

**INTERIM CONSOLIDATED FINANCIAL STATEMENTS
OF THE CAPITAL GROUP OF
POWSZECHNY ZAKŁAD UBEZPIECZEŃ
SPÓŁKA AKCYJNA
FOR A 6-MONTH PERIOD
ENDED 30 JUNE 2011**



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INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

PLN '000

| Assets | Note | 30 June 2011 | 31 March 2011 | 31 December 2010 | 30 June 2010 | 31 December 2009 |
|---|-------------|---------------------|----------------------|-------------------------|---------------------|-------------------------|
| Intangible assets | | 123 243 | 103 851 | 109 067 | 88 866 | 85 069 |
| Goodwill | | 8 400 | 8 419 | 8 381 | 21 960 | 19 631 |
| Property, plant and equipment | | 1 106 735 | 1 136 675 | 990 411 | 1 026 571 | 1 043 811 |
| Investment property | | 455 994 | 465 686 | 441 014 | 379 378 | 346 552 |
| Entities measured using the equity method | | - | - | - | - | - |
| Financial assets | 9.1 | | | | | |
| | 9.4 | | | | | |
| Financial instruments held to maturity | 9.1.1 | 21 994 138 | 21 604 789 | 20 305 758 | 22 231 720 | 23 327 568 |
| Financial instruments available for sale | 9.1.2 | 9 838 348 | 9 525 092 | 8 623 082 | 8 518 770 | 10 027 845 |
| Financial instruments measured at fair value through profit or loss | 9.1.3 | 12 996 283 | 12 815 474 | 12 118 252 | 9 974 724 | 10 213 631 |
| Loans | 9.1.4 | 6 305 673 | 3 466 573 | 4 297 940 | 1 457 745 | 4 668 549 |
| Receivables, including receivables from insurance contracts | 9.2 | | | | | |
| | 9.4 | 2 428 341 | 2 441 754 | 1 734 274 | 1 498 913 | 1 495 207 |
| Reinsurers' share in technical provisions | 9.3 | | | | | |
| | 9.4 | 748 204 | 759 838 | 771 850 | 1 116 283 | 748 313 |
| Estimated salvages and subrogations | | 51 399 | 66 199 | 77 812 | 72 922 | 82 330 |
| Deferred tax assets | | 16 105 | 15 988 | 16 645 | 20 481 | 24 913 |
| Current income tax receivables | | 9 103 | 10 585 | 9 958 | 63 | 87 599 |
| Deferred acquisition costs | | 566 333 | 568 360 | 540 729 | 550 702 | 518 279 |
| Prepayments | 9.6 | 178 047 | 214 847 | 194 226 | 204 482 | 215 804 |
| Other assets | | 133 823 | 141 957 | 7 455 | 13 683 | 15 781 |
| Cash and cash equivalents | | 319 240 | 294 477 | 423 703 | 398 398 | 366 556 |
| Assets used in continuing operations | | 57 279 409 | 53 640 564 | 50 670 557 | 47 575 661 | 53 287 438 |
| Non-current assets held for sale and disposal groups | | 21 869 | - | - | - | - |
| Total assets | | 57 301 278 | 53 640 564 | 50 670 557 | 47 575 661 | 53 287 438 |

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONT'D)

PLN '000

| | Note | 30 June 2011 | 31 March 2011 | 31 December 2010 | 30 June 2010 | 31 December 2009 |
|--|------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Equity and liabilities | | | | | | |
| Equity | | | | | | |
| Issued share capital and other equity attributable to the shareholders of the parent | | | | | | |
| Share capital | | 86 352 | 86 352 | 86 352 | 86 352 | 86 352 |
| Other capitals | | 8 102 870 | 6 704 681 | 6 649 782 | 6 458 122 | 5 802 568 |
| Supplementary capital | | 7 711 649 | 6 296 320 | 6 296 313 | 6 296 393 | 5 485 014 |
| Revaluation reserve | | 431 850 | 448 178 | 392 268 | 181 688 | 340 970 |
| Exchange differences from translation of controlled entities | | (40 629) | (39 817) | (38 799) | (19 959) | (23 416) |
| Undistributed profit / uncovered loss | | 3 957 132 | 6 855 456 | 6 063 666 | 4 794 179 | 5 377 826 |
| Previous year profit (loss) | | 2 403 169 | 6 063 657 | 3 624 435 | 3 624 340 | 2 365 282 |
| Net profit (loss) | | 1 553 963 | 791 799 | 2 439 231 | 1 169 839 | 3 762 945 |
| Appropriations on net profit during the financial year | | - | - | - | - | (750 401) |
| Non-controlling interest | | 84 344 | 88 189 | 126 | 128 | 133 |
| Total equity | | 12 230 698 | 13 734 678 | 12 799 926 | 11 338 781 | 11 266 879 |
| Liabilities | | | | | | |
| Technical provisions | 9.7 | | | | | |
| Provision for unearned premiums and for unexpired risks | | 4 603 178 | 4 648 051 | 4 315 675 | 4 386 682 | 4 189 849 |
| Life insurance provision | | 14 525 034 | 14 498 287 | 14 570 725 | 14 545 165 | 14 582 590 |
| Provisions for outstanding claims | | 5 044 204 | 5 078 277 | 5 157 080 | 5 118 083 | 4 456 464 |
| Provision for capitalized value of annuity claims | | 4 903 518 | 4 837 658 | 4 862 552 | 4 869 974 | 4 874 653 |
| Provisions for bonuses and rebates for the insured | | 6 198 | 8 017 | 6 177 | 4 523 | 5 071 |
| Other technical provisions | | 572 943 | 593 035 | 614 692 | 641 804 | 698 918 |
| Unit linked technical provisions | | 2 392 789 | 2 350 605 | 2 296 089 | 2 097 786 | 2 017 501 |
| Investment contracts | 9.8 | | | | | |
| - with guaranteed and fixed terms and conditions | | 3 534 365 | 2 441 973 | 2 270 568 | 446 568 | 2 632 054 |
| - for the client and at the client's risk | | 1 374 738 | 1 380 985 | 1 273 947 | 1 099 292 | 1 094 475 |
| Provisions for employee benefits | | 261 588 | 259 873 | 257 916 | 269 652 | 260 946 |
| Other provisions | 9.9 | 202 507 | 204 035 | 212 559 | 280 665 | 314 595 |
| Provision for deferred income tax | | 387 807 | 449 691 | 404 956 | 402 437 | 444 053 |
| Current income tax liabilities | | 62 053 | 29 823 | 1 743 | 48 101 | 3 056 |
| Derivatives | | 38 003 | 19 869 | 11 730 | 13 886 | 3 533 |
| Other liabilities | 9.10 | 6 750 768 | 2 689 770 | 1 132 079 | 1 647 689 | 5 974 052 |
| Accruals and deferred income | 9.11 | | | | | |
| Cost accruals | | 402 001 | 407 993 | 474 272 | 359 540 | 464 126 |
| Deferred income | | 8 886 | 7 944 | 7 871 | 5 033 | 4 623 |
| Liabilities related to continuing operations | | 45 070 580 | 39 905 886 | 37 870 631 | 36 236 880 | 42 020 559 |

| | | | | | |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|
| Liabilities directly related to non-current assets classified as held for sale | - | - | - | - | - |
| Total liabilities | 45 070 580 | 39 905 886 | 37 870 631 | 36 236 880 | 42 020 559 |
| Total equity and liabilities | 57 301 278 | 53 640 564 | 50 670 557 | 47 575 661 | 53 287 438 |

INTERIM CONSOLIDATED INCOME STATEMENT

PLN '000

| Consolidated income statement | Note | 1 April - 30 June 2011 | 1 January - 30 June 2011 | 1 April – 30 June 2010 | 1 January - 30 June 2010 |
|---|-------------|-----------------------------------|-------------------------------------|-----------------------------------|-------------------------------------|
| Gross written premiums | 9.12 | 3 696 378 | 7 673 262 | 3 487 081 | 7 291 854 |
| Reinsurers' share in the written premium | | (38 399) | (150 634) | (28 877) | (115 729) |
| Net written premium | | 3 657 979 | 7 522 628 | 3 458 204 | 7 176 125 |
| Change in net provision for unearned premium | | 39 586 | (252 929) | 100 150 | (173 207) |
| Net earned premiums | | 3 697 565 | 7 269 699 | 3 558 354 | 7 002 918 |
| Fee and commissions income | 9.13 | 77 954 | 156 227 | 67 458 | 130 090 |
| Net investment income | 9.14 | 488 917 | 894 822 | 553 767 | 994 467 |
| Net profit or loss on realization and impairment loss on investments | 9.15 | 61 793 | (67 751) | 25 480 | 160 754 |
| Net change in the fair value of assets and liabilities plus equity measured at fair value | 9.16 | 54 290 | 251 988 | (226 912) | 106 919 |
| Other operating income | 9.17 | 88 308 | 293 241 | 53 355 | 79 249 |
| Claims and change in technical provisions | | (2 671 976) | (5 075 832) | (3 072 140) | (5 524 232) |
| Reinsurers' share in claims and change in technical provisions | | 54 507 | 57 535 | 425 492 | 403 320 |
| Net insurance claims | 9.18 | (2 617 469) | (5 018 297) | (2 646 648) | (5 120 912) |
| Investment benefits and change in valuation of investment contracts | 9.19 | (1 301) | (36 940) | 7 783 | (55 004) |
| Acquisition costs | 9.20 | (482 526) | (953 041) | (454 208) | (896 510) |
| Administrative expense | 9.20 | (304 235) | (633 196) | (404 434) | (767 684) |
| Other operating expense | 9.21 | (123 084) | (254 388) | (63 067) | (134 192) |
| Operating profit (loss) | | 940 212 | 1 902 364 | 470 928 | 1 500 095 |
| Financial expense | 9.22 | (5 480) | (5 776) | (11 635) | (58 654) |
| Share in net profit (loss) of entities measured using the equity method | | - | - | - | - |
| Gross profit (loss) | | 934 732 | 1 896 588 | 459 293 | 1 441 441 |

INTERIM CONSOLIDATED INCOME STATEMENT (CONT'D)

PLN '000

| Consolidated income statement | Note | 1 April - 30 June 2011 | 1 January - 30 June 2011 | 1 April – 30 June 2010 | 1 January - 30 June 2010 |
|--|------|---------------------------|-----------------------------|---------------------------|-----------------------------|
| Income tax | | | | | |
| - current portion | | (230 950) | (374 998) | (192 515) | (289 218) |
| - deferred portion | | 57 387 | 30 814 | 95 644 | 17 611 |
| Net profit (loss), including: | | 761 169 | 1 552 404 | 362 422 | 1 169 834 |
| - profit (loss) attributable to equity holders of the parent | | 762 164 | 1 553 963 | 362 424 | 1 169 839 |
| - minority profits (loss) | | (995) | (1 559) | (2) | (5) |
| Net profit (loss) from continuing operations | | 762 164 | 1 553 963 | 362 424 | 1 169 839 |
| 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) | | 8.83 | 18.00 | 4.20 | 13.55 |
| Basic and diluted profit (loss) on discontinued operations per ordinary share (in PLN) | | - | - | - | - |
| Basic and diluted profit (loss) per ordinary share (in PLN) | | 8.83 | 18.00 | 4.20 | 13.55 |

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

PLN '000

| Consolidated statement of comprehensive income | 1 April - 30 June 2011 | 1 January - 30 June 2011 | 1 April - 30 June 2010 | 1 January - 30 June 2010 |
|--|-----------------------------------|-------------------------------------|-----------------------------------|-------------------------------------|
| Net profit (loss) | 761 169 | 1 552 404 | 362 422 | 1 169 834 |
| Other comprehensive income: | (17 138) | 37 755 | (134 788) | (155 825) |
| Financial assets available for sale | (16 026) | 33 854 | (141 389) | (169 740) |
| Exchange differences from translation of controlled entities | (810) | (1 827) | 6 601 | 3 457 |
| Real property reclassified from property, plant and equipment to investment property | (302) | 5 728 | - | 10 458 |
| Net comprehensive income total | 744 031 | 1 590 159 | 227 634 | 1 014 009 |
| - comprehensive income attributable to holders of the parent's equity | 745 024 | 1 591 715 | 227 627 | 1 014 014 |
| - comprehensive income attributable to equity under discretionary participation features contracts | - | - | - | - |
| - comprehensive income attributable to non-controlling interest | (993) | (1 556) | 7 | (5) |

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 | | | | | | | | Total equity |
|--|--|-----------------------|---------------------|---------------------------------------|---------------------------------------|-------------------|--------------------|--------------------------|--------------------|
| | Share capital | Supplementary capital | Other capitals | Exchange differences from translation | Undistributed profit / uncovered loss | Net profit (loss) | Total | Non-controlling interest | |
| | | | Revaluation reserve | | Previous year profit (loss) | | | | |
| Balance as at 1 January 2011 | 86 352 | 6 296 313 | 392 268 | (38 799) | 6 063 666 | - | 12 799 800 | 126 | 12 799 926 |
| Change in measurement of AFS financial assets | - | - | 33 854 | - | - | - | 33 854 | - | 33 854 |
| Exchange differences from translation | - | - | - | (1 830) | - | - | (1 830) | 3 | (1 827) |
| Real property reclassified from property, plant and equipment to investment property | - | - | 5 728 | - | - | - | 5 728 | - | 5 728 |
| Total increases (decreases) recognized directly in net capital (including income tax) | - | - | 39 582 | (1 830) | - | - | 37 752 | 3 | 37 755 |
| Net profit (loss) for the financial year | - | - | - | - | - | 1 553 963 | 1 553 963 | (1 559) | 1 552 404 |
| Total increases (decreases) | - | - | 39 582 | (1 830) | - | 1 553 963 | 1 591 715 | (1 556) | 1 590 159 |
| Other changes, including: | - | 1 415 336 | - | - | (3 660 497) | - | (2 245 161) | 85 774 | (2 159 387) |
| Distribution of the financial profit/loss to supplementary capital | - | 1 415 325 | - | - | (3 660 485) | - | (2 245 160) | (2 830) | (2 247 990) |
| Consolidation of the Armatura Capital Group | - | - | - | - | - | - | - | 88 679 | 88 679 |
| Other | - | 11 | - | - | (12) | - | (1) | (75) | (76) |
| Balance as at 30 June 2011 | 86 352 | 7 711 649 | 431 850 | (40 629) | 2 403 169 | 1 553 963 | 12 146 354 | 84 344 | 12 230 698 |

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 | | | | | | | | Total equity |
|--|--|-----------------------|---------------------------------------|---------------------------------------|--|-------------------|-------------------|--------------------------|-------------------|
| | Share capital | Supplementary capital | Other capitals Revaluation reserve | Exchange differences from translation | Undistributed profit / uncovered loss Previous year profit (loss) | Net profit (loss) | Total | Non-controlling interest | |
| Balance at 1 January 2010 | 86 352 | 5 485 014 | 340 970 | (23 416) | 5 377 826 | - | 11 266 746 | 133 | 11 266 879 |
| Change in measurement of AFS financial assets | - | - | 641 | - | - | - | 641 | - | 641 |
| Exchange differences from translation | - | - | - | (15 383) | - | - | (15 383) | (5) | (15 388) |
| Real property reclassified from property, plant and equipment to investment property | - | - | 50 657 | - | - | - | 50 657 | - | 50 657 |
| Total increases (decreases) recognized directly in net capital (including income tax) | - | - | 51 298 | (15 383) | - | - | 35 915 | (5) | 35 910 |
| Net profit (loss) for the financial year | - | - | - | - | - | 2 439 231 | 2 439 231 | (2) | 2 439 229 |
| Total increases (decreases) | - | - | 51 298 | (15 383) | - | 2 439 231 | 2 475 146 | (7) | 2 475 139 |
| Other changes, including: | - | 811 299 | - | - | (1 753 391) | - | (942 092) | - | (942 092) |
| Financial profit distribution/loss coverage | - | 811 115 | - | - | (1 753 219) | - | (942 104) | - | (942 104) |
| Other | - | 184 | - | - | (172) | - | 12 | - | 12 |
| Balance at 31 December 2010 | 86 352 | 6 296 313 | 392 268 | (38 799) | 3 624 435 | 2 439 231 | 12 799 800 | 126 | 12 799 926 |

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 | Revaluation reserve | Exchange differences from translation | Undistributed profit / uncovered loss | Total | | |
| | | | | | Previous year profit (loss) | Net profit (loss) | | | |
| Balance as at 1 January 2010 | 86 352 | 5 485 014 | 340 970 | (23 416) | 5 377 826 | - | 11 266 746 | 133 | 11 266 879 |
| 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 |
| Total increases (decreases) recognized directly in net capital (including income tax) | - | - | (159 282) | 3 457 | - | - | (155 825) | - | (155 825) |
| Net profit (loss) for the financial year | - | - | - | - | - | 1 169 839 | 1 169 839 | (5) | 1 169 834 |
| Total increases (decreases) | - | - | (159 282) | 3 457 | - | 1 169 839 | 1 014 014 | (5) | 1 014 009 |
| Other changes, including: | - | 811 379 | - | - | (1 753 486) | - | (942 107) | - | (942 107) |
| Distribution of the financial profit/loss to supplementary capital | - | 811 116 | - | - | (1 753 220) | - | (942 104) | - | (942 104) |
| Other | - | 263 | - | - | (266) | - | (3) | - | (3) |
| Balance as at 30 June 2010 | 86 352 | 6 296 393 | 181 688 | (19 959) | 3 624 340 | 1 169 839 | 11 338 653 | 128 | 11 338 781 |

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

PLN '000

| Consolidated statement of cash flows | 1 January – 30 June 2011 | 1 January – 31 December 2010 | 1 January – 30 June 2010 |
|---|-----------------------------|------------------------------------|-----------------------------|
| Cash flows from operating activities | | | |
| Inflows | 8 828 273 | 18 470 571 | 8 178 490 |
| - gross inflows from insurance premiums | 6 052 351 | 14 521 524 | 7 265 103 |
| - inflows from investment contracts | 1 935 142 | 2 787 658 | 494 295 |
| - inflows from reinsurance commissions and share in reinsurers' profits | 3 316 | 10 779 | 2 531 |
| - reinsurers' payments due to share in claims | 178 317 | 466 219 | 66 078 |
| - other inflows from operating activities | 659 147 | 684 391 | 350 483 |
| Outflows | (7 885 551) | (18 001 148) | (9 930 834) |
| - insurance premiums paid due to reinsurance | (86 940) | (154 254) | (76 987) |
| - paid commissions and profit sharing due to outward reinsurance | (2 537) | (4 152) | (1 111) |
| - gross claims paid | (4 382 895) | (9 295 988) | (4 481 291) |
| - claims paid due to investment contracts | (594 826) | (3 026 424) | (2 624 804) |
| - outflows due to acquisition | (733 229) | (1 450 351) | (709 857) |
| - administrative outflows | (1 092 372) | (2 135 292) | (1 089 205) |
| - interest payments | (114) | (225) | (98) |
| - income tax payments | (128 033) | (110 228) | (66 659) |
| - other operating outflows | (864 605) | (1 824 234) | (880 822) |
| Net cash flows generated by operating activities | 942 722 | 469 423 | (1 752 344) |
| Cash flows from investment activities | | | |
| Inflows | 116 462 098 | 270 016 909 | 163 376 126 |
| - inflows from investment property | 4 960 | 5 628 | 3 545 |
| - disposal of intangible assets and property, plant and equipment | 1 115 | 7 859 | 4 110 |
| - disposal of shares | 2 330 185 | 4 416 405 | 2 472 322 |
| - redemption of debt securities | 34 782 638 | 31 510 882 | 12 040 241 |
| - withdrawal of term deposits at credit institutions | 59 879 111 | 129 179 172 | 71 055 432 |
| - cash from other investments | 19 388 619 | 103 641 528 | 77 380 869 |
| - interest received | 47 607 | 1 191 346 | 387 523 |
| - dividends received | 25 294 | 64 089 | 32 084 |
| - other inflows from investments | 2 569 | - | - |
| Outflows | (119 557 386) | (264 687 431) | (156 776 505) |
| - acquisition of investment property | - | (1 329) | (343) |
| - payments for maintenance of investment property | (6 129) | (8 152) | (5 774) |
| - acquisition of intangible assets and property, plant and equipment | (49 852) | (155 850) | (80 224) |
| - acquisition of shares | (2 456 899) | (4 561 101) | (2 586 419) |
| - decrease in cash balance due to discontinued investment funds consolidation | - | (201) | (201) |
| - acquisition of debt securities | (36 427 972) | (27 390 996) | (8 548 065) |
| - acquisition of term deposits at credit institutions | (61 394 508) | (127 601 087) | (67 889 526) |
| - acquisition of other investments | (19 218 161) | (104 929 875) | (77 649 588) |
| - other payments for investments | (3 865) | (38 840) | (16 365) |
| Net cash used in/generated by investment activities | (3 095 288) | 5 329 478 | 6 599 621 |

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (CONT'D)

PLN '000

| Consolidated statement of cash flows | 1 January – 30 June 2011 | 1 January – 31 December 2010 | 1 January – 30 June 2010 |
|--|-----------------------------|------------------------------------|-----------------------------|
| Cash flows from financing activities | | | |
| Inflows | 6 139 417 | 578 | 205 |
| - loans and borrowings and issues of debt securities | 6 139 417 | 578 | 205 |
| Outflows | (4 088 750) | (5 728 563) | (4 810 603) |
| - dividends paid to holders of the parent's equity | (120) | (921 239) | (3 533) |
| - repayment of loans and borrowings and redemption of debt securities | (4 085 396) | (4 807 324) | (4 807 070) |
| - interest on credit facilities, loans and issued debt securities | (2 810) | - | - |
| - other financial expenses | (424) | - | - |
| Net cash used in financing activities | 2 050 667 | (5 727 985) | (4 810 398) |
| Total net cash flows | (101 899) | 70 916 | 36 879 |
| Cash and cash equivalents at the beginning of the financial year | 423 703 | 366 556 | 366 556 |
| Change in cash due to exchange differences | (2 564) | (13 769) | (5 037) |
| Cash and cash equivalents at the end of the financial year, including: | 319 240 | 423 703 | 398 398 |
| - of limited disposability | 49 385 | 22 426 | 58 857 |

¹⁾ The same items for 2011 presented nearly only cash flows resulting from short-term sales of sell-buy-back debt securities.

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.

According to Polish NACE (PKD), the core business of PZU includes other personal and property insurance (PKD 65.12) and according to NACE, non-life insurance (EKD 6603). Warsaw Stock Exchange (WSE) classifies the Company in the insurance sector.

1.2. PZU Group Companies

| 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 2011 | 31 December 2010 | 30 June 2011 | 31 December 2010 | |
| Entities included in consolidation | | | | | | | | |
| 1 | Powszechny Zakład Ubezpieczeń Spółka Akcyjna | Warsaw | n/a | n/a | n/a | n/a | n/a | Property and casualty insurance. |
| 2 | Powszechny Zakład Ubezpieczeń na Życie SA („PZU Życie”) | Warsaw | 18.12.1991 | 100.00% | 100.00% | 100.00% | 100.00% | Life insurance. |
| 3 | Powszechne Towarzystwo Emerytalne PZU SA („PTE PZU”) | Warsaw | 08.12.1998 | 100.00% | 100.00% | 100.00% | 100.00% | Pension fund management. |
| 4 | PZU Centrum Operacji SA („PZU CO”) | Warsaw | 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. | Warsaw | 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”) | Kiev (Ukraine) | 01.07.2005 | 100.00% | 100.00% | 100.00% | 100.00% | Property insurance. |
| 7 | UAB DK PZU Lietuva („PZU Lietuva”) | Vilnius (Lithuania) | 26.04.2002 | 99.76% | 99.76% | 99.76% | 99.76% | Property insurance. |
| 8 | Ogrodowa-Inwestycje Sp. z o.o. | Warsaw | 15.09.2004 | 100.00% | 100.00% | 100.00% | 100.00% | Acquisition, operation, lease and disposal of real property. |
| 9 | Armatura Kraków SA ¹⁾ | Kraków | 07.10.1999 | 64.63% | 64.63% | 64.63% | 64.63% | Production of kitchen and bathroom mixing faucets. |
| 10 | Armatoora SA ¹⁾ | Nisko | 10.12.2008 | 64.63% | 64.63% | 64.63% | 64.63% | Production of radiators and aluminium casts. |
| 11 | Armatoora SA i wspólnicy sp. k. ¹⁾ | Kraków | 10.02.2009 | 64.63% | 64.63% | 64.63% | 64.63% | Use of free funds, development investments. |
| 12 | Armagor SA (until 5 April 2011: Armagor Sp. z o.o.) ¹⁾ | Gorzów Śląski | 06.09.2009 | 64.63% | 64.37% | 64.63% | 64.37% | Production of valves, tooling services. |
| Investment funds subject to consolidation | | | | | | | | |
| 13 | PZU Specjalistyczny Fundusz Inwestycyjny Otwarty Dłużny ²⁾ | Warsaw | 15.12.2009 | 100.00% | 100.00% | n/a | n/a | Investment of funds collected from members. |

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| 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 2011 | 31 December 2010 | 30 June 2011 | 31 December 2010 | |
| Non-consolidated subsidiaries | | | | | | | | |
| 14 | PZU Pomoc SA | Warsaw | 18.03.2010 | 100.00% | 100.00% | 100.00% | 100.00% | Assistance services. |
| 15 | Ipsilon Sp. z o.o. | Warsaw | 02.04.2010 | 100.00% | 100.00% | 100.00% | 100.00% | Assistance and medical services. |
| 16 | Syta Development Sp. z o.o. in liquidation | Warsaw | 29.04.1996 | 100.00% | 100.00% | 100.00% | 100.00% | Acquisition and disposal of real property, trade agency and administration of real property. |
| 17 | Towarzystwo Funduszy Inwestycyjnych PZU SA („TFI PZU”) | Warsaw | 30.04.1999 | 100.00% | 100.00% | 100.00% | 100.00% | Creation, representing and management of investment funds. |
| 18 | Sigma Investments Sp. z o.o. | Warsaw | 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. |
| 19 | PZU Asset Management SA („PZU AM”) | Warsaw | 12.07.2001 | 100.00% | 100.00% | 100.00% | 100.00% | Management of securities portfolios for the account of third parties. |
| 20 | Międzyszkładowe Pracownicy Towarzystwo Emerytalne PZU SA („MPTE PZU SA”) | Warsaw | 13.08.2004 | 100.00% | 100.00% | 100.00% | 100.00% | Management of employee pension fund. |
| 21 | PrJSC IC PZU Ukraine Life Insurance | Kiev (Ukraine) | 01.07.2005 | 100.00% | 100.00% | 100.00% | 100.00% | Life insurance. |
| 22 | LLC SOS Services Ukraine | Kiev (Ukraine) | 01.07.2005 | 100.00% | 100.00% | 100.00% | 100.00% | Assistance services. |
| 23 | Company with Additional Liability Inter-Risk Ukraine | Kiev (Ukraine) | 01.07.2005 | 100.00% | 100.00% | 100.00% | 100.00% | Legal services. |
| 24 | UAB PZU Lietuva Gyvybes Draudimas | Vilnius (Lithuania) | 26.04.2002 | 99.34% | 99.34% | 99.34% | 99.34% | Life insurance. |
| 25 | ICH Center SA | Warsaw | 31.01.1996 | 90.00% | 90.00% | 90.00% | 90.00% | Green Card claims handling. |
| Affiliates | | | | | | | | |
| 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. |

¹⁾ Consolidated using the full method since 1 January 2011 (described in point 7.1)

²⁾ Consolidated using the full method since 30 June 2011 (described in point 1.3.1)

1.3. Changes in the organization of the PZU Group

1.3.1. Transfer of portion of financial investments to funds

On 30 June 2011, a portion of bonds issued by the State Treasury owned by PZU Życie and classified to the portfolio of financial instruments measured at fair value through profit or loss - classified to the category at the initial recognition, with the fair value as at the transfer date of PLN 954,210 thousand - were transferred to PZU Specjalistyczny Fundusz Inwestycyjny Otwarty Dłużny, with PZU Życie as the sole participant

The objective of the transfer was to improve the effectiveness of the management of financial investments by tax optimization (CIT on capital gains and VAT paid to other companies in the PZU Group for the management of the portfolio of securities and not deducted by PZU Życie).

The above transaction had not impact on the net assets and profit/loss of the PZU Group.

Presentation, classification and the method of measurement of the assets in these interim consolidated financial statements of the PZU Group did not change as well, and the PZU fund Specjalistyczny Fundusz Inwestycyjny Otwarty Dłużny has been consolidated using the full method since 30 June 2011.

1.3.2. Transfer of PZU CO, TFI PZU and PZU AM from PZU Życie to PZU

In connection with the plans to transfer the majority of shares of the PZU Group companies to PZU, on 14 July 2011 the Management Board of PZU Życie adopted resolutions to sell to PZU (provided that the Supervisory Board of PZU Życie gives its consent):

- 25,001 registered shares of PZU AM (50.002% of shares) for the price being the equivalent of PZU AM net assets attributable to the acquired shares, resulting from the financial statements of the company prepared for the last reporting period (pursuant to PAS);
- 50,000 registered shares of PZU CO (100.0% of shares) for the price corresponding to the value of shares of PZU CO recognized in the accounting records of PZU Życie as at the date of the share sale agreement (pursuant to PAS);
- 13,000 registered shares of TFI PZU (100.0% of shares) for the price corresponding to the value of shares of TFI PZU recognized in the accounting records of PZU Życie as at the date of the share sale agreement (pursuant to PAS);
- submission of a motion to the Supervisory Board of PZU Życie for the sale of shares in all the above companies.

Also on 14 July 2011, the Management Board of PZU adopted resolutions concerning the purchase of the above shares provided that the Supervisory Board of PZU grants its consent.

On 9 August 2011, the Supervisory Board of PZU Życie gave its consent to the sale of shares of all companies, and on 18 August 2011, the Supervisory Board of PZU gave its consent to the purchase of the securities.

The purchase of shares of TFI PZU and PZU AM by PZU requires a consent of the Polish Financial Supervision Authority. Relevant applications were filed to the Polish Financial Supervision Authority on 1 August 2011, and the Authority has up to 60 working days to give its decision. The deadline, however, can be extended if PZU is required to give additional explanations.

A decision of the Polish Financial Supervision Authority (lack of objection) is a prerequisite for transactions in shares of TFI PZU and PZU AM.

1.3.3. Establishment of the company Ipsilon Bis SA

On 9 August 2011, PZU established the company Ipsilon Bis SA with a share capital of PLN 100,000.

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 ("EC Commission") as at 30 June 2011, including the requirements of IAS 34 Interim Financial Reporting and the Ordinance of 19 February 2009 on current and periodic information published by issuers of securities and the rules of equal treatment of the information required by the laws of non-member states (Journal of Laws No. 33 of 2009, item 259, "Ordinance on current and periodic information").

These interim consolidated financial statements cover a 6-month period from 1 January to 30 June 2011.

2.1. Introduction of new IFRS

2.1.1. *Standards and interpretations as well as revised standards effective as at 1 January 2011*

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 2011):

| Standard/interpretation | Effective date for periods beginning on | Commission Regulation endorsing the standard or interpretation |
|---|--|--|
| Amendments to IAS 32 - Classification of rights issues | 1 February 2010 | 1293/2009 |
| Revised IFRS 1 - First-time adoption of International Financial Reporting Standards limited exemption from presentation of comparative data as required by IFRS 7 | 1 July 2010 | 574/2010 |
| Amendments to IFRIC 14 – Minimum funding requirements - prepayments | 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 |
| Amendments to IFRS (published by IASB on 6 May 2010) | Various dates of which 1 July 2010 is the earliest | 149/2011 |

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:

- Not approved by EC Commission:

| Standard/interpretation | Effective date for periods beginning on |
|---|--|
| IFRS 9 – Financial Instruments | 1 January 2013 |
| IFRS 10 – Consolidated financial statements | 1 January 2013 |
| IFRS 11 – Joint Arrangements | 1 January 2013 |
| IFRS 12 – Disclosure of interests in other entities | 1 January 2013 |
| IFRS 13 – Fair value measurement | 1 January 2013 |
| Revised IAS 27 – Separate financial statements | 1 January 2013 |
| Revised IAS 28 - Investments in associates and joint ventures | 1 January 2013 |
| Amendment to IFRS 7 – Financial Instruments: Disclosures | 1 July 2011 |
| Amendments to IAS 12 – Income Taxes | 1 January 2012 |
| Severe hyperinflation and removal of fixed dates for first-time adopters (Amendments to IFRS 1) | 1 July 2011 |
| Amendments to IAS 1 - Presentation of items of other comprehensive income | 1 July 2012 |
| Amendments to IAS 19 - Amendments to the accounting treatment of post-employment benefits | 1 January 2013 |

It is expected that the application of the above standards, interpretations and revised standards will not have a material impact on the comprehensive income and equity of the PZU Group, except for:

- IFRS 9 and IFRS 13 - due to the late effective date and expected further changes in the accounting principles connected with financial instruments, partly related to the current works on gradual replacement of the present IAS 39 with new regulations, the impact of application of IFRS 9 and IFRS 13 on the comprehensive income and equity of the PZU Group were not assessed.

IFRS 10 – if applied, the scope of consolidated entities may be wider, however, due to the late effective date, the impact of application of IFRS 10 on the comprehensive income and equity of the PZU Group were not assessed.

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 2010, signed by the Management Board of PZU on 7 March 2011, on which the certified auditor issued an unqualified opinion on the above date (the “Consolidated financial statements of the PZU Group for 2010”).

The consolidated financial statements of the PZU Group for 2010 are available on the PZU website www.pzu.pl under “PZU Capital Group/Investor Relations/Periodic and current reports/Periodic reports”.

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

During the 6 months ended 30 June 2011, the Group introduced changes to the accounting principles (policies).

The method of presentation of financial data in the consolidated financial statements did not change compared to the annual consolidated financial statements of the PZU Group for 2010, with the reservation that:

- these interim consolidated financial statements are condensed financial statements as understood by IAS 34;
- the PZU Group applied the exemption specified in point 25 of the revised IAS 24: "Related party disclosures", whereby an entity can be exempt from the requirement of disclosure of certain information concerning related party transactions if the related party is under the control, joint control or significant influence of the same government, and can present only the amount of written premium and transaction volumes related to investment contracts with such entities. At the same time, in accordance with the definition in point 9 of the revised IAS 24, the disclosure requirement applies to transactions with subsidiaries, fellow subsidiaries and associates under the same government; before the requirement applied only to transactions with entities under joint control of the same government (i.e. only subsidiaries of the same government).

4.1. Change in the principles of recognition of the gross written premium at PZU

Since 1 January 2011, PZU has been recognizing revenue due to written premium on the day of the insurance contract, not on the first day of insurance cover resulting from the concluded insurance contracts (presented in liabilities as a provision for unearned premiums). In addition, the same change was made to the date of recognition of the costs of commissions for concluded contracts in the income statement (also without any effect on the change in profit or loss, through recognition of deferred costs in liabilities).

Compering to the previous accounting policy, currently applied policy for premium revenue recognition is more relevant, preserving the same level of reliability of accounting policies, due to:

- providing disclosure of full and complete revenue on gross premium and corresponding assets (e.g. receivables from policyholders) and liabilities (unearned premium reserve) arising from all insurance contracts issued before the balance sheet date apart from insurance policies coverage periods;
- compliance with requirements and recommendations of Polish insurance regulator - the Polish Financial Supervision Authority (KNF) - for obligatory regulatory reporting in reference to correct estimation of unearned premium reserve and surplus of assets to cover technical provisions;
- comparability with other insurance companies on Polish markets based on gross written premium.

The change did not have any impact on the consolidated profit/loss or consolidated net assets of the PZU Group.

4.2. ABC mode

4.2.1. Introduction of the ABC model at PZU

In 2011, PZU introduced a model for allocation of indirect expenses to individual insurance products using the activity based costing model.

Cost allocation in accordance with the earlier cost allocation model:

- administrative expenses - in proportion to the written premium;
- indirect acquisition costs - in proportion to direct acquisition costs;
- indirect loss adjustment and recourse collection expenses - in proportion to claims paid.

The above classification of expenses was oversimplified in the way that it reflected the organizational structure and operating processes. The simplified method for cost allocation in which general keys were used, led to inaccurate allocation of expenses to individual product groups and products (and inaccurate allocation of expenses between corporate and retail customers). This resulted in many complications in the process of cost analysis and as a result hindered the effectiveness of management processes.

The purpose of the cost allocation using the ABC model, introduced in 2011 is:

- a more precise determination of the actual costs of products offered by PZU;
- a more precise determination of the actual mark-ups of general expenses (and their allocation principles) charged to individual products.

The allocation of expenses using the ABC model assumes that indirect expenses are divided by products and that the following are excluded from the administrative expenses: costs of acquisition, loss adjustment and recourse collection expenses, investment activity expenses and other operating costs. The method is based on determination of the following:

- type and amount of allocated resources;
- activities that allow resources to be allocated;
- cost drivers that allow resources to be allocated to activities;
- cost objects to which resources are allocated;
- cost drivers that allow activities to be allocated to cost objects.

Only the following are subject to allocation: indirect acquisition costs, indirect loss adjustment expenses, indirect recourse collection expenses, part of administrative expenses (described above), costs of maintenance of investment real property, other expenses related to investment activities.

The model is updated on a quarterly basis taking into account the resources and activities; the financial and accounting system (general ledger and individual modules) is the source of cost data.

4.2.2. Change in the ABC model at PZU Życie

In 2011, PZU Życie introduced a new model for allocation of indirect expenses to individual insurance products using the activity based costing model.

The new model is based on the following assumptions: simplified structure compared to the earlier model, greater transparency of the model and the results of calculations, increased usefulness of the model for management purposes, greater flexibility of the model by easier adaptation to the organizational changes.

The key changes (compared to the earlier version of the model) included: limited list of resources and activities for the calculation (aggregation), specification of new division criteria for the resources and activities, lack of working time questionnaires previously filled in by all employees of individual business units and introduction of new working time questionnaires filled in by the heads of specific business units.

4.3. Impact of changes on comparative data

The tables below present the impact of the above changes on the financial data for comparable periods. For the income statement:

- six months from 1 January to 30 June 2010;
- three months from 1 April to 30 June 2010.

For the statement on financial position: balances as at 31 December 2010, 30 June 2010 and 31 December 2009.

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| Assets | Point | 31 December 2010 historical data | <i>Change</i> | 31 December 2010 comparative data | 30 June 2010 historical data | <i>Change</i> | 30 June 2010 comparative data | 31 December 2009 historical data | <i>Change</i> | 31 December 2009 comparative data |
|--|-------|--|----------------|--|---------------------------------|----------------|-------------------------------------|-------------------------------------|----------------|--|
| Receivables, including under insurance contracts | 4.1 | 1 597 549 | 136 725 | 1 734 274 | 1 397 558 | 101 355 | 1 498 913 | 1 383 978 | 111 229 | 1 495 207 |
| Deferred acquisition costs | 4.1 | 502 815 | 37 914 | 540 729 | 514 010 | 36 692 | 550 702 | 481 139 | 37 140 | 518 279 |
| Prepayments | 4.1 | 232 140 | (37 914) | 194 226 | 241 174 | (36 692) | 204 482 | 252 944 | (37 140) | 215 804 |
| Total assets | | 50 533 832 | 136 725 | 50 670 557 | 47 474 306 | 101 355 | 47 575 661 | 53 176 209 | 111 229 | 53 287 438 |

| Equity and liabilities | Point | 31 December 2010 historical data | <i>Change</i> | 31 December 2010 comparative data | 30 June 2010 historical data | <i>Change</i> | 30 June 2010 comparative data | 31 December 2009 historical data | <i>Change</i> | 31 December 2009 comparative data |
|--|-------|--|----------------|--|---------------------------------|----------------|-------------------------------------|-------------------------------------|----------------|--|
| Provision for unearned premiums and for unexpired risk | 4.1 | 3 975 861 | 339 814 | 4 315 675 | 4 145 284 | 241 398 | 4 386 682 | 3 846 600 | 343 249 | 4 189 849 |
| Deferred income | 4.1 | 210 960 | (203 089) | 7 871 | 145 076 | (140 043) | 5 033 | 236 643 | (232 020) | 4 623 |
| Total equity and liabilities | | 50 533 832 | 136 725 | 50 670 557 | 47 474 306 | 101 355 | 47 575 661 | 53 176 209 | 111 229 | 53 287 438 |

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| Consolidated income statement | Point | 1 April - 30 June 2010 historical data | Change | 1 April - 30 June 2010 comparative data | 1 January - 30 June 2010 historical data | Change | 1 January - 30 June 2010 comparative data |
|--|-------|--|-----------------|---|--|------------------|---|
| Gross written premiums | 4.1 | 3 465 916 | 21 165 | 3 487 081 | 7 393 705 | (101 851) | 7 291 854 |
| Net written premium | 4.1 | 3 437 039 | 21 165 | 3 458 204 | 7 277 976 | (101 851) | 7 176 125 |
| Change in net provision for unearned premiums | 4.1 | 121 315 | (21 165) | 100 150 | (275 058) | 101 851 | (173 207) |
| Net earned premiums | | 3 558 354 | - | 3 558 354 | 7 002 918 | - | 7 002 918 |
| Net investment income | 4.2 | 555 060 | (1 293) | 553 767 | 997 369 | (2 902) | 994 467 |
| Claims and change in technical provisions | 4.2 | (3 055 780) | (16 360) | (3 072 140) | (5 492 732) | (31 500) | (5 524 232) |
| Net insurance claims | | (2 630 288) | (16 360) | (2 646 648) | (5 089 412) | (31 500) | (5 120 912) |
| Claims and change in measurement of investment contracts | 4.2 | 4 931 | 2 852 | 7 783 | (57 257) | 2 253 | (55 004) |
| Acquisition costs | 4.2 | (444 235) | (9 973) | (454 208) | (877 564) | (18 946) | (896 510) |
| Administrative expenses | 4.2 | (431 343) | 26 909 | (404 434) | (821 635) | 53 951 | (767 684) |
| Other operating expenses | 4.2 | (60 932) | (2 135) | (63 067) | (131 336) | (2 856) | (134 192) |
| Operating profit (loss) | | 470 928 | - | 470 928 | 1 500 095 | - | 1 500 095 |
| Net profit (loss) | | 362 422 | - | 362 422 | 1 169 834 | - | 1 169 834 |

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 2010.

In the 6-month period ended 30 June 2011 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 2011 the PZU Group companies did not discontinue any of their operations. At the beginning of 2011, the subsidiary ICH Center SA, excluded from consolidation, ceased to conduct its statutory activities (i.e. loss adjustment for Green Card holders).

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 2011 | 30 June 2011 | 31 March 2011 | 1 January – 31 December 2010 | 31 December 2010 | 1 January – 30 June 2010 | 30 June 2010 | 31 December 2009 |
|----------|--------------------------------|-----------------|------------------|------------------------------------|---------------------|--------------------------------|-----------------|------------------------|
| LTL | 1.1498 | 1.1546 | 1.1619 | 1.1597 | 1.1469 | 1.1597 | 1.2007 | 1.1898 |
| UAH | 0.3512 | 0.3444 | 0.3562 | 0.3830 | 0.3722 | 0.3850 | 0.4293 | 0.3558 |
| EUR | 3.9699 | 3.9866 | 4.0119 | 4.0044 | 3.9603 | 4.0042 | 4.1458 | 4.1082 |

The rates are:

- average rates of the National Bank of Poland ruling as at 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 at 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. Consolidation of the Armatura Capital Group

Since 1 January 2011, the consolidated financial data of the Armatura Capital Group (“Armatura Group”), including the financial data of Armatura Kraków SA, Armatoora SA, Armatoora i wspólnicy sp. k. and Armagora SA), have been consolidated using the full method in the consolidated financial statements of the PZU Group. The reason for the consolidation of the Armatura Group is the fact that its consolidated financial data have exceeded the materiality thresholds adopted by the PZU Group for the purposes of the consolidated financial reporting.

The table below presents key items from the consolidated statement of financial position of the Armatura Group with reconciliation to the consolidated net assets of Armatura Group as at 1 January 2011 (measured in line with the accounting principles of the PZU Group):

| Reconciliation of net assets of the Armatura Group as at 1 January 2011 | Value |
|---|----------------|
| Property, plant and equipment | 159 199 |
| Investment property | 23 767 |
| Receivables | 102 419 |
| Cash and cash equivalents | 1 849 |
| Assets held for sale (investment property) | 76 000 |
| Other assets | 123 895 |
| Total assets | 487 129 |
| Liabilities | (236 582) |
| Minority interest | (75) |
| Net assets | 250 472 |

The difference between the carrying amount of shares of Armatura Kraków SA as at 1 January 2011 and the share of the PZU Group in the net assets of the Armatura Group of PLN 118,916 thousand was charged to the profit/loss for 2011 and presented under “Other operating revenue” of the consolidated income statement.

| Impact of the consolidation of the Armatura Group on the consolidated profit/loss of the PZU Group | Value |
|---|----------------|
| Carrying amount of shares of Armatura Kraków SA (measured at historical cost including impairment loss) | 42 952 |
| Value of consolidated net assets of the Armatura Group as at 1 January 2011 | 250 472 |
| Share of the PZU Group in the consolidated net assets of the Armatura Group as at 1 January 2011 (64.6250%) | 161 868 |
| Impact on consolidated profit/loss of the PZU Group | 118 916 |

7.2. Distribution of profit of PZU for 2010

On 30 June 2011, the General Shareholders' Meeting of PZU adopted a resolution on distribution of the profit for 2010. The issue has been described in detail in point 15.

7.3. Key dividends paid among the PZU Group companies

7.3.1. Dividend from PZU Życie to PZU

On 30 June 2011, the Ordinary General Shareholders' Meeting of PZU Życie adopted a resolution on the following distribution of PLN 2,130,255 thousand of profit of PZU Życie for the 2010 financial year:

- payment of dividend to the sole shareholder, i.e. PZU - PLN 1,987,282 thousand;
- reclassification to the supplementary capital - PLN 142,973 thousand

Pursuant to the resolution the dividend will be paid out on 19 August 2011, however, PZU recognized revenue due to the dividend (and PZU Życie reduced its equity) on the date of the resolution, i.e. on 30 June 2011.

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

7.3.2. Dividend from PTE PZU to PZU Życie

On 6 May 2011, PTE PZU paid a dividend to PZU Życie of PLN 99.571 thousand (the total net profit for 2010).

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

8. Significant post-balance sheet events

8.1. Changes in the composition of management and supervisory bodies of PZU

Changes in the composition of the Management Board of PZU and Directors of the PZU Group have been described in points 17.4.1 and 17.4.3, respectively.

8.2. Transfer of PZU CO, TFI PZU and PZU AM from PZU Życie to PZU

The issue has been described in point 1.3.2.

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 2011 | 31 March 2011 | 31 December 2010 | 30 June 2010 | 31 December 2009 |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|
| Instruments for which fair value may be determined | 21 994 138 | 21 604 789 | 20 305 758 | 22 231 720 | 23 327 568 |
| Debt securities | 21 994 138 | 21 604 789 | 20 305 758 | 22 231 720 | 23 327 568 |
| - government securities | 21 361 678 | 20 980 175 | 19 687 560 | 21 629 627 | 22 724 017 |
| - fixed rate | 21 021 217 | 20 980 175 | 19 687 560 | 21 629 627 | 22 407 507 |
| - floating rate | 340 461 | - | - | - | 316 510 |
| - other securities | 632 460 | 624 614 | 618 198 | 602 093 | 603 551 |
| - listed on a regulated market | 514 188 | 474 477 | 445 700 | 429 012 | 428 328 |
| - fixed rate | 514 188 | 474 477 | 445 700 | 429 012 | 428 328 |
| - not listed on a regulated market | 118 272 | 150 137 | 172 498 | 173 081 | 175 223 |
| - fixed rate | - | 30 010 | 54 718 | 52 001 | 79 998 |
| - floating rate | 118 272 | 120 127 | 117 780 | 121 080 | 95 225 |
| Total financial instruments held to maturity | 21 994 138 | 21 604 789 | 20 305 758 | 22 231 720 | 23 327 568 |

9.1.2. *Financial instruments available for sale*

| Financial instruments available for sale | 30 June 2011 | 31 March 2011 | 31 December 2010 | 30 June 2010 | 31 December 2009 |
|---|------------------|------------------|------------------|------------------|-------------------|
| Instruments for which fair value may be determined | 9 712 189 | 9 398 933 | 8 492 528 | 8 401 793 | 9 926 704 |
| Equity instruments | 1 297 088 | 1 370 694 | 1 309 060 | 1 094 387 | 1 324 807 |
| - listed on a regulated market | 649 589 | 787 213 | 868 899 | 670 942 | 909 525 |
| - not listed on a regulated market | 647 499 | 583 481 | 440 161 | 423 445 | 415 282 |
| Debt securities | 8 415 101 | 8 028 239 | 7 183 468 | 7 307 406 | 8 601 897 |
| - government securities | 8 299 470 | 7 884 239 | 7 052 769 | 7 220 571 | 8 537 465 |
| - fixed rate | 8 169 318 | 7 834 853 | 7 027 713 | 7 220 571 | 8 208 297 |
| - floating rate | 130 152 | 49 386 | 25 056 | - | 329 168 |
| - other securities | 115 631 | 144 000 | 130 699 | 86 835 | 64 432 |
| - listed on a regulated market | 68 322 | 51 205 | 39 425 | 38 804 | 15 067 |
| - fixed rate | 24 507 | 35 907 | 24 346 | 23 771 | - |
| - floating rate | 43 815 | 15 298 | 15 079 | 15 033 | 15 067 |
| - not listed on a regulated market | 47 309 | 92 795 | 91 274 | 48 031 | 49 365 |
| - floating rate | 47 309 | 92 795 | 91 274 | 48 031 | 49 365 |
| Instruments for which fair value may not be determined | 126 159 | 126 159 | 130 554 | 116 977 | 101 141 |
| Equity instruments | 126 159 | 126 159 | 130 554 | 116 977 | 101 141 |
| - not listed on a regulated market/1 | 126 159 | 126 159 | 130 554 | 116 977 | 101 141 |
| Total financial instruments available for sale | 9 838 348 | 9 525 092 | 8 623 082 | 8 518 770 | 10 027 845 |

/1 This item includes shares in controlled entities not included under consolidation, whose carrying amount as at 30 June 2011 was PLN 122.908 thousand (as at 31 March 2011: PLN 122.908 thousand, as at 31 December 2010: PLN 127.313 thousand and as at 30 June 2010: PLN 113.735 thousand and as at 31 December 2009 98.001 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 2011 | 31 March 2011 | 31 December 2010 | 30 June 2010 | 31 December 2009 |
|--|------------------|------------------|------------------|------------------|------------------|
| Instruments for which fair value may be determined | 6 607 852 | 6 402 994 | 6 373 065 | 4 934 376 | 5 498 886 |
| Equity instruments | 162 408 | 238 219 | 456 181 | 421 211 | 340 009 |
| - listed on a regulated market | 21 297 | 20 075 | 19 060 | 21 256 | 6 887 |
| - not listed on a regulated market | 141 111 | 218 144 | 437 121 | 399 955 | 333 122 |
| Debt securities | 6 445 444 | 6 164 775 | 5 916 884 | 4 513 165 | 5 158 877 |
| - government securities | 6 329 680 | 6 032 539 | 5 786 065 | 4 426 060 | 5 094 085 |
| - fixed rate | 6 211 590 | 5 922 129 | 5 677 640 | 4 426 060 | 4 852 891 |
| - floating rate | 118 090 | 110 410 | 108 425 | - | 241 194 |
| - other securities | 115 764 | 132 236 | 130 819 | 87 105 | 64 792 |
| - listed on a regulated market | 68 455 | 39 441 | 39 545 | 39 074 | 15 427 |
| - fixed rate | 24 640 | 24 143 | 24 466 | 24 041 | 288 |
| - floating rate | 43 815 | 15 298 | 15 079 | 15 033 | 15 139 |
| - not listed on a regulated market | 47 309 | 92 795 | 91 274 | 48 031 | 49 365 |
| - floating rate | 47 309 | 92 795 | 91 274 | 48 031 | 49 365 |
| Total financial instruments measured at fair value through profit or loss – classified as such upon initial recognition | 6 607 852 | 6 402 994 | 6 373 065 | 4 934 376 | 5 498 886 |

| Financial instruments measured at fair value through profit or loss – held for trading | 30 June 2011 | 31 March 2011 | 31 December 2010 | 30 June 2010 | 31 December 2009 |
|---|---------------------|----------------------|-------------------------|---------------------|-------------------------|
| Instruments for which fair value may be determined | 6 388 431 | 6 412 480 | 5 745 187 | 5 040 348 | 4 714 745 |
| Equity instruments | 4 301 273 | 4 305 121 | 3 845 937 | 3 294 769 | 3 001 885 |
| - listed on a regulated market | 2 500 122 | 2 507 658 | 2 195 887 | 1 892 134 | 1 795 234 |
| - not listed on a regulated market | 1 801 151 | 1 797 463 | 1 650 050 | 1 402 635 | 1 206 651 |
| Debt securities | 1 998 712 | 2 049 568 | 1 794 049 | 1 702 017 | 1 699 137 |
| - government securities | 1 969 787 | 2 020 160 | 1 765 125 | 1 672 747 | 1 649 374 |
| - fixed rate | 1 555 362 | 1 852 105 | 1 622 191 | 1 667 683 | 1 641 849 |
| - floating rate | 414 425 | 168 055 | 142 934 | 5 064 | 7 525 |
| - other securities | 28 925 | 29 408 | 28 924 | 29 270 | 49 763 |
| - listed on a regulated market | 5 271 | 5 152 | 5 131 | 5 254 | 7 683 |
| - fixed rate | 5 271 | 5 152 | 5 131 | 5 254 | 7 683 |
| - not listed on a regulated market | 23 654 | 24 256 | 23 793 | 24 016 | 42 080 |
| - fixed rate | | | | | 2 952 |
| - floating rate | 23 654 | 24 256 | 23 793 | 24 016 | 39 128 |
| Other, including: | 88 446 | 57 791 | 105 201 | 43 562 | 13 723 |
| - derivatives | 88 446 | 57 791 | 105 201 | 43 562 | 13 723 |
| Total financial instruments measured at fair value through profit or loss – held for trading | 6 388 431 | 6 412 480 | 5 745 187 | 5 040 348 | 4 714 745 |

9.1.4. Loans

| Loans | 30 June 2011 | 31 March 2011 | 31 December 2010 | 30 June 2010 | 31 December 2009 |
|--|---------------------|----------------------|-------------------------|---------------------|-------------------------|
| Debt securities | 10 782 | - | - | - | - |
| Other, including: | 698 | - | - | - | - |
| - listed on a regulated market | 698 | - | - | - | - |
| - fixed rate | 10 084 | - | - | - | - |
| - unlisted | 10 084 | - | - | - | - |
| - floating rate | 6 294 891 | 3 466 573 | 4 297 940 | 1 457 745 | 4 668 549 |
| - reverse repo transactions | 1 128 836 | 524 233 | 1 374 939 | 272 002 | 345 789 |
| - term deposits with credit institutions | 5 127 561 | 2 920 822 | 2 901 417 | 1 163 493 | 4 297 184 |
| - deposits with ceding undertakings | 1 249 | 1 680 | 1 770 | 2 092 | 1 542 |
| - loans | 37 245 | 19 838 | 19 814 | 20 158 | 24 034 |
| Total loans | 6 305 673 | 3 466 573 | 4 297 940 | 1 457 745 | 4 668 549 |

9.1.5. Additional information about financial assets

9.1.5.1. Financial assets used as collateral for liabilities

The issue has been described in point 9.10.

9.1.5.2. Reclassifications between individual items in the goodwill hierarchy

During the 6 months ended 30 June 2011, there were not material, with respect to the profit/loss and the total of assets and liabilities, reclassifications between individual items in the goodwill hierarchy.

9.2. Receivables, including under insurance contracts

| Receivables, including under insurance contracts – carrying amount | 30 June 2011 | 31 March 2011 | 31 December 2010 | 30 June 2010 | 31 December 2009 |
|---|---------------------|----------------------|-------------------------|---------------------|-------------------------|
| Receivables from direct insurance, including: | 1 365 246 | 1 334 158 | 1 274 191 | 1 238 184 | 1 184 828 |
| - receivables from policyholders | 1 250 434 | 1 245 852 | 1 162 466 | 1 158 521 | 1 122 860 |
| - receivables from insurance intermediaries | 57 487 | 57 409 | 55 462 | 45 439 | 51 616 |
| - other receivables | 57 325 | 30 897 | 56 263 | 34 224 | 10 352 |
| Receivables from reinsurance | 73 167 | 60 301 | 122 215 | 51 169 | 26 334 |
| Other receivables | 989 928 | 1 047 295 | 337 868 | 209 560 | 284 045 |
| Net receivables, including under insurance contracts | 2 428 341 | 2 441 754 | 1 734 274 | 1 498 913 | 1 495 207 |

9.2.1. Other receivables

| Other receivables | 30 June 2011 | 31 March 2011 | 31 December 2010 | 30 June 2010 | 31 December 2009 |
|--|----------------|------------------|------------------|----------------|------------------|
| Receivables from Metro Projekt sp. z o.o. claimed at court | 94 600 | 94 532 | 92 439 | 91 482 | 89 831 |
| Receivables relating to prevention activities | 39 072 | 32 054 | 36 155 | 25 059 | 24 593 |
| Receivables from loss adjusting services | 4 504 | 5 269 | 23 575 | 8 969 | 41 568 |
| Receivables of the unit-linked products in life insurance | 17 170 | 31 843 | 30 510 | 4 665 | 8 053 |
| Receivables from disposal of securities | 689 294 | 746 060 | 131 808 | 45 770 | 93 537 |
| Trade receivables | 86 985 | 108 967 | 767 | 1 375 | 644 |
| Other | 58 303 | 28 570 | 22 614 | 32 240 | 25 819 |
| Total other receivables | 989 928 | 1 047 295 | 337 868 | 209 560 | 284 045 |

9.2.1.1. Receivables arising from a mortgage agreement with Metro-Projekt Sp. z o.o.

In 1999 PZU Życie granted a mortgage to Metro-Projekt Sp. z o. o. (henceforth "Metro-Projekt") with a 5-year tenor. The amount of the loan was the equivalent of USD 25,500 thousand. The loan was collateralized by maximum value mortgage on real property, including the perpetual usufruct right and a building owned by Metro-Projekt, located in Warsaw at Al. Jerozolimskie 44.

The loan had not been repaid and in November 2002 Metro-Projekt was declared bankrupt.

On 15 September 2004, the receiver of Universal SA in bankruptcy ("Universal") brought an action to the District Court in Warsaw demanding exclusion of the property located in Warsaw at Al. Jerozolimskie 44 from the bankruptcy assets of Metro-Projekt due to an entry in section III of the land and mortgage register of a warning regarding the proceedings pending between Universal and BI Code SA ("BI Code") for cancellation of a transaction involving sales of the property by Universal to BI Code from which Metro-Projekt acquired the property. In view of the above, on 21 September 2004 the District Court in Warsaw issued a decision suspending the liquidation of assets of Metro-Projekt until the lawsuit for exclusion of the aforementioned property from the bankruptcy assets is settled.

The action for cancellation of the agreement transferring the perpetual usufruct right and ownership title to the office building located in Warsaw at Al. Jerozolimskie 44 was settled on 7 March 2006 - the Court of Appeals in Warsaw dismissed the case of Universal against BI Code. However, in August 2006 the receiver of Universal made a final appeal to the Supreme Court with respect to the aforementioned decision.

After the judgment of the Court of Appeals of 7 March 2006 became final, Metro-Projekt applied for deletion of the warning entered in section III of the land and mortgage register about the pending court proceedings instituted by Universal against BI Code for cancellation of the aforementioned sales agreement. The decision to delete the above entry was issued on 3 November 2006.

On 14 March 2007 the Supreme Court reversed the judgment of the Court of Appeals and ordered that the case to be re-examined by that court. On 21 November 2007 the Court of Appeals reversed the judgment of the District Court and ordered that the case be re-examined by that court.

On 11 September 2009, the District Court issued a judgement in the lawsuit filed by the receiver of Universal against the receiver of BI Code for cancellation of the sales agreement for the land perpetual usufruct right and the ownership title to the building, entered into between Universal and BI Code, pursuant to which the aforementioned sales agreement was cancelled. The receiver of BI Code appealed against the judgement and on 29 July 2010 the appeal was dismissed.

Despite a final appeal, as a result of the dismissal of the appeal of the receiver of BI Code on 29 July 2010, in January 2011 the receiver of Metro-Projekt requested that the proceedings before the District Court brought by the receiver of Universal for exclusion of the land perpetual usufruct right and the separate title to the building on that land suspended in 2005 were resumed. On 30 May 2011, the Regional Court dismissed the claim of Universal. The judgement is favourable for the receiver of

Metro-Projekt, however, it is not final - in June 2011 the Receiver of Universal asked for the service of the reasons for judgement.

In the opinion of the Management Board of PZU, the mortgage established for the benefit of PZU Życie does exist and the Company has the right to pursue the related claims from any owner.

9.3. Reinsurers' share in technical provisions

| Reinsurers' share in technical provisions – property and casualty insurance | 30 June 2011 | 31 March 2011 | 31 December 2010 | 30 June 2010 | 31 December 2009 |
|--|---------------------|----------------------|-------------------------|---------------------|-------------------------|
| Provision for unearned premiums | 111 973 | 115 508 | 75 230 | 93 897 | 75 096 |
| Provision for unexpired risks | 53 | 175 | 89 | 13 | - |
| Provisions for claims outstanding, including: | 281 639 | 294 327 | 336 023 | 550 107 | 191 210 |
| - for claims reported | 239 374 | 252 563 | 270 855 | 378 462 | 156 106 |
| - for claims incurred but not reported (IBNR) | 29 223 | 29 525 | 52 650 | 156 510 | 19 056 |
| - for claims handling costs | 13 042 | 12 239 | 12 518 | 15 135 | 16 048 |
| Provision for capitalized value of annuity claims | 354 161 | 349 268 | 360 508 | 472 266 | 482 007 |
| Reinsurers' share in technical provisions (net) | 747 826 | 759 278 | 771 850 | 1 116 283 | 748 313 |

| Reinsurers' share in technical provisions - life insurance | 30 June 2011 | 31 March 2011 | 31 December 2010 | 30 June 2010 | 31 December 2009 |
|---|---------------------|----------------------|-------------------------|---------------------|-------------------------|
| Provision for unearned premiums | 378 | 560 | - | - | - |
| Reinsurers' share in technical provisions (net) | 378 | 560 | - | - | - |

9.4. Impairment of financial assets and receivables

| Changes in impairment losses on financial assets in period 1 January 2011 - 30 June 2011 | 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 | 296 919 | 325 | - | (8 536) | (129) | - | 288 579 |
| - equity instruments | 296 919 | 325 | - | (8 536) | (129) | - | 288 579 |
| Loans | 18 321 | - | - | - | 1 | - | 18 322 |
| Receivables, including under insurance contracts | 507 659 | 93 170 | (24 843) | - | (520) | (12) | 575 454 |
| Receivables from direct insurance | 423 260 | 61 545 | (2 802) | - | (414) | (4) | 481 585 |
| Receivables from reinsurance | 18 544 | 31 614 | (19 801) | - | - | - | 30 357 |
| Other receivables | 65 855 | 11 | (2 240) | - | (106) | (8) | 63 512 |
| Reinsurers' share in technical provisions | 36 372 | - | - | - | - | - | 36 372 |
| Total | 859 271 | 93 495 | (24 843) | (8 536) | (648) | (12) | 918 727 |

| Changes in impairment losses on financial assets in the year ended 31 December 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 | 17 737 | - | (24 674) | 77 | - | 296 919 |
| - equity instruments | 303 779 | 17 737 | - | (24 674) | 77 | - | 296 919 |
| Loans | 19 124 | - | (375) | (423) | (5) | - | 18 321 |
| Receivables, including under insurance contracts | 432 507 | 102 998 | (28 313) | (415) | 177 | 705 | 507 659 |
| Receivables from direct insurance | 347 079 | 80 797 | (5 722) | (78) | 179 | 1 005 | 423 260 |
| Receivables from reinsurance | 17 824 | 18 543 | (17 593) | (224) | (6) | - | 18 544 |
| Other receivables | 67 604 | 3 658 | (4 998) | (113) | 4 | (300) | 65 855 |
| Reinsurers' share in technical provisions | 30 370 | 12 918 | (6 916) | - | - | - | 36 372 |
| Total | 785 780 | 133 653 | (35 604) | (25 512) | 249 | 705 | 859 271 |

| 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 |
| 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 |
| Total | 785 780 | 78 856 | (26 185) | (22 741) | 1 641 | 781 | 818 132 |

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.

| Assets exposed to credit risk as at 30 June 2011 (PLN million) | AAA | AA | A | BBB | BB | No rating | Total |
|---|------------|------------|---------------|--------------|-----------|------------------|---------------|
| Debt securities | 908 | - | 36 303 | 280 | - | 13 | 37 504 |
| Bank deposits and repo transactions involving treasury securities | - | 6 | 4 620 | 1 427 | 3 | 94 | 6 150 |
| Loans | - | - | - | - | - | 35 | 35 |
| Derivatives | - | 55 | 17 | - | - | - | 72 |
| Reinsurers' share in net claims provisions | 3 | 282 | 273 | 22 | 7 | 49 | 636 |
| Receivables from reinsurance | - | 30 | 25 | 3 | - | 15 | 73 |
| Total assets exposed to credit risk | 911 | 373 | 41 238 | 1 732 | 10 | 206 | 44 470 |

| Assets exposed to credit risk as at 31 December 2010 (PLN million) | AAA | AA | A | BBB | BB | No rating | Total |
|---|------------|------------|---------------|------------|-----------|------------------|---------------|
| Debt securities | 679 | - | 32 951 | 304 | - | 2 | 33 936 |
| Bank deposits and repo transactions involving treasury securities | - | 53 | 3 198 | 575 | 8 | 254 | 4 088 |
| Loans | - | - | - | - | - | 17 | 17 |
| Derivatives | - | 94 | 11 | - | - | - | 105 |
| Reinsurers' share in net claims provisions | 4 | 329 | 299 | 20 | - | 45 | 697 |
| Receivables from reinsurance | 1 | 68 | 43 | 2 | - | 8 | 122 |
| Total assets exposed to credit risk | 684 | 544 | 36 502 | 901 | 8 | 326 | 38 965 |

| Assets exposed to credit risk as at 30 June 2010 (PLN million) | AAA | AA | A | BBB | BB | No rating | Total |
|---|------------|------------|---------------|------------|-----------|------------------|---------------|
| Debt securities | 668 | 71 | 33 474 | 332 | 5 | 3 | 34 553 |
| Bank deposits and repo transactions involving treasury securities | - | 53 | 623 | 311 | 57 | 174 | 1 218 |
| Loans | - | - | - | - | - | 17 | 17 |
| Derivatives | - | 35 | 8 | - | - | - | 43 |
| Reinsurers' share in net claims provisions | 8 | 432 | 507 | 17 | - | 58 | 1 022 |
| Receivables from reinsurance | - | 19 | 9 | 1 | - | 22 | 51 |
| Total assets exposed to credit risk | 676 | 610 | 34 621 | 661 | 62 | 274 | 36 904 |

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

| Standard&Poor's ratings | AAA | AA | A | BBB | BB | No rating |
|----------------------------|------|------|------|------|-------|-----------|
| Ratio (%) 30 June 2011 | 0.79 | 0.82 | 1.84 | 5.22 | 16.54 | 29.94 |
| Ratio (%) 31 December 2010 | 0.82 | 0.74 | 1.97 | 5.60 | 17.45 | 30.82 |
| Ratio (%) 30 June 2010 | 0.70 | 0.70 | 1.70 | 4.40 | 14.60 | 30.40 |

As of 30 June 2011 the credit risk involved in investment activities amounted to PLN 913 million (PLN 876 million as at 31 December 2010 and PLN 714 million as at 30 June 2010).

9.6. Prepayments

| Prepayments | 30 June 2011 | 31 March 2011 | 31 December 2010 | 30 June 2010 | 31 December 2009 |
|--|----------------|----------------|------------------|----------------|------------------|
| IT expenses | 4 557 | 7 292 | 4 536 | 2 692 | 3 338 |
| Deferred acquisition costs relating to OFE PZU | 35 615 | 40 540 | 45 829 | 46 484 | 38 154 |
| Prepayments relating to reinsurance | 118 485 | 137 825 | 132 776 | 137 736 | 164 228 |
| Other | 19 390 | 29 190 | 11 085 | 17 570 | 10 084 |
| Total | 178 047 | 214 847 | 194 226 | 204 482 | 215 804 |

9.7. Technical provisions

9.7.1. Technical provisions - property and casualty insurance

| Technical provisions - property and casualty insurance | 30 June 2011 | 31 March 2011 | 31 December 2010 | 30 June 2010 | 31 December 2009 |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|
| Provision for unearned premiums | 4 481 512 | 4 508 630 | 4 183 127 | 4 240 156 | 4 047 377 |
| Provision for unexpired risks | 24 423 | 41 451 | 31 917 | 43 709 | 37 167 |
| Provisions for claims outstanding | 4 431 695 | 4 452 771 | 4 548 445 | 4 474 629 | 3 837 211 |
| Provision for capitalized value of annuity claims | 4 903 518 | 4 837 658 | 4 862 552 | 4 869 974 | 4 874 653 |
| Provisions for bonuses and rebates for the insured | 4 511 | 6 534 | 4 731 | 2 914 | 4 180 |
| Total | 13 845 659 | 13 847 044 | 13 630 772 | 13 631 382 | 12 800 588 |

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 2011 | | | 1 January - 31 December 2010 | | | 1 January - 30 June 2010 | | |
|--|--------------------------|-------------------|------------------|------------------------------|-------------------|------------------|--------------------------|-------------------|------------------|
| | gross | reinsurers' share | own share | gross | reinsurers' share | own share | gross | reinsurers' share | own share |
| Opening balance | 4 183 127 | (75 230) | 4 107 897 | 4 047 377 | (75 096) | 3 972 281 | 4 047 377 | (75 096) | 3 972 281 |
| Increase (decrease) in provisions for policies concluded in the current year | 3 336 179 | (49 019) | 3 287 160 | 3 636 796 | (40 980) | 3 595 816 | 2 838 633 | (31 557) | 2 807 076 |
| Increase (decrease) in provisions for policies concluded in previous years | (3 035 638) | 12 019 | (3 023 619) | (3 499 699) | 40 834 | (3 458 865) | (2 651 875) | 13 626 | (2 638 249) |
| Exchange differences during the period | (2 156) | 257 | (1 899) | (1 347) | 12 | (1 335) | 6 021 | (870) | 5 151 |
| Closing balance | 4 481 512 | (111 973) | 4 369 539 | 4 183 127 | (75 230) | 4 107 897 | 4 240 156 | (93 897) | 4 146 259 |

| Change in provision for unearned premium in property and casualty insurance | 1 January - 30 June 2011 | | | 1 January - 31 December 2010 | | | 1 January - 30 June 2010 | | |
|--|--------------------------|-------------------|---------------|------------------------------|-------------------|---------------|--------------------------|-------------------|---------------|
| | gross | reinsurers' share | own share | gross | reinsurers' share | own share | gross | reinsurers' share | own share |
| Opening balance | 31 917 | (89) | 31 828 | 37 167 | - | 37 167 | 37 167 | - | 37 167 |
| Increase (decrease) in provisions for policies concluded in the current year | 13 277 | - | 13 277 | 24 813 | - | 24 813 | 35 162 | - | 35 162 |
| Increase (decrease) in provisions for policies concluded in previous years | (20 492) | 30 | (20 462) | (29 848) | (92) | (29 940) | (29 065) | (12) | (29 077) |
| Exchange differences during the period | (279) | 6 | (273) | (215) | 3 | (212) | 445 | (1) | 444 |
| Closing balance | 24 423 | (53) | 24 370 | 31 917 | (89) | 31 828 | 43 709 | (13) | 43 696 |

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| Change in provisions for claims outstanding in property and casualty insurance | 1 January - 30 June 2011 | | | 1 January - 31 December 2010 | | | 1 January - 30 June 2010 | | |
|--|--------------------------|----------------------|------------------|------------------------------|----------------------|------------------|--------------------------|----------------------|------------------|
| | gross | reinsurers' share | own share | gross | reinsurers' share | own share | gross | reinsurers' share | own share |
| Opening balance, including: | 4 548 445 | (336 023) | 4 212 422 | 3 837 211 | (191 210) | 3 646 001 | 3 837 211 | (191 210) | 3 646 001 |
| - for claims reported | 1 919 232 | (270 855) | 1 648 377 | 1 472 477 | (156 106) | 1 316 371 | 1 472 477 | (156 106) | 1 316 371 |
| - for claims incurred but not reported (IBNR) | 1 921 859 | (52 650) | 1 869 209 | 1 732 090 | (19 056) | 1 713 034 | 1 732 090 | (19 056) | 1 713 034 |
| - for loss adjustment expenses | 707 354 | (12 518) | 694 836 | 632 644 | (16 048) | 616 596 | 632 644 | (16 048) | 616 596 |
| Paid claims concerning losses incurred in previous years, including | (1 275 867) | 97 826 | (1 178 041) | (1 434 847) | 167 866 | (1 266 981) | (1 024 812) | 26 852 | (997 960) |
| - claims paid | (1 162 079) | 96 833 | (1 065 246) | (1 276 151) | 164 468 | (1 111 683) | (920 662) | 25 264 | (895 398) |
| - loss adjustment expenses | (113 788) | 993 | (112 795) | (158 696) | 3 398 | (155 298) | (104 150) | 1 588 | (102 562) |
| Increase (decrease) in provisions, including: | 1 160 811 | (40 838) | 1 119 973 | 2 148 927 | (322 567) | 1 826 360 | 1 656 736 | (395 695) | 1 261 041 |
| - losses incurred in the current year | 1 227 443 | (18 838) | 1 208 605 | 2 196 216 | (224 952) | 1 971 264 | 1 622 661 | (403 234) | 1 219 427 |
| - losses incurred in the previous years | (66 632) | (22 000) | (88 632) | (47 289) | (97 615) | (144 904) | 34 075 | 7 539 | 41 614 |
| Other changes | - | (3 079) | (3 079) | - | 9 121 | 9 121 | - | 11 243 | 11 243 |
| Exchange differences during the period | (1 694) | 475 | (1 219) | (2 846) | 767 | (2 079) | 5 494 | (1 297) | 4 197 |
| Closing balance | 4 431 695 | (281 639) | 4 150 056 | 4 548 445 | (336 023) | 4 212 422 | 4 474 629 | (550 107) | 3 924 522 |
| - for claims reported | 1 761 327 | (239 374) | 1 521 953 | 1 919 232 | (270 855) | 1 648 377 | 1 926 228 | (378 462) | 1 547 766 |
| - for claims incurred but not reported (IBNR) | 1 938 786 | (29 223) | 1 909 563 | 1 921 859 | (52 650) | 1 869 209 | 1 863 270 | (156 510) | 1 706 760 |
| - for loss adjustment expenses | 731 582 | (13 042) | 718 540 | 707 354 | (12 518) | 694 836 | 685 131 | (15 135) | 669 996 |

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| Change in provision for capitalized value of annuity claims – property and casualty insurance | 1 January - 30 June 2011 | | | 1 January - 31 December 2010 | | | 1 January - 30 June 2010 | | |
|---|--------------------------|-------------------|------------------|------------------------------|-------------------|------------------|--------------------------|-------------------|------------------|
| | gross | reinsurers' share | own share | gross | reinsurers' share | own share | gross | reinsurers' share | own share |
| Opening balance | 4 862 552 | (360 508) | 4 502 044 | 4 874 653 | (482 007) | 4 392 646 | 4 874 653 | (482 007) | 4 392 646 |
| Paid claims concerning losses incurred in previous years | (80 168) | 5 529 | (74 639) | (158 433) | 14 766 | (143 667) | (82 667) | 9 822 | (72 845) |
| Increase (decrease) in provisions for losses incurred in the previous years | 20 551 | 661 | 21 212 | (96 222) | 109 853 | 13 631 | (25 261) | 5 181 | (20 080) |
| Increase in provisions for losses incurred in the current year | 100 583 | - | 100 583 | 242 554 | - | 242 554 | 103 249 | - | 103 249 |
| Other changes | - | 157 | 157 | | (3 120) | (3 120) | - | (5 262) | (5 262) |
| Closing balance | 4 903 518 | (354 161) | 4 549 357 | 4 862 552 | (360 508) | 4 502 044 | 4 869 974 | (472 266) | 4 397 708 |

9.7.2. Technical provisions - life insurance

| Technical provisions - life insurance | 30 June 2011 | 31 March 2011 | 31 December 2010 | 30 June 2010 | 31 December 2009 |
|--|---------------------|----------------------|-------------------------|---------------------|-------------------------|
| Provision for unearned premiums | 97 243 | 97 970 | 100 631 | 102 817 | 105 305 |
| Life insurance provision | 14 525 034 | 14 498 287 | 14 570 725 | 14 545 165 | 14 582 590 |
| Provisions for claims outstanding | 612 509 | 625 506 | 608 635 | 643 454 | 619 253 |
| Provisions for bonuses and rebates for the insured | 1 687 | 1 483 | 1 446 | 1 609 | 891 |
| Other technical provisions | 572 943 | 593 035 | 614 692 | 641 804 | 698 918 |
| Unit-linked reserve | 2 392 789 | 2 350 605 | 2 296 089 | 2 097 786 | 2 017 501 |
| Total technical provisions - life insurance | 18 202 205 | 18 166 886 | 18 192 218 | 18 032 635 | 18 024 458 |

9.7.2.1. *Change in technical provisions in life insurance*

| Change in provisions for unearned premium in life insurance | 1 January - 30 June 2011 | | | 1 January - 31 December 2010 | | | 1 January - 30 June 2010 | | |
|---|--------------------------|--------------|-------------------|------------------------------|----------|-------------------|--------------------------|----------|-------------------|
| | own share | gross | reinsurers' share | own share | gross | reinsurers' share | own share | gross | reinsurers' share |
| Opening balance | 100 631 | - | 100 631 | 105 305 | - | 105 305 | 105 305 | - | 105 305 |
| Increases | 91 279 | (1 113) | 90 166 | 100 631 | - | 100 631 | 96 301 | - | 96 301 |
| Decreases | (94 667) | 735 | (93 932) | (105 305) | - | (105 305) | (98 789) | - | (98 789) |
| Closing balance | 97 243 | (378) | 96 865 | 100 631 | - | 100 631 | 102 817 | - | 102 817 |

| Change in provision in life insurance - insurance contacts with no DPF | 1 January - 30 June 2011 | | | 1 January - 31 December 2010 | | | 1 January - 30 June 2010 | | |
|---|--------------------------|-------------------|-------------------|------------------------------|-------------------|-------------------|--------------------------|-------------------|-------------------|
| | gross | reinsurers' share | own share | gross | reinsurers' share | own share | gross | reinsurers' share | own share |
| Opening balance | 10 848 252 | - | 10 848 252 | 10 958 427 | - | 10 958 427 | 10 958 427 | - | 10 958 427 |
| Net premiums received | 705 890 | - | 705 890 | 559 687 | - | 559 687 | 282 628 | - | 282 628 |
| Technical interest rate for the provisions | 180 647 | - | 180 647 | 363 909 | - | 363 909 | 182 075 | - | 182 075 |
| Released provisions due to maturity and survival, mortality, resignation/redemption and other fortuitous events | (1 173 311) | - | (1 173 311) | (1 493 366) | - | (1 493 366) | (784 837) | - | (784 837) |
| Impact of the sale of new policies and renegotiation of contracts existing at the beginning of the period | 243 639 | - | 243 639 | 459 595 | - | 459 595 | 231 192 | - | 231 192 |
| Closing balance | 10 805 117 | - | 10 805 117 | 10 848 252 | - | 10 848 252 | 10 869 485 | - | 10 869 485 |

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| 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 2011 | | | 1 January - 31 December 2010 | | | 1 January - 30 June 2010 | | |
|---|--------------------------|-------------------|------------------|------------------------------|-------------------|------------------|--------------------------|-------------------|------------------|
| | gross | reinsurers' share | own share | gross | reinsurers' share | own share | gross | reinsurers' share | own share |
| Opening balance | 4 317 278 | - | 4 317 278 | 4 303 505 | - | 4 303 505 | 4 303 505 | - | 4 303 505 |
| Net premiums received | 158 805 | - | 158 805 | 321 111 | - | 321 111 | 142 557 | - | 142 557 |
| Technical interest rate for the provisions | 91 898 | - | 91 898 | 179 394 | - | 179 394 | 89 382 | - | 89 382 |
| Increase in provisions for profit sharing | 12 024 | - | 12 024 | 31 392 | - | 31 392 | 22 982 | - | 22 982 |
| Released provisions due to maturity and survival, mortality, resignation/redemption and other fortuitous events | (304 935) | - | (304 935) | (534 724) | - | (534 724) | (259 454) | - | (259 454) |
| Changes in assumptions | - | - | - | 19 793 | - | 19 793 | (31) | - | (31) |
| - other | - | - | - | 19 793 | - | 19 793 | (31) | - | (31) |
| Impact of the sale of new policies and renegotiation of contracts existing at the beginning of the period | (2 374) | - | (2 374) | (3 193) | - | (3 193) | (1 207) | - | (1 207) |
| Closing balance | 4 272 696 | - | 4 272 696 | 4 317 278 | - | 4 317 278 | 4 297 734 | - | 4 297 734 |

| Change in provisions in life insurance - unit-linked contracts | 1 January - 30 June 2011 | | | 1 January - 31 December 2010 | | | 1 January - 30 June 2010 | | |
|--|--------------------------|-------------------|------------------|------------------------------|-------------------|------------------|--------------------------|-------------------|------------------|
| | gross | reinsurers' share | own share | gross | reinsurers' share | own share | gross | reinsurers' share | own share |
| Net assets of the fund at the beginning of the period | 2 296 089 | - | 2 296 089 | 2 017 501 | - | 2 017 501 | 2 017 501 | - | 2 017 501 |
| Increases in the fund due to premiums | 201 337 | - | 201 337 | 360 279 | - | 360 279 | 183 288 | - | 183 288 |
| Payments deducted from the fund for risk, administration and other | (16 789) | - | (16 789) | (30 016) | - | (30 016) | (14 311) | - | (14 311) |
| Revenue from the fund's investments | 55 633 | - | 55 633 | 188 690 | - | 188 690 | 36 012 | - | 36 012 |
| Decreases in the fund due to claims, redemptions, etc. | (142 051) | - | (142 051) | (235 423) | - | (235 423) | (120 362) | - | (120 362) |
| Other decreases | (4 212) | - | (4 212) | (18 642) | - | (18 642) | (4 739) | - | (4 739) |
| Other increases | 2 782 | - | 2 782 | 13 700 | - | 13 700 | 397 | - | 397 |
| Net assets of the fund at the end of the period | 2 392 789 | - | 2 392 789 | 2 296 089 | - | 2 296 089 | 2 097 786 | - | 2 097 786 |

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| Change in provisions in life insurance - other insurance contracts | 1 January - 30 June 2011 | | | 1 January - 31 December 2010 | | | 1 January - 30 June 2010 | | |
|--|--------------------------|-------------------|---------------|------------------------------|-------------------|---------------|--------------------------|-------------------|---------------|
| | gross | reinsurers' share | own share | gross | reinsurers' share | own share | gross | reinsurers' share | own share |
| Opening balance | 21 333 | - | 21 333 | 20 467 | - | 20 467 | 20 467 | - | 20 467 |
| Change in provisions during the period | 518 | - | 518 | 866 | - | 866 | 892 | - | 892 |
| Closing balance | 21 851 | - | 21 851 | 21 333 | - | 21 333 | 21 359 | - | 21 359 |

| Change in provisions for claims | 1 January – 30 June 2011 | | | 1 January – 31 December 2010 | | | 1 January – 30 June 2010 | | |
|---|--------------------------|-------------------|----------------|------------------------------|-------------------|----------------|--------------------------|-------------------|----------------|
| | gross | reinsurers' share | own share | gross | reinsurers' share | own share | gross | reinsurers' share | own share |
| RBNP at the beginning of the period | 108 425 | - | 108 425 | 160 720 | - | 160 720 | 160 720 | - | 160 720 |
| IBNR at the beginning of the period | 500 210 | - | 500 210 | 458 533 | - | 458 533 | 458 533 | - | 458 533 |
| Total RBNP and IBNR at the beginning of the period | 608 635 | - | 608 635 | 619 253 | - | 619 253 | 619 253 | - | 619 253 |
| Provisions for claims applied during the year | (507 389) | - | (507 389) | (619 253) | - | (619 253) | (490 568) | - | (490 568) |
| Provisions for claims created during the year | 511 263 | - | 511 263 | 608 635 | - | 608 635 | 514 769 | - | 514 769 |
| Total RBNP and IBNR at the end of the period | 612 509 | - | 612 509 | 608 635 | - | 608 635 | 643 454 | - | 643 454 |
| RBNP at the end of the period | 87 949 | - | 87 949 | 108 425 | - | 108 425 | 174 635 | - | 174 635 |
| IBNR at the end of the period | 524 560 | - | 524 560 | 500 210 | - | 500 210 | 468 819 | - | 468 819 |

9.8. Investment contracts

| Investment contracts – carrying amount | 30 June 2011 | 31 March 2011 | 31 December 2010 | 30 June 2010 | 31 December 2009 |
|---|------------------|------------------|------------------|------------------|------------------|
| Investment contracts with guaranteed and fixed terms and conditions | 3 534 365 | 2 441 973 | 2 270 568 | 446 568 | 2 632 054 |
| - measured at amortized cost | 3 534 365 | 2 441 973 | 2 270 568 | 446 568 | 2 631 567 |
| - measured at fair value | - | - | - | - | 487 |
| Unit linked investment contracts | 1 374 738 | 1 380 985 | 1 273 947 | 1 099 292 | 1 094 475 |
| Total investment contracts – carrying amount | 4 909 103 | 3 822 958 | 3 544 515 | 1 545 860 | 3 726 529 |

9.9. Other provisions

| Other provisions | 30 June 2011 | 31 March 2011 | 31 December 2010 | 30 June 2010 | 31 December 2009 |
|---|----------------|----------------|------------------|----------------|------------------|
| Provisions created for potential liabilities relating to CLSiOR investments | 916 | 916 | 916 | 916 | 916 |
| Provision for disputed claims and potential liabilities under insurance contracts | 6 090 | 4 494 | 4 461 | 20 925 | 24 936 |
| Provision for restructuring and reorganization expenses | 56 555 | 61 483 | 75 253 | 132 956 | 158 763 |
| Provision for the Office of Competition and Consumer Protection | 69 143 | 69 143 | 69 143 | 65 176 | 65 176 |
| Provision for exit costs of the GraphTalk project | 49 648 | 49 563 | 49 396 | 45 811 | 48 632 |
| Provision for PTE's reimbursement of undue fees to the Social Insurance Institution | 9 319 | 8 854 | 9 532 | 11 533 | 12 858 |
| Other | 10 536 | 9 582 | 3 858 | 3 348 | 3 314 |
| Total other provisions | 202 207 | 204 035 | 212 559 | 280 665 | 314 595 |

The restructuring process has been presented in detail in point 17.5.

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.

9.10. Other liabilities

| Liabilities - carrying amount | 30 June 2011 | 31 March 2011 | 31 December 2010 | 30 June 2010 | 31 December 2009 |
|-------------------------------------|------------------|------------------|------------------|------------------|------------------|
| Liabilities due to direct insurance | 523 006 | 520 408 | 484 004 | 404 771 | 371 199 |
| Liabilities due to reinsurance | 93 309 | 81 728 | 39 674 | 70 624 | 26 959 |
| Liabilities to credit institutions | 2 700 730 | 199 109 | 122 | 2 | 4 780 108 |
| Other liabilities | 3 433 723 | 1 888 525 | 608 279 | 1 172 292 | 795 786 |
| Total liabilities | 6 750 768 | 2 689 770 | 1 132 079 | 1 647 689 | 5 974 052 |

Liabilities to credit institutions comprised primarily short-term sales of sell-buy-back debt securities carried out by PZU and PZU Życie of the carrying amount as at 30 June 2011 totalling PLN 2,586,649 thousand.

| Other liabilities | 30 June 2011 | 31 March 2011 | 31 December 2010 | 30 June 2010 | 31 December 2009 |
|---|------------------|------------------|------------------|------------------|------------------|
| Liabilities to the State Budget, other than corporate income tax (CIT) | 15 306 | 18 888 | 18 234 | 15 829 | 23 288 |
| Liabilities to the Social Insurance Institution, PFRON, the Company's Social Benefits Fund etc. | 27 985 | 30 384 | 23 895 | 35 972 | 45 200 |
| Due to acquired securities | 975 248 | 1 640 283 | 396 604 | 13 771 | 436 533 |
| Investment fund liabilities | - | - | - | - | 40 719 |
| Estimated non-insurance liabilities | 59 160 | 66 929 | 90 509 | 58 473 | 145 321 |
| Liabilities to the Shareholders | 2 249 000 | 3 973 | 4 002 | 947 130 | 8 581 |
| Trade payables to suppliers | 49 979 | 45 670 | 10 050 | 5 605 | 9 470 |
| Other | 57 045 | 82 398 | 64 985 | 95 512 | 86 674 |
| Total other liabilities | 3 433 723 | 1 888 525 | 608 279 | 1 172 292 | 795 786 |

“Liabilities to shareholders” include mainly PLN 2.245.160 thousand due to the portion of dividend for the year ended 31 December 2010 which has not been paid yet (details in point 15).

9.11. Accruals and deferred income

| Accruals and deferred income | 30 June 2011 | 31 March 2011 | 31 December 2010 | 30 June 2010 | 31 December 2009 |
|---|----------------|----------------|------------------|----------------|------------------|
| Accrued expenses, including: | 402 001 | 407 993 | 474 272 | 359 540 | 464 126 |
| - accrued costs of agency commissions | 164 541 | 165 408 | 164 331 | 167 682 | 174 814 |
| - accrued payroll costs | 65 071 | 79 451 | 115 410 | 42 966 | 94 916 |
| - accrued costs and revenue from reinsurance | 71 777 | 73 169 | 64 917 | 36 971 | 74 847 |
| - remuneration of intermediaries in companies | 21 122 | 21 856 | 19 507 | 19 937 | 19 523 |
| - provision for paid vacation | 47 531 | 45 972 | 39 386 | 54 467 | 38 633 |
| - accrued employee bonuses | 25 764 | 15 691 | 58 075 | 30 932 | 50 966 |
| - other | 6 195 | 6 446 | 12 646 | 6 585 | 10 427 |
| Deferred income | 8 886 | 7 944 | 7 871 | 5 033 | 4 623 |
| Total accruals and deferred income | 410 887 | 415 937 | 482 143 | 364 573 | 468 749 |

9.12. Gross written premiums

| Gross written premiums | 1 April – 30 June 2011 | 1 January – 30 June 2011 | 1 April – 30 June 2010 | 1 January – 30 June 2010 |
|--|-----------------------------------|-------------------------------------|-----------------------------------|-------------------------------------|
| Gross written premiums – property and casualty insurance | 2 023 180 | 4 339 851 | 1 864 536 | 4 063 840 |
| In direct insurance | 2 018 102 | 4 326 888 | 1 859 539 | 4 051 150 |
| In indirect insurance | 5 078 | 12 963 | 4 997 | 12 690 |
| Gross written premiums – life insurance | 1 673 198 | 3 333 411 | 1 622 545 | 3 228 014 |
| Individual premiums | 598 701 | 1 191 560 | 590 428 | 1 154 748 |
| In direct insurance | 598 701 | 1 191 560 | 590 428 | 1 154 748 |
| Group insurance premiums | 1 074 497 | 2 141 851 | 1 032 117 | 2 073 266 |
| In direct insurance | 1 074 497 | 2 141 851 | 1 032 117 | 2 073 266 |
| Total gross written premiums | 3 696 378 | 7 673 262 | 3 487 081 | 7 291 854 |

| 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 2011 | 1 January – 30 June 2011 | 1 April – 30 June 2010 | 1 January – 30 June 2010 |
|---|-----------------------------------|-------------------------------------|-----------------------------------|-------------------------------------|
| Accident and sickness insurance (class 1 and 2) | 95 434 | 199 181 | 93 652 | 196 922 |
| TPL motor insurance (class 10) | 754 633 | 1 459 039 | 654 919 | 1 306 283 |
| Other motor insurance (class 3) | 591 785 | 1 187 221 | 547 516 | 1 097 994 |
| Sea, aircraft and transport insurance (classes 4, 5, 6, 7) | 12 323 | 28 676 | 13 384 | 29 875 |
| Insurance against fire and other damage to property (classes 8, 9) | 367 448 | 989 322 | 350 792 | 959 153 |
| TPL insurance (classes 11, 12, 13) | 113 974 | 304 069 | 115 725 | 297 576 |
| Credit insurance and surety ship (classes 14, 15) | 15 102 | 28 289 | 18 232 | 34 743 |
| Assistance (class 18) | 50 375 | 95 559 | 45 103 | 85 238 |
| Legal protection (class 17) | 256 | 558 | 189 | 459 |
| Other (class 16) | 16 772 | 34 974 | 20 027 | 42 907 |
| Gross written premiums in direct property and casualty insurance (by classes specified in section II of the appendix to the Act on insurance activity) | 2 018 102 | 4 326 888 | 1 859 539 | 4 051 150 |

9.13. Fee and commission income

| Fee and commission income | 1 April – 30 June 2011 | 1 January – 30 June 2011 | 1 April – 30 June 2010 | 1 January – 30 June 2010 |
|--|-----------------------------------|-------------------------------------|-----------------------------------|-------------------------------------|
| Pension insurance | 62 969 | 128 977 | 61 005 | 115 947 |
| Commission on handling fees | 22 545 | 51 473 | 27 249 | 49 465 |
| Commission on asset management for open pension fund | 40 412 | 77 455 | 33 745 | 66 460 |
| Commission on transfer payments | 12 | 49 | 11 | 22 |
| Investment contracts | 6 392 | 12 359 | 2 868 | 7 123 |
| Revenue from unit-linked investment contract fees | 6 392 | 12 359 | 2 868 | 7 123 |
| Other | 8 593 | 14 891 | 3 585 | 7 020 |
| Revenue and fees from funds and investment fund management companies | 8 593 | 14 891 | 3 585 | 7 020 |
| Total fee and commission income | 77 954 | 156 227 | 67 458 | 130 090 |

9.14. Net investment income

| Net investment income | 1 April – 30 June 2011 | 1 January – 30 June 2011 | 1 April – 30 June 2010 | 1 January – 30 June 2010 |
|--|-----------------------------------|-------------------------------------|-----------------------------------|-------------------------------------|
| Interest income, including: | 441 810 | 853 726 | 498 842 | 948 071 |
| - financial assets available for sale | 90 880 | 177 227 | 128 743 | 215 127 |
| - financial assets held to maturity | 311 899 | 607 359 | 339 610 | 664 308 |
| - loans | 39 031 | 69 140 | 30 164 | 67 993 |
| - cash and cash equivalents | - | - | 325 | 643 |
| Dividend income, including: | 49 908 | 50 248 | 46 467 | 46 467 |
| - financial assets measured at fair value through profit or loss – classified as such upon initial recognition | (35) | 192 | 66 | 66 |
| - financial assets held for trading | 27 248 | 27 361 | 26 219 | 26 219 |
| - financial assets available for sale | 22 695 | 22 695 | 20 182 | 20 182 |
| Income from property investments | 6 476 | 12 973 | 6 530 | 12 753 |
| Exchange differences, including: | 1 393 | (2 494) | 9 670 | 1 838 |
| - financial assets held to maturity | (818) | 961 | 336 | 336 |
| - loans | 2 621 | 3 253 | 10 | (2 634) |
| - receivables, including under insurance contracts | (410) | (6 708) | 9 324 | 4 136 |
| Other, including: | (10 670) | (19 631) | (7 742) | (14 662) |
| - costs of investing activities | (5 708) | (10 265) | (3 384) | (6 323) |
| - investment property maintenance costs | (4 962) | (9 366) | (4 358) | (8 339) |
| Total net investment income | 488 917 | 894 822 | 553 767 | 994 467 |

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 2011 | 1 January – 30 June 2011 | 1 April – 30 June 2010 | 1 January – 30 June 2010 |
|--|---------------------------|-----------------------------|---------------------------|-----------------------------|
| Net profit/loss on realization of investments | 100 583 | 901 | 49 449 | 213 425 |
| Financial assets measured at fair value through profit or loss – classified as such upon initial recognition, including: | 25 055 | 2 636 | 3 040 | 23 697 |
| - equity instruments | 1 161 | (178) | (70) | (72) |
| - debt securities | 23 894 | 2 814 | 3 110 | 23 769 |
| Financial assets held for trading, including: | 24 518 | (1 888) | 15 429 | 39 743 |
| - equity instruments | 8 855 | 528 | 27 693 | 60 460 |
| - debt securities | 10 467 | 5 659 | 886 | 5 866 |
| - other | 5 196 | (8 075) | (13 150) | (26 583) |
| Financial assets available for sale, including: | 61 853 | 27 035 | 27 642 | 154 009 |
| - equity instruments | 61 238 | 63 650 | (4 535) | 74 294 |
| - debt securities | 615 | (36 615) | 32 177 | 79 715 |
| Financial assets held to maturity, including: | 499 | 294 | 5 870 | 5 803 |
| - debt securities held to maturity | 499 | 294 | 5 870 | 5 803 |
| Loans | - | - | 9 772 | 15 510 |
| Receivables, including under insurance contracts | (11 342) | (27 176) | (12 304) | (25 337) |
| Impairment losses | (38 790) | (68 652) | (23 969) | (52 671) |
| Financial assets available for sale, including: | (325) | (325) | (8 638) | (17 391) |
| - equity instruments | (325) | (325) | (8 638) | (17 391) |
| Receivables, including under insurance contracts | (38 465) | (68 327) | (15 331) | (35 280) |
| Total net profit/loss on realization and impairment loss on investments | 61 793 | (67 751) | 25 480 | 160 754 |

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 2011 | 1 January – 30 June 2011 | 1 April – 30 June 2010 | 1 January – 30 June 2010 |
|---|---------------------------|-----------------------------|---------------------------|-----------------------------|
| Financial instruments measured at fair value through profit or loss – classified as such upon initial recognition, including: | 88 618 | 154 446 | (6 738) | 106 114 |
| - equity instruments | (5 286) | (618) | (13 884) | 6 700 |
| - debt securities | 93 904 | 155 064 | 7 159 | 99 427 |
| - derivatives | - | - | (13) | (13) |
| Financial instruments held for trading, including: | (34 328) | 97 542 | (219 722) | 5 403 |
| - equity instruments | (98 501) | (6 269) | (229 072) | (63 894) |
| - debt securities | 44 081 | 70 604 | 4 305 | 50 114 |
| - derivatives | 20 092 | 33 207 | 5 045 | 19 183 |
| Investment property | - | - | (452) | (4 598) |
| Net change in the fair value of assets and liabilities measured at fair value | 54 290 | 251 988 | (226 912) | 106 919 |

9.17. Other operating income

| Other operating income | 1 April – 30 June 2011 | 1 January – 30 June 2011 | 1 April – 30 June 2010 | 1 January – 30 June 2010 |
|--|---------------------------|-----------------------------|---------------------------|-----------------------------|
| Released impairment losses on non-financial assets | (2 930) | 1 424 | (278) | 11 013 |
| Reinsurers' commissions and share in reinsurers' profit | 2 974 | 11 709 | 23 517 | 20 482 |
| Revenue from sales of products and goods in the Armatura Group | 70 169 | 127 271 | | |
| Consolidation of the Armatura Group | | 118 916 | - | - |
| Other | 18 095 | 33 921 | 30 116 | 47 754 |
| Total other operating income | 88 308 | 293 241 | 53 355 | 79 249 |

9.18. Insurance claims

| Insurance claims | 1 April – 30 June 2011 | 1 January – 30 June 2011 | 1 April – 30 June 2010 | 1 January – 30 June 2010 |
|--|---------------------------|-----------------------------|---------------------------|-----------------------------|
| Claims and change in technical provisions - property and casualty insurance | 1 479 830 | 2 673 371 | 2 003 967 | 3 360 341 |
| Reinsurers' share in claims and change in technical provisions - property and casualty insurance | (54 510) | (57 538) | (425 492) | (403 320) |
| Claims and change in technical provisions - life insurance | 1 192 146 | 2 402 461 | 1 068 173 | 2 163 891 |
| Reinsurers' share in claims and change in technical provisions - life insurance | 3 | 3 | - | - |
| Total insurance claims | 2 617 469 | 5 018 297 | 2 646 648 | 5 120 912 |

9.19. Investment benefits and change in valuation of investment contracts

| Investment benefits and change in valuation of investment contracts | 1 April – 30 June 2011 | 1 January – 30 June 2011 | 1 April – 30 June 2010 | 1 January – 30 June 2010 |
|--|---------------------------|-----------------------------|---------------------------|-----------------------------|
| Resulting from investment contracts with guaranteed and fixed terms and conditions | 29 632 | 51 220 | 8 463 | 30 685 |
| - interest expenses included in the effective interest rate | 29 632 | 51 220 | 8 705 | 30 685 |
| - embedded options | - | - | (242) | - |
| Resulting from unit-linked investment contracts | (28 331) | (14 280) | (16 246) | 24 319 |
| Total investment benefits and change in valuation of investment contracts | 1 301 | 36 940 | (7 783) | 55 004 |

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 2011 | 1 January – 30 June 2011 | 1 April – 30 June 2010 | 1 January – 30 June 2010 |
|---|-----------------------------------|-------------------------------------|-----------------------------------|-------------------------------------|
| Consumption of materials and energy | 19 593 | 39 847 | 22 674 | 49 130 |
| External services | 130 271 | 261 821 | 159 361 | 299 824 |
| Taxes and charges | 12 247 | 38 375 | 17 951 | 42 546 |
| Employee expenses | 341 458 | 698 322 | 405 622 | 786 609 |
| Depreciation of property, plant and equipment | 24 800 | 48 038 | 26 964 | 57 794 |
| Amortization of intangible assets | 12 781 | 24 355 | 14 977 | 25 873 |
| Other (by type), including: | 405 157 | 797 894 | 395 362 | 752 185 |
| - direct business commission | 312 310 | 645 161 | 299 009 | 589 874 |
| - advertisement | 19 492 | 33 785 | 21 836 | 36 301 |
| - change in capitalized acquisition costs | 1 973 | (25 552) | (3 094) | (32 595) |
| - remuneration of intermediaries in companies | 53 516 | 107 792 | 53 492 | 106 687 |
| - other | 17 866 | 36 708 | 24 119 | 51 918 |
| Total administrative expenses, acquisition costs and loss adjusting costs | 946 307 | 1 908 652 | 1 042 911 | 2 013 961 |

9.21. Other operating expenses

| Other operating expenses | 1 April – 30 June 2011 | 1 January – 30 June 2011 | 1 April – 30 June 2010 | 1 January – 30 June 2010 |
|--|-----------------------------------|-------------------------------------|-----------------------------------|-------------------------------------|
| Insurance Guarantee Fund | 7 242 | 14 354 | 4 393 | 9 396 |
| National Headquarters of the State Fire Service and Volunteer Fire Service Association | 2 605 | 24 791 | 2 597 | 26 438 |
| Compulsory payments to the insurance market institutions | 12 217 | 27 405 | 12 008 | 29 729 |
| Expenses due to prevention activities | 2 169 | 7 681 | 4 702 | 13 352 |
| Costs of manufacturing of products and acquisition of goods at the Armatura Group | 56 909 | 98 083 | - | - |
| Other | 41 942 | 82 074 | 39 367 | 55 277 |
| Total other operating expenses | 123 084 | 254 388 | 63 067 | 134 192 |

9.22. Financial expenses

| Financial expenses | 1 April – 30 June 2011 | 1 January - 30 June 2011 | 1 April – 30 June 2010 | 1 January - 30 June 2010 |
|---------------------------------|-----------------------------------|-------------------------------------|-----------------------------------|-------------------------------------|
| Interest, including: | 5 129 | 6 874 | 11 635 | 58 654 |
| - loans | 4 003 | 4 434 | 11 635 | 58 654 |
| - credit facilities | 1 126 | 2 440 | - | - |
| Other, including: | 351 | (1 098) | - | - |
| - exchange differences | 344 | (1 105) | - | - |
| - other | 7 | 7 | - | - |
| Total financial expenses | 5 480 | 5 776 | 11 635 | 58 654 |

10. Contingent assets and liabilities

| Contingent assets and liabilities | 30 June 2011 | 31 March 2011 | 31 December 2010 | 30 June 2010 | 31 December 2009 |
|--|--------------|---------------|------------------|--------------|------------------|
| Contingent assets, including: | 5 001 | 4 528 | 4 528 | 3 901 | 3 699 |
| Guarantees and sureties received | 5 001 | 4 528 | 4 528 | 3 901 | 3 699 |
| Contingent liabilities | 93 174 | 88 163 | 136 699 | 86 441 | 1 000 074 157 |
| Guarantees and sureties issued | 6 469 | 7 183 | 8 543 | 7 291 | 7 714 |
| Disputable claims related to insurance | 53 438 | 55 510 | 64 426 | 45 583 | 1 000 045 496 |
| Other disputable claims | 32 370 | 24 536 | 62 704 | 32 514 | 19 865 |
| Other | 897 | 934 | 1 026 | 1 053 | 1 082 |

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 2010.

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 2011 | 31 March 2011 | 31 December 2010 | 30 June 2010 | 31 December 2009 |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|
| PZU equity | 11 191 406 | 12 409 924 | 11 902 186 | 10 489 877 | 10 411 542 |
| Intangible assets | (67 408) | (63 192) | (63 526) | (50 679) | (49 560) |
| Value of shares in insurance companies operating within the insurance capital group of PZU | (5 552 482) | (6 741 493) | (6 599 272) | (5 495 433) | (7 463 664) |
| Deferred tax asset | (295 927) | (277 533) | (276 036) | (258 480) | (213 126) |
| Effect of other insurance companies operating within the insurance capital group of PZU on the value of PZU's own funds: | 3 565 444 | 5 080 265 | 4 630 089 | 3 544 807 | 5 576 452 |
| PZU Życie (100.00%) | 3 559 580 | 5 067 373 | 4 534 446 | 3 564 785 | 5 584 807 |
| Own funds | 5 268 971 | 6 727 364 | 6 232 554 | 5 124 487 | 7 223 775 |
| Required solvency margin | 1 709 391 | 1 659 991 | 1 698 108 | 1 559 702 | 1 638 968 |
| Surplus of own funds to cover the required solvency margin | 3 559 580 | 5 067 373 | 4 534 446 | 3 564 785 | 5 584 807 |
| UAB DK PZU Lietuva (99.76%) | 13 818 | 13 785 | 12 313 | 7 316 | 6 792 |
| Own funds | 40 976 | 42 049 | 40 117 | 38 307 | 39 638 |
| Required solvency margin | 27 125 | 28 231 | 27 774 | 30 974 | 32 830 |
| Surplus of own funds to cover the required solvency margin | 13 851 | 13 818 | 12 343 | 7 333 | 6 808 |
| PrJSC IC PZU Ukraine (100.00%) | (11 047) | (5 672) | 76 701 | (17 863) | (11 654) |
| Own funds | 4 522 | 11 173 | 93 131 | (2 120) | 1 697 |
| Required solvency margin | 15 569 | 16 845 | 16 430 | 15 743 | 13 351 |
| Surplus of own funds to cover the required solvency margin | (11 047) | (5 672) | 76 701 | (17 863) | (11 654) |
| Other insurance companies | 3 093 | 4 779 | 6 629 | (9 431) | (3 493) |
| Own funds of PZU | 8 841 033 | 10 407 971 | 9 593 441 | 8 230 092 | 8 261 644 |
| Required solvency margin of PZU | 1 336 216 | 1 333 798 | 1 338 798 | 1 336 216 | 1 338 798 |
| Guarantee fund of PZU | 445 405 | 444 599 | 446 266 | 445 405 | 446 266 |
| Surplus of own funds to cover the required solvency margin | 7 504 817 | 9 074 173 | 8 254 643 | 6 893 876 | 6 922 846 |
| Surplus of own funds to cover the | 8 395 628 | 9 963 372 | 9 147 175 | 7 784 687 | 7 815 378 |

guarantee fund

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 2011 | Property and casualty insurance | Life insurance | Pension insurance | Unallocated (consolidation eliminations and other) | Consolidated value |
|---|------------------------------------|--------------------|-------------------|---|--------------------|
| Gross written premiums - external | 2 023 180 | 1 673 198 | - | - | 3 696 378 |
| Gross written premiums - cross-segment | 483 | - | - | (483) | - |
| Reinsurer's share in gross written premium | (38 106) | (293) | - | - | (38 399) |
| Net written premium including: | 1 985 557 | 1 672 905 | - | (483) | 3 657 979 |
| Net written premium - external | 1 985 074 | 1 672 905 | - | - | 3 657 979 |
| Net written premium - cross-segment | 483 | - | - | (483) | - |
| Change in net provision for unearned premium | 39 108 | 545 | - | (67) | 39 586 |
| Net earned premiums | 2 024 665 | 1 673 450 | - | (550) | 3 697 565 |
| Revenue from commissions and fees | - | - | 62 969 | 14 985 | 77 954 |
| Net investment income (external transactions) | 225 120 | 221 928 | 3 092 | 38 777 | 488 917 |
| Net investment income (cross-segment transactions) | 1 987 803* | 104 840** | - | (2 092 643) | - |
| Net profit or loss on realization and impairment loss on investments | (104 524) | 40 320 | - | 125 997 | 61 793 |
| Net change in the fair value of assets and liabilities measured at fair value | (10 288) | 95 060 | - | (30 482) | 54 290 |
| Other operating revenue | 20 086 | 12 209 | 303 | 55 710 | 88 308 |
| Claims and change in technical provisions | (1 483 025) | (1 191 510) | - | 2 559 | (2 671 976) |
| Reinsurers' share in claims and change in technical provisions | 54 510 | (3) | - | - | 54 507 |
| Net insurance claims | (1 428 515) | (1 191 513) | - | 2 559 | (2 617 469) |
| Claims and change in measurement of investment contracts | - | - | - | (1 301) | (1 301) |
| Acquisition expense | (377 587) | (83 780) | (25 264) | 4 105 | (482 526) |
| Administrative expense | (140 783) | (144 049) | (18 647) | (756) | (304 235) |
| Other operating expense | (31 063) | (27 068) | (755) | (64 198) | (123 084) |
| Operating profit (loss) | 2 164 914* | 701 397** | 21 698 | (1 947 797) | 940 212 |
| Financial expense | (3 164) | (1 879) | - | (437) | (5 480) |
| Gross profit (loss) | 2 161 750* | 699 518** | 21 698 | (1 948 234) | 934 732 |
| Income tax | (60 784) | (108 626) | (3 759) | (394) | (173 563) |
| Net profit (loss) | 2 100 966* | 590 892** | 17 939 | (1 948 628) | 761 169 |

* including revenue due to dividend from PZU Życie of PLN 1,987,282 thousand

** including revenue due to dividend from PTE PZU of PLN 99,571 thousand

PLN '000

| Income statement by segments for 1 January – 30 June 2011 | Property and casualty insurance | Life insurance | Pension insurance | Unallocated (consolidation eliminations and other) | Consolidated value |
|---|------------------------------------|--------------------|-------------------|---|--------------------|
| Gross written premiums - external | 4 339 851 | 3 333 411 | - | - | 7 673 262 |
| Gross written premiums - cross-segment | 705 | - | - | (705) | - |
| Reinsurer's share in gross written premium | (148 650) | (1 984) | - | - | (150 634) |
| Net written premium including: | 4 191 906 | 3 331 427 | - | (705) | 7 522 628 |
| Net written premium - external | 4 191 201 | 3 331 427 | - | - | 7 522 628 |
| Net written premium - cross-segment | 705 | - | - | (705) | - |
| Change in net provision for unearned premium | (256 538) | 3 766 | - | (157) | (252 929) |
| Net earned premiums | 3 935 368 | 3 335 193 | - | (862) | 7 269 699 |
| Revenue from commissions and fees | - | - | 128 977 | 27 250 | 156 227 |
| Net investment income (external transactions) | 421 808 | 397 555 | 6 521 | 68 938 | 894 822 |
| Net investment income (cross-segment transactions) | 1 988 016* | 104 947** | - | (2 092 963) | - |
| Net profit or loss on realization and impairment loss on investments | (184 553) | 14 843 | - | 101 959 | (67 751) |
| Net change in the fair value of assets and liabilities measured at fair value | 7 023 | 251 392 | - | (6 427) | 251 988 |
| Other operating revenue | 51 484 | 31 404 | 307 | 210 046 | 293 241 |
| Claims and change in technical provisions | (2 676 634) | (2 401 798) | - | 2 600 | (5 075 832) |
| Reinsurers' share in claims and change in technical provisions | 57 538 | (3) | - | - | 57 535 |
| Net insurance claims | (2 619 096) | (2 401 801) | - | 2 600 | (5 018 297) |
| Claims and change in measurement of investment contracts | - | - | - | (36 940) | (36 940) |
| Acquisition expense | (745 981) | (157 140) | (36 346) | (13 574) | (953 041) |
| Administrative expense | (291 849) | (296 370) | (38 972) | (6 005) | (633 196) |
| Other operating expense | (91 430) | (58 857) | (871) | (103 230) | (254 388) |
| Operating profit (loss) | 2 470 790* | 1 221 166** | 59 616 | (1 849 208) | 1 902 364 |
| Financial expense | (2 555) | (1 879) | - | (1 342) | (5 776) |
| Gross profit (loss) | 2 468 235* | 1 219 287** | 59 616 | (1 850 550) | 1 896 588 |
| Income tax | (124 720) | (206 496) | (11 074) | (1 894) | (344 184) |
| Net profit (loss) | 2 343 515* | 1 012 791** | 48 542 | (1 852 444) | 1 552 404 |

* including revenue due to dividend from PZU Życie of PLN 1,987,282 thousand

** including revenue due to dividend from PTE PZU of PLN 99,571 thousand

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 | 1 864 536 | 1 622 545 | - | - | 3 487 081 |
| Gross written premiums - cross-segment | 74 | - | - | (74) | - |
| Reinsurer's share in gross written premium | (27 809) | (1 068) | - | - | (28 877) |
| Net written premium including: | 1 836 801 | 1 621 477 | - | (74) | 3 458 204 |
| Net written premium – external | 1 836 727 | 1 621 477 | - | - | 3 458 204 |
| Net written premium - cross-segment | 74 | - | - | (74) | - |
| Change in net provision for unearned premium | 100 587 | (61) | - | (376) | 100 150 |
| Net earned premiums | 1 937 388 | 1 621 416 | - | (450) | 3 558 354 |
| Revenue from commissions and fees | - | - | 61 005 | 6 453 | 67 458 |
| Net investment income (external transactions) | 287 764 | 245 023 | 4 221 | 16 759 | 553 767 |
| 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 | (2 003 844) | (1 068 193) | - | (103) | (3 072 140) |
| Reinsurers' share in claims and change in technical provisions | 425 492 | - | - | - | 425 492 |
| Net insurance claims | (1 578 352) | (1 068 193) | - | (103) | (2 646 648) |
| Claims and change in measurement of investment contracts | - | - | - | 7 783 | 7 783 |
| Acquisition expense | (364 810) | (67 013) | (12 890) | (9 495) | (454 208) |
| Administrative expense | (217 639) | (157 514) | (19 741) | (9 540) | (404 434) |
| Other operating expense | (39 136) | (17 331) | (58) | (6 542) | (63 067) |
| Operating profit (loss) | 3 142 112* | 556 686** | 33 277 | (3 261 147) | 470 928 |
| Financial expense | (11 635) | - | - | - | (11 635) |
| Gross profit (loss) | 3 130 477* | 556 686** | 33 277 | (3 261 147) | 459 293 |
| Income tax | (6 390) | (82 864) | (5 077) | (2 540) | (96 871) |
| Net profit (loss) | 3 124 087* | 473 822** | 28 200 | (3 263 687) | 362 422 |

* including revenue due to dividend from PZU Życie of PLN 3,120,000 thousand

** including revenue due to dividend from PTE PZU of PLN 116,809 thousand

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 | 4 063 840 | 3 228 014 | - | - | 7 291 854 |
| Gross written premiums - cross-segment | 640 | - | - | (640) | - |
| Reinsurer's share in gross written premium | (114 124) | (1 605) | - | - | (115 729) |
| Net written premium including: | 3 950 356 | 3 226 409 | - | (640) | 7 176 125 |
| Net written premium - external | 3 949 716 | 3 226 409 | - | - | 7 176 125 |
| Net written premium - cross-segment | 640 | - | - | (640) | - |
| Change in net provision for unearned premium | (174 607) | 1 771 | - | (371) | (173 207) |
| Net earned premiums | 3 775 749 | 3 228 180 | - | (1 011) | 7 002 918 |
| Revenue from commissions and fees | - | - | 115 947 | 14 143 | 130 090 |
| Net investment income (external transactions) | 477 757 | 467 240 | 9 281 | 40 189 | 994 467 |
| 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 | (3 360 238) | (2 163 938) | - | (56) | (5 524 232) |
| Reinsurers' share in claims and change in technical provisions | 403 320 | - | - | - | 403 320 |
| Net insurance claims | (2 956 918) | (2 163 938) | - | (56) | (5 120 912) |
| Claims and change in measurement of investment contracts | - | - | - | (55 004) | (55 004) |
| Acquisition expense | (700 433) | (143 939) | (25 124) | (27 014) | (896 510) |
| Administrative expense | (393 182) | (325 285) | (40 704) | (8 513) | (767 684) |
| Other operating expense | (98 404) | (51 897) | (97) | 16 206 | (134 192) |
| Operating profit (loss) | 3 315 918* | 1 336 171** | 60 446 | (3 212 440) | 1 500 095 |
| Financial expense | (58 654) | - | - | - | (58 654) |
| Gross profit (loss) | 3 257 264* | 1 336 171** | 60 446 | (3 212 440) | 1 441 441 |
| Income tax | (33 390) | (226 606) | (10 208) | (1 403) | (271 607) |
| Net profit (loss) | 3 223 874* | 1 109 565** | 50 238 | (3 213 843) | 1 169 834 |

* including revenue due to dividend from PZU Życie of PLN 3,120,000 thousand

** including revenue due to dividend from PTE PZU of PLN 116,809 thousand

The Capital Group of PZU Spółka Akcyjna
Interim consolidated financial statements for the 6-month period ended 30 June 2011

| 1 January - 30 June 2011 and at 30 June 2011 | Property and casualty insurance | Life insurance | Pension insurance | Unallocated (consolidation eliminations and other) | Consolidated value |
|---|------------------------------------|-------------------|-------------------|---|--------------------|
| Segment assets, including: | 25 803 893 | 28 635 879 | 289 453 | 2 572 053 | 57 301 278 |
| Deferred tax assets | 870 | - | 2 632 | 12 603 | 16 105 |
| Entities measured using the equity method | - | - | - | - | - |
| Liabilities | 19 209 146 | 22 812 929 | 37 678 | 3 010 827 | 45 070 580 |
| Investment outlays in the period* | 24 983 | 17 319 | 19 | 4 243 | 46 564 |
| Depreciation for the period* | (40 867) | (27 819) | (212) | (11 186) | (80 084) |
| Impairment loss on assets* | (314) | - | - | - | (314) |
| Reversal of impairment loss on assets * | 1 424 | - | - | - | 1 424 |

* applicable to intangible assets and property, plant and equipment

| 1 January - 31 March 2011 and at 31 March 2011 | Property and casualty insurance | Life insurance | Pension insurance | Unallocated (consolidation eliminations and other) | Consolidated value |
|---|------------------------------------|-------------------|-------------------|---|--------------------|
| Segment assets, including: | 22 723 107 | 27 118 593 | 378 304 | 3 420 560 | 53 640 564 |
| Deferred tax assets | 899 | - | 2 751 | 12 338 | 15 988 |
| Entities measured using the equity method | - | - | - | - | - |
| Liabilities | 16 083 344 | 19 861 863 | 44 828 | 3 915 851 | 39 905 886 |
| Investment outlays in the period* | 6 942 | 6 139 | - | 1 777 | 14 858 |
| Depreciation for the period* | (20 563) | (14 353) | (113) | (6 916) | (41 945) |
| Impairment loss on assets* | - | - | - | - | - |
| Reversal of impairment loss on assets * | 1 717 | 2 637 | - | - | 4 354 |

* 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 2011

| 1 January - 31 December 2010 and at 31 December 2010 | Property and casualty insurance | Life insurance | Pension insurance | Unallocated (consolidation eliminations and other) | Consolidated value |
|---|------------------------------------|-------------------|-------------------|---|--------------------|
| Segment assets, including: | 21 333 554 | 26 191 364 | 347 159 | 2 798 480 | 50 670 557 |
| Deferred tax assets | 940 | - | 3 320 | 12 385 | 16 645 |
| Entities measured using the equity method | - | - | - | - | - |
| Liabilities | 14 963 924 | 19 385 748 | 43 443 | 3 477 516 | 37 870 631 |
| Investment outlays in the period* | 102 566 | 97 788 | 326 | 10 156 | 210 836 |
| Depreciation for the period* | (90 114) | (61 118) | (532) | (18 607) | (170 371) |
| Impairment loss on assets* | (2 137) | (915) | - | - | (3 052) |
| Reversal of impairment loss on assets * | 3 623 | 8 073 | - | - | 11 696 |

* applicable to intangible assets and property, plant and equipment

| 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 |
|---|------------------------------------|-------------------|-------------------|---|--------------------|
| Segment assets, including: | 21 935 875 | 24 617 339 | 289 843 | 732 604 | 47 575 661 |
| Deferred tax assets | 886 | - | 3 437 | 16 158 | 20 481 |
| Entities measured using the equity method | - | - | - | - | - |
| Liabilities | 15 845 551 | 18 934 133 | 34 947 | 1 422 249 | 36 236 880 |
| 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* | (826) | - | - | - | (826) |
| Reversal of impairment loss on assets * | 646 | 7 892 | - | - | 8 538 |

* applicable to intangible assets and property, plant and equipment

PLN '000

| 1 January - 30 June 2011 and at 30 June 2011 | Poland | Lithuania | Ukraine | Unallocated (consolidation eliminations and other) | Consolidated value |
|---|---------------|-----------|---------|---|-----------------------|
| Gross written premiums - external | 7 544 190 | 76 638 | 52 434 | - | 7 673 262 |
| Gross written premiums - cross-segment | 2 034 | - | - | (2 034) | - |
| Revenue from commissions and fees | 156 227 | - | - | - | 156 227 |
| Net investment income (external transactions) | 887 737 | 3 547 | 3 537 | - | 894 822 |
| Net profit or loss on realization and impairment loss on investments (external transactions) | (66 745) | (671) | (334) | - | (67 751) |
| Net change in the fair value of assets and liabilities measured at fair value (external transactions) | 251 874 | 114 | - | - | 251 988 |
| Non-current assets other than financial instruments* | 1 215 806 | 9 465 | 6 340 | (1 634) | 1 229 978 |
| Deferred tax assets | 15 235 | - | 870 | - | 16 105 |
| Assets | 57 264 629 | 241 214 | 111 250 | (315 815) | 57 301 278 |

* applicable to intangible assets and property, plant and equipment

| 1 January - 31 December 2010 and at 31 December 2010 | Poland | Lithuania | Ukraine | Unallocated (consolidation eliminations and other) | Consolidated value |
|---|------------|-----------|---------|---|-----------------------|
| Non-current assets other than financial instruments* | 1 084 751 | 9 533 | 7 043 | (1 849) | 1 099 478 |
| Deferred tax assets | 15 705 | - | 940 | - | 16 645 |
| Assets | 50 726 758 | 228 924 | 187 409 | (472 534) | 50 670 557 |

* applicable to intangible assets and property, plant and equipment

| 1 January - 30 June 2010 and at 30 June 2010 | Poland | Lithuania | Ukraine | Unallocated (consolidation eliminations and other) | Consolidated value |
|---|------------|-----------|---------|---|-----------------------|
| Gross written premiums - external | 7 166 916 | 77 504 | 47 434 | - | 7 291 854 |
| Gross written premiums - cross-segment | 2 309 | - | - | (2 309) | - |
| Revenue from commissions and fees | 130 090 | - | - | - | 130 090 |
| Net investment income (external transactions) | 986 692 | 5 053 | 2 722 | - | 994 467 |
| 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* | 1 099 044 | 9 687 | 8 626 | (1 920) | 1 115 437 |
| Deferred tax assets | 19 595 | - | 886 | - | 20 481 |
| Assets | 47 564 096 | 253 908 | 216 875 | (459 218) | 47 575 661 |

* 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 2011, PZU did not issue, redeem or repay any debt or equity securities.

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

During the 6-month period ended 30 June 2011, 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 2010 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 11 May 2011, the Management Board of PZU adopted resolution concerning the dividend policy of PZU. The assumptions include:

- the basis for the dividend paid by PZU for a given financial year will be the consolidated profit/loss of the PZU Group in accordance with IFRS;
- dividend amount:
 - cannot be lower than 50% and higher than 100% of the consolidated net profit disclosed in the consolidated financial statements prepared in line with IFRS;
 - cannot be higher than the separate net profit of PZU disclosed in the separate financial statements prepared in line with PAS;
 - cannot lead to a reduction of the equity of PZU below the amount corresponding to 250% of the solvency margin;
 - cannot lead to a reduction in the financial strength of the PZU Group below the level corresponding to the AA rating of Standard & Poor's;
 - should consider additional capital needs of PZU in the twelve months following approval of the consolidated financial statements of the PZU Group for a given year by the Management Board of PZU.
- the equity and the solvency margin are calculated in line with the prudential standards established for the Polish insurance market.

Also on 11 March 2011, the Management Board of PZU adopted a resolution concerning the proposed distribution of net profit for 2010 of PLN 3,516,709 thousand:

- PLN 2,245,160 thousand for dividends for shareholders;
- PLN 1,271,549 thousand for supplementary capital.

On 30 June 2011 the General Shareholders' Meeting of PZU adopted a resolution concerning distribution of net profit for 2010 compliant with the above suggestion assuming payment of dividend of PLN 26.00 per share and setting the record date at 30 September 2011 and the day of payment at 21 October 2011.

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.

PZU and PZU Życie consider such claims when creating technical provisions for reported damages, considering the probability of an unfavourable decision of the court and estimating the value of probable settlement. Disputable claims regarding revaluation of annuities at PZU Życie are recognized in other technical provisions in the amount of annual annuity in excess of the corresponding provision amount as determined under mathematical provisions for life insurance purposes.

During the 6-month period ended 30 June 2011 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.

As of 30 June 2011 the total value of all 21.853 cases heard by courts, bodies competent to hear arbitration proceedings or public authority bodies involving the PZU Group companies was PLN 1.567.092 thousand. The amount includes PLN 1.142.724 thousand of liabilities and PLN 424.368 thousand of receivables of the PZU Group companies, which constituted 10,21% and 3,79% 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. Following further amendments in claim, CSC is demanding the total of PLN 36,823 thousand.

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. In response to the counter claim, on 31 August 2010, CSC requested that the claim of PZU Życie be dismissed in whole, indicating the absence of evidence to accept it.

Additionally, on 21 December 2010, PZU Życie placed a motion for amicable settlement related to the amount of PLN 123,326 thousand claimed from CSC as damages arising from undue performance of an agreement or for a return of the contractual fee paid to CSC in the amount of PLN 71,890 thousand. During the court proceedings on 8 February 2011 the parties failed to reach a settlement. The court discontinued the case for amicable settlement. The decision is valid.

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 2011 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. Having considered the appeals placed by the plaintiff and the defendant, in a ruling of 26 October 2010, the court of second instance cancelled the disputed decision.

In a ruling of 17 February 2011, the District Court in Warsaw – Consumer and Competition Protection Court – partly modified the decision in question, at the same time dismissing the appeal lodged by PZU Życie in relation to the amount of penalty. On 6 May 2011, PZU Życie appealed against the decision.

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.

As at the date of submission of this report, PZU and PZU Życie SA had an A long-term credit rating and financial strength rating (assigned by Standard & Poor's Ratings Services on 16 July 2009) and a stable rating outlook. Every year, Standard & Poor's Ratings Services confirmed the above rating and Outlook (on 22 July 2011 and 5 July 2010, respectively).

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 |
|---------------------------|--------------------|-----------------|--------------------|-----------------|
| PZU | | | | |
| Financial strength rating | A /stable/ | 22 July 2011 | A /stable/ | 5 July 2010 |
| Credit rating | A /stable/ | 22 July 2011 | A /stable/ | 5 July 2010 |
| PZU Życie | | | | |
| Financial strength rating | A /stable/ | 22 July 2011 | A /stable/ | 5 July 2010 |
| Credit rating | A /stable/ | 22 July 2011 | A /stable/ | 5 July 2010 |

17.2. Changes in the by-laws of PZU

On 1 June 2011, upon the request of the State Treasury, the Extraordinary Shareholders' Meeting of PZU adopted a resolution to change the By-laws of PZU and passed all changes included in the request of the shareholder.

Changes in the By-laws were connected with:

- editorial changes: removal of transitory provisions related to the operations of PZU before and after listing on the regulated market to improve the transparency of the By-laws of PZU - deleted provisions which have become redundant as the conditions described in the provisions were fulfilled.

- restriction of the voting right of the shareholders following adoption of the rules of accumulation and reduction of votes.

The voting right of the shareholders was restricted in a way that none of them can exercise more than 10% of the total number of votes at PZU at the date of the General Meeting, with the reservation that for the needs of determination of the obligations of the parties acquiring material blocks of shares provided for in 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 2005, item. 1539, as amended) and Act on insurance activity of 22 May 2003 (Journal of Laws of No. 11 of 2010, item 66, as amended, "Act on insurance activity") such voting restrictions will not apply. For the purposes of voting rights restrictions, the votes of the shareholders being parent companies or subsidiaries will be added up.

The restrictions do not apply to the State Treasury and the shareholders co-operating with it based on agreements concerning joint voting rights attached to the shares. The voting restrictions expire when the interest of the State Treasury in the share capital of PZU will fall below 5%.

- appointment of the Supervisory Board.

Members of the Supervisory Board of PZU are appointed and dismissed by the General Meeting.

Until the interest of the State Treasury in the share capital of PZU is above 20%, half of the members of the Supervisory Board are appointed by the General Meeting from among the persons indicated by the State Treasury.

Once the right of the State Treasury expires, it is transferred to another shareholder representing the highest interest in the share capital of PZU, provided that its share will be at least 20% of the share capital.

Additionally, until the State Treasury remains the shareholder of the Company, it has the right to appoint and dismiss one member of the Supervisory Board by a written representation to the Management Board, in accordance with Article 354.1 of the Code of commercial companies (Journal of Laws No. 94 of 2000, item 1037, as amended). Such appointment and dismissal is effective upon the service of a relevant representation to the Management Board and does not require a resolution of the General Meeting.

On 6 June 2011, pursuant to Article 32.2.4 and 32.2.7 of the Act on insurance activity, PZU requested that the Polish Financial Supervision Authority approves the changes to the By-laws. On 28 June 2011, the Polish Financial Supervision Authority granted such approval.

In accordance with the current By-laws of PZU (version registered at the National Court Register on 9 September 2010), the consolidated text of the By-laws of PZU is determined by the Supervisory Board of PZU, which passed the consolidated text of the By-laws on 29 July 2011. Changes to the By-laws will come into force upon registration by the registry court. The By-laws registered on 9 September 2010 remain effective, until the court gives a ruling concerning the changes in data in the National Court Register.

The above changes to the By-laws resulted from the need to ensure a stable position of PZU. They ensure stability in the exercising of the voting rights attached to shares and this way prevent actions leading to speculative trade in the shares of PZU, especially those which could result in temporary investment decisions. The objective of the changes concerning the rules of appointment of the Supervisory Board is to ensure a long-term stability in the management of PZU and consistent fulfilment of the set goals.

The changes prevent an entry of a strategic investor into PZU.

17.3. Decrease in the share capitals of insurance companies in the PZU Group in Ukraine

On 10 March 2011, PZU Ukraine and on 21 April 2011, 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).

In view of the above, in 2010 the share capitals of the companies were increased. The second stage of the capital restructuring was redemption of treasury shares.

On 27 December 2010, the Extraordinary Shareholders' Meetings of PZU Ukraine and PZU Ukraine Life passed resolutions regarding redemption of:

- 29,207,233 shares at a price lower than the nominal price (UAH 10) i.e. UAH 7.19 per share;
- 167,989 shares at a price lower than the nominal price (UAH 100) i.e. UAH 21.43 per share;

On 18 January 2011, PZU concluded:

- an agreement with PZU Ukraine on the sale of 29,207.233 shares at UAH 7,19 per share totalling UAH 210,000 thousand (an equivalent of USD 26,448 thousand (PLN 75,380 thousand) was received on 31 January 2011);
- an agreement with PZU Ukraine Life on the sale of 139,991 shares at UAH 21.43 per share totalling UAH 3,000 thousand (the equivalent of USD 378 thousand (PLN 1,077 thousand) was received on 31 January 2011).

On 2 February 2011, based on the above agreements, PZU transferred ownership of the shares to acquirers.

The remaining 27,998 shares of PZU Ukraine Life designed for redemption were purchased from PZU Ukraine (pursuant to an agreement concluded on 18 January 2011). In this way, PZU did not lose the controlling interest in PZU Ukraine Life.

On 25 March 2011, the Extraordinary Shareholders' Meetings of PZU Ukraine and PZU Ukraine Life passed resolutions regarding redemption of shares and reduction of the share capital:

- PZU Ukraine - redemption of 29,207,233 shares of the face value of UAH 10.00 per share, of the total value of UAH 292,072 thousand and reduction of the share capital by such amount, from UAH 308,226 thousand to UAH 16,154 thousand;
- PZU Ukraine Life - redemption of 167,989 shares of the face value of UAH 100.00 per share, of the total value of UAH 16,799 thousand and reduction of the share capital by such amount, from UAH 33,000 thousand to UAH 16,201 thousand.

Changes to the by-laws of PZU Ukraine and PZU Ukraine Life resulting from the reduction of the share capitals were registered on 28 March 2011 and the entire process of capital reduction was completed on 28 April 2011 with a certificate of shares issue registration by the State Commission for Securities and Stock Market.

On 22 June 2011, having analysed the financial statements of PZU Ukraine as at 31 December 2010, Ukrainian Insurance Supervisory Authority found it in breach of the license requirement (according to which the net assets of an insurance company cannot be lower than its share capital) and ordered PZU Ukraine to eliminate the breach by 30 September 2011. The share capital reduction as described above resulted in elimination of the breach in April 2011.

17.3.1. Capital shortage at PZU Ukraine Life

Due to a reduction of the share capital of PZU Ukraine Life and then a significant increase in the EUR/UAH exchange rate, the company ceased to meet the minimum share capital requirement, which the Ukrainian insurance act sets at EUR 1,500 thousand for life insurance companies (in accordance with the EUR/UAH exchange rate as at 31 March 2011 it was UAH 16,823 thousand which meant a capital shortage by UAH 622 thousand as at that date).

On 18 April 2011, the Supervisory Board of PZU Ukraine and PZU Ukraine Life were presented a plan for mutual capital injection of approx. UAH 8,000 thousand, i.e. the shares of PZU Ukraine Life will be assumed by PZU Ukraine and vice versa. Thanks to the transactions the licence requirements will be met without additional funds of PZU.

On 30 June 2011, based on recommendations of the Supervisory Boards, the Extraordinary Shareholders' Meetings of PZU Ukraine and PZU Ukraine Life, passed resolutions to:

- increase the share capital of PZU Ukraine Life by UAH 2,500 thousand and equity by UAH 7,872 thousand through an issue of 25,000 shares with the face value of UAH 100 per share and the issue price of UAH 314.88 per share,

- Piotr Kamiński Member of the Board;
- Krzysztof Dresler Member of the Board;
- Dariusz Filar Member of the Board.

In accordance with the By-laws of PZU, the number of members of the Supervisory Board is specified by a resolution of the General Meeting of PZU. Members of the Supervisory Board are appointed for a shared term which lasts three consecutive full financial years. The Supervisory Board selects the Chairperson and Vice-Chairperson from among its members.

On 30 June 2011, the General Shareholders' Meeting of PZU adopted resolutions whereby the number of Members of the Supervisory Board of PZU was set at seven and such number of persons was appointed to the new Supervisory Board. The new Supervisory Board was formed on 30 June 2011 and comprised the following persons:

- Marzena Piszczek Chairperson of the Board;
- Zbigniew Cwiąkański Vice-Chairperson of the Board;
- Krzysztof Dresler Secretary of the Board;
- Waldemar Maj Member of the Board;
- Dariusz Filar Member of the Board;
- Zbigniew Derdziuk Member of the Board;
- Dariusz Daniluk Member of the Board.

The first full financial year of the new Supervisory Board is 2012. By the date of submission of these interim statements, the composition of the Supervisory Board of PZU had not undergone any changes.

17.4.3. New Directors in the Group

Directors at the PZU Group as at 31 December 2010:

- Dariusz Krzewina;
- Rafał Grodzicki;
- Przemysław Dąbrowski;
- Mariusz Sarnowski;
- Krzysztof Branny.

On 2 January 2011 Przemysław Dąbrowski resigned from the position of the PZU Group Director, and on 24 January 2011 he was dismissed from the position by the Management Board and replaced by Tomasz Tarkowski on 1 February 2011.

Tomasz Tarkowski ceased to act as the PZU Group Director on 21 April 2011 following his appointment to the Management Board.

On 7 July 2011 following resignation from the position of Vice-Chairman of the Management Board of PZU Życie filed on 20 June 2011, the Management Board of PZU dismissed Mariusz Sarnowski from the position of the PZU Group Director.

On 16 August 2011, Krzysztof Branny resigned from the positions of the Member of the Management Board of PZU Życie and Director of the PZU Group.

Directors at the PZU Group from 17 August 2011 to the date of submission of these interim report:

- Dariusz Krzewina;
- Rafał Grodzicki;

All the present Directors at the PZU Group are also members of PZU Życie Management Board.

17.5. Staff restructuring at PZU SA and PZU Życie SA - first half of 2011

On 29 December 2009, the Management Boards of PZU and PZU Życie announced a plan for implementation of the restructuring program for 2010-2012.

The staff restructuring is related among others to the 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.

In 2010, the changes at PZU and PZU Życie affected 6,045 employees, out of which 2,439 were given employment termination notices.

In the period of three months ended 31 March 2011, the process of changes in PZU and PZU Życie covered approximately 90 employees, out of which 33 were given employment termination notices, however, due to the small scale of the redundancies in PZU and PZU Życie, they were carried out as individual and not group lay-offs, which was the case in 2010.

Due to the anticipated scale of the lay-offs in the subsequent months of 2011, on 11 May 2011, the Management Boards of PZU and PZU Życie announced their intention to conduct further group lay-offs.

It was estimated on that date that the change would affect up to 3,316 people, i.e. that a decrease in the number of employees in PZU and PZU Życie would amount to 1,212 employees in 2011.

The 2011 staff restructuring process is related to the continuation of the initiatives commenced in 2010, and includes further integration of separate teams carrying out similar tasks at PZU and PZU Życie, implementation of IT tools and optimisation of processes to allow increasing work efficiency, as well as further centralisation of some functions in the central units. The 2011 staff restructuring process mainly covers the areas of operations, finance, administration, personnel and payroll, loss adjustment and chains in all areas of the regional offices, central units and Headquarters of PZU and PZU Życie.

In accordance with the provisions of 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, item 844 as amended, the "Act on special principles applicable to termination of employment"), the level and execution of group lay-offs were consulted with the trade unions operating at PZU and PZU Życie, they concluded with an agreement regarding the wording of an arrangement setting forth the terms and conditions of the 2011 staff restructuring, reached on 26 May 2011 and signed on 30 May 2011 (the "Arrangement").

The Arrangement includes information about the number of employees affected by the restructuring, criteria for redundancy selection, financial package, principles of protection of selected employee groups and the group lay-offs implementation schedule.

Pursuant to the provisions of the Arrangement:

- the group lay-offs process as part of the restructuring process began on 13 June and will end on 10 October 2011;
- staff restructuring at PZU, consisting in changes in the employment terms and conditions or – in the absence of employees' acceptance – dismissals, will affect 1,706 employees and 1,041 employees will definitely receive employment termination notices;
- staff restructuring at PZU Życie, consisting in changes in the employment terms and conditions or – in the absence of employees acceptance – dismissals, will affect 1,317 employees and 637 employees will definitely receive employment termination notices;
- considering that some of the employees are employed at PZU and PZU Życie on a part-time basis, the total number of employees affected by the changes (in the terms and conditions of employment) will not exceed 3,303. Both companies will lay off up to 1,199 people.

Termination terms and conditions offered to the dismissed employees or employees who did not accept the terms and conditions of employment offered to them in the previous (2010 and Q1 2011) and current stages of the restructuring process were and are better than those provided for by the applicable laws (the "Act on special principles applicable to termination of employment"). The amount of additional redundancy pay was and is contingent on the salary of each employee and their time of employment at the PZU Group.

In the period of three months from 1 April to 30 June 2011, the process of changes at PZU and PZU Życie covered 347 employees, out of which 248 were given employment termination notices.

During the period from 1 January to 30 June 2011, the total restructuring costs charged to the provision amounted to PLN 17,728 thousand (in 2010: PLN 147,750 thousand; from 1 January to 30 June 2010: PLN 28,005 thousand).

As at 30 June 2011, the provision for restructuring costs (presented in point 17.5) was PLN 56,555 thousand (31 March 2011: PLN 61,483 thousand; 31 December 2010: PLN 75,253 thousand; 30 June 2010: PLN 132,956 thousand; 31 December 2009: PLN 158,763 thousand), which resulted in a change in the aforesaid provision of PLN 18,698 thousand during the period ended 30 June 2011 (in 2010: PLN 83,510 thousand; in the period of six months ended 30 June 2010: PLN 25,807 thousand).

17.6. Financial Supervision Authority's Inspections in PZU

On 12 January 2001, the Polish Financial Supervision Authority (FSA) commenced an inspection in PZU, which continued until 22 February 2011. Its scope included organisation, management and accounting. On 30 March 2011, PZU received an inspection protocol and submitted its reservations and explanations on the inspection protocol to the FSA on 13 April 2011. On 30 June 2011, PZU received an instruction to be carried out by 30 September 2011. On 1 July 2011, PZU informed the FSA that the instruction had been carried out.

On 8 April 2011, PZU received seven post-inspection instructions related to the inspection conducted by the FSA from June to August 2009, which covered technical provisions and loss adjustment. The FSA gave the deadline for realisation of the instructions of 30 September 2011.

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 2011, 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

| Balances and turnovers of transactions between the PZU Group and related parties in period 1 January 2011- 30 June 2011 and as at 30 June 2011 | 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 |
| Key members of the management of consolidated entities 1/ | - | - | - | - | - | - | - | - | - | - | - |
| Other related parties 2/ | 312 | - | 11 659 | 11 843 | - | 12 554 | (10 306) | 2 248 | 3 295 | - | - |

| Balances and turnovers of transactions between the PZU Group and related parties as at 31 December 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.) 3/ | - | - | 21 | - | - | - | - | - | - | - | - |
| Key members of the management of consolidated entities 1/ | - | - | - | - | - | - | - | - | - | - | - |
| Other related parties 2/ | 784 | - | 31 377 | 25 012 | - | 11 575 | (10 306) | 1 269 | 3 498 | - | - |

| Balances and turnovers of transactions between the PZU Group and related parties in period 1 January 2011- 30 June 2010 and at 30 June 2010 | Gross written premium | | | | write-downs on receivables created in the current period | Receivables | | | Liabilities | Contingent assets | Contingent liabilities |
|---|---------------------------------|----------------|---------------|----------|--|-------------|-------------------------|-------|-------------|-------------------|------------------------|
| | property and casualty insurance | life insurance | Other revenue | Expenses | | gross value | revaluation write-downs | net | | | |
| Major investor (Eureko B.V.) 3/ | - | - | 21 | - | - | - | - | - | - | - | - |
| Key members of the management of consolidated entities 1/ | - | - | - | - | - | - | - | - | - | - | - |
| Other related parties 2/ | 216 | - | 18 689 | 9 396 | - | 12 930 | (11 291) | 1 639 | 1 835 | - | - |

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

2/ Companies directly or indirectly controlled by, associated with PZU and excluded from consolidation, whose detailed list is presented in section 1.2.

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

As of 30 June 2011, 31 December 2010 and 30 June 2010, 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. Transactions with entities controlled by the State Treasury

IAS 24 requires that related party transactions be disclosed. Until 11 May 2010, the interest of the State Treasury in the share capital of PZU exceeded 50%. On 11 May 2010, 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%.

In spite of 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 purpose of this clause, "entities controlled by, co-subsiaries of and entities associated with 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. In particular, while carrying out their statutory activities, entities in the PZU Group entered into transactions with entities controlled by and related to 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 material for ensuring a reliable presentation of the financial position of the PZU Group.

The PZU Group applied the exemption referred to in point 25 of IAS 24 and withdrew from disclosure of some information in relation to transactions with parties that are related as a result of control, joint control or significant influence of the same government.

Property and personal insurance contracts, life insurance contracts and investment contracts constituted an overwhelming majority of transactions with entities controlled by, co-subsiaries of and entities associated with the State Treasury.

The table below shows the written premiums and investment contract volumes resulting from transactions with entities controlled by, co-subsiaries of and entities associated with the State Treasury, concluded and settled on the terms and conditions which could be obtained in transactions with unrelated parties.

| Entities controlled by, co-subsiaries of and entities associated with the State Treasury | 1 April – 30 June 2011 | 1 January – 30 June 2011 | 1 April – 30 June 2010 | 1 January – 30 June 2010 |
|--|---------------------------|-----------------------------|---------------------------|-----------------------------|
| Gross written premium at PZU | 28 214 | 51 965 | 10 684 | 45 916 |
| Gross written premium at PZU Życie | 4 412 | 7 059 | 5 206 | 15 436 |
| PZU Życie investment contract volumes | 976 934 | 976 934 | - | - |
| Total | 1 009 560 | 1 035 958 | 15 890 | 61 352 |

The tables below present data related to written premiums and investment contract volumes in bancassurance transactions with banks controlled by and associated with the State Treasury.

| Bank Powszechna Kasa Oszczędności BP SA | 1 April – 30 June 2011 | 1 January – 30 June 2011 | 1 April – 30 June 2010 | 1 January – 30 June 2010 |
|---|---------------------------|-----------------------------|---------------------------|-----------------------------|
| Gross written premium at PZU | 2 996 | 11 982 | (3 233)* | 10 600 |
| Gross written premium at PZU Życie | 4 412 | 7 059 | 5 206 | 15 436 |
| PZU Życie investment contract volumes | 976 934 | 976 934 | - | - |
| Total | 984 342 | 995 975 | 1 973 | 26 036 |

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

| Bank Ochrony Środowiska SA | 1 April – 30 June 2011 | 1 January – 30 June 2011 | 1 April – 30 June 2010 | 1 January – 30 June 2010 |
|---------------------------------------|-----------------------------------|-------------------------------------|-----------------------------------|-------------------------------------|
| Gross written premium at PZU | 17 | 36 | 69 | 103 |
| Gross written premium at PZU Życie | - | - | - | - |
| PZU Życie investment contract volumes | - | - | - | - |
| Total | 17 | 36 | 69 | 103 |

| Bank Gospodarstwa Krajowego SA | 1 April – 30 June 2011 | 1 January – 30 June 2011 | 1 April – 30 June 2010 | 1 January – 30 June 2010 |
|---------------------------------------|-----------------------------------|-------------------------------------|-----------------------------------|-------------------------------------|
| Gross written premium at PZU | - | 57 | 32 | 32 |
| Gross written premium at PZU Życie | - | - | - | - |
| PZU Życie investment contract volumes | - | - | - | - |
| Total | - | 57 | 32 | 32 |

| Bank Gospodarki Żywnościowej SA | 1 April – 30 June 2011 | 1 January – 30 June 2011 | 1 April – 30 June 2010 | 1 January – 30 June 2010 |
|--|-----------------------------------|-------------------------------------|-----------------------------------|-------------------------------------|
| Gross written premium at PZU | 640 | 1 015 | 1 033 | 1 814 |
| Gross written premium at PZU Życie | - | - | - | - |
| PZU Życie investment contract volumes | - | - | - | - |
| Total | 640 | 1 015 | 1 033 | 1 814 |

The interim consolidated financial statements of the Capital Group of PZU for a 6-month period ended 30 June 2011 was signed by:

| Date | Name and surname | Position/Function | |
|----------------|----------------------|---|-----------------------------|
| 24 August 2011 | Andrzej Klesyk | Chairman of the Management Board of PZU | (-) (signature) |
| 24 August 2011 | Witold Jaworski | Member of the Management Board of PZU | (-) (signature) |
| 24 August 2011 | Przemysław Dąbrowski | Member of the Management Board of PZU | (-) (signature) |
| 24 August 2011 | Tomasz Tarkowski | Member of the Management Board of PZU | (-) (signature) |
| 24 August 2011 | Marcin Halbersztad | Member of the Management Board of PZU | (-) (signature) |
| 24 August 2011 | Bogusław Skuza | Member of the Management Board of PZU | (-) (signature) |
| 24 August 2011 | Ryszard Trepczyński | Member of the Management Board of PZU | (-) (signature) |
| 24 August 2011 | Piotr Marczyk | Director of the Accounting Office | (-) (signature) |

The above interim consolidated financial statements together with notes are a translation from the original Polish version. In case of any discrepancies between the Polish and English version, the Polish version shall prevail.