
- for claims reported	1 472 477	(156 106)	1 316 371	1 498 823	(190 623)	1 308 200	1 498 823	(190 623)	1 308 200
- for claims incurred but not reported (IBNR)	1 732 090	(19 056)	1 713 034	1 651 469	(73 401)	1 578 068	1 651 469	(73 401)	1 578 068
- for loss adjustment expenses	632 644	(16 048)	616 596	625 803	(26 638)	599 165	625 803	(26 638)	599 165
Paid claims concerning losses incurred in previous years, including	(1 024 812)	26 852	(997 960)	(1 714 897)	100 242	(1 614 655)	(1 195 169)	38 069	(1 157 100)
- claims paid	(920 662)	25 264	(895 398)	(1 508 472)	95 994	(1 412 478)	(1 055 066)	36 217	(1 018 849)
- loss adjustment expenses	(104 150)	1 588	(102 562)	(206 425)	4 248	(202 177)	(140 103)	1 852	(138 251)
Increase (decrease) in provisions, including:	1 656 736	(395 695)	1 261 041	1 779 982	(2 840)	1 777 142	1 094 231	(81 269)	1 012 962
- losses incurred in the current year	1 622 661	(403 234)	1 219 427	1 935 074	(27 601)	1 907 473	1 137 304	(77 503)	1 059 801
- losses incurred in the previous years	34 075	7 539	41 614	(155 092)	24 761	(130 331)	(43 073)	(3 766)	(46 839)
Other changes	-	11 243	11 243	-	1 155	1 155	13 704	14 563	28 267
Exchange differences during the period	5 494	(1 297)	4 197	(3 969)	895	(3 074)	8 291	(3 307)	4 984
<b>Closing balance</b>	<b>4 474 629</b>	<b>(550 107)</b>	<b>3 924 522</b>	<b>3 837 211</b>	<b>(191 210)</b>	<b>3 646 001</b>	<b>3 697 152</b>	<b>(322 606)</b>	<b>3 374 546</b>
- for claims reported	1 926 228	(378 462)	1 547 766	1 472 477	(156 106)	1 316 371	1 580 025	(242 745)	1 337 280
- for claims incurred but not reported (IBNR)	1 863 270	(156 510)	1 706 760	1 732 090	(19 056)	1 713 034	1 511 092	(55 534)	1 455 558
- for loss adjustment expenses	685 131	(15 135)	669 996	632 644	(16 048)	616 596	606 035	(24 327)	581 708

The Capital Group of PZU Spółka Akcyjna  
Interim consolidated financial statements for the 6-month period ended 30 June 2010

Change in provision for capitalized value of annuity claims – property and casualty insurance	1 January - 30 June 2010			1 January - 31 December 2009			1 January - 30 June 2009		
	gross	reinsurers' share	own share	gross	reinsurers' share	own share	gross	reinsurers' share	own share
Opening balance	4 874 653	(482 007)	4 392 646	4 528 618	(529 149)	3 999 469	4 528 618	(529 149)	3 999 469
Paid claims concerning losses incurred in previous years	(82 667)	9 822	(72 845)	(146 337)	16 530	(129 807)	(69 356)	8 185	(61 171)
Increase (decrease) in provisions for losses incurred in the previous years	(25 261)	5 181	(20 080)	235 096	21 699	256 795	78 143	(2 392)	75 751
Settlement of discount over time	-	-	-	-	-	-	-	-	-
Change in technical interest rates	-	-	-	-	-	-	-	-	-
Increase in provisions for losses incurred in the current year	103 249	-	103 249	235 105	-	235 105	136 038	-	136 038
Change of assumptions (%)	-	-	-	22 171	-	22 171	-	-	-
Other changes	-	(5 262)	(5 262)	-	8 913	8 913	-	4 652	4 652
<b>Closing balance</b>	<b>4 869 974</b>	<b>(472 266)</b>	<b>4 397 708</b>	<b>4 874 653</b>	<b>(482 007)</b>	<b>4 392 646</b>	<b>4 673 443</b>	<b>(518 704)</b>	<b>4 154 739</b>

## 9.7.2. Technical provisions - life insurance

Technical provisions - life insurance	30 June 2010	31 March 2010	31 December 2009	30 June 2009
Provision for unearned premiums	102 817	103 473	105 305	104 905
Life insurance provision	14 545 165	14 523 344	14 582 590	14 585 510
Provisions for claims outstanding	643 454	617 644	619 253	571 053
Provisions for bonuses and rebates for the insured	1 609	1 139	891	2 354
Other technical provisions	641 804	669 411	698 918	667 478
Unit-linked reserve	2 097 786	2 117 703	2 017 501	1 807 911
<b>Total technical provisions - life insurance</b>	<b>18 032 635</b>	<b>18 032 714</b>	<b>18 024 458</b>	<b>17 739 211</b>

### 9.7.2.1. Change in technical provisions in life insurance

Change in provisions for unearned premium in life insurance	1 January - 30 June 2010			1 January - 31 December 2009		
	gross	reinsurers' share	own share	gross	reinsurers' share	own share
Opening balance	105 305	-	105 305	106 391	-	106 391
Increases	96 301	-	96 301	105 305	-	105 305
Decreases	(98 789)	-	(98 789)	(106 391)	-	(106 391)
<b>Closing balance</b>	<b>102 817</b>	<b>-</b>	<b>102 817</b>	<b>105 305</b>	<b>-</b>	<b>105 305</b>

Change in provision in life insurance - insurance contacts with no DPF	1 January - 30 June 2010			1 January - 31 December 2009		
	gross	reinsurers' share	own share	gross	reinsurers' share	own share
Opening balance	10 958 427	-	10 958 427	11 856 020	-	11 856 020
Net premiums received	282 628	-	282 628	1 526 270	-	1 526 270
Technical interest rate for the provisions	182 075	-	182 075	370 735	-	370 735
Released provisions due to maturity and survival, mortality, resignation/redemption and other fortuitous events	(784 837)	-	(784 837)	(3 260 880)	-	(3 260 880)
Impact of the sale of new policies and renegotiation of contracts existing at the beginning of the period	231 192	-	231 192	466 282	-	466 282
<b>Closing balance</b>	<b>10 869 485</b>	<b>-</b>	<b>10 869 485</b>	<b>10 958 427</b>	<b>-</b>	<b>10 958 427</b>



Change in provisions in life insurance, provisions for low interest rates and provisions for revaluation and trials - insurance and investment contracts with DPF	1 January - 30 June 2010			1 January - 31 December 2009		
	gross	reinsurers' share	own share	gross	reinsurers' share	own share
Opening balance	4 303 505	-	4 303 505	4 147 679	-	4 147 679
Net premiums received	142 557	-	142 557	296 700	-	296 700
Technical interest rate for the provisions	89 382	-	89 382	178 375	-	178 375
Increase in provisions for profit sharing	22 982	-	22 982	30 558	-	30 558
Released provisions due to maturity and survival, mortality, resignation/redemption and other fortuitous events	(259 454)	-	(259 454)	(508 996)	-	(508 996)
Changes in assumptions	(31)	-	(31)	93 700	-	93 700
- technical interest rates	-	-	-	-	-	-
- other	(31)	-	(31)	93 700	-	93 700
Impact of the sale of new policies and renegotiation of contracts existing at the beginning of the period	(1 207)	-	(1 207)	65 489	-	65 489
<b>Closing balance</b>	<b>4 297 734</b>	<b>-</b>	<b>4 297 734</b>	<b>4 303 505</b>	<b>-</b>	<b>4 303 505</b>

Change in provisions in life insurance - unit-linked contracts	1 January - 30 June 2010			1 January - 31 December 2009		
	gross	reinsurers' share	own share	gross	reinsurers' share	own share
Net assets of the fund at the beginning of the period	2 017 501	-	2 017 501	1 765 289	-	1 765 289
Increases in the fund due to premiums	183 288	-	183 288	351 507	-	351 507
Payments deducted from the fund for risk, administration and other	(14 311)	-	(14 311)	(26 491)	-	(26 491)
Revenue from the fund's investments	36 012	-	36 012	216 389	-	216 389
Decreases in the fund due to claims, redemptions, etc.	(120 362)	-	(120 362)	(285 686)	-	(285 686)
Other decreases	(4 739)	-	(4 739)	(9 401)	-	(9 401)
Other increases	397	-	397	5 894	-	5 894
<b>Net assets of the fund at the end of the period</b>	<b>2 097 786</b>	<b>-</b>	<b>2 097 786</b>	<b>2 017 501</b>	<b>-</b>	<b>2 017 501</b>

Change in provisions in life insurance - other insurance contracts	1 January - 30 June 2010			1 January - 31 December 2009		
	gross	reinsurers' share	own share	gross	reinsurers' share	own share
Opening balance	20 467	-	20 467	20 871	-	20 871
Change in provisions during the period	892	-	892	(404)	-	(404)
<b>Closing balance</b>	<b>21 359</b>	<b>-</b>	<b>21 359</b>	<b>20 467</b>	<b>-</b>	<b>20 467</b>

Change in provisions for claims	1 January - 30 June 2010			1 January - 31 December 2009		
	gross	reinsurers' share	own share	gross	reinsurers' share	own share
RBNP at the beginning of the period	160 720	-	160 720	133 452	-	133 452
IBNR at the beginning of the period	458 533	-	458 533	412 805	-	412 805
Total RBNP and IBNR at the beginning of the period	619 253	-	619 253	546 257	-	546 257
Provisions for claims applied during the year	(490 568)	-	(490 568)	(546 257)	-	(546 257)
Provisions for claims created during the year	514 769	-	514 769	619 253	-	619 253
<b>Total RBNP and IBNR at the end of the period</b>	<b>643 454</b>	<b>-</b>	<b>643 454</b>	<b>619 253</b>	<b>-</b>	<b>619 253</b>
RBNP at the end of the period	174 635	-	174 635	160 720	-	160 720
IBNR at the end of the period	468 819	-	468 819	458 533	-	458 533

## 9.8. Investment contracts

Investment contracts – carrying amount	30 June 2010	31 March 2010	31 December 2009	30 June 2009
Investment contracts with guaranteed and fixed terms and conditions	446 568	1 148 407	2 632 054	2 687 777
- measured at amortized cost	446 568	1 147 724	2 631 567	2 684 089
- measured at fair value	-	683	487	3 688
Unit linked investment contracts	1 099 292	1 179 236	1 094 475	903 763
<b>Total investment contracts – carrying amount</b>	<b>1 545 860</b>	<b>2 327 643</b>	<b>3 726 529</b>	<b>3 591 540</b>

## 9.9. Other provisions

Other provisions	30 June 2010	31 March 2010	31 December 2009	30 June 2009
Provisions created for potential liabilities relating to CLSiOR investments	916	916	916	1 282
Provision for disputed claims and potential liabilities under insurance contracts	20 925	24 936	24 936	138 010
Provision for restructuring and reorganization expenses	132 956	158 763	158 763	-
Provision for the Office of Competition and Consumer Protection	65 176	65 176	65 176	50 384
Provision for exit costs of the GraphTalk project	45 811	43 104	48 632	18 576
Provision for PTE's reimbursement of undue fees to the Social Insurance Institution	11 533	12 460	12 858	13 070
Other	3 348	6 142	3 314	23 190
<b>Total other provisions</b>	<b>280 665</b>	<b>311 497</b>	<b>314 595</b>	<b>244 512</b>

The "Provision for the Office of Competition and Consumer Protection" comprises the amount resulting from the issue presented in point 16.2.

The "Provision for exit costs of the GraphTalk project" comprises amounts resulting from the issue presented in point 16.1.

The restructuring process has been presented in detail in point 17.6.

## 9.10. Other liabilities

Liabilities - carrying amount	30 June 2010	31 March 2010	31 December 2009	30 June 2009
Liabilities due to reinsurers' deposits	-	-	-	-
Liabilities due to direct insurance	404 771	422 505	371 199	419 236
Liabilities due to reinsurance	70 624	60 606	26 959	41 648
Liabilities to credit institutions	2	4 795 201	4 780 108	7 767
Other liabilities	1 172 292	357 332	795 786	783 451
<b>Total liabilities</b>	<b>1 647 689</b>	<b>5 635 644</b>	<b>5 974 052</b>	<b>1 252 102</b>

A decrease in liabilities to credit institutions results mainly from repayment (on 22 April 2010) of liabilities of PLN 4 806 821 thousand due to a *sell-buy-back* transaction entered into with the objective to finance PZU's advance dividend payment for 2009, presented in detail in point 15.

Key information on the aforementioned transaction has been presented in the table below.

Creditor	Currency	Debt as at 31 March 2010	Debt as at 31 December 2009	Outstanding amount	Maturity	Fair value of collateral as at 31 March 2010	Fair value of collateral as at 31 December 2009	Collateral
Bank Gospodarstwa Krajowego	PLN	3 628 693	3 593 295	3 637 452	22 April 2010	4 128 629	4 070 034	Treasury bonds
Bank Gospodarstwa Krajowego	PLN	175 964	174 247	176 388	22 April 2010	197 037	194 567	Treasury bills
Bank Handlowy w Warszawie SA	PLN	990 529	980 625	992 981	22 April 2010	1 078 004	1 067 010	Treasury bonds
<b>Total</b>		<b>4 795 186</b>	<b>4 748 167</b>	<b>4 806 821</b>		<b>5 403 670</b>	<b>5 331 611</b>	

Other liabilities	30 June 2010	31 March 2010	31 December 2009	30 June 2009
Liabilities to the State Budget, other than corporate income tax (CIT)	15 829	13 555	23 288	13 486
Regulatory liabilities – to the Social Insurance Institution, PFRON, the Company's Social Benefits Fund etc.	35 972	40 506	45 200	32 252
Due to acquired securities	13 771	14 536	436 533	582 058
Investment fund liabilities	-	105 611	40 719	5 557
Liabilities due to loss adjusting services	20 411	19 634	30 941	32 206
Estimated non-insurance liabilities	58 351	76 853	145 321	76 147
Liabilities to the Shareholders	947 130	6 217	8 581	928
Other	80 828	80 420	65 203	40 817
<b>Other total liabilities</b>	<b>1 172 292</b>	<b>357 332</b>	<b>795 786</b>	<b>783 451</b>

“Liabilities to shareholders” include mainly PLN 942 104 thousand due to the portion of dividend for the year ended 31 December 2009 which has not been paid yet (details in point 15).

#### 9.11. Accruals and deferred income

Accruals and deferred income	30 June 2010	31 March 2010	31 December 2009	30 June 2009
Accrued expenses, including:	359 540	383 922	464 126	328 790
- accrued costs of agency commissions	167 682	182 864	174 814	96 554
- accrued payroll costs	42 966	41 846	94 916	44 458
- accrued costs and revenue from reinsurance	36 971	64 107	74 847	74 746
- remuneration of intermediaries in companies	19 937	20 718	19 523	17 662
- provision for paid vacation	54 467	47 278	38 633	51 183
- accrued employee bonuses	30 932	17 260	50 966	29 798
- other	6 585	9 849	10 427	14 389
Deferred income, including	145 076	153 931	236 643	183 469
- prepaid premiums	140 379	150 795	232 414	173 164
- other	4 697	3 136	4 229	10 305
<b>Total accruals and deferred income</b>	<b>504 616</b>	<b>537 853</b>	<b>700 769</b>	<b>512 259</b>

## 9.12. Gross written premiums

Gross written premiums	1 April – 30 June 2010	1 January – 30 June 2010	1 April – 30 June 2009	1 January – 30 June 2009
Gross written premiums – property and casualty insurance	1 843 371	4 165 691	1 914 505	4 359 343
In direct insurance	1 838 373	4 153 000	1 900 687	4 336 252
In indirect insurance	4 998	12 691	13 818	23 091
Gross written premiums – life insurance	1 622 545	3 228 014	1 580 165	3 127 500
Individual premiums	590 428	1 154 748	570 729	1 128 707
In direct insurance	590 428	1 154 748	570 729	1 128 707
In indirect insurance	-	-	-	-
Group insurance premiums	1 032 117	2 073 266	1 009 436	1 998 793
In direct insurance	1 032 117	2 073 266	1 009 436	1 998 793
In indirect insurance	-	-	-	-
<b>Total gross written premiums</b>	<b>3 465 916</b>	<b>7 393 705</b>	<b>3 494 670</b>	<b>7 486 843</b>

Gross written premiums in direct property and casualty insurance (by classes specified in section II of the appendix to the Act on insurance activity)	1 April – 30 June 2010	1 January – 30 June 2010	1 April – 30 June 2009	1 January – 30 June 2009
Accident and sickness insurance (class 1 and 2)	89 794	203 557	91 422	204 649
TPL motor insurance (class 10)	659 351	1 366 362	684 479	1 465 284
Other motor insurance (class 3)	562 636	1 112 208	581 716	1 176 769
Sea, aircraft and transport insurance (classes 4, 5, 6, 7)	12 771	29 412	10 296	31 190
Insurance against fire and other damage to property (classes 8, 9)	329 541	967 878	350 294	1 002 767
TPL insurance (classes 11, 12, 13)	103 533	313 327	103 235	305 662
Credit insurance and surety ship (classes 14, 15)	18 199	34 662	18 458	33 005
Assistance (class 18)	44 248	84 258	38 175	72 141
Legal protection (class 17)	189	459	244	560
Other (class 16)	18 111	40 877	22 368	44 225
<b>Gross written premiums in direct property and casualty insurance (by classes specified in section II of the appendix to the Act on insurance activity)</b>	<b>1 838 373</b>	<b>4 153 000</b>	<b>1 900 687</b>	<b>4 336 252</b>

## 9.13. Fee and commission income

Fee and commission income	1 April – 30 June 2010	1 January – 30 June 2010	1 April – 30 June 2009	1 January – 30 June 2009
<b>Pension insurance</b>	<b>61 005</b>	<b>115 947</b>	<b>73 897</b>	<b>147 012</b>
Commission on handling fees	27 249	49 465	47 392	96 422
Commission on asset management for open pension fund	33 745	66 460	26 496	50 579
Commission on transfer payments	11	22	9	11
<b>Investment contracts</b>	<b>2 868</b>	<b>7 123</b>	<b>4 206</b>	<b>7 729</b>
Revenue from unit-linked investment contract fees	2 868	7 123	4 206	7 729
<b>Other</b>	<b>3 585</b>	<b>7 020</b>	<b>1 122</b>	<b>4 369</b>
Revenue and payments received from funds and investment fund management companies	3 585	7 020	1 122	4 369
<b>Total fee and commission income</b>	<b>67 458</b>	<b>130 090</b>	<b>79 225</b>	<b>159 110</b>

#### 9.14. Net investment income

<b>Net investment income</b>	<b>1 April – 30 June 2010</b>	<b>1 January – 30 June 2010</b>	<b>1 April – 30 June 2009</b>	<b>1 January – 30 June 2009</b>
Interest income, including:	498 842	948 071	573 264	1 224 862
- financial assets available for sale	128 743	215 127	166 324	324 653
- financial assets held to maturity	339 610	664 308	375 785	740 710
- loans	30 164	67 993	30 660	158 510
- cash and cash equivalents	325	643	495	989
Dividend income, including:	46 467	46 467	36 615	36 623
- financial assets measured at fair value through profit or loss – classified as such upon initial recognition	66	66	-	-
- financial assets held for trading	26 219	26 219	12 495	12 503
- financial assets available for sale	20 182	20 182	24 120	24 120
Income from property investments	6 339	12 319	5 253	11 585
Exchange differences, including:	9 670	1 838	(19 037)	6 010
- financial assets held to maturity	336	336	-	-
- loans	10	(2 634)	4 215	5 794
- receivables, including under insurance contracts	9 324	4 136	(23 252)	216
Other, including:	(6 258)	(11 326)	(6 395)	(10 953)
- costs of investing activities	(3 087)	(5 225)	(4 607)	(7 342)
- investment property maintenance costs	(3 171)	(6 101)	(1 788)	(3 611)
<b>Total net investment income</b>	<b>555 060</b>	<b>997 369</b>	<b>589 700</b>	<b>1 268 127</b>

### 9.15. Net profit/loss on realization and impairment loss on investments

Net profit/loss on realization and impairment loss on investments	1 April – 30 June 2010	1 January – 30 June 2010	1 April – 30 June 2009	1 January – 30 June 2009
<b>Net profit/loss on realization of investments</b>	49 449	213 425	20 031	24 288
Financial assets measured at fair value through profit or loss – classified as such upon initial recognition, including:	3 040	23 697	4 637	5 999
- equity instruments	(70)	(72)	17	152
- debt securities	3 110	23 769	4 620	5 847
Financial assets held for trading, including:	15 429	39 743	31 212	21 555
- equity instruments	27 693	60 460	9 803	(12 388)
- debt securities	886	5 866	4 815	8 748
- other	(13 150)	(26 583)	16 594	25 195
Financial assets available for sale, including:	27 642	154 009	(11 531)	3 452
- equity instruments	(4 535)	74 294	(12 603)	14 405
- debt securities	32 177	79 715	1 072	(10 953)
Financial assets held to maturity, including:	5 870	5 803	5 019	11 047
- debt securities held to maturity	5 870	5 803	5 019	11 047
Loans	9 772	15 510	3 018	7 289
Receivables, including under insurance contracts	(12 304)	(25 337)	(12 324)	(25 054)
<b>Impairment losses</b>	<b>(23 969)</b>	<b>(52 671)</b>	<b>(3 395)</b>	<b>(116 266)</b>
Financial assets available for sale, including:	(8 638)	(17 391)	(275)	(75 095)
- equity instruments	(8 638)	(17 391)	(275)	(75 095)
Loans	-	-	1	1
Receivables, including under insurance contracts	(15 331)	(35 280)	(3 121)	(41 172)
<b>Total net profit/loss on realization and impairment loss on investments</b>	<b>25 480</b>	<b>160 754</b>	<b>16 636</b>	<b>(91 978)</b>

### 9.16. Net change in the fair value of assets and liabilities measured at fair value

Net change in the fair value of assets and liabilities measured at fair value	1 April – 30 June 2010	1 January – 30 June 2010	1 April – 30 June 2009	1 January – 30 June 2009
Financial instruments measured at fair value through profit or loss – classified as such upon initial recognition, including:	(6 738)	106 114	134 561	113 228
- equity instruments	(13 884)	6 700	32 005	11 952
- debt securities	7 159	99 427	102 556	101 276
- derivatives	(13)	(13)	-	-
Financial instruments held for trading, including:	(219 722)	5 403	345 785	213 966
- equity instruments	(229 072)	(63 894)	311 161	169 337
- debt securities	4 305	50 114	24 047	35 631
- derivatives	8 887	26 094	5 628	10 422
- financial liabilities	(3 842)	(6 911)	4 949	(1 424)
Investment property	(452)	(4 598)	175	233
<b>Net change in the fair value of assets and liabilities measured at fair value</b>	<b>(226 912)</b>	<b>106 919</b>	<b>480 521</b>	<b>327 427</b>

### 9.17. Other operating income

<b>Other operating income</b>	<b>1 April – 30 June 2010</b>	<b>1 January – 30 June 2010</b>	<b>1 April – 30 June 2009</b>	<b>1 January – 30 June 2009</b>
Provisions released	9 924	9 924	1 534	1 534
Released impairment losses on non-financial assets	(278)	11 013	5 501	13 483
Reinsurers' commissions and share in reinsurers' profit	23 517	20 482	(7 457)	39 249
Other	20 192	37 830	13 585	34 655
<b>Total other operating income</b>	<b>53 355</b>	<b>79 249</b>	<b>13 163</b>	<b>88 921</b>

### 9.18. Insurance claims

<b>Insurance claims</b>	<b>1 April – 30 June 2010</b>	<b>1 January – 30 June 2010</b>	<b>1 April – 30 June 2009</b>	<b>1 January – 30 June 2009</b>
Claims and change in technical provisions - property and casualty insurance	1 987 063	3 328 104	1 418 251	2 621 016
Reinsurers' share in claims and change in technical provisions - property and casualty insurance	(425 492)	(403 320)	(34 244)	(64 504)
Claims and change in technical provisions - life insurance	1 068 717	2 164 628	938 277	1 459 166
Reinsurers' share in claims and change in technical provisions - life insurance	-	-	-	-
<b>Total insurance claims</b>	<b>2 630 288</b>	<b>5 089 412</b>	<b>2 322 284</b>	<b>4 015 678</b>

### 9.19. Investment benefits and change in valuation of investment contracts

<b>Investment benefits and change in valuation of investment contracts</b>	<b>1 April – 30 June 2010</b>	<b>1 January – 30 June 2010</b>	<b>1 April – 30 June 2009</b>	<b>1 January – 30 June 2009</b>
Resulting from investment contracts with guaranteed and fixed terms and conditions	10 691	32 506	43 243	102 464
- interest expenses included in the effective interest rate	10 933	32 506	38 079	98 173
- embedded options	(242)	-	5 164	4 291
Resulting from unit-linked investment contracts	(15 622)	24 751	46 677	42 911
<b>Total investment benefits and change in valuation of investment contracts</b>	<b>(4 931)</b>	<b>57 257</b>	<b>89 920</b>	<b>145 375</b>

## 9.20. Administrative expenses, acquisition costs and loss adjusting costs, by type

Administrative expenses, acquisition costs and loss adjusting costs, by type	1 April – 30 June 2010	1 January – 30 June 2010	1 April – 30 June 2009	1 January – 30 June 2009
Consumption of materials and energy	22 945	47 265	25 177	50 777
External services	149 891	291 549	132 322	279 037
Taxes and charges	17 808	42 464	30 513	60 563
Employee expenses	402 294	778 067	380 936	795 858
Depreciation of property, plant and equipment	27 301	58 017	31 471	64 746
Amortization of intangible assets	13 494	24 771	11 630	23 713
Other (by type), including:	<b>397 600</b>	<b>761 544</b>	<b>385 014</b>	<b>759 973</b>
- direct business commission	279 483	585 317	256 925	544 949
- advertisement	15 255	26 421	24 122	36 475
- change in capitalized acquisition costs	2 870	(32 595)	5 772	(26 273)
- indirect business commission	(150)	574	9 326	12 218
- remuneration of intermediaries in companies	53 492	106 687	53 206	106 547
- other	46 650	75 140	35 663	86 057
<b>Total administrative expenses, acquisition costs and loss adjusting costs</b>	<b>1 031 333</b>	<b>2 003 677</b>	<b>997 063</b>	<b>2 034 667</b>

## 9.21. Other operating expenses

Other operating expenses	1 April – 30 June 2010	1 January – 30 June 2010	1 April – 30 June 2009	1 January – 30 June 2009
Insurance Guarantee Fund	4 393	9 396	4 567	10 021
National Headquarters of the State Fire Service and Volunteer Fire Service Association	2 597	26 438	2 577	26 406
Compulsory payments to the insurance market institutions	12 008	29 729	13 832	34 019
Expenses due to prevention activities	4 702	13 352	11 677	26 377
Payments to the National Health Fund	-	-	37 554	92 198
Other	37 232	52 421	28 651	46 319
<b>Total other operating expenses</b>	<b>60 932</b>	<b>131 336</b>	<b>98 858</b>	<b>235 340</b>

## 9.22. Financial expenses

Financial expenses include costs related to the transaction specified in point 9.10, concluded to finance the advance payment against dividend for 2009, incurred against Bank Gospodarstwa Krajowego and Bank Handlowy w Warszawie SA, in the amount of PLN 46,298 thousand and PLN 12,356 thousand, respectively.

## 10. Contingent assets and liabilities

Contingent assets and liabilities	30 June 2010	31 March 2010	31 December 2009	30 June 2009
Contingent assets, including:	3 901	3 399	3 699	3 799
Guarantees and sureties received	3 901	3 399	3 699	3 799
Contingent liabilities	86 441	77 548	1 000 074 157	1 000 087 017
Guarantees and sureties issued	7 291	6 158	7 714	7 040
Disputable claims related to insurance	45 583	47 741	1 000 045 496	1 000 046 675
Other disputable claims	32 514	22 585	19 865	32 733
Other	1 053	1 064	1 082	569



A change in the balance of disputed insurance claims results mainly from resolution of the suit against PZU Życie for indemnification for unpaid claim under an additional accident insurance contract of PLN 1 trillion concerning one natural person.

In 2005, a final judgment in the case was issued by courts of two instances and the claim was dismissed. In 2008 the claim against PZU Życie was filed again and on 23 March 2009 the court of first instance dismissed the case. The claimant appealed against the decision. On 9 July 2009 the appeal was dismissed by the Court of Appeals in Kraków. On 2 November 2009, a cassation appeal was filed. In its decision of 9 March 2010 the Supreme Court refused to accept the claimant's cassation appeal for examination. The decision is final.

## 11. Solvency

The principles for calculation of the required solvency margin and the minimum value of the guarantee fund have been laid down in the Ordinance of 28 November 2003 on the manner of calculation of the solvency margin and the minimum amount of the guarantee fund for insurance sections and classes (Journal of Laws No. 211 of 2003, item 2060, the "Solvency Margin Ordinance").

Detailed information regarding the manner of calculating the solvency margin has been presented in the consolidated financial statements of the PZU Group for 2009.

The financial data relied upon in calculation of the value of own funds and the required solvency margin have been determined based on Polish Accounting Standards.

Presented below is the calculation of own funds covering the required solvency margin of PZU.

Calculation of own funds to cover the required solvency margin	30 June 2010	31 March 2010	31 December 2009	30 June 2009
<b>PZU equity</b>	<b>10 489 877</b>	<b>10 895 053</b>	<b>10 411 542</b>	<b>21 530 338</b>
Intangible assets	(50 679)	(51 713)	(49 560)	(43 158)
Value of shares in insurance companies operating within the insurance capital group of PZU	(5 495 433)	(7 838 738)	(7 463 664)	(6 294 124)
Deferred tax asset	(258 480)	(208 609)	(213 126)	(270 045)
<b>Effect of other insurance companies operating within the insurance capital group of PZU on the value of PZU's own funds:</b>	<b>3 544 807</b>	<b>6 353 698</b>	<b>5 576 452</b>	<b>4 348 684</b>
PZU Życie (100.00%)	3 564 785	6 368 093	5 584 807	4 329 588
Own funds	5 124 487	7 951 069	7 223 775	5 954 517
Required solvency margin	1 559 702	1 582 976	1 638 968	1 624 929
Surplus of own funds to cover the required solvency margin	3 564 785	6 368 093	5 584 807	4 329 588
UAB DK PZU Lietuva (99.76%)	7 316	4 598	6 792	9 916
Own funds	38 307	35 474	39 638	45 302
Required solvency margin	30 974	30 865	32 830	35 363
Surplus of own funds to cover the required solvency margin	7 333	4 609	6 808	9 939
PrJSC IC PZU Ukraine (100.00%)	(17 863)	(10 852)	(11 654)	4 505
Own funds	(2 120)	3 471	1 697	17 856
Required solvency margin	15 743	14 323	13 351	13 351
Surplus of own funds to cover the required solvency margin	(17 863)	(10 852)	(11 654)	4 505
Other insurance companies	(9 431)	(8 141)	(3 493)	4 675
<b>Own funds of PZU</b>	<b>8 230 092</b>	<b>9 149 691</b>	<b>8 261 644</b>	<b>19 271 695</b>
Required solvency margin of PZU	1 336 216	1 333 798	1 338 798	1 336 216
Guarantee fund of PZU	445 405	444 599	446 266	445 405
<b>Surplus of own funds to cover the required solvency margin</b>	<b>6 893 876</b>	<b>7 815 893</b>	<b>6 922 846</b>	<b>17 935 479</b>
<b>Surplus of own funds to cover the guarantee fund</b>	<b>7 784 687</b>	<b>8 705 092</b>	<b>7 815 378</b>	<b>18 826 290</b>

## 12. Segment reporting

IFRS 8 requires identification of operating segments on the basis of internal reports that are regularly reviewed by the entity's decision makers responsible for allocation of resources to the segment and assessment of its performance.

Based on the criterion of products and services offered by the PZU Group companies subject to consolidation, the following operating segments have been identified:

- property and casualty insurance;
- life insurance;
- pension insurance.

The segments have not been aggregated due to their nature.

The accounting principles used for segment reporting purposes are the same as those presented in point 3.

The financial data of the pension insurance segment have not met the quantitative thresholds defined in IFRS 8.13. However, due to their unique nature and the internal financial reporting system used by the PZU Group, they have been presented separately.

The PZU Group applies additional geographical segmentation based on which the following segments have been identified:

- Poland;
- Lithuania;
- Ukraine.

All business transactions among operating and geographical segments are concluded on arm's length terms.

PLN '000

Income statement by segments for 1 April – 30 June 2010	Property and casualty insurance	Life insurance	Pension insurance	Unallocated (consolidation eliminations and other)	Consolidated value
Gross written premiums - external	1 843 371	1 622 545	-	-	3 465 916
Gross written premiums - cross-segment	74	-	-	(74)	-
Reinsurer's share in gross written premium	(27 809)	(1 068)	-	-	(28 877)
<b>Net written premium including:</b>	<b>1 815 636</b>	<b>1 621 477</b>	<b>-</b>	<b>(74)</b>	<b>3 437 039</b>
Net written premium - external	1 815 562	1 621 477	-	-	3 437 039
Net written premium - cross-segment	74	-	-	(74)	-
Change in net provision for unearned premium	121 752	(61)	-	(376)	121 315
<b>Net earned premiums</b>	<b>1 937 388</b>	<b>1 621 416</b>	<b>-</b>	<b>(450)</b>	<b>3 558 354</b>
Revenue from commissions and fees	-	-	61 005	6 453	67 458
Net investment income (external transactions)	288 756	245 233	4 221	16 850	555 060
Net investment income (cross-segment transactions)	3 120 349	116 429	-	(3 236 778)	-
Net profit or loss on realization and impairment loss on investments	2 274	9 341	-	13 865	25 480
Net change in the fair value of assets and liabilities measured at fair value	(53 834)	(146 277)	-	(26 801)	(226 912)
Other operating revenue	48 108	20 805	740	(16 298)	53 355
Claims and change in technical provisions	(1 986 368)	(1 068 730)	-	(682)	(3 055 780)
Reinsurers' share in claims and change in technical provisions	425 492	-	-	-	425 492
<b>Net insurance claims</b>	<b>(1 560 876)</b>	<b>(1 068 730)</b>	<b>-</b>	<b>(682)</b>	<b>(2 630 288)</b>
Claims and change in measurement of investment contracts	-	-	-	4 931	4 931
Acquisition expense	(336 998)	(83 738)	(12 890)	(10 609)	(444 235)
Administrative expense	(263 919)	(144 239)	(19 741)	(3 444)	(431 343)
Other operating expense	(39 136)	(16 407)	(58)	(5 331)	(60 932)
<b>Operating profit (loss)</b>	<b>3 142 112</b>	<b>553 833</b>	<b>33 277</b>	<b>(3 258 294)</b>	<b>470 928</b>
Financial expense	(11 635)	-	-	-	(11 635)
<b>Gross profit (loss)</b>	<b>3 130 477</b>	<b>553 833</b>	<b>33 277</b>	<b>(3 258 294)</b>	<b>459 293</b>
Income tax	(6 390)	(82 864)	(5 077)	(2 540)	(96 871)
<b>Net profit (loss)</b>	<b>3 124 087</b>	<b>470 969</b>	<b>28 200</b>	<b>(3 260 834)</b>	<b>362 422</b>

PLN '000

Income statement by segments for 1 January – 30 June 2010	Property and casualty insurance	Life insurance	Pension insurance	Unallocated (consolidation eliminations and other)	Consolidated value
Gross written premiums - external	4 165 691	3 228 014	-	-	7 393 705
Gross written premiums - cross-segment	640	-	-	(640)	-
Reinsurer's share in gross written premium	(114 124)	(1 605)	-	-	(115 729)
<b>Net written premium including:</b>	<b>4 052 207</b>	<b>3 226 409</b>	<b>-</b>	<b>(640)</b>	<b>7 277 976</b>
Net written premium - external	4 051 567	3 226 409	-	-	7 277 976
Net written premium - cross-segment	640	-	-	(640)	-
Change in net provision for unearned premium	(276 458)	1 771	-	(371)	(275 058)
<b>Net earned premiums</b>	<b>3 775 749</b>	<b>3 228 180</b>	<b>-</b>	<b>(1 011)</b>	<b>7 002 918</b>
Revenue from commissions and fees	-	-	115 947	14 143	130 090
Net investment income (external transactions)	479 557	468 251	9 281	40 280	997 369
Net investment income (cross-segment transactions)	3 120 713	116 186	-	(3 236 899)	-
Net profit or loss on realization and impairment loss on investments	41 732	72 446	-	46 576	160 754
Net change in the fair value of assets and liabilities measured at fair value	(10 761)	92 936	-	24 744	106 919
Other operating revenue	59 665	44 242	1 143	(25 801)	79 249
Claims and change in technical provisions	(3 327 352)	(2 164 676)	-	(704)	(5 492 732)
Reinsurers' share in claims and change in technical provisions	403 320	-	-	-	403 320
<b>Net insurance claims</b>	<b>(2 924 032)</b>	<b>(2 164 676)</b>	<b>-</b>	<b>(704)</b>	<b>(5 089 412)</b>
Claims and change in measurement of investment contracts	-	-	-	(57 257)	(57 257)
Acquisition expense	(654 061)	(171 410)	(25 124)	(26 969)	(877 564)
Administrative expense	(474 240)	(304 394)	(40 704)	(2 297)	(821 635)
Other operating expense	(98 404)	(49 041)	(97)	16 206	(131 336)
<b>Operating profit (loss)</b>	<b>3 315 918</b>	<b>1 332 720</b>	<b>60 446</b>	<b>(3 208 989)</b>	<b>1 500 095</b>
Financial expense	(58 654)	-	-	-	(58 654)
<b>Gross profit (loss)</b>	<b>3 257 264</b>	<b>1 332 720</b>	<b>60 446</b>	<b>(3 208 989)</b>	<b>1 441 441</b>
Income tax	(33 390)	(226 606)	(10 208)	(1 403)	(271 607)
<b>Net profit (loss)</b>	<b>3 223 874</b>	<b>1 106 114</b>	<b>50 238</b>	<b>(3 210 392)</b>	<b>1 169 834</b>

PLN '000

Income statement by segments for 1 April – 30 June 2009	Property and casualty insurance	Life insurance	Pension insurance	Unallocated (consolidation eliminations and other)	Consolidated value
Gross written premiums – external	1 914 505	1 580 165	-	-	3 494 670
Gross written premiums - cross-segment	93	-	-	(93)	-
Reinsurer's share in gross written premium	(26 185)	(723)	-	-	(26 908)
<b>Net written premium including:</b>	<b>1 888 413</b>	<b>1 579 442</b>	<b>-</b>	<b>(93)</b>	<b>3 467 762</b>
Net written premium – external	1 888 320	1 579 442	-	-	3 467 762
Net written premium - cross-segment	93	-	-	(93)	-
Change in net provision for unearned premium	147 341	280	-	(309)	147 312
<b>Net earned premiums</b>	<b>2 035 754</b>	<b>1 579 722</b>	<b>-</b>	<b>(402)</b>	<b>3 615 074</b>
Revenue from commissions and fees	-	-	73 897	5 328	79 225
Net investment income (external transactions)	291 445	232 571	4 353	61 331	589 700
Net investment income (cross-segment transactions)	1 419 486	107 332	-	(1 526 818)	-
Net profit or loss on realization and impairment loss on investments	(20 542)	35 798	-	1 380	16 636
Net change in the fair value of assets and liabilities measured at fair value	89 300	350 684	-	40 537	480 521
Other operating revenue	7 589	14 544	703	(9 673)	13 163
Claims and change in technical provisions	(1 418 216)	(938 284)	-	(28)	(2 356 528)
Reinsurers' share in claims and change in technical provisions	34 244	-	-	-	34 244
<b>Net insurance claims</b>	<b>(1 383 972)</b>	<b>(938 284)</b>	<b>-</b>	<b>(28)</b>	<b>(2 322 284)</b>
Claims and change in measurement of investment contracts	-	-	-	(89 920)	(89 920)
Acquisition expense	(330 767)	(93 619)	(14 080)	(1 518)	(439 984)
Administrative expense	(231 191)	(146 879)	(30 580)	3 178	(405 472)
Other operating expense	(60 593)	(33 742)	(67)	(4 456)	(98 858)
<b>Operating profit (loss)</b>	<b>1 816 509</b>	<b>1 108 127</b>	<b>34 226</b>	<b>(1 521 061)</b>	<b>1 437 801</b>
Financial expense	-	-	-	-	-
<b>Gross profit (loss)</b>	<b>1 816 509</b>	<b>1 108 127</b>	<b>34 226</b>	<b>(1 521 061)</b>	<b>1 437 801</b>
Income tax	(82 305)	(185 168)	(6 131)	(10)	(273 614)
<b>Net profit (loss)</b>	<b>1 734 204</b>	<b>922 959</b>	<b>28 095</b>	<b>(1 521 071)</b>	<b>1 164 187</b>

PLN '000

Income statement by segments for 1 January – 30 June 2009	Property and casualty insurance	Life insurance	Pension insurance	Unallocated (consolidation eliminations and other)	Consolidated value
Gross written premiums - external	4 359 343	3 127 500	-	-	7 486 843
Gross written premiums - cross-segment	811	-	-	(811)	-
Reinsurer's share in gross written premium	(101 506)	(1 373)	-	-	(102 879)
<b>Net written premium including:</b>	<b>4 258 648</b>	<b>3 126 127</b>	<b>-</b>	<b>(811)</b>	<b>7 383 964</b>
Net written premium - external	4 257 837	3 126 127	-	-	7 383 964
Net written premium - cross-segment	811	-	-	(811)	-
Change in net provision for unearned premium	(156 080)	1 486	-	(32)	(154 626)
<b>Net earned premiums</b>	<b>4 102 568</b>	<b>3 127 613</b>	<b>-</b>	<b>(843)</b>	<b>7 229 338</b>
Revenue from commissions and fees	-	-	147 012	12 098	159 110
Net investment income (external transactions)	676 783	449 811	9 136	132 397	1 268 127
Net investment income (cross-segment transactions)	1 419 860	106 980	-	(1 526 840)	-
Net profit or loss on realization and impairment loss on investments	(100 964)	7 317	-	1 669	(91 978)
Net change in the fair value of assets and liabilities measured at fair value	57 971	235 631	-	33 825	327 427
Other operating revenue	67 938	38 806	857	(18 680)	88 921
Claims and change in technical provisions	(2 620 835)	(1 459 206)	-	(141)	(4 080 182)
Reinsurers' share in claims and change in technical provisions	64 504	-	-	-	64 504
<b>Net insurance claims</b>	<b>(2 556 331)</b>	<b>(1 459 206)</b>	<b>-</b>	<b>(141)</b>	<b>(4 015 678)</b>
Claims and change in measurement of investment contracts	-	-	-	(145 375)	(145 375)
Acquisition expense	(648 391)	(184 426)	(27 110)	(5 038)	(864 965)
Administrative expense	(477 686)	(303 508)	(57 345)	(9 900)	(848 439)
Other operating expense	(183 995)	(58 469)	(134)	7 258	(235 340)
<b>Operating profit (loss)</b>	<b>2 357 753</b>	<b>1 960 549</b>	<b>72 416</b>	<b>(1 519 570)</b>	<b>2 871 148</b>
Financial expense	-	-	-	-	-
<b>Gross profit (loss)</b>	<b>2 357 753</b>	<b>1 960 549</b>	<b>72 416</b>	<b>(1 519 570)</b>	<b>2 871 148</b>
Income tax	(196 643)	(351 893)	(13 440)	(339)	(562 315)
<b>Net profit (loss)</b>	<b>2 161 110</b>	<b>1 608 656</b>	<b>58 976</b>	<b>(1 519 909)</b>	<b>2 308 833</b>

The Capital Group of PZU Spółka Akcyjna  
Interim consolidated financial statements for the 6-month period ended 30 June 2010

1 January - 30 June 2010 and at 30 June 2010	Property and casualty insurance	Life insurance	Pension insurance	Unallocated (consolidation eliminations and other)	Consolidated value
<b>Segment assets, including:</b>	<b>21 834 520</b>	<b>24 617 339</b>	<b>289 843</b>	<b>732 604</b>	<b>47 474 306</b>
Deferred tax assets	886	-	3 437	16 158	20 481
Entities measured using the equity method	-	-	-	-	-
<b>Liabilities</b>	<b>15 744 196</b>	<b>18 934 133</b>	<b>34 947</b>	<b>1 422 249</b>	<b>36 135 525</b>
Investment outlays in the period*	44 774	44 958	194	10 678	100 604
Depreciation for the period*	(43 975)	(31 932)	(267)	(10 704)	(86 878)
Impairment loss on assets*	(827)	-	-	-	(827)
Reversal of impairment loss on assets *	646	7 892	-	-	8 538

\* applicable to intangible assets and property, plant and equipment

1 January - 31 March 2010 and at 31 March 2010	Property and casualty insurance	Life insurance	Pension insurance	Unallocated (consolidation eliminations and other)	Consolidated value
<b>Segment assets, including:</b>	<b>23 112 413</b>	<b>27 280 525</b>	<b>381 486</b>	<b>1 733 377</b>	<b>52 507 801</b>
Deferred tax assets	749	-	4 090	19 236	24 075
Entities measured using the equity method	-	-	-	-	-
<b>Liabilities</b>	<b>19 116 384</b>	<b>18 927 614</b>	<b>36 806</b>	<b>2 373 748</b>	<b>40 454 552</b>
Investment outlays in the period*	29 091	32 452	2	7 977	69 522
Depreciation for the period*	(21 851)	(16 138)	(139)	(4 995)	(43 123)
Impairment loss on assets*	(827)	-	-	-	(827)
Reversal of impairment loss on assets *	566	7 804	-	-	8 370

\* applicable to intangible assets and property, plant and equipment

The Capital Group of PZU Spółka Akcyjna  
Interim consolidated financial statements for the 6-month period ended 30 June 2010

1 January - 31 December 2009 and at 31 December 2009	Property and casualty insurance	Life insurance	Pension insurance	Unallocated (consolidation eliminations and other)	Consolidated value
<b>Segment assets, including:</b>	<b>22 920 818</b>	<b>26 816 242</b>	<b>363 404</b>	<b>3 075 745</b>	<b>53 176 209</b>
Deferred tax assets	734	-	4 811	19 368	24 913
Entities measured using the equity method	-	-	-	-	-
<b>Liabilities</b>	<b>19 031 239</b>	<b>19 070 259</b>	<b>40 972</b>	<b>3 766 860</b>	<b>41 909 330</b>
Investment outlays in the period*	115 913	50 070	72	9 535	175 590
Depreciation for the period*	(94 607)	(60 415)	(721)	(20 011)	(175 754)
Impairment loss on assets*	(8 631)	(5 507)	-	-	(14 138)
Reversal of impairment loss on assets *	118	12 748	-	-	12 866

\* applicable to intangible assets and property, plant and equipment

1 January - 30 June 2009 and at 30 June 2009	Property and casualty insurance	Life insurance	Pension insurance	Unallocated (consolidation eliminations and other)	Consolidated value
<b>Segment assets, including:</b>	<b>30 633 152</b>	<b>26 587 694</b>	<b>306 642</b>	<b>1 422 970</b>	<b>58 950 458</b>
Deferred tax assets	536	-	4 496	4 464	9 496
Entities measured using the equity method	-	-	-	-	-
<b>Liabilities</b>	<b>14 451 032</b>	<b>19 982 682</b>	<b>42 464</b>	<b>2 118 299</b>	<b>36 594 477</b>
Investment outlays in the period*	52 685	18 558	43	1 410	72 696
Depreciation for the period*	(48 502)	(30 329)	(365)	(9 518)	(88 714)
Impairment loss on assets*	-	-	-	-	-
Reversal of impairment loss on assets *	-	6 969	-	-	6 969

\* applicable to intangible assets and property, plant and equipment



PLN '000

1 January - 30 June 2010 and at 30 June 2010	Poland	Lithuania	Ukraine	Unallocated (consolidation eliminations and other)	Consolidated value
Gross written premiums - external	7 268 767	77 504	47 434	-	7 393 705
Gross written premiums - cross-segment	2 309	-	-	(2 309)	-
Revenue from commissions and fees	130 090	-	-	-	130 090
Net investment income (external transactions)	989 594	5 053	2 722	-	997 369
Net profit or loss on realization and impairment loss on investments (external transactions)	160 513	246	(5)	-	160 754
Net change in the fair value of assets and liabilities measured at fair value (external transactions)	105 825	1 094	-	-	106 919
Non-current assets other than financial instruments*	1 152 495	9 687	8 626	(55 371)	1 115 437
Deferred tax assets	21 831	-	886	(2 236)	20 481
<b>Assets</b>	<b>47 462 741</b>	<b>253 908</b>	<b>216 875</b>	<b>(459 218)</b>	<b>47 474 306</b>

\* applicable to intangible assets and property, plant and equipment

1 January - 31 December 2009 and at 31 December 2009	Poland	Lithuania	Ukraine	Unallocated (consolidation eliminations and other)	Consolidated value
Non-current assets other than financial instruments*	1 158 090	11 281	8 606	(49 097)	1 128 880
Deferred tax assets	25 899	-	734	(1 720)	24 913
<b>Assets</b>	<b>53 162 159</b>	<b>275 721</b>	<b>73 847</b>	<b>(335 518)</b>	<b>53 176 209</b>

\* applicable to intangible assets and property, plant and equipment

1 January - 30 June 2009 and at 30 June 2009	Poland	Lithuania	Ukraine	Unallocated (consolidation eliminations and other)	Consolidated value
Gross written premiums - external	7 349 159	97 974	39 710	-	7 486 843
Gross written premiums - cross-segment	8 260	-	-	(8 260)	-
Revenue from commissions and fees	159 110	-	-	-	159 110
Net investment income (external transactions)	1 258 059	5 910	4 158	-	1 268 127
Net profit or loss on realization and impairment loss on investments (external transactions)	(92 330)	352	-	-	(91 978)
Net change in the fair value of assets and liabilities measured at fair value (external transactions)	326 281	1 146	-	-	327 427
Non-current assets other than financial instruments*	1 154 918	13 005	11 615	(42 274)	1 137 264
Deferred tax assets	8 960	-	536	-	9 496
<b>Assets</b>	<b>58 839 568</b>	<b>352 621</b>	<b>91 372</b>	<b>(333 103)</b>	<b>58 950 458</b>

\* applicable to intangible assets and property, plant and equipment

### **13. Issues, redemption and repayment of debt and equity securities**

#### **13.1. PZU**

During the 6-month period ended 30 June 2010, PZU did not issue, redeem or repay any debt or equity securities.

Information about the agreement concerning stabilization of the market price of PZU and the resulting Put Option granted by PZU has been presented in point 18.3.

### **14. Credit facility/loan collateral or guarantees given by PZU or its subsidiaries**

During the 6-month period ended 30 June 2010, neither PZU nor its subsidiaries gave credit facility/loan collateral or guarantees - to one entity or a subsidiary of such an entity - if the total value of the existing collateral or guarantees constituted the equivalent of at least 10% of the equity of PZU.

### **15. Dividends**

As regards the profit for 2009 and the preceding years, only the profit disclosed in the separate financial statements of the parent company, drawn up in accordance with the Polish Accounting Standards, is subject to distribution.

On 26 March 2010, the Management Board of PZU adopted a resolution concerning the proposed distribution of profit for 2009 of PLN 2 510 380 thousand:

- PLN 1 692 505 thousand to dividends, subject to making an advance payment towards dividend expected at the end of the 2009 financial year, described below;
- PLN 10 000 thousand to appropriations to the Company's Social Benefits Fund;
- PLN 807 875 thousand to reclassification to the supplementary capital.

Additionally, in the aforementioned resolution the Management Board recommended the amount of PLN 11 999 516 thousand from the reserve capital as payment of dividend for 2009, to finance advance payments against expected dividend at the disposal of the Management Board, subject to making an advance payment towards dividend expected at the end of the 2009 financial year, described below.

As a result of the advance payment towards dividend expected at the end of the 2009 financial year of PLN 12 749 917 thousand made on 26 November 2009 comprising:

- PLN 750 401 thousand from the net profit for the first half of 2009 recognized in the audited financial statements of PZU prepared as of 30 June 2009;
- PLN 11 999 516 thousand from the reserve capital to finance advance payments towards expected dividend at the disposal of the Management Board,

the dividend still to be paid for the year ended 31 December 2009 was PLN 942 104 thousand, i.e. PLN 10.91 per share.

On 10 June 2010 the General Meeting of Shareholders of PZU adopted a resolution on profit distribution and dividend payment for the year ended 31 December 2009, sanctioning the above recommendation of PZU's Management Board.

The General Shareholders' Meeting decided that the total amount of dividend for the year ended 31 December 2009 would be PLN 13 692 021 thousand, whereas its portion of PLN 12 749 917 thousand was paid on 26 November 2009 against dividend expected at the end of the 2009 financial year. The remaining dividend to be paid is PLN 942 104 thousand, i.e. PLN 10.91 per share. 25 August 2010 was set as the record date and 9 September 2010 as the dividend date.

## **16. Receivables and liabilities due to litigious proceedings**

The entities in the PZU Group are parties to a number of court and arbitration disputes and administrative proceedings. The typical court disputes are those related to insurance contracts, employment contracts and contractual obligations. The typical administrative proceedings are those held before the President of the Office of Competition and Consumer Protection (UOKiK), before the Polish Financial Supervision Authority and those related to own real property. The proceedings and disputes are typical and repetitive and, usually, individually they are not significant for the PZU Group. Most disputes the PZU Group companies are parties to pertain to two companies: PZU and PZU Życie.

During the 6-month period ended 30 June 2010 and by the date of submission of the interim statements, the PZU Group did not take part in any proceedings before court, body competent to hear arbitration proceedings or public authority body concerning liabilities or receivables of PZU or its direct or indirect subsidiary of the value or the total value of at least 10% of the equity of PZU, except for the case (ended as of the date of submission of these interim statements) against PZU Życie concerning a claim for PLN 1 trillion described in point 10.

As of 30 June 2010 the total value of all 20,761 cases heard by courts, bodies competent to hear arbitration proceedings or public authority bodies involving the PZU Group companies was PLN 1 269 219 thousand. The amount includes PLN 854 899 thousand of liabilities and PLN 414 320 thousand of receivables of the PZU Group companies, which constituted 8.15% and 3.95% of PZU equity calculated in line with PAS, respectively.

### **16.1. Dispute with CSC Computer Sciences Polska Sp. z o.o.**

On 9 April 2010 the Court of Arbitration served on PZU Życie a statement of claim for payment. The case against PZU Życie was brought by CSC Computer Sciences Polska sp. z o. o. which demanded payment of EUR 8 437 thousand with respect to implementation of the GraphTalk system at PZU Życie.

The amount sought by CSC includes the claims related to licence fees, implementation works, maintenance of the computer system, service works, fee for computer systems, liquidated damages and capitalized interest.

On 31 May 2010 in response to the statement of claim, PZU Życie requested that the Court of Arbitration rule that the court temporarily refuses jurisdiction for some claims and dismissed the entire claims. In the opinion of PZU Życie, the claims of CSC are either unfounded or have not been proven.

PZU Życie also filed a counter claim against CSC, demanding payment of PLN 71 890 thousand as a return of remuneration collected by CSC under the concluded contract or as damages for undue performance of obligations under the concluded contract. By the date of submission of the interim statements, CSC had not responded to the counter claim.

### **16.2. Proceedings conducted by the Office of Competition and Consumer Protection against PZU Życie**

On 1 June 2005, at the request of several petitioners, the President of UOKiK instituted antimonopoly proceedings on suspicion of abuse by PZU Życie of its dominant position in the market of employee group insurance, which might breach the provisions of Article 8 of the Act on competition and consumer protection and Article 82 of the Treaty Establishing the European Community. In the decision of 25 October 2007 concluding the proceedings, the President of UOKiK imposed a fine of PLN 50 384 thousand on PZU Życie for hindering access to the competitors' offers.

The Management Board of PZU Życie disagrees both with the findings and legal arguments presented in the decision. According to the Management Board of PZU Życie, the decision did not take into account all the evidence and the legal qualification was incorrect, as a result of which it was assumed wrongly that the market position of PZU Życie was dominant.

PZU Życie appealed against the decision to the Court of Competition and Consumer Protection, presenting 38 substantive and formal charges with respect to the decision issued by the President of UOKiK. On 31 May 2010 the Court issued a ruling whereby it dismissed the appeal of PZU Życie on the grounds that the decision of the President of UOKiK of 25 October 2007 was not correctly served

on PZU Życie and thus the period available to PZU Życie to appeal against the decision did not start. The ruling has been appealed against by both parties. By the date of submission of the interim statements, the appeals of the parties had not been examined.

### **16.3. Motion summoning PZU to amicable settlement and discontinuance of the proceedings**

On 19 April 2010 the Court served on PZU a motion of an individual summoning PZU to amicable settlement. The individual sought payment of PLN 228 226 thousand from PZU as compensation for severe health disorder caused by “civil and criminal actions” against them and the company (in which they are the sole owner and the President of the Management Board) instigated by PZU and for causing the company’s falling out of the market.

Moreover, irrespective of claims specified therein, PZU is a party to disputes with the same company for the total amount exceeding PLN 21 million. The cases are heard at the Regional Court in Warsaw. PZU considers the underlying claims groundless. In a decision of 7 May 2010, the court discontinued the case for amicable settlement. The decision is final.

### **16.4. Dispute with Universale International GmbH**

On 1 June 1998 in Warsaw, Universale International GmbH with its registered office in Vienna (“Universale”) and BRC Holding SA with its registered office in Warsaw concluded an agreement, subsequently changed by an annex of 15 June 1999, for construction of the Head Office on PZU.

PZU Tower Sp. z o. o (“PZU Tower”, at present: Tower Inwestycje) is a party to court proceedings brought by Universale concerning an abuse of a bank guarantee.

On 17 September 2003, PZU Tower filed a counterclaim to the Court of Arbitration against Universale demanding indemnification for improper performance of the Agreement. The value of the subject of the dispute is PLN 18 587 thousand.

On 17 January 2008 the Court of Arbitration awarded PZU Tower with PLN 440 thousand as the costs of removal of defects in the building and demanded that the defects be removed. The Court dismissed the claim that the bank guarantee was abused and ordered that PZU Tower return to Universale any surplus of the amount received from the bank guarantee above the costs of removal of the defects.

Universale appealed against the decision to the Court of Arbitration and requested that the decision be reversed. On 27 March 2008, PZU Tower filed a request to the Regional Court in Warsaw for the appeal of Universale to be dismissed. On 18 May 2009 the Regional Court in Warsaw dismissed the appeal. Universale appealed against the decision on 2 July 2009 and demanded that the appeal to the Court of Arbitration be considered. On 3 August 2009 PZU Tower responded to the appeal and requested that it be dismissed in whole.

On 29 July 2010 the Court of Appeals dismissed the appeal of Universale in whole. The decision is final.

## **17. Other information**

### **17.1. Rating of the PZU Group companies by credit rating agencies**

PZU and PZU Życie are regularly rated by credit rating agencies. The rating assigned to PZU and PZU Życie results from an analysis of the financial information, competitive position, management and corporate strategy. It also includes a rating outlook, i.e. an assessment of the future position of the Company in the event specific circumstances occur.

On 5 July 2010 the Standard&Poor’s rating agency affirmed its rating on PZU and PZU Życie of 16 July 009.

The table below presents the ratings on the PZU Group companies by Standard&Poor’s, together with the previous year ratings.

Company name	Rating and outlook	Assignment date	Rating and outlook	Assignment date
<b>PZU</b>				
Financial strength rating	A /stable/	5 July 2010	A /stable/	16 July 2009
Credit rating	A /stable/	5 July 2010	A /stable/	16 July 2009
<b>PZU Życie</b>				
Financial strength rating	A /stable/	5 July 2010	A /stable/	16 July 2009
Credit rating	A /stable/	5 July 2010	A /stable/	16 July 2009

## 17.2. Key information about the IPO process following approval of the prospectus

On 13 April 2010, KNF approved the prospectus of PZU which was published on 16 April 2010.

Shares were subscribed for between: 20 and 26 April 2010 in the case of authorized persons, 20 and 28 April 2010 in the case of individual investors and 30 April and 5 May 2010 in the case of institutional investors.

The information including data required pursuant to Article 54.3 of the Act on public offering, conditions governing the introduction of financial instruments to organized trading, and public companies of 29 July 2005 (Journal of Laws 185 of 2009, item. 1439) published on 29 April 2010 specified:

- the price of shares for individual investors, authorized persons and institutional investors at PLN 312.50 per share;
- the final number of shares sold during the offering at 25,819,337 shares (29.9% of the total number of issued shares); the final number of sold shares and their share in the total number of issued shares was: Kappa SA - 12 866 492 (14.9%), Eureko - 8 635 230 (10.0%) and the State Treasury - 4 317 615 (5.0%);
- the number of shares sold to individual investors at 7 058 582, authorized persons at 73 938 and institutional investors at 18 686 817.

The Management Board of the National Depository for Securities (KDPW) adopted Resolutions No. 212/2010 on 16 April 2010 and No. 252/2010, 253/2010 and 254/2010 on 6 May 2010 whereby it granted PZU the status of participant of KDPW (ISSUER) (Resolution No. 212/2010) and decided to register 86 324 317 PZU shares (60 418 337 A series shares and 25 905 980 B series shares) with a code PLPZU0000011. The shares traded in the public offering were registered in KDPW on 26 April 2010 and the other shares, on 10 May 2010.

On 6 May 2010 PZU applied to WSE for admission and introduction to trading on the primary market of WSE of 60 418 337 A series shares and 25 905 980 B series shares.

On 7 May 2010 the Management Board of WSE adopted Resolution 425/1020 whereby it decided to introduce 60 418 337 A series shares of PZU and 25 905 980 B series shares of PZU to trading on the primary market of WSE on 12 May 2010. The resolution was conditional and its requirements were met on 10 May 2010.

On 12 May 2010 PZU shares were first traded on WSE. The opening price on the first trading day was PLN 349.00 and the closing price, PLN 360.00 per share.

PZU shares are continuously traded under the abbreviated name "PZU" and designation "PZU".

### **17.3. Agreement concerning stabilization of the market price of PZU shares**

On 16 April 2010, Credit Suisse Securities (Europe) Limited, the stabilization manager, and PZU concluded a stabilization agreement ("Stabilization Agreement") whereby during the period of 30 days after the first quotation of PZU shares on the primary market of WSE, the stabilization manager could acquire PZU shares on such market to support the market price of PZU shares at a level which would be higher than the one without such transactions. Pursuant to the Stabilization Agreement, due to the steps which could be taken by the stabilization manager, PZU provided the stabilization manager with the put option for PZU shares ("Put Option"). Based on the Put Option, the stabilization manager was entitled to sell to PZU not more than 2 590 569 PZU shares, however, not more than 15% of PZU shares sold in the initial public offering, for the price per one share equal to the price paid by the stabilization manager at WSE for shares under the Put Option, which could not exceed the price of shares for institutional investors in the initial public offering, with the reservation that the total price which PZU would pay for shares under the Put Option increased by the total fee of the stabilization manager would not exceed PLN 683 340 thousand.

The authorization to acquire own shares by PZU under stabilization transactions has been concluded in the resolution of the Extraordinary Meeting of PZU of 16 March 2010 adopted based on Article 362.1.5 of the Code of Commercial Companies of 15 September 2000 (Journal of Laws No. 94 of 2000, item 1037 as amended, "Code of Commercial Companies") and Article 8 of the Articles of Association of PZU. In the resolution, the Extraordinary Meeting of PZU authorized the Management Board of PZU to acquire not more than 2 590 569 PZU shares from investor or investors carrying out stabilization activities, with the view to their redemption; the price of shares may not exceed the price of shares in the initial public offering of PZU shares to institutional investors. Pursuant to the resolution, PZU shares would be acquired to be redeemed, however, such acquisition could take place only to the extent the remuneration of a shareholder (the price of PZU shares) would be paid from the amount which in line with Article 348.§.1 of the Code of commercial companies could be allocated for distribution between shareholders.

During 30 days of the first day of quotation of the PZU shares in the WSE primary market, the stabilization manager did not carry out any stabilization transactions with respect to PZU shares and the Put Option was not exercised.

### **17.4. Increase in the share capitals of insurance companies in the PZU Group in Ukraine**

On 10 March 2010, PZU Ukraine and on 21 April 2010, PrJSC IC PZU Ukraine Life Insurance received protocols concerning a breach of the licence requirements from the Ukrainian insurance supervision due to inappropriate level of net assets (pursuant to the regulatory requirements, the net assets of an insurance undertaking may not be lower than the share capital). The deadline set by the authority to adapt the operations of both companies to the regulatory requirements is the end of September 2010.

The end of June and beginning of July 2010 saw an issue of shares of both Ukrainian companies. PZU assumed the total of:

- 100 000 shares of PZU Ukraine with the face value of UAH 10 each and issue price of UAH 3 000 each for the total amount of up to UAH 300 000 thousand (the shares were paid for on 25 June 2010 with USD 37 892 thousand - an equivalent of UAH 299 700 thousand and on 12 July 2010 with USD 38 thousand - an equivalent of UAH 300 thousand);
- 5 000 shares of PrJSC IC PZU Ukraine Life Insurance with the face value of UAH 100 each and issue price of UAH 10 400 each for the total amount of up to UAH 52 000 thousand (the shares were paid for on 25 June 2010 with USD 4 753 thousand – an equivalent of UAH 37 596 thousand and on 12 July 2010 with USD 1 822 thousand - an equivalent of UAH 14 404 thousand);

The increase in the share capital of both companies was registered on 10 August 2010. Successful increase in the share capitals of both companies will facilitate satisfaction of the regulatory requirements.

## **17.5. Changes in the composition of management and supervisory bodies of PZU**

### **17.5.1. Management Board of PZU**

During the 6-month period ended 30 June 2010 and by the date of submission of these interim statements, the Management Board of PZU did not undergo any changes and was composed of:

- Andrzej Klesyk - Chairman of the Board;
- Witold Jaworski - Member of the Board;
- Rafał Stankiewicz - Member of the Board.

### **17.5.2. Supervisory Board of PZU**

Composition of the Supervisory Board as of 31 December 2009:

- Tomasz Gruszecki Chairman;
- Marcin Majeranowski Vice-Chairman;
- Alfred Bieć Member;
- Tomasz Przesławski Member;
- Marzena Piszczek Member;
- Marco Vet Member;
- Waldemar Maj Member.

On 5 January 2010, the Ministry of Treasury dismissed Alfred Bieć and Tomasz Przesławski from the Supervisory Board and appointed Piotr Kamiński and Grażyna Piotrowska-Oliwa as Members of the Supervisory Board.

On 12 January 2010, the consortium comprising Eureka B.V. and Bank Millennium SA dismissed Marco Vet from the Supervisory Board and appointed Jurgen B. J. Stegmann.

On 9 June 2010 Marcin Majeranowski resigned from the position of Vice-Chairman and member of the Supervisory Board and Jurgen Stegmann resigned from the position of member of the Supervisory Board.

On 10 June 2010, the General Shareholders' Meeting of PZU dismissed Tomasz Gruszecki from the Supervisory Board and appointed Zbigniew Cwiąkański, Krzysztof Dresler and Dariusz Filar as members of the Supervisory Board.

Since 10 June 2010 and until the date of submission of these interim statements, the composition of the Supervisory Board of PZU was as follows:

- Marzena Piszczek Chairperson of the Board (from 16 June 2010);
- Zbigniew Cwiąkański Vice-Chairperson of the Board (from 16 June 2010);
- Grażyna Piotrowska-Oliwa Secretary of the Board (from 16 June 2010);
- Waldemar Maj Member of the Board;
- Piotr Kamiński Member of the Board;
- Krzysztof Dresler Member of the Board;
- Dariusz Filar Member of the Board;

#### **17.5.2.1. Number of Members of the Supervisory Board of PZU**

On 10 June 2010 the General Shareholders' Meeting of PZU decided that the Supervisory Board of PZU will be composed of seven persons.

### **17.5.3. New Directors in the Group**

In January 2010, as part of implementation of the new management model of the PZU Group the following positions have been established:

- Director in the PZU Group for Management of the Group Branches in PZU Head Office (appointment of Dariusz Krzewina on 1 February 2010);
- Director in the PZU Group for Development of the Group Offices in PZU Head Office (appointment of Rafał Grodzicki on 1 February 2010);
- Director in the PZU Group for Finance in PZU Head Office (appointment of Przemysław Dąbrowski on 30 January);
- Director in the PZU Group for Operations in PZU Head Office (appointment of Mariusz J. Sarnowski on 30 January);

The persons are also Members of the Management Board of PZU Życie.

### **17.6. Staff restructuring at PZU SA and PZU Życie SA- first half of 2010**

On 10 February 2010, the Management Boards of PZU and PZU Życie adopted a resolution concerning planned lay-offs in both companies.

On 11 March 2010 the Management Boards of PZU and PZU Życie and Trade Unions operating in the companies concluded a lay-off agreement. As agreed, from 26 March to 20 November 2010, the companies are undergoing staff restructuring and optimization as part of the lay-offs.

The staff restructuring is related e.g. to centralization of functions which so far have been dispersed throughout several centres located in large Polish cities and higher specialization of hired staff. It mostly affects operations, finance, loss adjustment and the PZU Group network.

The change was expected to affect 6 655 employees of PZU SA and PZU Życie at the most and involve net reduction, i.e. cutting the number of staff in 2010 in both companies by 2 079 persons.

Termination conditions offered to the dismissed employees or employees who did not accept the offered terms of employment exceeded the scope provided for by the applicable laws (the Act of 13 March 2003 on special principles applicable to termination of employment contracts for reasons other than through the fault of employees – Journal of Laws No. 90 of 2003, item 844).

The amount of additional redundancy pay depends on the salary of each employee and their time of employment at the PZU Group.

By 30 June 2010 the changes affected 3 266 employees: 2 017 of them accepted the proposed change of the terms of employment and 1 249 were given termination documents.

Dismissed employees have been offered one of the largest outplacement schemes introduced in Poland in 2010.



## **18. Related party transactions**

### **18.1. Significant transactions concluded by PZU or its subsidiaries with the related parties on non-arm's length terms**

During the 6-month period ended 30 June 2010, PZU or its subsidiaries did not conclude any related party transactions which could be considered significant (individually or jointly) and would be concluded on non-arm's length terms.

### **18.2. Turnovers and balances of related-party transactions**

Pursuant to IAS 24, transactions of the PZU Group with related parties need to be presented. Between 1 January and 11 May 2010 the interest of the State Treasury in the share capital of PZU exceeded 50%. On 11 May, as part of the IPO, the shares sold by the State Treasury were transferred and registered on the accounts of buyers and thus the interest of the State Treasury in the share capital of PZU dropped below 50%.

Apart from the above issue, for the purpose of presentation of turnovers and balances for related party transactions, it is assumed that after 11 May 2010 the State Treasury maintained control over PZU as understood by IAS 27 and thus PZU remains an entity controlled by the State Treasury and is still obliged to present in its financial statements transactions with related parties of the State Treasury.

For the purposes of this item:

- "entities controlled by the State Treasury" denote only commercial companies and State Treasury controlled state entities, whose lists are published on the website of the Ministry of Treasury. Carrying out its statutory activities, the PZU Group entities entered into transactions with entities controlled by the State Treasury other than commercial companies and state entities, whose business names are published on the website of the Ministry of Treasury. Considering a substantial number of such entities and transactions concluded, limitations of the reporting system implemented by the PZU Group as well as immateriality of the impact of such transactions on the performance of the PZU Group, PZU believes that their disclosure is not important for ensuring a reliable presentation of the financial position of the Group;
- "other related parties" denote entities directly or indirectly controlled by PZU and associated companies, whose complete list is included in 1.2.

Information concerning the balances and turnovers related to commercial transactions of the PZU Group companies with related parties, as defined in IAS 24 has been presented in the tables below. Consequently, the transactions with entities controlled by the State Treasury are mainly property and casualty insurance contracts, life insurance contracts and investment contracts (items presented in the table are premiums written and investment contracts, other income - mainly recharged expenses, court fees, fees for certifications and other documents, revenue from reversing or adjusting revaluation write-downs on receivables, expenses – mainly costs of claims paid and receivables – mainly due to insurance premiums), concluded and settled on terms and conditions which could be obtained in transactions with unrelated parties.

Balances and turnovers of transactions between the PZU Group and related parties in period 1 January 2010- 30 June 2010 and at 30 June 2010	Gross written premium					Receivables					
	property and casualty insurance	life insurance	Other revenue	Expenses	write-downs on receivables created in the current period	gross value	revaluation write-downs	net	Liabilities	Contingent assets	Contingent liabilities
Major investor (Eureko B.V.) 1/	-	-	21	-	-	-	-	-	-	-	-
Key members of the management of consolidated entities 3/	-	-	-	-	-	-	-	-	-	-	-
Other subsidiaries of the State Treasury	35 204	15 436	3 447	70 826	164	64 256	(475)	63 781	12 536	-	-
Other related parties	216	-	18 689	9 396	-	12 930	(11 291)	1 639	1 835	-	-

Balances and turnovers of transactions between the PZU Group and related parties at 31 December 2009	Gross written premium					Receivables					
	property and casualty insurance	life insurance	Other revenue	Expenses	write-downs on receivables created in the current period	gross value	revaluation write-downs	net	Liabilities	Contingent assets	Contingent liabilities
Major investor (Eureko B.V.) 1/	-	-	91	-	-	75	-	75	-	-	-
Key members of the management of consolidated entities 2/	-	-	-	-	-	-	-	-	-	-	-
Other subsidiaries of the State Treasury	176 198	2 191 837	4 423	160 449	76	79 420	(365)	79 055	7 000	-	1 623
Other related parties	1 132	-	23 009	30 692	815	13 569	(12 319)	1 250	2 274	-	-

Balances and turnovers of transactions between the PZU Group and related parties in period 1 January 2010- 30 June 2009 and at 30 June 2009	Gross written premium					Receivables			Liabilities	Contingent assets	Contingent liabilities
	property and casualty insurance	life insurance	Other revenue	Expenses	write-downs on receivables created in the current period	gross value	revaluation write-downs	net			
Major investor (Eureko B.V.) 1/	-	-	91	-	-	75	-	75	-	-	-
Key members of the management of consolidated entities 2/	-	-	-	-	-	-	-	-	-	-	-
Other subsidiaries of the State Treasury	35 061	22 117	94	62 151	1	32 292	(307)	31 985	5 727	-	-
Other related parties	228	-	17 768	13 768	576	13 436	(12 081)	1 355	1 168	-	-

1/ The revenue and receivables from Eureko are the fee payable to PZU for provision of selected financial reports and data to Eureko.

2/ Members of the management boards of consolidated companies in the PZU Group

3/ Members of the management boards of consolidated companies in the PZU Group and Director of the PZU Group

As of 30 June 2010, 31 December 2009 and 30 June 2009, the key item in receivables from other related parties were receivables from Syta Development Sp. z o. o. in liquidation ("Syta Development") due to agreements relating to investments of the Loss Adjustment and Underwriting Centre of PLN 11 291 thousand, which - because the agreements were not performed as of that dates - were covered with a revaluation write-down up to the full amount.

### 18.3. Written premium and investment contracts in bancassurance transactions with banks controlled by the State Treasury

Written premium and investment contracts in bancassurance transactions with banks controlled by the State Treasury are presented in the tables below.

<b>Bank Powszechna Kasa Oszczędności BP SA</b>	<b>1 April – 30 June 2010</b>	<b>1 January – 30 June 2010</b>	<b>1 April – 30 June 2009</b>	<b>1 January – 30 June 2009</b>
Gross written premium PZU	(3 233)*	10 600	4 982	8 559
Gross written premium PZU Życie	5 206	15 436	11 528	21 762
Volume of investment contracts PZU Życie	-	-	-	355
<b>Total</b>	<b>1 973</b>	<b>26 036</b>	<b>16 510</b>	<b>30 676</b>

\* The negative value results from written premium adjustments introduced in Q2.

<b>Bank Ochrony Środowiska SA</b>	<b>1 April – 30 June 2010</b>	<b>1 January – 30 June 2010</b>	<b>1 April – 30 June 2009</b>	<b>1 January – 30 June 2009</b>
Gross written premium PZU	69	103	103	103
Gross written premium PZU Życie	-	-	-	-
Volume of investment contracts PZU Życie	-	-	-	-
<b>Total</b>	<b>69</b>	<b>103</b>	<b>103</b>	<b>103</b>

### 18.4. Loan to Kappa SA

On 1 October 2009 PZU concluded a loan agreement with Kappa SA for the amount PLN 25 000 thousand. The purpose of the loan was to finance Kappa SA's share in the Settlement Agreement, including tax on civil-law transactions due to contributions in kind made to Kappa SA, costs of auditing contributions in kind and the process of contributing assets to Kappa SA, and financing current operations of Kappa SA.

On 20 January 2010 PZU paid out to Kappa SA the total of PLN 21,889 thousand, out of which PLN 744 thousand was paid out in 2010. Interest income due under the loan for 6 months ended 30 June 2010 was PLN 560 thousand.

The loan was to be repaid not later than 3 business days after Kappa SA obtained funds from the sale of shares under IPO of PZU shares. On 10 May 2010 Kappa SA repaid the principal amount with accrued interest (totaling PLN 22 800 thousand, out of which interest constituted PLN 911 thousand).

Date	Name surname	and Position/Function	
25 August 2010	Andrzej Klesyk	Chairman of the Management Board of PZU	..... (signature)
25 August 2010	Witold Jaworski	Member of the Management Board of PZU	..... (signature)
25 August 2010	Rafał Stankiewicz	Member of the Management Board of PZU	..... (signature)
25 August 2010	Piotr Marczyk	Director of the Accounting Office	..... (signature)