

Capital Group of Powszechny Zakład Ubezpieczeń Spółka Akcyjna

Condensed interim consolidated financial statements for
the period of 6 months ended 30 June 2015

Table of contents

Introduction	3
Interim consolidated statement of financial position	5
1. Interim consolidated statement of profit and losses	5
2. Interim consolidated statement of comprehensive income	7
3. Interim consolidated statement of financial position	8
4. Interim statement of changes in consolidated equity	10
5. Interim consolidated statement of cash flows	13
Additional information and explanatory notes to the condensed consolidated financial statements.....	15
1. About PZU and PZU Group.....	15
2. Management Board, Supervisory Board, and Directors of PZU Group	25
3. Key accounting principles (policy).....	26
4. Key estimates and judgments	32
5. Correction of errors from previous years	32
6. Significant events influencing the structure of the financial statements	33
7. Significant posperiod-balance sheet events	33
8. Additional notes and explanatory notes to the interim consolidated financial statements	35
9. Contingent assets and liabilities.....	71
10. Equity management	72
11. Segment reporting	74
12. Issues, redemption and repayment of debt and equity securities.....	83
13. Breach or default of significant provisions of the loans or other borrowing arrangements	83
14. Credit facility/loan collateral or guarantees given by PZU or its subsidiaries.....	83
15. Dividends	83
16. Disputes.....	83
17. Other information	89

Introduction

Compliance statement

The condensed interim consolidated financial statements of the Capital Group of Powszechny Zakład Ubezpieczeń Spółka Akcyjna ("condensed consolidated financial statements" and "PZU Group", respectively) were prepared according to the International Financial Reporting Standards ("IFRS"), which were published and came into effect on 30 June 2015, including the requirements of International Accounting Standard 34 "Interim financial reporting" and the requirements specified in the Ordinance of the Minister of Finance dated 19 February 2009 on current and periodical securities submitted by issuers and conditions for recognizing information required by the legislation of a non-member state as equivalent (i.e. Journal of Laws of 2014, item 133) ("Ordinance on current and periodical information").

Entities within PZU Group maintain their accounting records in accordance with local GAAP, while the condensed interim consolidated financial statements include adjustments made in order to provide compliance with IFRS.

Period covered by the condensed interim consolidated financial statements

These condensed interim consolidated financial statements have been prepared for a period of 6 months from 1 January to 30 June 2015.

The financial statements of subsidiaries cover the same reporting period as the statements of the parent entity.

Functional and presentation currency

The Polish zloty (PLN) is the PZU functional and presentation currency. The functional currency of entities based in Lithuania, Latvia, Estonia and Sweden is the euro, while the functional currency of the entities based in Ukraine is the Ukrainian hryvnia.

Unless expressly stated otherwise, all financial data presented in the condensed interim consolidated financial statements are expressed in PLN thousand.

Foreign exchange rates

The financial data of foreign entities are converted into PLN:

- assets and liabilities – at the average exchange rates published by the National Bank of Poland effective at the end of the reporting period;
- statement of profit and losses items and other comprehensive income items – at the arithmetic mean of the exchange rates published by the National Bank of Poland at the last day of each month of the reporting period.

Currency	1 January – 30 June 2015	30 June 2015	1 January – 31 December 2014	31 December 2014	1 January – 30 June 2014	30 June 2014
EUR	4.1341	4.1944	4.1892	4.2623	4.1784	4.1609
Lithuanian litas	n/a	n/a	1.2133	1.2344	1.2102	1.2051
Ukrainian hryvnia	0.1729	0.1780	0.2637	0.2246	0.2840	0.2562

Going concern

The condensed interim consolidated financial statements have been prepared based on the assumption that the PZU Group entities will operate as a going concern during the period of at least 12 months following the reporting period. As at the date of signing the condensed interim consolidated financial statements, there were no facts and circumstances indicating a risk to the entities of PZU Group ability to operate as a going concern during the 12 months after the reporting period due to the intended or forced discontinuation or material limitation of its current activities.

Discontinued activities

In the period of 6 months ended on 30 June 2015, PZU Group entities included in consolidation did not discontinue any significant activity.

Seasonality or cyclicity of operations

The business performed by PZU is neither of considerably seasonal nor cyclical nature to the extent that would justify application of the suggestions presented in point 21 IAS 34.

Interim consolidated statement of financial position

1. Interim consolidated statement of profit and losses

Consolidated statement of profit and losses	Note	1 April – 30 June 2015	1 January – 30 June 2015	1 April – 30 June 2014 <i>(restated)</i>	1 January – 30 June 2014 <i>(restated)</i>
Gross written premiums	8.1	4,445,623	9,126,450	4,083,914	8,437,893
Reinsurers' share in gross written premiums		(22,861)	(92,391)	(57,099)	(118,073)
Net written premiums		4,422,762	9,034,059	4,026,815	8,319,820
Change in net unearned premium reserve		14,111	(290,146)	16,043	(287,221)
Net earned premiums		4,436,873	8,743,913	4,042,858	8,032,599
Revenue from commissions and fees	8.2	54,752	103,196	58,210	123,133
Net investment income	8.3	450,750	805,595	434,824	806,076
Net result on realization and impairment losses on investments	8.4	65,158	182,942	136,844	25,179
Net change in the fair value of assets and liabilities measured at fair value through profit or loss	8.5	(409,185)	69,219	256,149	539,209
Other operating income	8.6	202,722	369,462	143,017	244,867
Claims, benefits and change in technical provisions		(2,977,320)	(6,084,855)	(2,783,110)	(5,478,378)
Reinsurers' share in claims, benefits and change in technical provisions		16,817	78,494	29,189	60,291
Net claims and benefits	8.7	(2,960,503)	(6,006,361)	(2,753,921)	(5,418,087)
Change in valuation of investment contracts	8.8	6,479	(15,632)	(1,108)	(6,025)
Acquisition costs	8.9	(577,702)	(1,130,808)	(528,740)	(1,036,364)
Administrative expenses	8.9	(414,046)	(822,062)	(368,192)	(702,275)
Other operating expenses	8.10	(312,314)	(662,451)	(195,901)	(372,591)
Operating profit		542,984	1,637,013	1,224,040	2,235,721
Borrowing costs	8.11	(78,020)	(18,027)	(27,615)	(59,813)
Share in net profit of entities measured using the equity method		(215)	(32)	159	245
Gross profit		464,749	1,618,954	1,196,584	2,176,153
Income tax					
- current portion		(116,309)	(374,234)	(166,805)	(292,421)
- deferred portion		31,747	76,807	(69,861)	(163,371)
Net profit, including:		380,187	1,321,527	959,918	1,720,361
- profit attributable to equity holders of the parent entity		380,261	1,321,593	959,905	1,720,351
- profit (loss) attributable to non-controlling interest		(74)	(66)	13	10

Interim consolidated statement of profit and losses (cont.)

Consolidated statement of profit and losses	Note	1 April – 30 June 2015	1 January – 30 June 2015	1 April – 30 June 2014	1 January – 30 June 2014
Net profit (loss) from continued operations attributable to equity holders of the parent entity		380,261	1,321,593	959,905	1,720,351
Net profit (loss) from discontinued operations		-	-	-	-
Basic and diluted weighted average number of ordinary shares in issue	8.12	86,351,949	86,351,949	86,351,949	86,351,949
Basic and diluted profit (loss) per ordinary share (in PLN)	8.12	4.40	15.30	11.12	19.92

2. Interim consolidated statement of comprehensive income

Consolidated statement of comprehensive income	Note	1 April – 30 June 2015	1 January – 30 June 2015	1 April – 30 June 2014	1 January – 30 June 2014
Net profit		380,187	1,321,527	959,918	1,720,361
Other comprehensive income	8.13	(20,634)	(45,057)	5,567	15,042
Amounts subject to subsequent transfer to statement of profit and loss		(24,807)	(49,534)	4,124	12,461
Measurement of available-for-sale financial instruments		(55,424)	(26,470)	5,370	19,241
Exchange differences from translation		30,624	(23,057)	(1,245)	(6,779)
Other comprehensive income of entities measured using the equity method		(7)	(7)	(1)	(1)
Amounts not subject to subsequent transfer to statement of profit and loss		4,173	4,477	1,443	2,581
Property reclassified from property, plant and equipment to investment property		4,137	4,441	1,555	2,693
Other comprehensive income of companies measured using the equity method		36	36	(112)	(112)
Total net comprehensive income		359,553	1,276,470	965,485	1,735,403
- comprehensive income attributable to equity holders of the parent entity		359,617	1,276,547	965,472	1,735,391
- comprehensive income attributable to non-controlling interest		(64)	(77)	13	12

3. Interim consolidated statement of financial position

Assets	Note	30 June 2015	31 December 2014
Intangible assets	8.14	778,596	868,692
Goodwill	8.15	765,725	785,663
Property, plant and equipment		993,350	1,001,609
Investment property		2,393,702	2,236,062
Entities measured using the equity method	8.16	66,308	66,311
Financial assets		54,601,635	56,759,976
Financial instruments held to maturity	8.17.1, 8.22	20,077,667	19,983,689
Financial instruments available for sale	8.17.2, 8.22	3,102,747	2,985,322
Financial instruments at fair value through profit or loss	8.17.3, 8.22	18,709,678	19,096,484
Loans and receivables	8.17.4, 8.22	12,711,543	14,694,481
Receivables, including insurance receivables	8.20, 8.22	3,300,655	3,068,813
Reinsurers' share in technical provisions	8.21, 8.22	707,664	753,115
Estimated subrogations and salvages		122,187	127,262
Deferred tax assets		26,324	26,957
Current income tax receivables		4,629	368
Deferred acquisition costs		897,031	712,066
Other assets	8.23	296,813	235,250
Cash and cash equivalents		598,989	324,007
Assets held for sale	8.25	526,126	606,610
Total assets		66,079,734	67,572,761

Interim consolidated statement of financial position (cont.)

Equity and liabilities	Note	30 June 2015	31 December 2014
Equity			
Issued share capital and other equity attributable to the equity holders of the parent entity			
Share capital		86,352	86,352
Other capital		10,084,235	9,885,791
Treasury shares		(110)	(110)
Supplementary capital		9,926,759	9,678,921
Revaluation reserve		222,166	248,543
Other reserve capital		66	66
Actuarial gains and losses from remeasurements of defined benefit liabilities		(6,143)	(6,179)
Exchange differences from translation		(58,503)	(35,450)
Unappropriated result		1,681,653	3,194,193
Retained earnings		360,060	226,462
Net profit		1,321,593	2,967,731
Non-controlling interests		883	1,292
Total Equity		11,853,123	13,167,628
Liabilities			
Technical provisions	8.26	40,734,374	40,166,885
Unearned premium and unexpired risk reserve		5,466,551	5,250,103
Provision for life mathematical reserve		16,250,809	16,281,625
Provisions for outstanding claims and benefits		7,768,739	7,770,351
Provisions for the capitalized annuity benefits		6,020,636	5,997,595
Provisions for bonuses and discounts for the insured		3,221	2,291
Other technical provisions		418,937	439,364
Unit-linked technical provisions		4,805,481	4,425,556
Investment contracts	8.27	789,029	1,108,107
- with guaranteed and fixed terms and conditions		317,213	520,840
- unit-linked		471,816	587,267
Provisions for employee benefits		129,732	120,070
Other provisions	8.28	194,645	191,206
Deferred income tax		314,985	398,433
Current income tax liabilities		42,672	53,770
Derivative instruments	8.17.7	469,044	625,844
Liabilities arising from issuance of debt instruments	8.29	2,109,880	2,127,527
Other liabilities	8.30	9,188,774	9,361,277
Liabilities directly associated with assets held for sale	8.25	253,476	252,014
Total liabilities		54,226,611	54,405,133
Total equity and liabilities		66,079,734	67,572,761

4. Interim statement of changes in consolidated equity

Statement of changes in consolidated equity	Share capital	Capitals and reserves attributable to equity holders of the parent entity								Total	Non-controlling interests	Total equity
		Other reserves						Unappropriated result				
		Treasury shares	Supplementary capital	Revaluation reserve	Other reserve capital	Actuarial gains and losses remeasurements of defined benefit liabilities	Ex-change differences from translation	Retained earnings	Net profit			
Opening balance 1 January 2015	86,352	(110)	9,678,921	248,543	66	(6,179)	(35,450)	3,194,193	-	13,166,336	1,292	13,167,628
Measurement of available-for-sale financial instruments	-	-	-	(26,470)	-	-	-	-	-	(26,470)	-	(26,470)
Exchange differences from translation	-	-	-	-	-	-	(23,046)	-	-	(23,046)	(11)	(23,057)
Property reclassified from property, plant and equipment to investment property	-	-	-	4,441	-	-	-	-	-	4,441	-	4,441
Other comprehensive income of companies measured using the equity method	-	-	-	-	-	36	(7)	-	-	29	-	29
Total other net comprehensive income	-	-	-	(22,029)	-	36	(23,053)	-	-	(45,046)	(11)	(45,057)
Net profit/(loss)	-	-	-	-	-	-	-	-	1,321,593	1,321,593	(66)	1,321,527
Total comprehensive income	-	-	-	(22,029)	-	36	(23,053)	-	1,321,593	1,276,547	(77)	1,276,470
Other changes, including:	-	-	247,838	(4,348)	-	-	-	(2,834,133)	-	(2,590,643)	(332)	(2,590,975)
Profit appropriation	-	-	243,202	-	-	-	-	(2,833,771)	-	(2,590,569)	-	(2,590,569)
Prof-Med. and Elvita shares purchase	-	-	(74)	-	-	-	-	-	-	(74)	(332)	(406)
Sale of revalued property	-	-	4,710	(4,348)	-	-	-	(362)	-	-	-	-
Balance as at 30 June 2015	86,352	(110)	9,926,759	222,166	66	(6,143)	(58,503)	360,060	1,321,593	11,852,240	883	11,853,123

Interim statement of changes in consolidated equity (cont.)

Statement of changes in consolidated equity	Share capital	Capitals and reserves attributable to equity holders of the parent entity								Total	Non-controlling interests	Total equity
		Other reserves						Unappropriated result				
		Treasury shares	Supplementary capital	Revaluation reserve	Other reserve capital	Actuarial gains and losses remeasurements of defined benefit liabilities	Ex-change differences from translation	Retained earnings	Net profit			
Opening balance 1 January 2014	86,352	(110)	8,855,999	242,297	-	902	(37,737)	3,963,587	-	13,111,290	16,341	13,127,631
Measurement of available-for-sale financial instruments	-	-	-	8,475	-	-	-	-	-	8,475	-	8,475
Other comprehensive income of companies measured using the equity method	-	-	-	-	-	(190)	8	-	-	(182)	-	(182)
Exchange differences from translation	-	-	-	-	-	-	2,279	-	-	2,279	8	2,287
Actuarial gains and losses remeasurements of defined benefit liabilities	-	-	-	-	-	(6,891)	-	-	-	(6,891)	-	(6,891)
Property reclassified from property, plant and equipment to investment property	-	-	-	13,504	-	-	-	-	-	13,504	-	13,504
Total other net comprehensive income	-	-	-	21,979	-	(7,081)	2,287	-	-	17,185	8	17,193
Net profit	-	-	-	-	-	-	-	-	2,967,731	2,967,731	(104)	2,967,627
Total other net comprehensive income	-	-	-	21,979	-	(7,081)	2,287	-	2,967,731	2,984,916	(96)	2,984,820
Other changes, including:	-	-	822,922	(15,733)	66	-	-	(3,737,125)	-	(2,929,870)	(14,953)	(2,944,823)
Profit appropriation	-	-	800,257	-	66	-	-	(3,736,288)	-	(2,935,965)	-	(2,935,965)
Increase in the capital of PZU Lietuva	-	-	-	-	-	-	-	-	-	-	138	138
Buyback of shares of Armatura Kraków SA	-	-	6,095	-	-	-	-	-	-	6,095	(15,983)	(9,888)
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	-	892	892
Sale of revalued property	-	-	16,570	(15,733)	-	-	-	(837)	-	-	-	-
Balance as at 31 December 2014	86,352	(110)	9,678,921	248,543	66	(6,179)	(35,450)	226,462	2,967,731	13,166,336	1,292	13,167,628

Interim statement of changes in consolidated equity (cont.)

Statement of changes in consolidated equity	Share capital	Capitals and reserves attributable to equity holders of the parent entity								Total	Non-controlling interests	Total equity
		Other reserves						Unappropriated result				
		Treasury shares	Supplementary capital	Revaluation reserve	Other reserve capital	Actuarial gains and losses remeasurements of defined benefit liabilities	Ex-change differences from translation	Retained earnings	Net profit			
Opening balance 1 January 2014	86,352	(110)	8,855,999	242,297	-	902	(37,737)	3,963,587	-	13,111,290	16,341	13,127,631
Measurement of available-for-sale financial instruments	-	-	-	19,241	-	-	-	-	-	19,241	-	19,241
Exchange differences from translation	-	-	-	-	-	-	(6,781)	-	-	(6,781)	2	(6,779)
Property reclassified from property, plant and equipment to investment property	-	-	-	2,693	-	-	-	-	-	2,693	-	2,693
Other comprehensive income of companies measured using the equity method	-	-	-	-	-	(112)	(1)	-	-	(113)	-	(113)
Total other net comprehensive income	-	-	-	21,934	-	(112)	(6,782)	-	-	15,040	2	15,042
Net profit	-	-	-	-	-	-	-	-	1,720,351	1,720,351	10	1,720,361
Total other net comprehensive income	-	-	-	21,934	-	(112)	(6,782)	-	1,720,351	1,735,391	12	1,735,403
Other changes, including:	-	-	813,112	(6,782)	26,240	-	-	(3,762,452)	-	(2,929,882)	(15,855)	(2,945,737)
Profit appropriation	-	-	800,121	-	26,240	-	-	(3,762,339)	-	(2,935,978)	-	(2,935,978)
Increase in the capital of PZU Lietuva	-	-	-	-	-	-	-	-	-	-	15	15
Buyback of shares of Armatura Kraków SA	-	-	6,095	-	-	-	-	-	-	6,095	(15,983)	(9,888)
Acquisition of medical companies	-	-	-	-	-	-	-	-	-	-	105	105
Acquisition of AAS Balta	-	-	-	-	-	-	-	-	-	-	8	8
Sale of revalued property	-	-	6,896	(6,782)	-	-	-	(113)	-	1	-	1
Balance as at 30 June 2014	86,352	(110)	9,669,111	257,449	26,240	790	(44,519)	201,135	1,720,351	11,916,799	498	11,917,297

5. Interim consolidated statement of cash flows

Consolidated cash flow statement	Note	1 January – 30 June 2015	1 January – 30 June 2014 <i>(restated)</i>
Cash flows from operating activities			
Inflows		10,664,465	9,811,445
- inflows from gross premiums		9,133,567	8,333,851
- inflows from investment contracts		74,297	277,959
- inflows from reinsurance commissions and share in reinsurers' profits		9,513	6,000
- inflows from reinsurers' share in claims		34,592	23,692
- inflows from claims representative services		98,883	97,937
- inflows from sale of units by investment fund		602,618	603,166
- other inflows from operating activities	8.31	710,995	468,840
Outflows		(9,671,854)	(9,073,824)
- insurance premiums		(145,261)	(136,348)
- commissions paid and profit sharing due to inward reinsurance		(14,285)	(3,454)
- gross claims paid		(5,071,050)	(4,203,716)
- benefits paid due to investment contracts		(404,070)	(1,061,516)
- acquisition outflows		(1,039,180)	(890,297)
- administrative outflows		(1,175,596)	(1,020,614)
- interest payments		(106)	(174)
- income tax payments		(417,461)	(264,642)
- outflows from claims representative services		(261,654)	(226,822)
- outflows from purchase of units by investment fund		(252,789)	(336,700)
- other operating outflows	8.31	(890,402)	(929,541)
Net cash flows generated by operating activities		992,611	737,621
Cash flows from investing activities			
Inflows		342,498,692	307,903,216
- disposal of investment property		28,313	29,903
- inflows from investment property		121,116	72,249
- disposal of intangible assets and property, plant and equipment		2,592	1,264
- disposal of shares		1,805,431	5,509,599
- redemption of debt instruments		23,458,296	33,934,651
- sales of debt securities under buy-sell-back transactions		177,487,405	180,681,485
- withdrawal of term deposits at credit institutions		102,175,847	81,319,628
- cash from other investments		36,826,270	5,697,456
- interest received		550,033	630,605
- dividends received		20,042	7,513
- cash acquired from business combinations		537	8,278
- other inflows from investments		22,810	10,585

Interim consolidated statement of cash flows (cont.)

Consolidated statement of cash flows	Note	1 January – 30 June 2015	1 January – 30 June 2014 <i>(restated)</i>
Outflows		(340,412,528)	(307,678,926)
- acquisition of investment property		(136,718)	(71,485)
- outflows for maintenance of investment property		(95,408)	(78,489)
- acquisition of intangible assets and property, plant and equipment		(149,694)	(103,867)
- acquisition of shares		(2,367,633)	(6,641,846)
- acquisition of shares in subsidiaries		(31,151)	(251,309)
- decrease in cash balance due to changes in the scope of consolidation		(215,307)	(16,108)
- acquisition of debt securities		(22,467,298)	(34,206,334)
- opening buy-sell-back transactions		(177,226,856)	(180,900,162)
- acquisition of term deposits at credit institutions		(100,554,087)	(79,533,216)
- acquisition of other investments		(37,163,147)	(5,866,716)
- other investments outflows		(5,229)	(9,394)
Net cash flow from investment activities		2,086,164	224,290
Cash flows from financing activities			
Inflows		167,272,145	173,411,312
- loans and borrowings		31,966	10,814
- closing sell-buy-back transactions		167,240,179	173,400,498
Outflows		(170,079,476)	(174,499,537)
- dividends paid to holders of the parent entity's equity		(1,468,017)	(34)
- repayment of loans and borrowings		(126,364)	(6,311)
- opening sell-buy-back transactions		(168,482,423)	(174,487,398)
- interest on loans and borrowings		(2,447)	(5,764)
- other financial outflows		(225)	(30)
Net cash used in financing activities		(2,807,331)	(1,088,225)
Total net cash flows		271,444	(126,314)
Cash and cash equivalents at the beginning of the financial year		324,007	569,157
Change in cash due to foreign exchange differences		3,538	3,807
Cash and cash equivalents at the end of the financial year, including:		598,989	446,650
- of restricted use		58,992	71,047

Additional information and explanatory notes to the condensed consolidated financial statements

1. About PZU and PZU Group

1.1. PZU

The Group's parent entity is PZU, a joint stock company with its registered office in Warsaw at Al. Jana Pawła II 24, entered to the register of entrepreneurs of the National Court Register kept by the District Court for the Capital City of Warsaw, 12th Commercial Division of the National Court Register, under KRS number 0000009831.

According to the Polish Classification of Activities (PKD), the core business of PZU includes property insurance (PKD 65.12) and according to NACE, non-life insurance (code 6603).

1.2. PZU Group entities

No.	Name of the company	Registered office	Date of acquisition of control / significant influence	% of share capital / equity held directly or indirectly by PZU		% of voting rights held directly or indirectly by PZU		Business activity
				30 June 2015	31 December 2014	30 June 2015	31 December 2014	
Consolidated subsidiaries								
1	Powszechny Zakład Ubezpieczeń SA	Warsaw	n/a	n/a	n/a	n/a	n/a	Non-life insurance. http://www.pzu.pl/
2	Powszechny Zakład Ubezpieczeń na Życie SA ("PZU Życie")	Warsaw	18.12.1991	100.00%	100.00%	100.00%	100.00%	Life insurance. http://www.pzu.pl/grupa-pzu/pzu-zycie
3	Link4 Towarzystwo Ubezpieczeń SA ("Link4") ¹⁾	Warsaw	15.09.2014	100.00%	100.00%	100.00%	100.00%	Non-life insurance. http://www.link4.pl/
4	Lietuvos Draudimas AB ²⁾	Vilnius (Lithuania)	31.10.2014	99.98%	99.98%	99.98%	99.98%	Non-life insurance. http://www.ld.lt/
5	Apdrošināšanas Akciju Sabiedrība Balta ("AAS Balta")	Riga (Latvia)	30.06.2014	99.99%	99.99%	99.99%	99.99%	Non-life insurance. http://www.balta.lv/
6	PrJSC IC PZU Ukraine ("PZU Ukraine")	Kiev (Ukraine)	01.07.2005	100.00%	100.00%	100.00%	100.00%	Non-life insurance. http://www.pzu.com.ua/
7	PrJSC IC PZU Ukraine Life Insurance ("PZU Ukraine Life")	Kiev (Ukraine)	01.07.2005	100.00%	100.00%	100.00%	100.00%	Life insurance. http://www.pzu.com.ua/
8	UAB DK PZU Lietuva ("PZU Lietuva")	Vilnius (Lithuania)	26.04.2002	99.88%	99.88%	99.88%	99.88%	Non-life insurance. https://www.pzu.lt/
9	UAB PZU Lietuva Gyvybes Draudimas	Vilnius (Lithuania)	26.04.2002	99.34%	99.34%	99.34%	99.34%	Life insurance. https://www.pzu.lt/
10	Powszechnie Towarzystwo Emerytalne PZU SA ("PTE PZU")	Warsaw	08.12.1998	100.00%	100.00%	100.00%	100.00%	Management of pension funds. http://www.pzu.pl/grupa-pzu/pte-pzu
11	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.

Capital Group of Powszechny Zakład Ubezpieczeń Spółka Akcyjna
Condensed interim consolidated financial statements according to IFRS for the period of 6 months ended 30 June 2015
(in PLN thousand)

No.	Name of the company	Registered office	Date of acquisition of control / significant influence	% of share capital / equity held directly or indirectly by PZU		% of voting rights held directly or indirectly by PZU		Business activity
				30 June 2015	31 December 2014	30 June 2015	31 December 2014	
Consolidated subsidiaries – cont.								
12	Towarzystwo Funduszy Inwestycyjnych PZU SA ("TFI PZU")	Warsaw	30.04.1999	100.00%	100.00%	100.00%	100.00%	Establishment, representation and management of investment funds. http://www.pzu.pl/grupa-pzu/tfi-pzu
13	PZU Pomoc SA	Warsaw	18.03.2009	100.00%	100.00%	100.00%	100.00%	Assistance services. http://www.pzu.pl/grupa-pzu/pzu-pomoc
14	PZU Finance AB (publ.)	Stockholm (Sweden)	02.06.2014	100.00%	100.00%	100.00%	100.00%	Financial services.
15	PZU Finanse sp. z o.o.	Warsaw	08.11.2013	100.00%	100.00%	100.00%	100.00%	Accounting services.
16	Tower Inwestycje sp. z o.o.	Warsaw	27.08.1998	100.00%	100.00%	100.00%	100.00%	Other service activities with the exception of insurance and pension funds.
17	Ogrodowa-Inwestycje sp. z o.o.	Warsaw	15.09.2004	100.00%	100.00%	100.00%	100.00%	Acquiring, operating, renting and selling of real estate. http://www.ogrodowainwestycje.pl/
18	Armatura Kraków SA	Kraków	07.10.1999	100.00%	100.00%	100.00%	100.00%	Distribution of products of Armatura Group, administration and management of Armatura Group. http://www.grupa-armatura.pl/
19	Armatoora SA	Nisko	10.12.2008	100.00%	100.00%	100.00%	100.00%	Production and sale of radiators and sanitary fixtures and fittings..
20	Armaton SA	Kraków	10.02.2009	100.00%	100.00%	100.00%	100.00%	Use of free funds, development investments.
21	Arm Property sp. z o.o.	Kraków	26.11.2014	100.00%	100.00%	100.00%	100.00%	Real property purchases and sales.
22	Aquaform SA ³⁾	Środa Wlkp.	15.01.2015	100.00%	n/a	100.00%	n/a	Production and distribution of bathroom fixtures.
23	Aquaform Badprodukte GmbH ³⁾	Anhausen (Germany)	15.01.2015	100.00%	n/a	100.00%	n/a	Wholesale.
24	Aquaform Ukraine TOW ³⁾	Zhytomyr (Ukraine)	15.01.2015	100.00%	n/a	100.00%	n/a	Wholesale.
25	Aquaform Romania SRL ³⁾	Prejmer (Romania)	15.01.2015	100.00%	n/a	100.00%	n/a	Wholesale.
26	Morehome.pl sp. z o.o. ³⁾	Środa Wlkp.	15.01.2015	100.00%	n/a	100.00%	n/a	Retail sales through electronic channels.

Capital Group of Powszechny Zakład Ubezpieczeń Spółka Akcyjna
Condensed interim consolidated financial statements according to IFRS for the period of 6 months ended 30 June 2015
(in PLN thousand)

No.	Name of the company	Registered office	Date of acquisition of control / significant influence	% of share capital / equity held directly or indirectly by PZU		% of voting rights held directly or indirectly by PZU		Business activity
				30 June 2015	31 December 2014	30 June 2015	31 December 2014	
Consolidated subsidiaries – cont.								
27	PZU Zdrowie SA	Warsaw	02.09.2011	100.00%	100.00%	100.00%	100.00%	Rendering of medical services. http://www.pzu.pl/grupa-pzu/pzu-zdrowie-sa
28	Centrum Medyczne ("CM Medica")	Płock	09.05.2014	100.00%	100.00%	100.00%	100.00%	Rendering of medical services. http://cmmedica.pl/
29	Specjalistyczna Przychodnia Przemysłowa Prof-Med sp. z o.o. ("Prof-Med")	Włocławek	12.05.2014	100.00%	96.45%	100.00%	96.45%	Rendering of medical services. http://cmprofmed.pl/
30	Sanatorium Uzdrawiskowe "Krystynka" sp. z o.o. ("SU Krystynka")	Ciechocinek	09.05.2014	98.58%	98.58%	98.58%	98.58%	Rendering of hospital, rehabilitation and spa therapy services http://www.sanatoriumkrystynka.pl/
31	Przedsiębiorstwo Świadczeń Zdrowotnych i Promocji Zdrowia ELVITA – Jaworzno III sp. z o.o. ("Elvita")	Jaworzno	01.12.2014	99.93%	98.82%	99.93%	98.82%	Rendering of medical services. http://www.elvita.pl/
32	Przedsiębiorstwo Usług Medycznych PROELMED sp. z o.o. ("Proelmed")	Łaziska Górne	01.12.2014	57.00%	57.00%	57.00%	57.00%	Rendering of medical services. http://www.proelmed.pl/
33	Rezo-Medica sp. z o.o. ⁴⁾	Płock	23.04.2015	100.00%	n/a	100.00%	n/a	Rendering of medical services. http://rezo-medica.pl/
34	Ipsilon sp. z o.o.	Warsaw	02.04.2009	100.00%	100.00%	100.00%	100.00%	Rendering of business assistance services and medical services.
35	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.
36	Międzyzakładowe Pracownicze Towarzystwo Emerytalne PZU SA w likwidacji ("MPTE PZU SA")	Warsaw	13.08.2004	100.00%	100.00%	100.00%	100.00%	Company does not conduct business activity.
37	Omicron SA	Warsaw	13.09.2011	100.00%	100.00%	100.00%	100.00%	Company does not conduct business activity.
38	Omicron Bis SA	Warsaw	28.08.2014	100.00%	100.00%	100.00%	100.00%	Company does not conduct business activity.
39	LLC SOS Services Ukraine	Kiev (Ukraine)	01.07.2005	100.00%	100.00%	100.00%	100.00%	Assistance service activitie.

Capital Group of Powszechny Zakład Ubezpieczeń Spółka Akcyjna
 Condensed interim consolidated financial statements according to IFRS for the period of 6 months ended 30 June 2015
 (in PLN thousand)

No.	Name of the company	Registered office	Date of acquisition of control / significant influence	% of share capital / equity held directly or indirectly by PZU		% of voting rights held directly or indirectly by PZU		Business activity
				30 June 2015	31 December 2014	30 June 2015	31 December 2014	
Consolidated subsidiaries - cont.								
40	L4C sp. z o.o.	Warsaw	15.09.2014	100.00%	100.00%	100.00%	100.00%	Company does not conduct business activity.
41	PZU SFIO Universum	Warsaw	15.12.2009	n/a	n/a	n/a	n/a	Investment of funds collected from the participants of the fund.
42	PZU FIZ Dynamiczny	Warsaw	27.01.2010	n/a	n/a	n/a	n/a	as above.
43	PZU FIZ Sektora Nieruchomości ⁵⁾	Warsaw	01.07.2008	n/a	n/a	n/a	n/a	as above.
44	PZU FIZ Sektora Nieruchomości 2 ⁵⁾	Warsaw	21.11.2011	n/a	n/a	n/a	n/a	as above.
45	PZU FIZ Aktywów Niepublicznych BIS 1	Warsaw	12.12.2012	n/a	n/a	n/a	n/a	as above.
46	PZU FIZ Aktywów Niepublicznych BIS 2 ("PZU FIZ AN BIS 2")	Warsaw	19.11.2012	n/a	n/a	n/a	n/a	as above.
47	PZU Dłużny Rynków Wschodzących	Warsaw	20.11.2006	n/a	n/a	n/a	n/a	as above.
48	PZU Akcji Rynków Wschodzących	Warsaw	20.11.2006	n/a	n/a	n/a	n/a	as above.
49	PZU Akcji Spółek Dywidendowych	Warsaw	20.11.2006	n/a	n/a	n/a	n/a	as above.
50	PZU FIZ Sektora Nieruchomości 3 w likwidacji ⁵⁾	Warsaw	24.02.2012	n/a	n/a	n/a	n/a	as above.
51	PZU FIZ Aktywów Niepublicznych RE Income w likwidacji ⁵⁾	Warsaw	08.11.2011	n/a	n/a	n/a	n/a	as above.
52	PZU FIO Gotówkowy	Warsaw	01.07.2005	n/a	n/a	n/a	n/a	as above.
Joint ventures								
53	Armatura Tower sp. z o.o.	Kraków	08.11.2013	50.00%	50.00%	50.00%	50.00%	Execution of construction projects.

Capital Group of Powszechny Zakład Ubezpieczeń Spółka Akcyjna
 Condensed interim consolidated financial statements according to IFRS for the period of 6 months ended 30 June 2015
 (in PLN thousand)

No.	Name of the company	Registered office	Date of acquisition of control / significant influence	% of share capital / equity held directly or indirectly by PZU		% of voting rights held directly or indirectly by PZU		Business activity
				30 June 2015	31 December 2014	30 June 2015	31 December 2014	
Associates								
54	GSU Pomoc Górniczy Klub Ubezpieczonych SA	Tychy	08.06.1999	30.00%	30.00%	30.00%	30.00%	Insurance services.
55	EMC Instytut Medyczny SA	Wrocław	18.06.2013	28.58%	28.58%	25.41%	25.41%	Protection of human health, research and development in the field of medical sciences and pharmacy.

¹⁾ Information concerning the acquisition of Link4 is presented in point 1.4.1.1.

²⁾ Information concerning the acquisition of Lietuvos Draudimas is presented in point 1.4.1.2.

³⁾ Information concerning the acquisition of Aquaform SA is presented in point 1.4.1.3.

⁴⁾ Information concerning the acquisition of Rezo-Medica sp. z o.o. is presented in point 1.4.1.4.

⁵⁾ As at 30 June 2015, the funds of PZU FIZ Sektora Nieruchomości, PZU FIZ Sektora Nieruchomości 2, PZU FIZ Sektora Nieruchomości 3 w likwidacji, PZU FIZ Aktywów Niepublicznych RE Income w likwidacji carried out investing activities via subsidiaries, i.e. special purpose vehicles operating in the form of commercial companies investing in individual properties. Each investment fund invested in 40, 12, 0, 6 properties respectively (31 December 2014: 39, 13, 7, 6).

As at 30 June 2015, apart from the entities listed in the table, PZU Group held 100% of shares in Syta Development sp. z o.o. w likwidacji (company in liquidation) which is overseen by a liquidator independent from PZU Group; for that reason, the company is not included in the consolidation. The value of these shares in PZU Group consolidated financial statements amounted to zero.

1.3. Non-controlling interests

There are no subsidiaries within PZU Group with non-controlling interests that would be material relevant to PZU Group. The table below presents subsidiaries with non-controlling interests:

Name of entity	30 June 2015	31 December 2014
Proelmed	43.00%	43.00%
SU Krystynka	1.42%	1.42%
UAB PZU Lietuva Gyvybes Draudimas	0.66%	0.66%
PZU Lietuva	0.12%	0.12%
Elvita	0.07%	1.18%
Lietuvos Draudimas AB	0.02%	0.02%
AAS Balta	0.01%	0.01%
Prof-Med	0.00%	3.55%

1.4. Changes in the scope of consolidation and structure of PZU Group

1.4.1. Business combination transactions

The business combination transactions are settled with the acquisition method according to IFRS 3 – “Business combinations”. It requires identification of the acquiring entity, establishment of the date of acquisition, recognition and measurement of identifiable purchased assets, fair value measurement of acquired liabilities at the acquisition date, and all non-controlling interests in the acquired entity, and recognition and measurement of the goodwill.

The detailed accounting conditions concerning the settlement of the acquisition are presented in the consolidated financial statements of The Capital Group of Powszechny Zakład Ubezpieczeń Spółka Akcyjna for 2014.

1.4.1.1. Acquisition shares of Link4

Based on the Link4 share purchase agreement of 17 April 2014 PZU acquired from Royal & Sun Alliance Insurance plc, a limited liability company incorporated in England and Wales with its registered office in West Sussex, Great Britain (“RSA”) 111,354,305 registered shares of Link4, which constitute 100% of Link4 share capital conferring the right to 100% of votes at the Shareholders' Meeting of Link4 (“Link4 shares”) with nominal value of PLN 1.00 each.

On 15 September 2014, the Link4 transaction was closed to gain control; from this date onwards, Link4 is consolidated. Payment for Link4 shares made on the day the transaction was closed amounted to EUR 93,886 thousand (at the NBP exchange rate established on the day preceding the transaction date – PLN 393,917 thousand).

On 11 March 2015, the transaction was ultimately concluded. Due to the difference between the ultimate net value of the assets and their reference value, RSA paid the resulting difference in amount of EUR 2,070 thousand to PZU. The ultimate payment was EUR 91,816 thousand (PLN 385,378 thousand, including PLN 6,897 thousand of acquired settlements between Link4 and RSA).

Final Link4 purchase price allocation

Purchase price allocation for Link4 was settled based on company data produced on 31 August 2014. There were no significant differences in accounting data between 31 August 2014 and 15 September 2014 (date of obtaining control).

The goodwill calculations covered the remeasurement of the carrying amounts of assets and liabilities of Link4 to fair value and identification of new intangible assets previously not recognized by the company.

Fair value of the acquired assets at the time of the acquisition of control	Provisional settlement (in PLN thousand)	Adjustment	Final settlement (in PLN thousand)
Intangible assets	8,552	-	8,552
Property, plant and equipment	10,698	-	10,698
Financial assets	476,439	-	476,439
Receivables	65,354	-	65,354
Reinsurers' share in technical provisions	28,961	-	28,961
Other assets	26,634	-	26,634
New intangible assets identified during the acquisition, including:	117,266	-	117,266
- trademark	50,000	-	50,000
- present value of future profits	67,266	-	67,266
Total assets	733,904	-	733,904
Technical provisions	493,973	-	493,973
Liabilities	82,827	-	82,827
Share in fair value of the acquired net assets	157,104	-	157,104
Consideration transferred – in cash	393,917	(15,436) ¹⁾	378,481
Calculated goodwill	236,813	(15,436)	221,377

¹⁾ The adjustment of PLN 15 436 thousand is composed of the RSA return of EUR 2,070 thousand (PLN 8,539 thousand) and purchase price less acquired settlements between Link4 and RSA in amount of PLN 6,897 thousand.

The goodwill will not reduce the taxable income.

1.4.1.2. Acquisition of shares of Lietuvos Draudimas AB

Based on the Lietuvos Draudimas AB share purchase agreement of 17 April 2014, PZU acquired from RSA 805,432 ordinary registered shares of Lietuvos Draudimas AB with a nominal value of LTL 50.00 per share, which compose 99.977% of Lietuvos Draudimas AB share capital ("Lietuvos Draudimas AB shares"), conferring the right to 99.977% of votes at the Shareholders' Meeting of Lietuvos Draudimas AB.

The transaction covering the purchase of Lietuvos Draudimas AB was closed and control obtained on 31 October 2014 and as of this day Lietuvos Draudimas is consolidated. Payment for Lietuvos Draudimas AB shares made on the day the transaction was closed amounted to EUR 191,012 thousand (at the NBP exchange rate established on the day preceding the transaction date: PLN 807,598 thousand).

On 3 June 2015, the transaction was ultimately concluded. Due to the difference between the ultimate net value of the assets and their reference value, RSA paid the resulting difference in amount of EUR 279 thousand to PZU. The final payment was EUR 190,733 thousand (PLN 806,446 thousand).

Final Lietuvos Draudimas AB purchase price allocation

Purchase price allocation for Lietuvos Draudimas AB shares was settled based on company data produced on 31 October 2014.

The goodwill calculations covered the remeasurement of the carrying amounts of assets and liabilities of Lietuvos Draudimas AB to fair value and identification of new intangible assets previously not recognized by the company.

Fair value of the acquired assets at the time of the acquisition of control	Provisional settlement (in EUR thousand)	Adjustment	Final settlement (in EUR thousand)
Intangible assets	4,595	-	4,595
Property, plant and equipment	11,066	-	11,066
Investment property	831	-	831
Financial assets	126,116	-	126,116
Receivables	23,454	-	23,454
Reinsurers' share in technical provisions	2,211	-	2,211
Other assets	7,889	-	7,889
New intangible assets identified during the acquisition, including:	58,700	-	58,700
- trademark	19,400	-	19,400
- client relations	18,700	-	18,700
- present value of future profits	17,800	-	17,800
- broker relations	2,800	-	2,800
Total assets	234,862	-	234,862
Technical provisions	96,400	-	96,400
Liabilities	31,890	-	31,890
Non-controlling interests	27	-	27
Share in fair value of the acquired net assets	106,545	-	106,545
Consideration transferred – in cash	191,012	(279)	190,733
Calculated goodwill	84,467	(279)	84,188

1.4.1.3. Acquisition of shares of Aquaform SA

Based on the Aquaform SA share purchase agreement of 15 January 2015, PZU's subsidiaries Armatura Kraków SA and Armatoora SA (Purchasers) acquired the total of 8,421,053 shares in Aquaform SA with nominal value of PLN 0.38 per share from Saniku SA and Shower Star B.V (Sellers).

Based on the Aquaform SA share purchase agreement of 31 March 2015 and 14 May 2015, PZU's subsidiary Armatura Kraków SA acquired the total of 1,578,947 shares in Aquaform SA from non-controlling shareholders.

PZU also acquired indirect ownership of Aquaform Badprodukte GmbH, Aquaform Romania SRL, Aquaform Ukraine TOW, and Morehome.pl sp. z o.o., subsidiaries of Aquaform SA.

The price of acquisition of the majority shares is composed of the fixed price of EUR 5,300 thousand and the additional price composing 6.5% of the total purchase value above EUR 24,000 thousand obtained by Aquaform SA in the markets of Germany, Austria, Switzerland, France, Netherlands, and Luxembourg over the years 2015 – 2017.

The purchase price for the acquisition of shares from minority shareholders was PLN 3,620 thousand.

The total share of Armatura Kraków SA and Armatoora SA in the share capital of Aquaform SA represents 100% of the share capital and 100% of the votes at the General Shareholders' Meeting.

The transaction covering the purchase of Aquaform SA was closed and control obtained on 15 January 2015 and as of this day Aquaform SA and its subsidiaries are consolidated.

Purchase price allocation for Aquaform SA was based on company data produced on 31 December 2014. There were no significant differences in accounting data between 31 December 2014 and 15 January 2015 (date of obtaining control).

The allocation has a provisional character. The final allocation will be presented after the completion of the valuation of the acquired assets which should take place by 31 December 2015.

Fair value of the acquired assets at the time of the acquisition of control	Provisional settlement (in PLN thousand)
Intangible assets	334
Property, plant and equipment	2,123
Deferred tax asset	2,608
Receivables	13,275
Other assets	19,802
New intangible assets identified during the acquisition, including:	7,443
- trademark	6,120
- favorable agreement	1,323
Total assets	45,585
Liabilities	12,302
Share in the fair value of the acquired net assets	33,283
Consideration transferred – in cash	25,925
Gain from a bargain purchase	7,358

1.4.1.4. Acquisition of shares of Rezo-Medica sp. z o.o.

Pursuant to the share purchase agreement signed on 23 April 2015, CM Medica acquired 2,000 shares in Rezo-Medica sp. z o.o. representing 100% of the Rezo-Medica sp. z o.o. share capital and 100% of the votes at the General Shareholders' Meeting with nominal value of PLN 500 each.

1.4.2. Business combinations of entities under common control

On 26 March 2015 and 27 March 2015, PZU FIZ AN BIS 2 and PZU Zdrowie SA entered share purchase agreements of CM Medica and Prof-Med shares.

This transaction did not exert any effect on the condensed interim consolidated financial statements.

1.4.3. Changes in consolidation of investment funds

Due to the loss of control over the consolidated fund PZU Fundusz Inwestycyjny Zamknięty Forte as at 30 June 2015, its consolidation was discontinued. In effect, the presented balance of cash held by PZU Group decreased by PLN 215,307 thousand ("decrease in cash due to elimination of investment funds from consolidation") in the consolidated statement of cash flows. After the discontinuation of the consolidation of the investment fund, the consolidated financial statements present the value of the PZU Group's fund units instead of the investment fund assets and liabilities.

2. Management Board, Supervisory Board, and Directors of PZU Group

2.1. Composition of the Parent Entity's Management Board

From 1 January 2015, the composition of the PZU Management Board was as follows:

- Andrzej Klesyk – CEO;
- Przemysław Dąbrowski – Member of the Board;
- Dariusz Krzewina – Member of the Board;
- Tomasz Tarkowski – Member of the Board;
- Ryszard Trepczyński – Member of the Board.

The PZU Supervisory Board appointed Andrzej Klesyk to the new PZU Management Board term with the resolution dated 16 March 2015 and entrusted him with the position of PZU CEO.

On 24 June 2015, under the motion of the PZU CEO, the PZU Supervisory Board appointed the following individuals to the new PZU Management Board and entrusted them with the obligations of PZU Members of the Board.

- Przemysław Dąbrowski;
- Rafał Grodzicki;
- Dariusz Krzewina;
- Tomasz Tarkowski.

The appointment covers the mutual term started on 1 July 2015. The term covers three successive financial years. 2016 is the first full financial year of the term.

2.2. Composition of the Parent Entity's Supervisory Board

From 1 January 2015 to 30 June 2015, the composition of the Management Board of PZU was as follows:

- Aleksandra Magaczewska – Chairwoman of the Board;
- Zbigniew Cwiąkański – Vice-Chairman;
- Tomasz Zganiacz – Secretary of the Board;
- Zbigniew Derdziuk – Member of the Board;
- Dariusz Filar – Member of the Board;
- Dariusz Kacprzyk – Member of the Board;
- Jakub Karnowski – Member of the Board;
- Alojzy Nowak – Member of the Board;
- Maciej Piotrowski – Member of the Board.

On 30 June 2015, the General Shareholders' Meeting of PZU (PZU ZWZ) appointed the following individuals to the new Supervisory Board term:

- Zbigniew Cwiąkański;
- Zbigniew Derdziuk;
- Dariusz Filar;
- Dariusz Kacprzyk;
- Paweł Kaczmarek;
- Jakub Karnowski;
- Aleksandra Magaczewska;
- Alojzy Nowak;

- Maciej Piotrowski.

The appointment was made on 1 July 2015 for the period of the mutual term and covers three consecutive full financial years. 2016 is the first full financial year of the term.

2.3. Directors of the Group

Apart from the members of the Management Board, the key management personnel of PZU Group includes also Directors of PZU Group, who are also members of the Management Board of PZU Życie.

From 1 January 2015, the following persons served as Directors of PZU Group:

- Tobiasz Bury;
- Rafał Grodzicki;
- Przemysław Henschke;
- Sławomir Niemierka.

Due to the appointment of Rafał Grodzicki to the PZU Management Board, he is dismissed from the position of Group Director with the ordinance of the PZU Management Board dated 21 July 2015 as of 30 June 2015.

The following persons served as Directors of PZU Group between 1 July 2015 and the date of submission of these interim financial statements:

- Tobiasz Bury;
- Przemysław Henschke;
- Sławomir Niemierka.

3. Key accounting policies

The detailed accounting policies are presented in the annual consolidated financial statements of the Capital Group of Powszechny Zakład Ubezpieczeń Spółka Akcyjna for the year 2014, signed by the PZU Management Board on 16 March 2015 ("Consolidated financial statements of PZU Group for the year 2014").

The consolidated financial statements of PZU Group for 2014 are available at the PZU website: www.pzu.pl under "Investor Relations".

3.1. Changes in accounting policies and estimates, errors

3.1.1. Changes to applied IFRS

3.1.1.1. Standards and interpretations as well as amended standards effective from 1 January 2015

Standard/Interpretation	Date of entry into force for periods beginning on	Regulation endorsing a standard or interpretation	Commentary
IFRIC 21 – Levies	17 June 2014 or later	634/2014	<p>IFRIC 21 is an interpretation of IAS 37 Provisions, Contingent Liabilities and Contingent Assets. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The Interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy.</p> <p>The aforesaid change did not exert any effect on the consolidated financial statements of PZU Group.</p>
Amendments to 2011 -2013	1 July 2014	1361/2014	<p>Amendments to various standards and interpretations resulting from the annual improvement project of IFRS (IFRS 1, IFRS 3, IFRS 13 and IAS 40) primarily with a view to removing inconsistencies and clarifying wording. The revisions clarify the required accounting recognition in cases where free interpretation used to be permitted. The most important changes include new or revised requirements regarding: meaning of effective IFRSs in IFRS 1; scope of exception for joint ventures; (iii) scope of paragraph 52 of IFRS 13 (net exposure exception) and clarifying the interrelationship of IFRS 3 and IAS 40 (additional services).</p> <p>The aforesaid change did not exert any effect on the consolidated financial statements of PZU Group.</p>
Amendments to IFRS 2010-2012	1 July 2014	28/2015	<p>Amendments to various standards and interpretations resulting from the annual improvement project of IFRS (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38) primarily with a view to removing inconsistencies and clarifying wording. The revisions clarify the required accounting recognition in cases where free interpretation used to be permitted. The most important changes include new or revised requirements regarding: definition of 'vesting condition'; accounting for contingent consideration in a business combination; aggregation of operating segments and reconciliation of the total of the reportable segments' assets to the entity's assets; measuring short-term receivables and liabilities; proportionate restatement of accumulated depreciation application in revaluation method and clarification on management personnel.</p> <p>The aforesaid change did not exert any effect on the consolidated financial statements of PZU Group.</p>

Standard/Interpretation	Date of entry into force for periods beginning on	Regulation endorsing a standard or interpretation	Commentary
Amendments to IAS 19 – Employee Benefits – Defined Benefit Programs: Employee Contributions	1 July 2014	29/2015	<p>The narrow scope amendments in IAS 19 apply to contributions from employees or third parties to defined benefit plans. The objective of the amendments is to simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary.</p> <p>The aforesaid change did not exert any effect on the consolidated financial statements of PZU Group.</p>

3.1.1.2. Standards, Interpretations and amended Standards issued but not yet effective

Standards, Interpretations and amended Standards issued but not yet effective:

- Not endorsed by European Commission:

Standard/Interpretation	Date of issuance by IASB	Date of entry into force for periods beginning on (by IASB)	Commentary
IFRS 9 – Financial Instruments	24 July 2014	1 January 2018	<p>The standard replaces IAS 39 and defines requirements for recognition and measurement, impairment, derecognition, and hedge accounting.</p> <p>The standard introduces a new approach to financial asset classification, which is conditioned by the nature of the financial flows and the business model of the given assets. The standard also makes the impairment model uniform towards all financial instruments. The new model of the expected impairment loss requires quicker recognition of expected credit loss.</p> <p>The standard introduces a reformed hedge accounting model with advanced requirements concerning risk management disclosure.</p> <p>Due to the distant enforcement date, the impact of IFRS 9 on PZU Group comprehensive income and share capital is not yet assessed.</p>

Standard/ Interpretation	Date of issuance by IASB	Date of entry into force for periods beginning on (by IASB)	Commentary
IFRS 14 – Regulatory Deferral Accounts	30 January 2014	1 January 2016	<p>This Standard is intended to allow entities that are first-time adopters of IFRS, and that currently recognize regulatory deferral accounts in accordance with their previous GAAP, to continue to do so upon transition to IFRS.</p> <p>The change does not affect PZU Group.</p>
IFRS 15 – Revenue from contracts with customers	28 May 2014	1 January 2018 ¹⁾	<p>IFRS 15 specifies how and when the income is recognized and requires further details. The standard replaces IAS 18 "Income", MSR 11 "Construction service agreements", and numerous interpretations associated with income recognition. The standard is applicable to almost all client agreements (most exceptions concerning leasing agreements, financial instruments, and insurance agreements). The main rule of the new standard is to depict income in a way reflecting goods or service transfer to client and in amount reflecting the remuneration (i.e. payment), for which the company expects to obtain the rights in exchange for the goods or services. The standard also provides transaction recognition guidelines, which were not as detailed by the previous standards (e.g. service income or agreement modification), as well as advanced details concerning multi-element agreement recognition.</p> <p>Due to the distant enforcement date and no application to the insured entities of PZU Group, the potential impact of applying the new standard to comprehensive income and share capital is not yet assessed.</p>
Amendments to IFRS 2012-2014	25 September 2014	1 January 2016	<p>Changes to IFRS 5 – added guidelines for reclassification of assets from held for sale to held for distribution to owners and inversely and instances of discontinued classification of assets held for distribution to owners. Changes to IFRS 7 – added guidelines concerning disclosures associated with asset service agreements and details of applying the changes concerning compensation in condensed interim financial statements to IFRS 7. Change to IAS 19 – clarification that high-quality corporate obligations used to assess the discount rate used in benefit calculation following the employment period should be denominated in the same currency as that used to pay the benefits (thus the activeness of the market of said obligations should be assessed at the currency level). Changes to IAS 34 – definition expansion.</p> <p>The aforesaid change does not exert any significant effect on the consolidated financial statements of PZU Group.</p>

Capital Group of Powszechny Zakład Ubezpieczeń Spółka Akcyjna
 Condensed interim consolidated financial statements according to IFRS for the period of 6 months ended 30 June 2015
 (in PLN thousand)

Standard/ Interpretation	Date of issuance by IASB	Date of entry into force for periods beginning on (by IASB)	Commentary
Changes to IFRS 10 and IAS 28 – Sale or transfer of assets between the investor and associates or joint venture	11 September 2014	1 January 2016	<p>The main consequence of the change is the recognition of all gain or loss when the transaction concerns organized business (regardless if it is located in a subsidiary or not), while partial gains or losses are recognized when the transaction concerns individual assets not composing organized business, even if they are located in a subsidiary.</p> <p>The aforesaid change does not exert any significant effect on the consolidated financial statements of PZU Group.</p>
Changes to IFRS 11 – Settlement of purchase price allocation in joint business	6 May 2014	1 January 2016	<p>The change specifies that the buyers of shares in joint business should obey all acquisition accounting regulations resulting from IRSF 3 and other IRSF not in contrast to IRSF 11 and disclose the information required in said standards.</p> <p>The aforesaid change should not exert any significant effect on the consolidated financial statements of PZU Group.</p>
Changes to IAS 16 and IAS 38 – Details of permitted amortization methods	12 May 2014	1 January 2016	<p>The change specifies that the amortization methods based on income guaranteed by asset generation are incorrect.</p> <p>The aforesaid change should not exert any significant effect on the consolidated financial statements of PZU Group.</p>
Change to IAS 16 and IAS 41 – Bearer plants	30 June 2014	1 January 2016	<p>The change introduces the definition of production assets and relocates them from the application scope of IAS 41 to IAS 16 resulting in a change in measurement.</p> <p>The aforesaid change does not exert any significant effect on the consolidated financial statements of PZU Group.</p>
Change to IAS 27 – Equity method in separate financial statements	12 August 2014	1 January 2016	<p>The change permits the entities to apply the equity method to measure investments in subsidiaries, associates, and joint ventures in separate financial statements.</p> <p>The aforesaid change does not exert any significant effect on the consolidated financial statements of PZU Group.</p>
Changes to IAS 1 – Disclosure initiative	18 December 2014	1 January 2016	<p>Added requirements concerning arranged financial statements, added requirement to negotiate indirect amounts in the statement of profit and losses and comprehensive statement of profit and losses and in the financial statements, additionally added guidelines concerning the significance, presentation details, and standards of accounting.</p> <p>The change may entail slight modifications to the main tables of the consolidated financial statements of PZU Group.</p>

Standard/ Interpretation	Date of issuance by IASB	Date of entry into force for periods beginning on (by IASB)	Commentary
Amendments to IFRS 10, IFRS 12 and IAS 28 – Investment entities: Application of consolidation exception	18 December 2014	1 January 2016	IFRS 10 – Added additional guidelines forcing mandatory consolidation of non-investment subsidiaries providing investment-related services upon investment entities; added guidelines concerning no obligation to prepare consolidated statements by junior parent entities, which are subsidiaries of investment entities MSR 28 – added guidelines concerning application of equity method measurement by investors, who are not investment entities in relation to the investment associate or joint-venture. The aforesaid change does not exert any significant effect on the consolidated financial statements of PZU Group.

¹⁾ On 28 April 2015, the International Accounting Standards Board voted to move the effective date by one year, to 1 January 2018.

In conclusion, PZU Group does not project that the introduction of the aforementioned standards and interpretations could exert any significant effect on its accounting policies with exception of IFRS 9 and IFRS 15, whose effect on the PZU Group's accounting policies has not been yet assessed.

3.2. Clarification of differences between the previously published statements and the condensed interim consolidated financial statements

In order to give a more relevant reflection of economic substance, changes in the presentation of the following items were implemented in the 2014 consolidated financial statements:

- incomes from additional benefits arising from the possession of a considerable amount of assets in funds by the insurance company that are managed by investment fund companies (the so-called "kickback"); they were presented under "Net investment income" instead under "Revenue from commissions and fees". Consequently, in the cash flow statement, these benefits were presented under "Other inflows from investment" instead under "Other operations inflows" and "Realization of other investments"
- cash flow from gross premium returns; they were recognized under "Other operating outflows" instead reducing "Inflows from gross written premiums".

Moreover, in order to give a more relevant reflection of economic substance, cash flows on transitional accounts covering unsettled payments of fund members in scope of EPP, IKE, and IP programs were compensated in condensed consolidated financial statements. Instead of gross presentation under "Other operations inflows" and "Other operating outflows", such cash flows will be compensated and presented as either other inflows or other operating outflows.

The tables below present the differences between the historical data in the condensed interim consolidated financial statements for the period of 6 months ended on 30 June 2014 and the present interim condensed financial statement.

Consolidated statement of profit and losses	1 April – 30 June 2014 <i>(historical)</i>	1 January – 30 June 2014 <i>(historical)</i>	1 April – 30 June 2014 <i>(Adjustment)</i>	1 January – 30 June 2014 <i>(Adjustment)</i>	1 April – 30 June 2014 <i>(restated)</i>	1 January – 30 June 2014 <i>(restated)</i>
Revenue from commissions and fees	61,608	130,661	(3,398)	(7,528)	58,210	123,133
Net investment income	429,623	793,408	5,201	12,668	434,824	806,076
Other operating income	144,820	250,007	(1,803)	(5,140)	143,017	244,867

Consolidated statement of cash flows	1 January – 30 June 2014 <i>(historical)</i>	Adjustment	1 January – 30 June 2014 <i>(restated)</i>
Cash flows from operating activities			
Inflows	9,777,990	33,455	9,811,445
- gross inflows from gross premiums written	8,175,277	158,574	8,333,851
- other inflows from operating activities	593,959	(125,119)	468,840
Outflows	(9,032,068)	(41,756)	(9,073,824)
- other operating outflows	(887,785)	(41,756)	(929,541)
Net cash flows generated by operating activities	745,922	(8,301)	737,621
Cash flows from investing activities			
Inflows	307,894,915	8,301	307,903,216
- cash from other investments	5,699,740	(2,284)	5,697,456
- other inflows from investments	-	10,585	10,585
Net cash flow from investment activities	215,989	8,301	224,290

4. Key estimates and judgments

The key estimates and judgments are presented in PZU Group's 2014 consolidated financial statements.

5. Adjustment of errors

During the period of 6 months from 1 January to 30 June 2015, there were no adjustments of prior year errors.

6. Significant events influencing the structure of the financial statements

6.1. Distribution of profit for 2014

On 30 June 2015, the General Shareholders' Meeting of PZU adopted a resolution on appropriation of the net profit for the year 2014. This matter is covered in point 15.

6.2. Key dividends paid among PZU Group entities

These operations have no effect on the financial result of PZU Group but impact the presentation of the results of individual segments.

6.3. Dividends from PZU Życie to PZU

On 29 June 2015, the General Shareholders' Meeting of PZU Życie adopted a resolution on appropriation of the PZU Życie profit for the 2014 financial year in the amount of PLN 1,931,333 thousand as follows:

- PLN 1,795,174 thousand for payment of dividend to the sole shareholder, i.e. PZU;
- PLN 131,159 thousand to the supplementary capital;
- PLN 5,000 thousand to the Social Benefits Fund.

Given the payment made on 29 January 2015 on the account of advance payments towards the dividend expected at the end of the 2014 reporting period in the amount of PLN 730,000 thousand, the remaining part of the dividend amounted to PLN 1,065,174 thousand. The cum dividend date for this part was determined at 14 August 2015 and the dividend payment date at 19 October 2015.

6.4. Dividends from PTE PZU to PZU Życie

On 30 March 2015, the General Shareholders' Meeting of PTE PZU decided to pay out the dividend in amount of PLN 229,426 thousand. The dividend was paid on 6 May 2015.

7. Significant post-balance sheet events

7.1.1.1. Acquisition of shares of Alior Bank SA

After 30 June 2015, PZU has been receiving information on the process of obtaining subsequent consents necessary to purchase Alior Bank SA shares.

Detailed information on date of obtaining subsequent consents has been specified in 17.2.

7.1.1.2. Acquisition of shares of EMC Instytut Medyczny SA

On 17 April 2015, PZU FIZ AN BIS 2 entered into an agreement providing for the acquisition of 325,124 newly issued shares (series I) in EMC Instytut Medyczny SA ("EMC") with the par value of PLN 4.00 per share and the issue price of PLN 15.80 per share. The total purchase price for the acquisition of the new issue was PLN 5,137 thousand.

The EMC capital increased on 9 July 2015, which resulted from the issue of 1,265,822 shares with the par value of PLN 4.00 per share and the issue price of PLN 15.80 per share. According to the promised contract, PZU FIZ AN BIS 2 acquired 325,124 shares (25.685% newly issued shares). As a result of the aforesaid capital raise, PZU FIZ AN BIS 2

holds the total of 3,760,762 shares representing 28.31% of the share capital and 25.44% of votes at the EMC General Meeting.

7.1.1.3. Acquisition of shares of Centrum Medyczne Gamma sp. z o.o.

On 29 July 2015, the General Shareholders' Meeting of Centrum Medyczne Gamma sp. z o.o. ("Gamma") with its registered seat in Warsaw approved the raise of the Gamma share capital through the issue of 29,278 shares with the par value of PLN 50 per share. All shares will be acquired by PZU FIZ AN BIS 2. The motion to register the shares was filed to the National Court Register on 4 August 2015. Resulting from the issue, PZU's share in the share capital and votes at the Gamma shareholders' meeting amounts to 54.95%. As at the date of release of this interim statement, no capital increase was registered.

8. Additional notes to the interim consolidated financial statements

8.1. Gross written premiums

Gross written premiums	1 April – 30 June 2015	1 January – 30 June 2015	1 April – 30 June 2014	1 January – 30 June 2014
Gross written premiums – non-life insurance	2,409,668	5,073,799	2,113,578	4,491,233
In direct insurance	2,388,643	5,041,578	2,104,702	4,464,526
In indirect insurance	21,025	32,221	8,876	26,707
Gross written premiums – life insurance	2,035,955	4,052,651	1,970,336	3,946,660
Individual premiums	844,567	1,682,452	812,441	1,634,929
Group insurance premiums	1,191,388	2,370,199	1,157,895	2,311,731
Total gross written premiums	4,445,623	9,126,450	4,083,914	8,437,893

Gross written premiums in direct non-life insurance (by classes specified in section II of the appendix to the Act on insurance activity)	1 April – 30 June 2015	1 January – 30 June 2015	1 April – 30 June 2014	1 January – 30 June 2014
Accident and sickness insurance (class 1 and 2)	124,425	283,563	93,355	196,810
Motor TPL insurance (class 10)	830,888	1,614,403	710,332	1,409,163
Other motor insurance (class 3)	657,113	1,296,289	540,995	1,069,830
Sea, aircraft and transport insurance (classes 4, 5, 6, 7)	18,945	37,449	23,959	43,097
Insurance against fire and other damage to property (classes 8, 9)	478,137	1,205,336	423,636	1,073,698
TPL insurance (classes 11, 12, 13)	159,283	382,580	170,645	441,966
Credit insurance and surety ship (classes 14, 15)	20,807	39,215	41,407	58,209
Assistance (class 18)	83,985	155,286	59,974	114,308
Legal protection (class 17)	411	758	370	674
Other (class 16)	14,649	26,699	40,029	56,771
Total	2,388,643	5,041,578	2,104,702	4,464,526

8.2. Revenue from commissions and fees

Revenue from commissions and fees	1 April – 30 June 2015	1 January – 30 June 2015	1 April – 30 June 2014	1 January – 30 June 2014
Pension insurance	30,395	56,750	33,477	76,851
Handling fees	1,267	2,615	6,146	15,469
Asset management for open pension fund	26,132	51,139	27,331	61,382
Other	2,996	2,996	-	-
Investment contracts	2,503	4,918	3,372	7,683
Fees from unit-linked investment contracts	2,503	4,918	3,372	7,683
Other	21,854	41,528	21,361	38,599
Fees received from funds and investment fund management companies	21,854	41,528	21,361	38,599
Total revenue from commissions and fees	54,752	103,196	58,210	123,133

8.3. Net investment income

Net investment income	1 April – 30 June 2015	1 January – 30 June 2015	1 April – 30 June 2014	1 January – 30 June 2014
Interest income, including:	369,016	697,175	372,162	725,500
- financial assets available for sale	10,313	31,507	10,376	25,300
- financial assets held to maturity	249,306	482,141	241,412	476,771
- loans	108,517	181,664	119,149	221,511
- receivables, including insurance receivables	38	413	-	-
- cash and cash equivalents	842	1,450	1,225	1,918
Dividend income, including:	38,016	38,415	37,370	39,454
- financial assets measured at fair value through profit or loss – classified as such upon initial recognition	22,769	23,073	25,687	27,295
- financial assets held for trading	14,447	14,484	10,930	11,406
- financial assets available for sale	800	858	753	753
Income from investment property	51,232	100,103	34,709	66,316
Foreign exchange differences, including:	28,133	46,186	3,192	1,902
- financial assets held to maturity	1,792	(1,154)	(196)	214
- financial assets available for sale	13,617	2,831	(2,038)	(2,524)
- loans	(768)	5,339	5,711	5,497
- receivables, including insurance receivables	11,385	1,877	(364)	(1,364)
- cash and cash equivalents	2,107	37,293	79	79
Other, including:	(35,647)	(76,284)	(12,609)	(27,096)
- costs of investing activities	(8,206)	(15,893)	(3,842)	(10,276)
- investment property maintenance costs	(34,336)	(73,862)	(13,968)	(30,454)
- other	6,895	13,471	5,201	13,634
Total net investment income	450,750	805,595	434,824	806,076

8.4. Net result on realization and impairment losses on investments

Net result on realization and impairment losses on investments	1 April – 30 June 2015	1 January – 30 June 2015	1 April – 30 June 2014	1 January – 30 June 2014
Net result on realization of investments	75,551	208,448	138,276	47,808
Financial assets measured at fair value through profit or loss – classified as such upon initial recognition, including:	24,711	77,343	121,650	94,937
- equity instruments	29,405	1,179	(3,235)	17,499
- debt securities	(4,694)	76,164	124,885	77,438
Financial assets held for trading, including:	84,671	156,963	26,139	(33,021)
- equity instruments	6,666	26,498	(2,301)	(5,818)
- debt securities	(12,646)	(7,489)	12,581	(207)
- derivatives	90,651	137,954	15,859	(26,996)
Financial assets available for sale, including:	(17,353)	8	3,828	10,397
- equity instruments	8	33	-	-
- debt securities	(17,361)	(25)	3,828	10,397
Financial assets held to maturity, including:	(945)	(1,003)	(197)	1,248
- debt securities held to maturity	(945)	(1,003)	(197)	1,248
Loans	161	185	-	-
Receivables, including insurance receivables	(13,987)	(25,795)	(12,656)	(25,772)
Cash and cash equivalents	23	(51)	-	-
Investment property	(1,730)	798	(488)	19
Impairment losses	(10,393)	(25,506)	(1,432)	(22,629)
Financial assets available for sale, including:	-	-	-	(3,400)
- equity instruments	-	-	-	(3,400)
Loans	(6,104)	(7,039)	-	-
Receivables, including insurance receivables	(4,265)	(17,079)	(1,432)	(19,229)
Cash and cash equivalents	(24)	(1,388)	-	-
Total net result on realization and impairment losses on investments	65,158	182,942	136,844	25,179

8.5. 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 2015	1 January – 30 June 2015	1 April – 30 June 2014	1 January – 30 June 2014
Financial instruments measured at fair value through profit or loss – classified as such upon initial recognition, including:	(217,514)	29,147	192,941	370,486
- equity instruments	(61,417)	141,256	(21,234)	35,506
- debt securities	(171,215)	(110,106)	220,725	370,203
- valuation of liabilities to participants in the consolidated investment funds	15,118	(2,003)	(6,550)	(35,223)
Financial instruments held for trading, including:	(199,534)	39,890	83,910	192,960
- equity instruments	(94,702)	80,405	39,795	108,294
- debt securities	(9,073)	6,527	26,332	58,116
- derivatives	(95,759)	(47,042)	17,783	26,550
Investment property	7,863	182	(20,702)	(24,237)
Total net change in the fair value of assets and liabilities measured at fair value	(409,185)	69,219	256,149	539,209

8.6. Other operating income

Other operating income	1 April – 30 June 2015	1 January – 30 June 2015	1 April – 30 June 2014	1 January – 30 June 2014
Commission on claims representative services	1,675	3,751	1,715	3,670
Release of provisions	1,786	2,176	27,791	28,186
Reinsurance commissions and share in reinsurers' profits	6,672	12,536	2,987	6,977
Revenue from sale of products, goods and services by non-insurance companies	114,630	196,719	75,893	129,551
Income from co-insurance settlements	-	23,471	-	-
Revenues from direct claims handling	48,016	80,550	12,909	12,909
Other	29,943	50,259	21,722	63,574
Total other operating income	202,722	369,462	143,017	244,867

8.7. Net claims and benefits

Claims and benefits	1 April – 30 June 2015	1 January – 30 June 2015	1 April – 30 June 2014	1 January – 30 June 2014
Claims and change in technical provisions – non-life insurance	1,576,492	2,898,856	1,311,524	2,448,552
Reinsurers' share in claims and change in technical provisions – non-life insurance	(16,724)	(78,366)	(29,092)	(60,119)
Claims and change in technical provisions – life insurance	1,400,828	3,185,999	1,471,586	3,029,826
Reinsurers' share in claims and change in technical provisions – life insurance	(93)	(128)	(97)	(172)
Total claims and benefits	2,960,503	6,006,361	2,753,921	5,418,087

8.8. Change in measurement result of investment contracts

Change in measurement result of investment contracts	1 April – 30 June 2015	1 January – 30 June 2015	1 April – 30 June 2014	1 January – 30 June 2014
Resulting from investment contracts with guaranteed and fixed terms and conditions	408	4,123	3,037	9,207
- interest expenses included in the effective interest rate	408	4,123	3,037	9,207
Resulting from unit-linked investment contracts	(6,887)	11,509	(1,929)	(3,182)
Total change in measurement result of investment contracts	(6,479)	15,632	1,108	6,025

8.9. Administrative expenses, acquisition costs and claims handling expenses, by type

Administrative expenses, acquisition costs and claims handling expenses, by type	1 April – 30 June 2015	1 January – 30 June 2015	1 April – 30 June 2014	1 January – 30 June 2014
Consumption of materials and energy	21,363	54,775	20,983	40,690
External services	181,258	340,711	116,859	230,893
Taxes and charges	14,637	32,884	13,876	50,407
Employee expenses	429,271	809,330	351,820	680,901
Depreciation of property, plant and equipment	21,544	40,757	17,349	34,643
Amortization of intangible assets	24,556	46,824	17,073	33,865
Other (by type), including:	626,154	1,203,320	521,745	1,020,871
- commissions from direct activity	464,994	910,416	391,968	799,422
- advertisement	42,728	66,387	34,714	42,299
- commissions from indirect activity	52,645	105,803	50,574	103,640
- other	65,787	120,714	44,489	75,510
Change in deferred acquisition costs	(134,336)	(185,320)	(6,075)	(37,709)
Total administration expenses, acquisition costs and claims handling expenses	1,184,447	2,343,281	1,053,630	2,054,561

8.10. Other operating expenses

Other operating expenses	1 April – 30 June 2015	1 January – 30 June 2015	1 April – 30 June 2014	1 January – 30 June 2014
Amortization of intangible assets acquired in business combinations	47,096	106,675	-	-
Costs of direct claims handling	49,270	83,251	14,120	14,120
Recognition of provisions	4,871	8,988	14,722	16,189
Non-insurance companies' operating costs	92,500	197,192	76,406	137,441
Expenses due to prevention activities	17,033	42,971	14,176	22,592
Compulsory payments to the insurance market authorities	17,026	36,028	13,906	30,443
Insurance Guarantee Fund	10,373	20,019	8,683	17,577
National Headquarters of the State Fire Service and Volunteer Fire Service Association	2,784	24,728	2,652	23,408
Costs of co-insurance settlements	-	23,471	-	-
Other	71,361	119,128	51,236	110,821
Total other operating expenses	312,314	662,451	195,901	372,591

8.11. Financing expenses

Financing expenses	1 April – 30 June 2015	1 January – 30 June 2015	1 April – 30 June 2014	1 January – 30 June 2014
Interest, including:	26,041	57,753	27,681	59,313
- sell-buy-back transactions	17,588	39,277	25,126	54,214
- issued debt securities	8,037	16,011	-	-
- loans	439	2,435	2,550	5,070
- other	(23)	30	5	29
Other, including:	51,979	(39,726)	(66)	500
- foreign exchange differences from own debt securities	52,707	(33,789)	-	-
- other foreign exchange differences	(2,372)	(7,601)	(337)	37
- other	1,644	1,664	271	463
Total financing expenses	78,020	18,027	27,615	59,813

8.12. Earnings per share

Earnings per share	1 April – 30 June 2015	1 January – 30 June 2015	1 April – 30 June 2014	1 January – 30 June 2014
Net profit from continued operations attributable to equity holders of the parent entity	380,261	1,321,593	959,905	1,720,351
Basic and diluted weighted average number of ordinary shares	86,351,949	86,351,949	86,351,949	86,351,949
Number of issued shares	86,352,300	86,352,300	86,352,300	86,352,300
Number of treasury shares (held by consolidated investment funds)	(351)	(351)	(351)	(351)
Basic and diluted profit (loss) per ordinary share (in PLN)	4,40	15,30	11,12	19,92

During the 6 months ended on 30 June 2015, there was no discontinuation of any activity.

During the 6 months ended on 30 June 2015, there were no transactions or events causing dilution to the gain per share.

Information concerning the planned split of PZU shares is presented in point 17.2.

8.13. Tax relating to other comprehensive income

Tax relating to other comprehensive income	1 April – 30 June 2015	1 January – 30 June 2015	1 April – 30 June 2014	1 January – 30 June 2014
Other comprehensive income	(32,020)	(51,238)	7,917	20,500
Income tax	11,386	6,181	(2,350)	(5,458)
Measurement of AFS financial instruments	12,356	7,222	(1,985)	(4,826)
Property reclassified from property, plant and equipment to investment property	(970)	(1,041)	(365)	(632)
Net other comprehensive income	(20,634)	(45,057)	5,567	15,042

8.14. Intangible assets

The drop in the value of intangible assets between 30 June 2015 and 31 December 2014 was mainly due to amortization of intangible assets obtained in business combinations (customer relations, broker relations, present value of future profits) in the amount of PLN 106,675 thousand.

8.15. Goodwill

Goodwill	30 June 2015	31 December 2014
Lietuvos Draudimas AB	353,117	360,018
Link4	221,377	236,813
Codan branch	110,535	112,319
AAS Balta	37,649	38,258
Medical companies	34,428	29,580
Other	8,619	8,675
Goodwill total	765,725	785,663

During the 6 months ended on 30 June 2015 and during 2014, there were no impairment losses.

8.16. Entities measured using the equity method

Associates and joint ventures	30 June 2015	31 December 2014	30 June 2015	31 December 2014	30 June 2015	31 December 2014
Name of entity	EMC Instytut Medyczny SA		GSU Pomoc Górnicy Klub Ubezpieczonych SA		Armatura Tower sp. z o.o.	
Nature of the relationships between PZU and the entity	Associate – non-strategic		Associate – non-strategic		Joint-venture – non-strategic	
Seat of the entity	Wrocław		Tychy		Kraków	
Share in the capital of the entity	28.58%	28.58%	30.00%	30.00%	50.00%	50.00%
Share in the votes of the entity	25.41%	25.41%	30.00%	30.00%	50.00%	50.00%
Valuation method in the consolidated financial statements	Equity method		Equity method		Equity method	
Accounting standards applied by the entity	IFRS		PAS		IFRS	
Carrying amount of the involvement in the entity	65,724	65,707	569	586	15	18
Fair value of the involvement in the entity	49,714	52,737	None – entity is not listed	None – entity is not listed	None – entity is not listed	None – entity is not listed
Dividends received from the entity	-	-	-	36	-	-
Basic financial information						
Assets, including:	257,225	242,652	2,796	2,513	30	35
Short-term assets, including:	66,398	50,469	2,258	2,003	30	35
Cash and cash equivalents	15,483	16,931	1,966	1,752	25	32
Long-term assets	190,827	192,183	538	510	-	-

Capital Group of Powszechny Zakład Ubezpieczeń Spółka Akcyjna
Condensed interim consolidated financial statements according to IFRS for the period of 6 months ended 30 June 2015
(in PLN thousand)

Associates and joint ventures	30 June 2015	31 December 2014	30 June 2015	31 December 2014	30 June 2015	31 December 2014
Equity	156,521 ¹⁾	137,249	1,896	1,960	28	35
Liabilities, including:	100,704	105,403	900	553	2	-
Short-term liabilities, including:	53,641	60,168	900	553	2	-
Short-term financial liabilities	15,633	23,930	-	-	-	-
Long-term liabilities, including:	47,063	45,235	-	-	-	-
Long-term financial liabilities	27,540	24,286	-	-	-	-
Revenue from core operations	130,523	243,132	1,132	1,076	-	-
Depreciation and amortization	6,680	12,608	78	49	-	-
Interest income	89	831	39	133	-	-
Interest expense	1,015	2,419	-	-	-	-
Income tax	669	(1,211)	14	29	-	-
Comprehensive income, including:	(618)	(6,459)	(64)	27	(7)	(15)
Net financial profit/(loss), including:	(722)	(5,817)	(64)	27	(7)	(15)
Net profit/(loss) from continued operations	(722)	(5,817)	(64)	27	(7)	(15)
Net profit/(loss) from discontinued operations	-	-	-	-	-	-
Other comprehensive income	104	(642)	-	-	-	-

¹⁾ The amount includes a PLN 20,000 thousand equity raise registered on 9 July 2015.

There are no restrictions (e.g. arising from the arrangements for loans, regulatory requirements or contracts) concerning the possibility of transfer of funds by associates and joint venture in the form of cash dividends.

8.17. Financial assets

The 1 January 2015 change of the asset use intention forced reclassification of some assets from available for sale to held to maturity. As at reclassification, the asset carrying amount was PLN 83,620 thousand. As at 30 June 2015, the carrying amount was PLN 83,876 thousand.

The above operation was the only reclassification of financial instruments from groups measured at fair value to those measured at cost or amortized cost made during the period of 6 months ended 30 June 2015. In 2014, no such reclassification was made.

8.17.1. Financial instruments held to maturity

Financial instruments held to maturity	30 June 2015	31 December 2014
Instruments for which fair value may be determined	20,077,667	19,983,689
Debt securities	20,077,667	19,983,689
Government securities	19,887,980	19,796,986
Fixed rate	18,642,829	18,555,389
Floating rate	1,245,151	1,241,597
Other	189,687	186,703
Listed on a regulated market	68,065	63,909
Fixed rate	68,065	63,909
Not listed on a regulated market	121,622	122,794
Floating rate	121,622	122,794
Total financial instruments held-to-maturity	20,077,667	19,983,689

As at 30 June 2015, the fair value of financial instruments held to maturity was PLN 22,408,953 thousand (as at 31 December 2014: PLN 23,524,392 thousand).

8.17.2. Financial instruments available for sale

Financial instruments available for sale	30 June 2015	31 December 2014
Instruments for which fair value may be determined	3,099,613	2,982,164
Equity instruments	764,348	547,299
Listed on a regulated market	359,737	357,732
Not listed on a regulated market	404,611	189,567
Debt securities	2,335,265	2,434,865
Government securities	1,867,792	1,922,939
Fixed rate	1,773,315	1,868,605
Floating rate	94,477	54,334
Other	467,473	511,926
Listed on a regulated market	234,807	272,564
Fixed rate	192,392	221,413
Floating rate	42,415	51,151
Not listed on a regulated market	232,666	239,362
Floating rate	232,666	239,362
Instruments for which fair value may not be determined	3,134	3,158
Equity instruments	3,134	3,158
Not listed on a regulated market	3,134	3,158
Total financial instruments available for sale	3,102,747	2,985,322

8.17.3. Financial instruments measured at fair value through profit or loss

Financial instruments measured at fair value through profit or loss	30 June 2015	31 December 2014
Instruments classified as such upon initial recognition	12,043,622	12,571,137
Equity instruments	2,222,783	1,482,597
Listed on a regulated market	2,181,401	1,443,739
Not listed on a regulated market	41,382	38,858
Debt instruments	9,820,839	11,088,540
Government securities	9,562,831	11,005,221
Fixed rate	8,166,235	9,814,334
Floating rate	1,396,596	1,190,887
Other	258,008	83,319
Listed on a regulated market	258,008	83,319
Fixed rate	258,008	83,319
Instruments held for trading	6,666,056	6,525,347
Equity instruments	4,491,351	4,463,405
Listed on a regulated market	1,328,407	1,572,464
Not listed on a regulated market	3,162,944	2,890,941
Debt securities	1,742,934	1,515,539
Government securities	1,669,153	1,441,296
Fixed rate	1,662,597	1,409,570
Floating rate	6,556	31,726
Other	73,781	74,243
Not listed on a regulated market	73,781	74,243
Floating rate	73,781	74,243
Derivative instruments	431,771	546,403
Total financial instruments at fair value through profit or loss	18,709,678	19,096,484

8.17.4. Loans

Loans	30 June 2015	31 December 2014
Debt securities	2,865,003	2,990,555
Government securities	9,176	35,146
Fixed rate	9,176	35,146
Other	2,855,827	2,955,409
Listed on a regulated market	-	3,882
Fixed rate	-	3,882
Not listed on a regulated market	2,855,827	2,951,527
Floating rate	2,855,827	2,951,527
Other, including:	9,846,540	11,703,926
- buy-sell-back transactions	2,854,682	3,250,173
- term deposits with credit institutions	4,535,428, ¹⁾	6,143,781
- loans	2,456,430, ²⁾	2,309,972
Total loans	12,711,543	14,694,481

¹⁾ More than 84% of term deposits with credit institutions are PLN deposits and over 12% are EUR deposits. Over 85% of deposits mature before the end of December 2015.

²⁾ 100% of the loans are the ones secured with pledges on shares, liability portfolios as well as bank accounts, other loans or other forms of collateral.

As at 30 June 2015, the fair value of the debt securities was PLN 2,900,938 thousand (as at 31 December 2014: PLN 3,091,685 thousand), while the fair value of loans was PLN 2,484,727 thousand (as at 31 December 2014: PLN 2,398,454 thousand). Due to the short-term nature, the fair value of *buy-sell-back* transactions and term deposits with credit institutions was not considerably different from their carrying amounts.

8.17.5. Exposure to debt securities issued by governments other than the Polish Government, as well as corporations and local government units

The tables below present the exposure of the PZU Group entities to bonds issued by treasuries other than the Polish Treasury, companies and local government authorities. Financial instruments classified to portfolios held to maturity as well as loans are presented as measured at amortized cost, while financial instruments classified as available for sale and measured at fair value through profit or loss (classified as such both upon initial recognition and held for trading) have been presented as measured at fair value.

Debt securities issued by state treasuries other than the Republic of Poland

Balance as at 30 June 2015	Currency	Valuation method	Purchase price	Carrying amount	Fair value	Impairment loss
Bulgaria	EUR	at fair value	24,715	24,498	24,498	-
Bulgaria	EUR	at amortized cost	10,818	11,148	10,623	-
Croatia	USD	at fair value	6,092	8,168	8,168	-
Croatia	EUR	at amortized cost	14,700	14,951	14,640	-
Ireland	EUR	at fair value	6,878	6,915	6,915	-
Ireland	EUR	at amortized cost	7,316	7,382	7,373	-
Iceland	USD	at fair value	24,745	31,047	31,047	-
Lithuania	EUR	at fair value	442,655	469,522	469,522	-
Lithuania	USD	at fair value	4,927	6,689	6,689	-
Lithuania	EUR	at amortized cost	57,837	59,156	58,685	-
Latvia	EUR	at fair value	64,232	67,529	67,529	-
Latvia	USD	at fair value	31,236	38,150	38,150	-
Latvia	EUR	at amortized cost	19,024	19,116	18,042	-
Romania	EUR	at fair value	78,092	84,817	84,817	-
Romania	RON	at fair value	17,163	18,082	18,082	-
Romania	USD	at fair value	15,631	21,354	21,354	-
Romania	EUR	at amortized cost	24,618	24,987	24,395	-
Sri Lanka	USD	at fair value	15,068	14,926	14,926	-
Ukraine	USD	at fair value	4,005	3,984	3,984	-
Ukraine	UAH	at fair value	8,791	6,326	6,326	-
Ukraine	UAH	at amortized cost	31,161, ¹⁾	12,561, ¹⁾	13,289	-
Ukraine	USD	at amortized cost	1,518	1,853	1,904	-
Hungary	EUR	at fair value	111,052	111,980	111,980	-
Hungary	HUF	at fair value	225,779	216,251	216,251	-
Hungary	USD	at fair value	7,801	10,196	10,196	-
Hungary	EUR	at amortized cost	12,495	12,783	12,749	-
other	EUR/USD	at fair value	48,133	51,690	51,690	-
other	EUR	at amortized cost	7,921	8,073	7,993	-
Total			1,324,403	1,364,134	1,361,817	-

¹⁾ In case of these bonds, every six months takes place the repayment of the nominal value of the bonds at a fixed rate of UAH 100 (i.e. 10% of the nominal value of the bonds). The purchase price shows the actual price paid by the company and does not include the repayment of the nominal value.

Capital Group of Powszechny Zakład Ubezpieczeń Spółka Akcyjna
Condensed interim consolidated financial statements according to IFRS for the period of 6 months ended 30 June 2015
(in PLN thousand)

As at 31 December 2014	Currency	Valuation method	Purchase price	Carrying amount	Fair value	Impairment loss
Bulgaria	EUR	at fair value	12,589	13,941	13,941	-
Croatia	USD	at fair value	13,489	15,555	15,555	-
Croatia	EUR	at amortized cost	2,418	2,447	2,478	-
Cyprus	EUR	at fair value	20,663	21,585	21,585	-
Iceland	USD	at fair value	24,745	29,246	29,246	-
Lithuania	EUR	at fair value	61,935	68,565	68,565	-
Lithuania	LTL	at fair value	436,696	458,145	458,145	-
Lithuania	USD	at fair value	14,178	17,113	17,113	-
Lithuania	EUR	at amortized cost	12,964	14,050	15,380	-
Lithuania	LTL	at amortized cost	14,857	15,196	15,786	-
Latvia	EUR	at fair value	66,277	70,051	70,051	-
Latvia	USD	at fair value	31,236	35,048	35,048	-
Latvia	EUR	at amortized cost	1,631	1,679	1,781	-
Romania	EUR	at fair value	143,607	156,896	156,896	-
Romania	RON	at fair value	48,545	50,882	50,882	-
Romania	USD	at fair value	15,631	20,436	20,436	-
Turkey	USD	at fair value	449	477	477	-
Ukraine	USD	at fair value	1,458	1,663	1,663	-
Ukraine	UAH	at fair value	10,183	9,343	9,343	-
Ukraine	UAH	at amortized cost	25,181, ¹⁾	9,231, ¹⁾	9,196	-
Ukraine	USD	at amortized cost	23,692	25,916	25,785	-
Hungary	EUR	at fair value	17,308	20,230	20,230	-
Hungary	HUF	at fair value	160,882	163,499	163,499	-
Hungary	USD	at fair value	7,801	9,456	9,456	-
Hungary	EUR	at amortized cost	570	655	721	-
other	EUR/USD	at fair value	53,492	59,279	59,279	-
Total			1,222,477	1,290,584	1,292,537	-

1))In case of these bonds, every six months takes place the repayment of the nominal value of the bonds at a fixed rate of UAH 100 (i.e. 10% of the nominal value of the bonds). The purchase price shows the actual price paid by the company and does not include the repayment of the nominal value.

All debt securities issued by governments other than the government of Poland which have been measured at fair value or for which the fair value has been presented (classified to the portfolio held to maturity) are at Level I of the fair value hierarchy.

8.17.6. Debt securities issued by corporations and local government authorities

As at 30 June 2015	Valuation method	Purchase price	Carrying amount	Fair value	Impairment loss
WIG index companies – banks	at fair value	318,814	320,370	320,370	-
	at amortized cost	1,617,926	1,633,961	1,641,511	-
WIG index companies - fuels	at fair value	303,226	306,846	306,846	-
	at amortized cost	700,000	700,628	714,024	-
WIG index companies – chemical	at amortized cost	1,211	1,218	1,223	-
WIG index companies – energy	at amortized cost	315,000	316,254	312,776	-
Domestic banks, not listed	at amortized cost	20,000	20,240	22,540	-
Foreign banks	at fair value	23,846	23,970	23,970	-
	at amortized cost	70,843	72,830	77,445	-
Mortgage banks	at fair value	41,983	42,415	42,415	-
Local governments	at fair value	45,632	56,462	56,462	-
	at amortized cost	50,000	50,851	57,232	-
Other	at fair value	49,697	49,199	49,199	-
	at amortized cost	66,011	67,072	68,680	-
WIG index companies – Raw materials – written down	at amortized cost	200,000	182,460	197,911	16,226
Other impaired	at fair value	11,630	-	-	11,630
Foreign banks – impaired in full	at amortized cost	1,142	-	-	1,142
Total		3,836,961	3,844,776	3,892,604	28,998

As at 31 December 2014	Valuation method	Purchase price	Carrying amount	Fair value	Impairment loss
WIG index companies – banks	at fair value	184,224	190,676	190,676	-
	at amortized cost	1,616,283	1,630,862	1,711,036	-
WIG index companies - fuels	at fair value	303,226	314,558	314,558	-
	at amortized cost	700,000	700,746	715,642	-
WIG index companies – chemical	at amortized cost	1,211	1,236	1,229	-
WIG index companies – energy	at amortized cost	400,000	401,778	399,721	-
Domestic banks, not listed	at amortized cost	20,000	20,271	23,594	-
Foreign banks	at fair value	23,600	24,081	24,081	-
	at amortized cost	76,359	77,813	82,944	-
Mortgage banks	at fair value	41,983	42,623	42,623	-
Local governments	at fair value	45,632	58,608	58,608	-
	at amortized cost	50,000	52,504	60,884	-
Other	at fair value	38,427	38,942	38,942	-
	at amortized cost	62,751	63,760	64,409	-
WIG index companies – Raw materials – impaired	at amortized cost	200,000	193,142	201,339	10,144
Other impaired	at fair value	11,630	-	-	11,630
Other impaired foreign banks	at amortized cost	1,142	-	-	1,142
Total		3,776,468	3,811,600	3,930,288	22,916

8.17.7. Derivative instruments

Derivatives – assets	30 June 2015	31 December 2014
Interest rate derivative instruments	364,008	506,919
Unlisted instruments (OTC) including:	364,008	506,919
- FRA transactions	2,610	7,203
- SWAP transactions	361,398	499,716
Exchange rate derivative instruments	1,966	14,975
Unlisted instruments (OTC) including:	1,966	14,975
- forward transactions	-	720
- SWAP transactions	1,966	13,016
- call options	-	994
- put options	-	245
Derivative instruments related to the prices of securities	65,797	24,509
Listed instruments, including:	42,260	1,843
- call options	36,632	1,843
- put options	5,628	-
Unlisted instruments (OTC) including:	23,537	22,666
- call options	23,537	22,666
Total derivatives – assets	431,771	546,403

Derivatives – liabilities	30 June 2015	31 December 2014
Interest rate derivative instruments	435,096	556,426
Listed instruments, including:	18,544	-
- future contracts	18,544	-
Unlisted instruments (OTC) including:	416,552	556,426
- FRA transactions	1,366	5,735
- SWAP transactions	415,186	550,691
Exchange rate derivative instruments	31,816	57,782
Listed instruments, including:	-	9,516
- future contracts	-	9,516
Unlisted instruments (OTC) including:	31,816	48,266
- forward transactions	4,869	15,633
- SWAP transactions	26,947	32,633
Derivative instruments related to the prices of securities and goods	2,132	11,636
Listed instruments, including:	2,132	9,516
- future contracts	2,132	9,516
Unlisted instruments (OTC) including:	-	2,120
- future contracts	-	2,120
Total derivatives – liabilities	469,044	625,844

8.17.8. Changes in the economic climate and business conditions affecting the fair value of financial assets and liabilities

8.17.8.1. Capital market

Following significant fluctuations in January, the levels of Polish stock exchange indices continued growing until May in the current year. In mid-May, the WIG index exceeded the value of 57 thousand points, reaching its highest level since

2007. Higher stock prices were stimulated by quantitative ease and favorable data concerning the Polish economy and its external environment. The situation was severely impacted by the economic downturn of Greece, the escalation of which led to a significant increase of risk aversion in financial markets. The declines in indices in the second half of May and in June significantly overshadowed the increases generated in the previous months. Ultimately, in the period between the end of December 2014 and the end of June in the current year, the WIG index increased by 3.7%, while the WIG20 index increased by as little as 0.1%.

8.17.8.2. Interest rates and inflation

By the end of April in the current year, the yields of Polish treasury bonds were characterized by relatively strong fluctuations, without, however, a clearly defined direction. On the one hand, they were influenced by a low inflation ratio and quantitative easing within the euro zone, which contributed to a temporary decline in the 10-year German government bond yields below 0.10%. On the other hand, the increase in yields in Poland was influenced by better prospects for the economic growth and temporary periods of increased risk aversion in financial markets that were caused, among other things, due to the problems faced by Greece and the Ukrainian-Russian conflict. In terms of the Polish treasury bonds with shorter maturity periods, the decision of the National Bank of Poland to cut interest rates in Poland by 50 basis points in March this year was also significant.

The end of April and the beginning of May this year brought a fundamental change of the treasury bond market situation. In most markets, especially in Europe, a significant increase in yields was recorded. The probable reason behind this was an increase of the inflation ratio in Germany and credit growth in the euro zone under conditions of reduced market liquidity. The impact of quantitative easing in the euro zone lost its advantage over other issues important for the bond market. During this period in Poland, there was also a period of increases in government bond yields. These increases, especially in case of debt securities with longer maturity periods, were influenced by the financial problems of Greece and the associated increase in markets' risk aversion. Ultimately, the Polish yield curve from the end of December 2014 to the end of June 2015 moved up by 21 basis points for 2-year treasury bonds and 60 and 79 basis points for 5- and 10-year bonds, respectively.

8.17.8.3. Foreign exchange rates

In the first half of 2015, the US dollar significantly strengthened, both in relation to the Polish zloty and the euro. The USD/PLN rate increased by as much as 7.3% at the end of June, compared with the end of 2014. As a result of lifting the cap on the Swiss franc, this currency has also gained significant value in Poland. The CHF/PLN rate increased by as much as 14.0% in the analyzed period. Simultaneously, the Polish zloty slightly strengthened in relation to the euro – the EUR/PLN rate decreased by 1.6%.

8.17.9. Changes in classification of financial assets resulting from the change of purpose or use of such assets

Information concerning the reclassification of financial asset is presented in point 8.17.

8.18. Fair value

8.18.1. Description of valuation techniques

8.18.1.1. Debt securities

The fair value of debt securities are determined based on quotations available to the public on an active market; when no such quotations are available, using the valuation models applied to public quotations of financial instruments, interest rates and stock market indices.

The fair value of debt securities for which an active market does not exist is measured using the discounted cash flow method. Discount factors are determined based on the treasury securities yield curve shifted by the credit spread. It is calculated as the difference between the yield on listed debt securities of issuers with a similar rating operating in similar industries and the yield on government bonds (German government bonds for bonds denominated in EUR).

8.18.1.2. Capital financial assets

The fair value of capital financial assets is measured based on public quotations of the active market.

Fair values of units and investment certificates in investment funds are specified as per the values of the units and investment certificates in investment funds published by the investment fund companies. The valuation reflects PZU Group's share in net assets of these funds.

8.18.1.3. Derivative instruments

For derivative instruments traded on an active market, fair value shall be the closing price on the balance sheet date.

The fair value of derivative instruments not listed on an active market including forwards and interest rate swaps (IRS) is determined using the discounted cash flows and the information used in the measurement of the instruments comes from the money market. Interest rate yield curves associated with a particular type of financial instrument and currency, constructed on the basis of available market data are used to discount cash flows.

The fair value of options related to the structured deposits is determined based on measurements of the option writers, considering verification of the measurements carried out by the PZU Group entities based on internal measurement models.

8.18.1.4. Liabilities resulting from unit-linked investment contracts

The liabilities resulting from unit-linked investment contracts are measured according to the fair value of assets covering the liabilities of the capital fund linked to the given investment contract.

8.18.1.5. Liabilities to participants in the consolidated investment funds

The liabilities towards the members of consolidated investment funds are measured according to the fair value of investment fund assets (by share in net investment fund assets).

8.18.2. Fair value hierarchy

On the basis of the input data used for fair value measurement, individual assets and liabilities for which the fair value is presented, are classified to the following levels:

- Level I – assets and liabilities measured based on listed prices (unadjusted) from active markets for identical assets and liabilities. The level includes:
 - listed liquid debt securities;
 - shares listed on stock exchanges;
 - derivatives listed on stock exchanges;
- Level II – assets and liabilities measured based on input data other than listed prices, classified to Level I, which can be directly (as prices) or indirectly (on the basis of prices) observed on the market. The level includes:
 - unlisted debt securities and illiquid listed debt securities (including non-treasury debt securities issued by other financial institutions, local authorities, non-financial institutions);
 - derivatives other than listed on stock exchanges;

- participation units in investment funds;
 - liabilities to participants in consolidated investment funds;
 - unit-linked investment contracts.
- Level III – assets measured based on input data unobserved on the existing markets (unobservable input data).

In a situation where input data classified into different levels of fair value hierarchy is used for measurement of asset or liability elements, the measured component is attributed to the lowest level, from which the input data originate, which have a significant impact on the overall measurement.

Assets and liabilities measured at fair value as at 30 June 2015	Level I	Level II	Level III	Total
Assets				
Financial instruments available for sale	2,391,690	707,923	-	3,099,613
Equity instruments	359,737	404,611	-	764,348
Debt securities	2,031,953	303,312	-	2,335,265
Financial instruments measured at fair value through profit or loss – classified as such upon initial recognition	11,974,403	69,219	-	12,043,622
Equity instruments	2,181,795	40,988	-	2,222,783
Debt securities	9,792,608	28,231	-	9,820,839
Financial instruments measured at fair value through profit or loss – held for trading	3,039,820	3,626,236	-	6,666,056
Equity instruments	1,328,407	3,162,944	-	4,491,351
Debt securities	1,669,153	73,781	-	1,742,934
Derivative instruments	42,260	389,511	-	431,771
Liabilities				
Derivative instruments	20,676	448,368	-	469,044
Liabilities to participants in the consolidated investment funds	-	602,600	-	602,600
Unit-linked investment contracts	-	471,816	-	471,816

Assets and liabilities measured at fair value as at 31 December 2014	Level I	Level II	Level III	Total
Assets				
Financial instruments available for sale	2,523,930	458,234	-	2,982,164
Equity instruments	357,732	189,567	-	547,299
Debt securities	2,166,198	268,667	-	2,434,865
Financial instruments measured at fair value through profit or loss – classified as such upon initial recognition	12,503,393	67,744	-	12,571,137
Equity instruments	1,444,157	38,440	-	1,482,597
Debt securities	11,059,236	29,304	-	11,088,540
Financial instruments measured at fair value through profit or loss – held for trading	2,990,261	3,535,086	-	6,525,347
Equity instruments	1,572,464	2,890,941	-	4,463,405
Debt securities	1,415,953	99,586	-	1,515,539
Derivative instruments	1,844	544,559	-	546,403
Liabilities				
Derivative instruments	19,032	606,812	-	625,844
Liabilities to participants in the consolidated investment funds	-	856,865	-	856,865
Unit-linked investment contracts	-	587,267	-	587,267

8.18.3. Reclassifications between fair value levels

In the case of change of assets and liabilities valuation method, arising e.g. from losing (or gaining) the availability of quotations observed in an active market, such assets or liabilities are reclassified between Levels I and II.

No significant transfers between Level I and Level II were made during the 6 months ended on 30 June 2015 and in 2014.

Elements of assets or liabilities are reclassified between levels II and III (respectively between levels III and II) when:

- there is a change in the measurement model which results from the application of new unobservable (respectively observable) factors, or
- the factors which had been used so far, the impact of which on the measurement is significant, cease to be (or respectively become) observable on the active market.

Transfers between levels of the fair value hierarchy are made at the end of each reporting period, according to the value at that date.

8.18.4. Changes in fair value measurement of financial instruments measured at fair value

In the period of 6 months ended on 30 June 2015, there were no changes introduced to method of measuring fair value of financial instruments measured at fair value, the value of which is significant from the financial statements perspective.

8.19. The highest and the best use of the non-financial asset component and its current use

As at 30 June 2015 and 31 December 2014, the current use of one item of investment property (carrying amount of PLN 2,822 thousand) was not the highest and best use. However, the carrying amount measurement assumes its highest and best use.

The aforesaid property is land with a non-permanent structure which requires demolition, with construction of new facilities being the most optimum use.

8.20. Receivables, including insurance receivables

Receivables, including insurance receivables – balance sheet amount	30 June 2015	31 December 2014
Receivables from direct insurance, including:	1,746,673	1,710,083
- receivables from policyholders	1,550,526	1,557,003
- receivables from insurance intermediaries	143,102	127,271
- other receivables	53,045	25,809
Receivables from reinsurance	46,546	28,682
Other receivables	1,507,436	1,330,048
Total receivables, including insurance receivables (net)	3,300,655	3,068,813

Both as at 30 June 2015 and 31 December 2014, the fair value of receivables did not significantly differ from their carrying value, primarily due to their short-term nature and the impairment losses policy.

8.20.1. Other receivables

Other receivables	30 June 2015	31 December 2014
Receivables from the State Budget, other than due to income tax	39,299	153,174
Receivables from Metro Projekt sp. z o.o.	-	109,478
Receivables relating to prevention activities	64,060	64,647
Receivables from claims representative services	9,480	9,081
Receivables from security transactions and collateral deposits	1,164,136	758,394
Trade receivables	152,226	117,242
Receivables from direct claims handling	35,880	34,086
Receivables from payments for the purchase of shares	-	20,890
Other	42,355	63,056
Total other receivables	1,507,436	1,330,048

Receivables from Metro Projekt sp. z o.o. and related matters have been described in point 16.6.

The item "Receivables from security transactions and collateral deposits" presents receivables related to transactions regarding financial instruments which have been concluded but not settled.

8.21. Reinsurers' share in technical provisions

Reinsurers' share in technical provisions	30 June 2015	31 December 2014
Unearned premium reserve	235,858	302,173
Unexpired risk reserve	226	-
Provisions for outstanding claims and benefits, including:	304,194	296,900
- for claims reported	252,093	228,795
- for claims incurred but not reported (IBNR)	30,465	46,259
- for claims handling expenses	21,636	21,846
Provision for the capitalized value of annuities	167,386	154,042
Provisions for bonuses and rebates	-	-
Total reinsurers' share in technical provisions	707,664	753,115

• Impairment of financial assets and receivables

Changes in impairment losses on financial assets between 1 January and 30 June 2015	Impairment losses – opening balance	Recognition of impairment losses, included in the statement of profit and loss	Reversal of impairment losses included in the statement of profit and losses	Derecognition of impairment losses (sales, write-offs, etc.)	Foreign exchange difference	Other changes in write-off	Impairment losses – closing balance
Financial assets available for sale	158,163	-	-	-	(218)	-	157,945
Equity instruments	158,163	-	-	-	(218)	-	157,945
Financial assets held to maturity	1,235	-	-	-	(19)	-	1,216
Debt instruments	1,235	-	-	-	(19)	-	1,216
Loans	25,020	7,039	-	-	11	-	32,070
Debt securities	10,144	6,083	-	-	-	-	16,227
Term deposits with credit institutions	-	956	-	-	28	-	984
Loans	14,876	-	-	-	(17)	-	14,859
Receivables, including under insurance contracts	593,647	71,445	(54,366)	(425)	(1,167)	(1,679)	607,455
Receivables from direct insurance	565,901	68,961	(52,891)	(147)	(955)	124	580,993
Receivables from reinsurance	5,021	1,713	(1,238)	-	-	-	5,496
Other receivables	22,725	771	(237)	(279)	(211)	(1,803)	20,966
Reinsurers' share in technical provisions	17,531	3,980	(3,541)	-	-	-	17,970
Cash and cash equivalents	-	1,388	-	-	41	-	1,429
Total	795,596	83,852	(57,907)	(425)	(1,352)	(1,679)	818,085

Capital Group of Powszechny Zakład Ubezpieczeń Spółka Akcyjna
Condensed interim consolidated financial statements according to IFRS for the period of 6 months ended 30 June 2015
(in PLN thousand)

Changes in impairment losses on financial assets in the year ended 31 December 2014	Impairment losses – opening balance	Recognition of impairment losses, included in the tstatement of profit and losses	Reversal of impairment losses included in the statement of profit and losses	Derecognition of impairment losses form the accounting records (sales, write-offs, etc.)	Foreign exchange difference	Change in composition of the group	Other changes in write-downs ²⁾	Impairment losses – closing balance
Financial assets available for sale	154,899	3,945	-	-	(681)	-	-	158,163
Equity instruments	154,899	3,945	-	-	(681)	-	-	158,163
Financial assets held to maturity	1,202	-	-	-	33	-	-	1,235
Debt instruments	1,202	-	-	-	33	-	-	1,235
Loans	24,725	10,242	-	-	86	-	(10,033)	25,020
Debt securities	-	10,144	-	-	-	-	-	10,144
Term deposits with credit institutions	9,797	-	-	-	100	-	(9,897)	-
Loans	14,928	98	-	-	(14)	-	(136)	14,876
Receivables, including under insurance contracts	651,579	66,974	(128,024)	(4,269)	(3,216)	13,273	(2,670)	593,647
Receivables from direct insurance	597,608	58,748	(94,279)	(1,418)	(2,616)	10,143	(2,285)	565,901
Receivables from reinsurance	4,619	5,319	(4,938)	-	-	21	-	5,021
Other receivables	49,352	2,907	(28,807), ¹⁾	(2,851)	(600)	3,109	(385)	22,725
Reinsurers' share in technical provisions	4,828	21,880	(9,178)	-	1	-	-	17,531
Total	837,233	103,041	(137,202)	(4,269)	(3,777)	13,273	(12,703)	795,596

¹⁾ Including release from impairment losses in the amount of PLN 26,275 thousand due to the mortgage loan extended to Metro-Projekt sp. z o.o. described in point 16.6.

²⁾ This item presents the reclassification of impairment losses due to PZU Lietuva's assets to assets held for sale due to the transaction described in 17.9.

Capital Group of Powszechny Zakład Ubezpieczeń Spółka Akcyjna
Condensed interim consolidated financial statements according to IFRS for the period of 6 months ended 30 June 2015
(in PLN thousand)

Changes in impairment losses on financial assets between 1 January and 30 June 2014	Impairment losses – opening balance	Impairment losses recognized in the statement of profit and losses	Reversal of impairment losses included in the statement of profit and losses	Derecognition of impairment losses (sales, write-offs, etc.)	Foreign exchange difference	Change in composition of the group	Impairment losses – closing balance
Financial assets available for sale	154,899	3,400	-	-	(533)	-	157,766
Equity instruments	154,899	3,400	-	-	(533)	-	157,766
Financial assets held to maturity	1,202	-	-	-	4	-	1,206
Debt instruments	1,202	-	-	-	4	-	1,206
Loans	24,725	-	-	-	33	-	24,758
Term deposits with credit institutions	9,797	-	-	-	33	-	9,830
Loans	14,928	-	-	-	-	-	14,928
Receivables, including under insurance contracts	651,579	37,818	(18,589)	(1,330)	(2,579)	67	666,966
Receivables from direct insurance	597,608	36,614	(15,251)	(356)	(2,091)	-	616,524
Receivables from reinsurance	4,619	232	(855)	-	-	-	3,996
Other receivables	49,352	972	(2,483)	(974)	(488)	67	46,446
Reinsurers' share in technical provisions	4,828	6,500	(5,220)	-	1	-	6,109
Total	837,233	47,718	(23,809)	(1,330)	(3,074)	67	856,805

8.22. Degree of risk exposure in investment activity

The following tables present credit risk exposure of assets charged with credit risk in individual Fitch classes (in absence of these, Standard&Poors or Moody's standards have been applied). The exposure to credit risk relating to repo transactions has been presented as an exposure towards the issuer.

The report does not include receivables, including insurance receivables due to high diversification of those assets, resulting among others in significant share of receivables from small enterprises and natural persons who do not have ratings.

Capital Group of Powszechny Zakład Ubezpieczeń Spółka Akcyjna
Condensed interim consolidated financial statements according to IFRS for the period of 6 months ended 30 June 2015
(in PLN thousand)

Assets exposed to credit risk as at 30 June 2015	Note	AAA	AA	A	BBB	SBB	No rating	Assets at the customer's risk	Total
Debt securities		4,325	11,445	32,526,897	2,188,651	525,179	50,050	1,535,161	36,841,708
- held to maturity		-	-	19,945,560	84,577	41,702	5,828	-	20,077,667
- available for sale		-	10,891	2,243,800	54,691	-	25,883	-	2,335,265
- measured at fair value		4,325	554	9,243,026	372,424	389,944	18,339	1,535,161	11,563,773
- loans		-	-	1,094,511	1,676,959	93,533	-	-	2,865,003
Bank deposits and repo transactions involving treasury securities		-	-	5,276,379	1,844,386	105,733	111,128	52,484	7,390,110
Other loans		-	-	-	-	243,249	2,213,181	-	2,456,430
Derivative instruments		47,715	43,405	299,406	39,299	-	1,946	-	431,771
Reinsurers' share in net claim provisions		-	208,346	210,241	430	-	52,563	-	471,580
Receivables from reinsurance		-	17,561	22,724	675	-	5,586	-	46,546
Assets held for sale		-	20,998	66,621	90,824	24,594	32,608	-	235,645
Debt securities		-	-	45,646	90,824	24,594	7,155	-	168,219
Bank deposits		-	20,998	20,975	-	-	25,453	-	67,426
Total		52,040	301,755	38,402,268	4,164,265	898,755	2,467,062	1,587,645	47,873,790

Assets exposed to credit risk as at 31 December 2014	Note	AAA	AA	A	BBB	SBB	No rating	Assets at the customer's risk	Total
Debt securities		-	-	33,685,106	2,415,765	310,188	127,229	1,474,900	38,013,188
- held to maturity		-	-	19,933,317	50,372	-	-	-	19,983,689
- available for sale		-	-	2,141,329	261,139	-	32,397	-	2,434,865
- measured at fair value		-	-	10,533,633	326,441	208,738	60,367	1,474,900	12,604,079
- loans		-	-	1,076,827	1,777,813	101,450	34,465	-	2,990,555
Bank deposits and repo transactions involving treasury securities		-	-	7,195,733	1,746,022	-	370,061	82,138	9,393,954
Other loans		-	-	-	-	256,763	2,053,209	-	2,309,972
Derivative instruments		574	14,725	516,252	3,073	-	11,779	-	546,403
Reinsurers' share in net claim provisions		-	208,856	174,539	12,175	-	55,372	-	450,942
Receivables from reinsurance		-	5,308	12,730	491	-	10,153	-	28,682
Assets held for sale		-	-	305,937	-	-	-	-	305,937
Debt securities		-	-	217,852	-	-	-	-	217,852
Bank deposits		-	-	88,085	-	-	-	-	88,085
Total		574	228,889	41,890,297	4,177,526	566,951	2,627,803	1,557,038	51,049,078

The following table presents credit risk ratios used to measure credit risk:

Standard&Poor's ratings	AAA	AA	A	BBB	SBB	No rating¹⁾
Ratio (%) for 30 June 2015	0.74	0.82	1.51	4.06	13.74	25.91
Ratio (%) for 31 December 2014	0.74	0.84	1.59	4.33	14.39	26.97

¹⁾ In the case of exposure to mortgages with no rating, the ratio of 2% was adopted corresponding to the lowest BBB+ investment rating.

The credit risk, to which PZU Group was exposed as at 30 June 2015 amounted to PLN 1,514,508 thousand (PLN 1,639,172 thousand as at 31 December 2014; had ratios of 30 June 2015 been used, the risk would amount to PLN 1,562,795 thousand).

8.23. Other assets

Other assets	30 June 2015	31 December 2014
Reinsurance settlements	58,176	79,010
Deferred IT expenses	24,775	25,963
Co-insurance accruals	23,471	-
Receivables from direct claims handling	17,307	-
Inventory	110,647	84,762
Other assets	62,437	45,515
Total other assets	296,813	235,250

8.24. Assets held for sale

Assets held for sale before reclassification	30 June 2015	31 December 2014
Groups held for sale	142,631	188,747
Assets	396,107	440,761
Intangible assets	5,805	4,745
Property, plant and equipment	7,709	6,864
Financial assets	272,988	342,639
Receivables, including insurance receivables	35,472	32,106
Reinsurers' share in technical provisions	30,586	19,864
Estimated subrogations	7,089	6,988
Deferred tax assets	1,674	1,591
Deferred acquisition costs	16,228	15,399
Accruals	1,426	2,216
Other assets	-	2
Cash and cash equivalents	17,130	8,347
Liabilities directly associated with non-current assets classified as held for sale	253,476	252,014
Technical provisions	225,701	215,057
Provisions for employee benefits	1,934	1,464
Other liabilities	25,841	35,493
Other assets held for sale	130,019	165,849
Property, plant and equipment	37,646	51,534
Investment property	92,373	114,315
Assets and classes of assets held for sale	526,126	606,610
Liabilities directly associated with non-current assets classified as held for sale	253,476	252,014

The item "Groups held for sale" includes the assets and liabilities of PZU Lietuva, which will be sold under the transaction described in point 17.9. The purchase price for PZU Lietuva shares is greater than the value of the net assets held for sale, which is why they are not revalued to fair value less purchase costs.

"Investment property" presents property held by PZU and PZU Życie for sale as part of the portfolio optimization project.

8.25. Technical provisions

Technical provisions	30 June 2015	31 December 2014
Technical provisions – non-life insurance	18,617,827	18,410,647
Unearned premium reserve	5,336,315	5,133,390
Unexpired risk reserve	34,694	19,257
Claims provisions	7,223,543	7,258,764
Provisions for outstanding claims and benefits	6,020,636	5,997,595
Provisions for bonuses and rebates	2,639	1,641
Life insurance technical provisions	22,116,547	21,756,238
Unearned premium reserve	95,542	97,456
Life mathematical reserve	16,250,809	16,281,625
Provisions for outstanding claims and benefits	545,196	511,587
Provisions for bonuses and rebates	582	650
Other technical provisions	418,937	439,364
Unit-linked technical provisions	4,805,481	4,425,556
Total technical provisions	40,734,374	40,166,885

Change in technical provisions in non-life insurance

Change in unearned premiums reserve in non-life insurance	1 January – 30 June 2015			1 January – 31 December 2014			1 January – 30 June 2014		
	gross	reinsurers' share	net	gross	reinsurers' share	net	gross	reinsurers' share	net
Opening balance	5,133,390	(302,118)	4,831,272	4,428,845	(209,940)	4,218,905	4,428,845	(209,940)	4,218,905
Increase in provisions for policies concluded in the current period	3,622,518	(94,547)	3,527,971	4,335,362	(258,368)	4,076,994	3,295,981	(141,364)	3,154,617
Decrease in provisions for policies concluded in previous years	(3,402,643)	157,749	(3,244,894)	(4,157,746)	174,566	(3,983,180)	(3,005,398)	136,465	(2,868,933)
Foreign exchange differences in the current period	(16,950)	3,114	(13,836)	(18,556)	5,948	(12,608)	(20,402)	4,406	(15,996)
Change in composition of the group	-	-	-	642,510	(19,282)	623,228	105,668	(1,609)	104,059
Transfers to category of assets held for sale in accordance with IFRS 5	-	-	-	(97,025)	4,958	(92,067)	-	-	-
Closing balance	5,336,315	(235,802)	5,100,513	5,133,390	(302,118)	4,831,272	4,804,694	(212,042)	4,592,652

Change in unexpired risk reserve in non-life insurance	1 January – 30 June 2015			1 January – 31 December 2014			1 January – 30 June 2014		
	gross	reinsurers' share	net	gross	reinsurers' share	net	gross	reinsurers' share	net
Opening balance	19,257	-	19,257	8,770	(16)	8,754	8,770	(16)	8,754
Increase in provisions for policies concluded in the current period	25,306	(220)	25,086	17,077	12	17,089	10,056	6	10,062
Decrease in provisions for policies concluded in previous years	(9,506)	-	(9,506)	(5,316)	-	(5,316)	(5,995)	6	(5,989)
Foreign exchange differences in the current period	(363)	(6)	(369)	(561)	4	(557)	(496)	4	(492)
Change in composition of the group	-	-	-	12,739	-	12,739	-	-	-
Transfers to category of assets held for sale in accordance with IFRS 5	-	-	-	(13,452)	-	(13,452)	-	-	-
Closing balance	34,694	(226)	34,468	19,257	-	19,257	12,335	-	12,335

Capital Group of Powszechny Zakład Ubezpieczeń Spółka Akcyjna
Condensed interim consolidated financial statements according to IFRS for the period of 6 months ended 30 June 2015
(in PLN thousand)

Change in provisions for outstanding claims and benefits in non-life insurance	1 January – 30 June 2015			1 January – 31 December 2014			1 January – 30 June 2014		
	gross	reinsurers' share	net	gross	reinsurers' share	net	gross	reinsurers' share	net
Opening balance, including:	7,258,764	(296,900)	6,961,864	6,041,030	(170,375)	5,870,655	6,041,030	(170,375)	5,870,655
- for claims reported	2,704,345	(228,795)	2,475,550	2,072,193	(121,826)	1,950,367	2,072,193	(121,826)	1,950,367
- for claims incurred but not reported (IBNR)	2,868,611	(46,259)	2,822,352	2,615,113	(29,989)	2,585,124	2,615,113	(29,989)	2,585,124
- for claims handling expenses	1,685,808	(21,846)	1,663,962	1,353,724	(18,560)	1,335,164	1,353,724	(18,560)	1,335,164
Paid claims concerning losses incurred in previous years, including	(1,326,182)	30,587	(1,295,595)	(1,575,921)	54,322	(1,521,599)	(1,020,561)	26,633	(993,928)
- claims paid	(1,130,985)	28,367	(1,102,618)	(1,313,456)	50,481	(1,262,975)	(873,197)	24,481	(848,716)
- claims handling expenses	(195,197)	2,220	(192,977)	(262,465)	3,841	(258,624)	(147,364)	2,152	(145,212)
Increase (decrease) in provisions, including:	1,301,553	(41,423)	1,260,130	2,450,810	(167,606)	2,283,204	1,129,551	(51,410)	1,078,141
- losses incurred in the current year	1,360,752	(38,871)	1,321,881	2,041,127	(44,022)	1,997,105	1,165,011	(17,500)	1,147,511
- losses incurred in the previous years	(59,199)	(2,552)	(61,751)	409,683	(123,584)	286,099	(35,460)	(33,910)	(69,370)
Other changes	-	219	219	2	8,789	8,791	-	782	782
Foreign exchange differences in the current period	(10,592)	3,340	(7,252)	(10,665)	6,304	(4,361)	(13,125)	5,251	(7,874)
Change in composition of the group	-	-	-	454,412	(42,844)	411,568	81,516	(27,527)	53,989
Transfers to category of assets held for sale in accordance with IFRS 5	-	-	-	(100,904)	14,510	(86,394)	-	-	-
Closing balance	7,223,543	(304,177)	6,919,366	7,258,764	(296,900)	6,961,864	6,218,411	(216,646)	6,001,765
- for claims reported	2,805,223	(252,076)	2,553,147	2,704,345	(228,795)	2,475,550	2,337,978	(175,656)	2,162,322
- for claims incurred but not reported (IBNR)	2,725,668	(30,465)	2,695,203	2,868,611	(46,259)	2,822,352	2,494,205	(22,397)	2,471,808
- for claims handling expenses	1,692,652	(21,636)	1,671,016	1,685,808	(21,846)	1,663,962	1,386,228	(18,593)	1,367,635

Change in provisions for capitalised value of annuities in non-life insurance	1 January – 30 June 2015			1 January – 31 December 2014			1 January – 30 June 2014		
	gross	reinsurers' share	net	gross	reinsurers' share	net	gross	reinsurers' share	net
Opening balance	5,997,595	(154,042)	5,843,553	5,761,332	(146,180)	5,615,152	5,761,332	(146,180)	5,615,152
Paid claims concerning losses incurred in previous years	(93,030)	2,562	(90,468)	(182,358)	15,853	(166,505)	(90,579)	2,528	(88,051)
Increase (decrease) in provisions for losses incurred in the previous years	7,846	(16,163)	(8,317)	76,457	(17,444)	59,013	94,524	(8,138)	86,386
Unwinding of discount	(7,522)	43	(7,479)	(17,284)	446	(16,838)	(8,642)	223	(8,419)
Increase in provisions for losses incurred in the current year	115,862	(13)	115,849	278,344	(587)	277,757	128,184	-	128,184
Other changes	-	219	219	-	3,916	3,916	(26)	-	(26)
Foreign exchange differences during the period	(115)	8	(107)	(8)	40	32	6,151	-	6,151
Change in composition of the group	-	-	-	81,112	(10,086)	71,026	-	501	501
Closing balance	6,020,636	(167,386)	5,853,250	5,997,595	(154,042)	5,843,553	5,890,944	(151,066)	5,739,878

Change in technical provisions in life insurance

Change in provisions in life insurance, bonuses and rebates, and other technical provisions- insurance contracts	1 January – 30 June 2015			1 January – 31 December 2014			1 January – 30 June 2014		
	gross	reinsurers' share	net	gross	reinsurers' share	net	gross	reinsurers' share	net
Opening balance	16,721,639	-	16,721,639	16,526,794	-	16,526,794	16,526,794	-	16,526,794
Increase (decrease) in provisions related to current year policies	230,783	-	230,783	490,085	-	490,085	247,339	-	247,339
Increase (decrease) in provisions related to prior year policies	(264,108)	-	(264,108)	(306,608)	-	(306,608)	(86,523)	-	(86,523)
Changes in assumptions resulting from technical interest rate changes	-	-	-	45,395	-	45,395	-	-	-
Foreign exchange differences	(17,986)	-	(17,986)	(34,027)	-	(34,027)	(24,113)	-	(24,113)
Closing balance	16,670,328	-	16,670,328	16,721,639	-	16,721,639	16,663,497	-	16,663,497

Change provisions in life insurance - unit-linked contracts	1 January – 30 June 2015			1 January – 31 December 2014			1 January – 30 June 2014		
	gross	reinsurers' share	net	gross	reinsurers' share	net	gross	reinsurers' share	net
Unit-linked net assets at the beginning of the period	4,425,556	-	4,425,556	3,907,221	-	3,907,221	3,907,221	-	3,907,221
Fund increases due to premiums	562,323	-	562,323	1,045,805	-	1,045,805	533,548	-	533,548
Payments deducted from fund	(43,550)	-	(43,550)	(90,026)	-	(90,026)	(43,935)	-	(43,935)
Fund investment income	109,520	-	109,520	147,597	-	147,597	91,541	-	91,541
Fund decreases due to benefits, redemption etc.	(242,712)	-	(242,712)	(547,991)	-	(547,991)	(203,600)	-	(203,600)
Other changes	(5,656)	-	(5,656)	(37,050)	-	(37,050)	(627)	-	(627)
Closing balance	4,805,481	-	4,805,481	4,425,556	-	4,425,556	4,284,148	-	4,284,148

Change in provisions for outstanding claims and benefits	1 January – 30 June 2015			1 January – 31 December 2014			1 January – 30 June 2014		
	gross	reinsurers' share	net	gross	reinsurers' share	net	gross	reinsurers' share	net
RBNP at the beginning of the period	112,728	-	112,728	138,366	-	138,366	138,366	-	138,366
IBNR at the beginning of the period	398,859	-	398,859	407,385	-	407,385	407,385	-	407,385
Total RBNP and IBNR at the beginning of the period	511,587	-	511,587	545,751	-	545,751	545,751	-	545,751
Provisions for claims utilized during the year	(483,095)	-	(483,095)	(523,413)	-	(523,413)	(447,029)	-	(447,029)
Provisions for claims created during the year	516,704	(17)	516,687	489,249	-	489,249	436,174	-	436,174
Total RBNP and IBNR at the end of the period	545,196	(17)	545,179	511,587	-	511,587	534,896	-	534,896
RBNP at the end of the period	132,880	(17)	132,863	112,728	-	112,728	126,844	-	126,844
IBNR at the end of the period	412,316	-	412,316	398,859	-	398,859	408,052	-	408,052

8.26. Investment contracts

Investment contracts – carrying amount	30 June 2015	31 December 2014
Investment contracts with guaranteed and fixed terms and conditions	317,213	520,840
- measured at amortized cost	317,213	520,840
Unit-linked investment contracts	471,816	587,267
Total investment contracts – carrying amount	789,029	1,108,107

8.27. Other provisions

Changes in other provisions in the period between 1 January and 30 June 2015	Opening balance	Increase	Utilization	Release	Change in composition of the group	Foreign exchange differences	Closing balance
Provision for restructuring expenses	9,354	-	(4,182)	(201)	-	-	4,971
Provision for co-insurance settlements	-	23,471	-	-	-	-	23,471
Provision for disputed claims and potential liabilities under insurance contracts	781	36	-	-	-	-	817
Provision for the Office of Competition and Consumer Protection penalties ¹⁾	119,551	2	-	(1)	-	-	119,552
Provision for exit costs of the GraphTalk project	22,668	-	(17,228)	-	-	-	5,440
Provision for PTE's reimbursement of undue fees to the Social Insurance Institution	7,234	-	-	-	-	-	7,234
Other	31,618	8,950	(6,850)	(1,974)	1,594	(178)	33,160
Total other provisions	191,206	32,459	(28,260)	(2,176)	1,594	(178)	194,645

Changes in other provisions in the year ended 31 December 2014	Opening balance	Increase	Utilization	Releases	Change in composition of the group	Foreign exchange differences	Closing balance
Provision for restructuring expenses	-	17,687	(8,333)	-	-	-	9,354
Provisions created for potential liabilities relating to CLSiOR investments	916	-	-	(916)	-	-	-
Provision for disputed claims and potential liabilities under insurance contracts	3,075	289	-	(2,583)	-	-	781
Provision for the Office of Competition and Consumer Protection penalties ¹⁾	119,549	2	-	-	-	-	119,551
Provision for exit costs of the GraphTalk project	50,944	509	-	(28,785)	-	-	22,668
Provision for PTE's reimbursement of undue fees to the Social Insurance Institution	7,401	-	(167)	-	-	-	7,234
Other	11,021	14,878	(4,506)	(2,489)	12,522	192	31,618
Total other provisions	192,906	33,365	(13,006)	(34,773)	12,522	192	191,206

Changes in other provisions in the period between 1 January and 30 June 2014	Opening balance	Increase	Utilization	Releases	Change in composition of the group	Closing balance
Provisions created for potential liabilities relating to CLSiOR investments	916	-	-	(916)	-	-
Provision for disputed claims and potential liabilities under insurance contracts	3,075	289	-	(138)	-	3,226
Provision for the Office of Competition and Consumer Protection penalties ¹⁾	119,549	2	-	-	-	119,551
Provision for exit costs of the GraphTalk project	50,944	382	-	(26,150)	-	25,176
Provision for PTE's reimbursement of undue fees to the Social Insurance Institution	7,401	-	(167)	-	-	7,234
Other	11,021	15,516	(2,077)	(982)	511	23,989
Total other provisions	192,906	16,189	(2,244)	(28,186)	511	179,176

¹⁾ The item "Provision for the Office of Competition and Consumer Protection penalties" is explained in points 16.2 and 16.3.

8.28. Liabilities arising from issuance of debt securities

On 3 July 2014, PZU (through its subsidiary PZU Finance AB (publ.)) issued five-year Eurobonds for the amount of EUR 500,000 thousand (as individual EUR 100 thousand bills).

The bonds bear interest at a fixed rate of 1.375% per year and the coupon is paid once a year (3 July).

Measurement of liabilities arising from issuance of debt securities	30 June 2015	31 December 2014
Carrying amount	2,109,880	2,127,527
Fair value measured with model	2,145,782	2,180,294

The liabilities of PZU Finance AB (publ.) arising from the bonds (including the liability of payment of the nominal value of bonds and interest on the bonds) were secured with a guarantee provided by PZU to all bondholders. The maximum value of the guarantee was not specified and it expires upon the expiry of the claims of the bondholders towards PZU Finance AB (publ.).

8.29. Other liabilities

Other liabilities	30 June 2015	31 December 2014
Accrued costs	534,883	743,655
Accrued costs of brokers' commissions	256,697	250,867
Accrued remuneration costs	87,284	131,759
Accrued costs from reinsurance	100,636	214,268
Accrued employee bonuses	35,323	94,558
Other	54,943	52,203
Upfront revenues	50,384	33,374
Other liabilities	8,603,507	8,584,248
Direct insurance liabilities	721,122	686,714
Reinsurance liabilities	162,643	94,384
Liabilities due to sell-buy-back transactions	3,309,381	4,411,497
Liabilities due to loans	116,318	219,452
Liabilities due to borrowings	-	53,952
Liabilities to participants in the consolidated investment funds	602,600	856,865
Liabilities to the budget other than due to the income tax	37,333	30,001
Public and legal settlements	27,844	25,701
Liabilities to employees	12,891	13,106
Insurance Guarantee Fund	12,070	11,794
Liabilities to KGSP (National Headquarters of the State Fire Service) and OSP (Volunteer Fire Service Association)	2,785	3,533
Liabilities due to financial instrument transactions	691,918	444,089
Liabilities to the Shareholders (dividends)	2,593,706	1,471,120
Trade payables to suppliers	123,348	89,787
Estimated non-insurance liabilities	126,112	133,359
Other	63,436	38,894
Total other liabilities	9,188,774	9,361,277

8.30. Additional information to other operating inflows and expenses

Other operating inflows	1 January – 30 June 2015	1 January – 30 June 2014
Inflows from core business of non-insurance companies	293,996	248,760
Tax returns (including CIT, VAT)	140,337	79,481
Other	276,662	140,599
Total	710,995	468,840

Other operating outflows	1 January – 30 June 2015	1 January – 30 June 2014
Return of gross premiums	236,321	240,000
Expenses of core business of non-insurance companies	344,847	278,416
Taxes	92,143	124,216
Other	217,091	286,909
Total	890,402	929,541

9. Contingent assets and liabilities

Contingent assets and liabilities	30 June 2015	31 December 2014
Contingent assets, including:	28,397	20,976
- guarantees and sureties received	28,397	20,976
Contingent liabilities	523,586	265,709
- guarantees and sureties issued	8,199	7,133
- disputable claims related to insurance	286,355	185,109
- other disputable claims	44,516	36,264
- other, including:	184,516	37,203
- liabilities from loan instalments unused by the borrowers as at the balance sheet date	145,980	-
- contingent liabilities arising from credit agreements concluded by Armatura Group	33,533	34,115

10. Equity management

On 26 August 2013 the Management Board and the Supervisory Board adopted the capital policy and dividend policy for PZU Group for the years 2013–2015. The premises of the capital and dividend policies are presented in the consolidated financial report for 2014.

10.1. External capital requirements

Equity management involves, among others, monitoring of the insurers' key solvency parameters, such as the level of own funds and the degree to which such funds are sufficient to cover the solvency margin and the guarantee capital. The International Financial Reporting Standards do not lay down principles applicable to calculation of the solvency margin or own funds covering the above margin.

In accordance with the Act on Insurance Activity, an insurance company with its registered office on the territory of Poland is obliged to maintain its own funds at an amount of no less than the solvency margin and no less than the guarantee capital.

In order to determine the value of own funds, assets are reduced by the value of intangible assets, deferred tax assets, assets allocated to settle all expected liabilities as well as shares and other assets (subordinated loans granted) held by the Company and other assets used to finance the equity of insurance companies operating within the insurance capital group. The value determined in the above manner is adjusted in proportion to the shares held by PZU by the total surplus or shortage of own funds of the controlled insurance companies in relation to their solvency margins.

The principles of calculating own funds to cover the solvency margin are specified in the Insurance Activity Act and the principles for calculation of the solvency margin and the minimum value of the guarantee capital 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 capital for insurance sections and classes (Journal of Laws of 2003 no. 211, item 2060, as amended) (the "Solvency Margin Ordinance").

Calculation of own funds and solvency marginal includes financial data in accordance with PAS.

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 2015	31 December 2014
PZU equity	11,098,586	12,328,724
Intangible assets	(301,872)	(283,999)
Value of shares in insurance companies operating within the insurance capital group of PZU	(5,661,481)	(6,065,985)
Deferred tax assets	(434,573)	(408,388)
Effect of other insurance companies operating within the insurance capital group of PZU on the value of PZU's own funds:	1,953,137	2,411,116
PZU Życie SA 100.00%	1,713,769	2,213,301
Own funds	3,510,039	3,996,487
Required solvency margin	1,796,270	1,783,186
Surplus of own funds to cover the solvency margin	1,713,769	2,213,301
Link4 SA 100.00%	61,836	55,638
Own funds	138,658	124,938
Required solvency margin	76,822	69,300
Surplus of own funds to cover the solvency margin	61,836	55,638
Lietuvos Draudimas AB 99.98%	100,019	127,853
Own funds	213,817	214,515
Required solvency margin	113,778	86,636
Surplus of own funds to cover the solvency margin	100,039	127,879
AAS Balta 99.99%	35,371	22,216
Own funds	78,200	62,207
Required solvency margin	42,825	39,989
Surplus of own funds to cover the solvency margin	35,375	22,218
UAB DK PZU Lietuva 99.88%	61,501	4,692
Own funds	98,963	76,220
Required solvency margin	37,388	71,522
Surplus of own funds to cover the solvency margin solvencies	61,575	4,698
UAB PZU Lietuva Gyvybes Draudimas 99.34%	3,236	5,696
Own funds	19,196	21,504
Required solvency margin	15,939	15,770
Surplus of own funds to cover the solvency margin	3,257	5,734
PrJSC PZU Ukraine 100.00%	(14,980)	(12,314)
Own funds	2,905	5,199
Required solvency margin	17,885	17,513
Shortage of own funds to cover the solvency margin	(14,980)	(12,314)
PrJSC IC PZU Ukraine Life Insurance 100.00%	(7,615)	(5,966)
Own funds	8,324	9,437
Required solvency margin	15,939	15,403
Shortage of own funds to cover the solvency margin	(7,615)	(5,966)
Own funds of PZU	6,653,797	7,981,468
Required solvency margin of PZU	1,369,183	1,362,353
Guarantee fund of PZU	456,394	454,118
Surplus of own funds to cover the solvency margin	5,284,614	6,619,115
Surplus of own funds to cover the guarantee fund	6,197,403	7,527,350

11. Segment reporting

11.1. Reportable segments

11.1.1. Key division criterion

Operating segments are components of the entity for which separate financial information is available and that are regularly reviewed by the entity chief operating decision maker ("CODM", i.e. the Management Board of PZU) in order to allocate resources to the segment and assess its performance.

The key segmentation pattern of PZU Group is based on the criterion of consolidated entities with the exception of the insurance companies in PZU Group (PZU, PZU Życie, and Link4) with the registered seat in Poland where additional segments based on the criteria such as client groups, product lines and types of activities can be distinguished.

PZU and Link4 segments:

- corporate insurance (non-life insurance);
- retail client insurance (non-life insurance);
- investment activities – comprising investments using own funds.

PZU Życie segments:

- group insurance and individually continued insurance (life insurance);
- individual life insurance (life insurance);
- investment activities – including investments using own funds;
- investment contracts – described further in this chapter.

Due to the differences and operation in different regulatory environments, the internal financial reporting system used in PZU Group, in accordance with the segmentation pattern of PZU Group based on the criterion of consolidated entities and the relevance for the users of financial statements, the additional following segments have been distinguished:

- pension insurance;
- Baltic states – Lithuania, Latvia, and Estonia, (non-life and life insurance);
- Ukraine (non-life and life insurance).

Operating segments may be aggregated into a single reportable segment if the qualitative and quantitative criteria described in IFRS 8.12-19 are met. In the consolidated financial statements, separate operating segments have not been aggregated into reportable segments with the exception of the "Investments" segment, which comprises investing activities using the PZU Group entities' own funds, and the "Baltic states" segment in which the countries have been classified together due to the similar products and services offered and a similar regulatory environment.

11.1.2. Geographical areas

PZU Group applies additional geographical segmentation as follows:

- Poland;
- Baltic states;
- Ukraine.

11.2. Settlements among segments

The net investment performance (the difference between realized and unrealized revenue and expenses) disclosed under corporate insurance (non-life insurance), mass client insurance (non-life insurance), group insurance and

individually continued insurance (life insurance) is determined in accordance with the transfer pricing based on the interest rate of the curves of the treasury securities profitability (risk-free rate). In the case of unit-linked insurance products with a guaranteed rate and for structured products, the net profit or loss on investments constituting coverage of the corresponding technical provisions is recognized.

11.3. Measure of profit of a segment

The key measure of profit of a segment in PZU Group:

- in insurance companies registered in Poland – a profit or loss on insurance constituting the profit or loss before tax and other operating income and expenses (including borrowing costs), however taking into account the investment income (corresponding to the value of technical provisions) determined by the risk free rate. A profit or loss on insurance is a similar measure to the technical result on insurance defined in the Polish accounting standards act and its regulations ("PAS"), however it includes the net profit or loss on investments described in the previous sentence for non-life and life insurance;
- in the case of insurance companies registered abroad – as described above, taking into account the total investment performance of the company, i.e. without adjusting the investment income described above, measured according to IFRS;
- in non-insurance companies – an operating profit or loss in accordance with the accounting policies of the country of residence of the company or IFRS, constituting a profit or loss before tax and borrowing costs.

11.4. Information about segments

Description of all the reportable segments of PZU Group, including the presentation of the accounting policies used for presenting financial data:

- corporate insurance (non-life insurance) – reporting in accordance with National Accounting Standards – a wide range of property insurance products, third-party and motor insurance products customized to meet clients' expectations and with individual risk assessment, offered to big enterprises;
- retail client insurance (non-life insurance) – reporting in accordance with National Accounting Standards – a wide range of property insurance products, accident insurance products, third-party and motor insurance products offered to individual clients and entities in the SMB sector;
- group and individually continued insurance (life insurance) – reporting in accordance with National Accounting Standards – group insurance offered by PZU Życie to groups of employees and other formal groups (e.g. trade unions), intended for individuals who are in a legal relation with the insurer (e.g. employer, trade union) and individually continued insurance where the insurer has obtained the right to continue insurance individually under group insurance. The offer of PZU Życie comprises a wide range of group insurance coverage, investment insurance (other than investment contracts) and health insurance;
- individual insurance (life insurance) – reporting in accordance with National Accounting Standards – insurance offered by PZU Życie to individual clients whereby an insurance contract covers a given individual who is subject to separate risk assessment. The offer of PZU Życie comprises a wide range of group insurance coverage, investment insurance (other than investment contracts) and health insurance;
- investment – reporting in accordance with National Accounting Standards – comprises investment activity conducted with PZU Group's own funds defined as the surplus of investments over technical provisions in the insurance companies within PZU Group with their registered offices in Poland (PZU, Link4 and PZU Życie) increased by the surplus of income exceeding the risk-free rate from investments matching the value of technical provisions in insurance products, i.e. the surplus of investment income over the income allocated to insurance segments according to transfer prices. Additionally, the Investment segment includes income earned on other excess funds in PZU Group;

- pension insurance – reporting in accordance with National Accounting Standards – comprising the company PTE PZU;
- Ukraine (life and non-life insurance) – reporting in accordance with IFRS – including PZU Ukraine and PZU Ukraine Life;
- Baltic states (life and non-life insurance only) – reporting in accordance with IFRS – including Lietuvos Draudimas AB, AAS Balta, PZU Lietuva, UAB PZU Gyvybes Draudimas and their branches in Latvia and Estonia;
- investment contracts – reporting in accordance with National Accounting Standards – comprising products of PZU Życie which do not result in a transfer of significant insurance risk in accordance with IFRS 4 and are not insurance contracts (i.e. some of the products with a guaranteed rate of return and some unit-linked products) discussed in point 11.5.2;
- other – reporting in accordance with IFRS or PAS (presentation of a profit or loss of a segment under “other” is not required under IFRS 8) – comprises other consolidated entities which do not belong to any of the aforesaid segments and whose income is earned mainly from the manufacture of fittings, heaters, casting and services.

11.5. Polish Accounting Standards applied

11.5.1. PZU

National Accounting Standards and the differences between PAS and IFRS in respect of financial reporting of PZU were presented in detail in the annual separate financial statements of Powszechny Zakład Ubezpieczeń Spółka Akcyjna 2014, in accordance with PAS, approved by the Management Board on 16 March 2015 (“Separate financial statements of PZU for 2014”).

The separate financial statements of PZU for 2014 are available on the PZU website www.pzu.pl, under “Investor Relations” tab.

11.5.2. PZU Życie

The PZU accounting policy in accordance with PAS is convergent with PZU PAS policy (excluding accounting policies regarding insurance contracts and investment contracts).

In accordance with IFRS, the accounting policies regarding insurance contracts and investment contracts of PZU Życie are presented in the consolidated financial statements for 2014.

The key difference between PAS and IFRS as regards accounting for insurance contracts and investment contracts of PZU Życie is the classification of contracts. In PAS there is no concept of investment contract and as a result all contracts are classified as insurance contracts. According to IFRS, the classification of contracts should follow the guidelines included in IFRS 4 regarding the classification of products as insurance contracts (subject to IFRS 4) or as investment contracts (recognized in accordance with IAS 39). In case of the latter, the written premium is not recognized.

11.6. Structure of the segment reporting note and reconciliations

Due to the fact that the profits of segments are measured in compliance with the accounting policies of the country of residence of PZU Group or IFRS, financial data from segments are recognized according to several different accounting standards. Moreover, due to significant differences in the formats of management reports submitted to the Management Board of PZU compared with the format of the financial statements prepared under IFRS, two separate reporting formats had to be used: the format of the management reports submitted to the Management Board of PZU (left-hand side of the note) and the format of the financial statements prepared under IFRS (right-hand side of the note).

As a consequence, reconciliation of the totals of income and profit or loss of the reportable segments with their consolidated counterparts as required by IFRS 8.28 included in the note is complex and comprises the following stages described in the segment note in the same order as the order of the reconciliation columns:

- transition from the format of the management reports submitted to the Management Board of PZU to the format of the financial statements prepared under IFRS (the "Differences in presentation" column), resulting in a number of changes in the presentation, including reclassification of other operating income and expenses to items presented under "profit (loss) from operations" in accordance with IFRS;
- reconciliation of differences between the accounting standards used for the presentation of differences in financial data of the segments and IFRS (and separate presentation of the key accounting standards);
- making consolidation adjustments (since it is the last phase of reconciliation – the adjustments have been presented in the format required under IFRS).

11.7. Simplifications in the segment note

Some simplifications in the segment note have been made, acceptable under IFRS 8. Justification of the simplifications:

- withdrawal from presentation of information about allocation of all assets and liabilities to individual segments – resulting from failure to prepare and present such information to the PZU Management Board. The key information submitted to the Management Board of PZU is the profit or loss of given segments, on which basis management decisions, including decisions about allocation of resources are made. Analysis of assets and liabilities allocated to the segments is limited to the monitoring of compliance with the regulatory requirements related to capital adequacy ratios and coverage of technical provisions in assets (analysis by individual insurance companies instead of product groups);
- presentation of the net profit or loss on an investment with a single amount expressed as a difference between realized and unrealized income and expensed from investments – resulting from an internal assessment of the profit or loss of the segments on the basis of the total measure of the profit or loss on investments;
- income and expenses other than realized and unrealized investment income and expenses not allocated to the "investments" segment – resulting from the method of analysis of data regarding that segment and from impracticality of such allocation;
- presentation of other operating income and expenses and financing expenses of the companies PZU, Link4 and PZU Życie for their operating segments combined (and as a result, not allocating any amounts in this respect to the "investment contracts" segment) – resulting from the measures of profit of the operating segments adopted and from impracticality of such allocation;
- presentation of tax charges expressed as a single sum of consolidated data – resulting from the measures of profit of the operating segments adopted and from impracticality of such allocation.

11.8. Information on key accounts

Due to the nature of operations undertaken by the PZU Group entities, there are no accounts that would provide 10% or more of total revenues of PZU Group (defined as gross written premium).

Capital Group of Powszechny Zakład Ubezpieczeń Spółka Akcyjna
Condensed interim consolidated financial statements according to IFRS for the period of 6 months ended 30 June 2015
(in PLN thousand)

Income Statement for the period from 1 April 2015 to 30 June 2015	Corporate insurance (non-life insurance)	Mass-market insurance (non-life insurance)	Group and individually continued life insurance	Individual life insurance	Investments	Pension insurance	Ukraine	Baltic states	Investment contracts	Other activity	Presentation differences	Property and financial assets	Kontrakty inwestycyjne	Prevention Fund, equalization provision and impairment towards Company's Social Benefits Fund	Consolidation and non-allocated adjustments	Consolidated value	Income Statement for the period from 1 April 2015 to 30 June 2015	
	PAS	PAS	PAS	PAS	PAS	PAS	IFRS	IFRS	PAS	PAS	PAS	PAS - IFRS	PAS - IFRS	PAS - IFRS	IFRS	IFRS		
Gross written premiums - external	391,702	1,678,408	1,676,718	341,449	-	-	39,052	318,294	30,809	-	-	-	(30,809)	-	-	4,445,623	Gross written premiums - external	
Gross written premiums - cross-segment	(90)	61,211	-	-	-	-	-	-	-	-	-	-	-	-	-	(61,121)	Gross written premiums - cross-segment	
Gross written premiums	391,612	1,739,619	1,676,718	341,449	-	-	39,052	318,294	30,809	-	-	-	(30,809)	-	-	4,445,623		
Reinsurers' share in gross written premium	(12,761)	(8,772)	59	-	-	-	(15,020)	(7,449)	-	-	1	-	-	-	-	21,081	Reinsurers' share in gross written premium	
Net written premiums	378,851	1,730,847	1,676,777	341,449	-	-	24,032	310,845	30,809	-	1	-	(30,809)	-	(40,040)	4,422,762	Net written premium, including:	
Changes in unearned premiums and unexpired risks reserves (gross)	26,843	3,320	(252)	(529)	-	-	(2,165)	(35,021)	-	-	(39,937)	-	-	-	61,850	14,111	Net change in unearned premiums provision	
Reinsurers' share in changes in unearned premiums and unexpired risks reserves (gross)	(37,301)	(10,429)	-	-	-	-	4,857	2,937	-	-	39,936	-	-	-	-	-		
Net earned premiums	368,393	1,723,738	1,676,525	340,920	-	-	26,725	278,762	30,809	-	-	-	(30,809)	-	21,810	4,436,873	Net earned premiums	
Investment income, including:	35,796	152,716	135,820	32,414	936,314	1,754	1,357	1,886	(2,373)	17,901	(1,313,586)	-	77,458	-	2,508	(25,214)	54,752	Income from fees and commissions
Net investment result (external transactions)	35,796	152,716	135,820	32,414	(170,668)	1,754	1,356	1,887	(2,373)	17,901	(206,603)	-	-	-	-	-	-	
Net investment result (cross-segment transactions)	-	-	-	-	1,106,983	-	-	-	-	-	(1,106,983)	-	-	-	-	-	-	
											504,498	716	-	-	(54,464)	450,750	Net investment income (external transactions)	
											1,106,983	-	-	-	(1,106,983)	-	Net investment revenues (cross-segment transactions)	
											72,453	(13,173)	-	-	-	5,878	65,158	Net result on the realization and impairment losses of investments
											(373,920)	8,695	-	-	(43,960)	(409,185)	Net change in the fair value of assets and liabilities measured at fair value	
Other technical income net of reinsurance	5,062	38,391	218	5	-	-	-	-	1	-	(43,677)	-	-	-	-	-		
Operating revenues of non-insurance companies	-	-	-	-	-	30,395	-	-	-	160,342	(190,737)	-	-	-	-	-		
Other operating revenue (not applicable to insurance companies)	-	-	-	-	-	494	-	-	-	(5,869)	256,349	2,630	(4)	-	(50,878)	202,722	Other operating revenue	
Gross claims and benefits paid	(219,854)	(1,064,932)	(1,171,829)	(176,888)	-	-	(12,362)	(164,946)	(186,411)	-	(15,588)	-	21,826	-	13,664	(2,977,320)	Claims paid and change in technical provisions	
Changes in provisions for outstanding claims and benefits (gross)	(88,109)	(41,931)	(4,628)	(9,067)	-	-	2,834	(17,960)	4,179	-	154,682	-	-	-	-	-		
Reinsurers' share in claims and benefits paid	4,929	9,448	39	-	-	-	2,447	1,363	-	-	1,018	-	-	-	(2,426)	16,811	Reinsurers' share in claims paid and change in technical provisions	
Reinsurers' share in change in provisions	(11,402)	5,630	-	-	-	-	(2,672)	9,954	-	-	(1,510)	-	-	-	-	-		
Net claims	(314,436)	(1,091,785)	(1,176,418)	(185,955)	-	-	(9,754)	(171,589)	(182,232)	-	138,602	-	21,826	-	11,238	(2,960,503)	Net claims	
Changes in technical provision net of reinsurance, life insurance provisions, unit-linked technical provisions, risk equalization reserve	-	-	72,700	(93,184)	-	-	-	-	160,412	-	(139,928)	-	-	-	-	-		
Bonuses and rebates for the insured net of reinsurance, including change in provisions	(705)	(3)	(121)	-	-	-	-	-	(5)	-	834	-	-	6,479	-	6,479	Benefits and change in valuation of investment contracts	
Other technical charges - net of reinsurance	(9,791)	(73,919)	(23,033)	(1,864)	-	-	-	-	(216)	-	108,923	-	-	-	-	-		
Acquisition costs	(68,274)	(340,108)	(88,248)	(34,767)	-	(728)	(10,717)	(53,693)	(2,488)	-	-	-	-	-	21,322	(577,702)	Acquisition costs	
Administrative expenses	(30,264)	(155,896)	(137,477)	(14,458)	-	(9,305)	(5,289)	(41,744)	(2,047)	-	-	1,165	-	(15,000)	(3,730)	(414,046)	Administrative expenses	
Reinsurance commission and share in profits	6,432	(1,987)	(18)	-	-	-	-	-	-	-	(4,427)	-	-	-	-	-		
Operating expenses of non-insurance companies	-	-	-	-	-	-	-	-	-	(149,617)	149,617	-	-	-	-	-		
Other operating expenses (insurance companies excluded)	-	-	-	-	(129)	-	-	-	-	(2,551)	(314,435)	(380)	-	18,131	(12,950)	(312,314)	Other operating expenses	
Insurance result / Operating profit (loss)	(7,787)	251,147	459,948	43,011	936,315	22,481	2,320	13,623	1,861	20,206	35,007	(347)	-	3,131	(1,237,932)	542,984	Profit (loss) from operations	
Other operating income	7,423	-	6,407	-	-	-	2,541	1,594	-	-	(17,965)	-	-	-	-	-		
Other operating expenses	(67,067)	-	(3,969)	-	-	-	(780)	(513)	-	(25,903)	(89,371)	-	-	-	37,254	(78,020)	Financial costs	
Financial costs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(78,020)	Financial costs	
																(215)	Share of net profits (losses) of entities accounted for under equity method	
																464,749	Gross profit (loss)	
																(84,562)	Tax	
																380,187	Net profit (loss)	

Capital Group of Powszechny Zakład Ubezpieczeń Spółka Akcyjna
Condensed interim consolidated financial statements according to IFRS for the period of 6 months ended 30 June 2015
(in PLN thousand)

Income Statement for the period from 1 January 2015 to 30 June 2015	Corporate insurance (non-life insurance)	Mass-market insurance (non-life insurance)	Group and individually continued life insurance	Individual life insurance	Investments	Pension insurance	Ukraine	Baltic states	Investment contracts	Other activity	Presentation differences	Property and financial assets	Kontrakty inwestycyjne	Prevention Fund, equalization provision and impairment towards Company's Social Benefits Fund	Consolidation and non-allocated adjustments	Consolidated value	Income Statement for the period from 1 January 2015 to 30 June 2015		
	PAS	PAS	PAS	PAS	PAS	PAS	IFRS	IFRS	PAS	PAS	PAS	PAS - IFRS	PAS - IFRS	PAS - IFRS	IFRS	IFRS			
Gross written premiums - external	802,183	3,623,873	3,337,934	680,111	-	-	74,291	608,058	74,297	-	-	-	(74,297)	-	-	9,126,450	Gross written premiums - external		
Gross written premiums - cross-segment	1,781	65,123	-	-	-	-	-	-	-	-	-	-	-	-	-	(66,904)	Gross written premiums - cross-segment		
Gross written premiums	803,964	3,688,996	3,337,934	680,111	-	-	74,291	608,058	74,297	-	-	-	(74,297)	-	(66,904)	9,126,450			
Reinsurers' share in gross written premium	(69,514)	(14,162)	809	4	-	-	(24,968)	(27,277)	-	-	-	-	-	-	-	42,717	Reinsurers' share in gross written premiums		
Net written premiums	734,450	3,674,834	3,338,743	680,115	-	-	49,323	580,781	74,297	-	-	-	(74,297)	-	(24,187)	9,034,059	Net written premium, including:		
Changes in unearned premiums and unexpired risks reserves (gross)	19,864	(279,431)	(893)	913	-	-	(5,089)	(38,327)	(11)	-	(38,288)	-	11	-	-	51,105	Net change in unearned premiums provision		
Reinsurers' share in changes in unearned premiums and unexpired risks reserves (gross)	(32,437)	(18,567)	-	-	-	-	5,626	7,090	-	-	38,288	-	-	-	-	-			
Net earned premiums	721,877	3,376,836	3,337,850	681,028	-	-	49,860	549,544	74,286	-	-	-	(74,286)	-	-	26,918	Net earned premiums		
Investment income, including:	57,558	255,413	332,177	198,261	1,296,161	4,428	26,119	16,607	22,476	31,259	145,107	-	4,919	-	(46,830)	103,196	Income from fees and commissions		
Net investment result (external transactions)	57,558	255,413	332,177	198,261	167,523	4,428	26,119	16,607	22,476	31,259	(2,240,459)	-	-	-	-	-			
Net investment result (cross-segment transactions)	-	-	-	-	1,128,638	-	-	-	-	-	(1,128,638)	-	-	-	-	-			
											847,148	1,402	-	-	-	(42,955)	805,595	Net investment income (external transactions)	
											1,347,260	-	-	-	-	(1,347,260)	-	Net investment revenues (cross-segment transactions)	
											199,407	(14,229)	-	-	-	(2,236)	182,942	Net result on the realization and impairment losses of investments	
											(145,243)	220,576	-	-	-	(6,114)	69,219	Net change in the fair value of assets and liabilities measured at fair value	
Other technical income net of reinsurance	13,503	80,976	571	5	-	-	-	-	-	-	(95,055)	-	-	-	-	-			
Operating revenues of non-insurance companies	-	-	-	-	-	56,751	-	-	-	278,884	(335,635)	-	-	-	-	-			
Other operating revenue (not applicable to insurance companies)	-	-	-	-	-	527	-	-	-	4,080	492,810	(1,482)	1	-	(126,474)	369,462	Other operating revenue		
Gross claims and benefits paid	(438,941)	(2,098,769)	(2,397,805)	(373,177)	-	-	(49,436)	(352,502)	(404,087)	-	(83,932)	-	84,998	-	-	28,796	(6,084,855)	Claims paid and change in technical provisions	
Changes in provisions for outstanding claims and benefits (gross)	(45,535)	20,382	(20,193)	(9,425)	-	-	2,985	(8,587)	2,252	-	58,121	-	-	-	-	-			
Reinsurers' share in claims and benefits paid	11,452	18,165	74	-	-	-	4,017	9,905	-	-	37,192	-	-	-	(2,311)	78,494	Reinsurers' share in claims paid and change in technical provisions		
Reinsurer's share in change in provisions	21,180	11,843	-	-	-	-	(3,309)	7,917	-	-	(37,631)	-	-	-	-	-			
Net claims	(451,844)	(2,048,379)	(2,417,924)	(382,602)	-	-	(45,743)	(343,267)	(401,835)	-	(26,250)	-	84,998	-	26,485	(6,006,361)	Net claims		
Changes in technical provision net of reinsurance, life insurance provisions, unit-linked technical provisions, risk equalization reserve	-	-	(28,301)	(312,011)	-	-	-	-	316,844	-	23,468	-	-	-	-	(15,632)	(15,632)	Benefits and change in valuation of investment contracts	
Bonuses and rebates for the insured net of reinsurance, including change in provisions	(1,335)	(839)	(161)	-	-	-	-	-	(8)	-	2,343	-	-	-	-	-			
Other technical charges - net of reinsurance	(19,140)	(172,166)	(31,571)	(2,143)	-	-	-	-	(281)	-	225,301	-	-	-	-	-			
Acquisition costs	(130,508)	(662,540)	(180,934)	(65,782)	-	(1,468)	(20,696)	(128,087)	(5,116)	-	-	-	-	-	64,323	(1,130,808)	Acquisition costs		
Administrative expenses	(62,857)	(318,125)	(284,303)	(30,466)	-	(20,623)	(9,372)	(78,143)	(4,562)	-	-	1,155	-	(15,000)	234	(822,062)	Administrative expenses		
Reinsurance commission and share in profits	10,867	(1,737)	(154)	-	-	-	-	-	-	-	(8,976)	-	-	-	-	-			
Operating expenses of non-insurance companies	-	-	-	-	-	-	-	-	-	(272,533)	272,533	-	-	-	-	-			
Other operating expenses (insurance companies excluded)	-	-	-	-	-	(140)	-	-	-	(8,458)	(620,294)	(124)	-	(7,706)	(25,729)	(662,451)	Other operating expenses		
Insurance result / Operating profit (loss)	138,121	509,439	727,250	86,290	1,296,161	39,475	168	16,654	1,804	33,232	83,465	207,298	-	(22,706)	(1,479,638)	1,637,013	Profit (loss) from operations		
Other operating income	187,933	-	26,798	-	-	-	3,463	7,287	-	-	(225,481)	-	-	-	-	-			
Other operating expenses	(149,687)	-	(13,179)	-	-	-	(2,060)	(18,760)	-	-	183,686	-	-	-	-	-			
Financial costs	-	-	-	-	-	-	-	-	-	(26,550)	(41,670)	-	-	-	50,193	(18,027)	Financial costs		
																(32)	Share of net profits (losses) of entities accounted for under equity method		
																	1,618,954	Gross profit (loss)	
																	(297,427)	Tax	
																		1,321,527	Net profit (loss)

Capital Group of Powszechny Zakład Ubezpieczeń Spółka Akcyjna
Condensed interim consolidated financial statements according to IFRS for the period of 6 months ended 30 June 2015
(in PLN thousand)

Income Statement for the period from 1 April 2014 to 30 June 2014	Corporate insurance (non-life insurance)	Mass-market insurance (non-life insurance)	Group and individually continued life insurance	Individual life insurance	Investments	Pension insurance	Ukraine	Baltic states	Investment contracts	Other activity	Presentation differences	Property and financial assets	Kontrakty inwestycyjne	Prevention Fund, equalization provision and impairment towards Company's Social Benefits Fund	Consolidation and non-allocated adjustments	Consolidated value	Income Statement for the period from 1 April 2014 to 30 June 2014	
	PAS	PAS	PAS	PAS	PAS	PAS	IFRS	IFRS	PAS	PAS	PAS	PAS - IFRS	PAS - IFRS	PAS - IFRS	IFRS	IFRS		
Gross written premiums - external	476,624	1,534,690	1,635,281	317,594	-	-	37,852	81,872	111,333	-	-	-	-	(111,333)	-	4,083,914	Gross written premiums - external	
Gross written premiums - cross-segment	1,133	(44)	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,089)	Gross written premiums - cross-segment	
Gross written premiums	477,757	1,534,646	1,635,281	317,594	-	-	37,852	81,872	111,333	-	-	-	-	(111,333)	-	4,083,914	Gross written premiums - cross-segment	
Reinsurers' share in gross written premium	(49,000)	1,431	(503)	-	-	-	(6,041)	(3,121)	-	-	-	-	-	-	-	235	(57,099)	Reinsurers' share in gross written premium
Net written premiums	428,757	1,536,077	1,634,678	317,594	-	-	31,811	78,752	111,333	-	-	-	-	(111,333)	-	4,026,815	Net written premium, including:	
Changes in unearned premiums and unexpired risks reserves (gross)	(69,203)	95,723	214	(165)	-	-	(4,600)	(11,128)	21	-	5,056	-	(21)	-	145	16,043	Net change in unearned premiums provision	
Reinsurers' share in changes in unearned premiums and unexpired risks reserves (gross)	11,712	(8,924)	-	-	-	-	4,527	(2,258)	-	-	(5,057)	-	-	-	-	-	-	
Net earned premiums	371,266	1,622,876	1,634,892	317,429	-	-	31,739	65,366	111,354	-	(1)	-	(111,354)	-	(709)	4,042,858	Net earned premiums	
Investment income, including:	33,151	136,859	184,872	102,301	1,746,318	3,043	10,444	6,075	12,279	(1,533)	(2,233,809)	-	3,374	-	(11,123)	58,210	Income from fees and commissions	
Net investment result (external transactions)	33,151	136,859	184,872	102,301	265,850	3,043	10,444	6,075	12,279	(1,533)	(753,341)	-	-	-	-	-	-	
Net investment result (cross-segment transactions)	-	-	-	-	1,480,468	-	-	-	-	-	(1,480,468)	-	-	-	-	-	-	
											438,469	-	-	-	(3,645)	434,824	Net investment income (external transactions)	
											1,476,905	-	-	-	(1,476,905)	-	Net investment revenues (cross-segment transactions)	
											136,696	397	-	-	(249)	136,844	Net result on the realization and impairment losses of investments	
											251,318	20,411	-	-	(15,580)	256,149	Net change in the fair value of assets and liabilities measured at fair value	
Other technical income net of reinsurance	1,870	16,300	(435)	(415)	-	-	-	-	2	-	(17,322)	-	-	-	-	-	-	
Operating revenues of non-insurance companies	-	-	-	-	-	33,477	-	-	-	120,694	(154,171)	-	-	-	-	-	-	
Other operating revenue (not applicable to insurance companies)	-	-	-	-	-	445	-	-	-	(7,927)	186,758	(307)	(2)	-	(35,950)	143,017	Other operating revenue	
Gross claims and benefits paid	(195,594)	(902,929)	(1,069,123)	(158,964)	-	-	(19,091)	(51,170)	(241,385)	-	(262,513)	-	109,091	-	8,568	(2,783,110)	Claims paid and change in technical provisions	
Changes in provisions for outstanding claims and benefits (gross)	(50,421)	(114,266)	(7,193)	(3,172)	-	-	(4,562)	10,178	132	-	169,304	-	-	-	-	-	-	
Reinsurers' share in claims and benefits paid	6,972	4,445	32	1	-	-	945	6,362	-	-	9,929	-	-	-	504	29,189	Reinsurers' share in claims paid and change in technical provisions	
Reinsurer's share in change in provisions	9,504	1,386	-	-	-	-	4,566	(5,496)	-	-	(9,960)	-	-	-	-	-	-	
Net claims	(229,539)	(1,011,364)	(1,076,284)	(162,135)	-	-	(18,143)	(40,126)	(241,253)	-	(93,240)	-	109,091	-	9,072	(2,753,921)	Net claims	
Changes in technical provision net of reinsurance, life insurance provisions, unit-linked technical provisions, risk equalization reserve	-	-	(63,756)	(162,602)	-	-	-	-	132,234	-	94,124	-	-	-	-	(1,108)	(1,108)	Benefits and change in valuation of investment contracts
Bonuses and rebates for the insured net of reinsurance, including change in provisions	1,285	-	(299)	-	-	-	-	-	(70)	-	(916)	-	-	-	-	-	-	
Other technical charges - net of reinsurance	(11,101)	(29,945)	(3,527)	(165)	-	-	-	-	(136)	-	44,874	-	-	-	-	-	-	
Acquisition costs	(74,971)	(299,335)	(88,683)	(31,600)	-	(2,360)	(11,232)	(18,543)	(4,290)	-	2	-	-	-	2,873	(528,740)	Acquisition costs	
Administrative expenses	(30,401)	(148,383)	(131,647)	(13,459)	-	(13,218)	(6,475)	(9,179)	(2,745)	-	(1)	4,839	-	(20,000)	2,479	(368,192)	Administrative expenses	
Reinsurance commission and share in profits	4,317	(1,858)	233	-	-	-	-	-	-	-	(2,692)	-	-	-	-	-	-	
Operating expenses of non-insurance companies	-	-	-	-	-	-	-	-	-	(103,250)	103,250	-	-	-	-	-	-	
Other operating expenses (insurance companies excluded)	-	-	-	-	-	(46)	-	-	(1,176)	(253,178)	(10,343)	-	(17,538)	86,380	(195,901)	Other operating expenses		
Insurance result / Operating profit (loss)	65,877	284,550	455,366	49,354	1,746,318	21,341	6,331	3,592	7,375	6,808	43,025	14,997	1	(37,538)	(1,443,357)	1,224,040	Profit (loss) from operations	
Other operating income	18,681	-	27,450	-	-	-	(759)	907	-	-	(46,279)	-	-	-	-	-	-	
Other operating expenses	(23,802)	-	(4,672)	-	-	-	414	(1,311)	-	-	29,371	-	-	-	-	-	-	
Financial costs	-	-	-	-	-	-	-	-	(15,140)	-	(26,118)	-	-	-	-	13,643	(27,615)	Financial costs
																159	Share of net profits (losses) of entities accounted for under equity method	
																1,196,584	Gross profit (loss)	
																(236,666)	Tax	
																959,918	Net profit (loss)	

Capital Group of Powszechny Zakład Ubezpieczeń Spółka Akcyjna
Condensed interim consolidated financial statements according to IFRS for the period of 6 months ended 30 June 2015
(in PLN thousand)

Income Statement for the period from 1 January 2014 to 30 June 2014	Corporate insurance (non-life insurance)	Mass-market insurance (non-life insurance)	Group and individually continued life insurance	Individual life insurance	Investments	Pension insurance	Ukraine	Baltic states	Investment contracts	Other activity	Presentation differences	Property and financial assets	Kontrakty inwestycyjne	Prevention Fund, equalization provision and impairment towards Company's Social Benefits Fund	Consolidation and non-allocated adjustments	Consolidated value	Income Statement for the period from 1 January 2014 to 30 June 2014		
	PAS	PAS	PAS	PAS	PAS	PAS	IFRS	IFRS	PAS	PAS	PAS	PAS - IFRS	PAS - IFRS	PAS - IFRS	IFRS	IFRS			
Gross written premiums - external	962,588	3,330,572	3,265,802	643,260	-	-	77,099	158,572	277,958	-	-	-	(277,958)	-	-	8,437,893	Gross written premiums - external		
Gross written premiums - cross-segment	1,518	(270)	-	-	-	-	-	-	-	-	-	-	-	-	(1,248)	-	Gross written premiums - cross-segment		
Gross written premiums	964,106	3,330,302	3,265,802	643,260	-	-	77,099	158,572	277,958	-	-	-	(277,958)	-	(1,248)	8,437,893			
Reinsurers' share in gross written premium	(92,146)	992	(1,755)	(72)	-	-	(13,725)	(12,821)	-	-	-	-	-	-	1,454	(118,073)	Reinsurers' share in gross written premium		
Net written premiums	871,960	3,331,294	3,264,047	643,188	-	-	63,374	145,751	277,958	-	-	-	(277,958)	-	206	8,319,820	Net written premium, including:		
Changes in unearned premiums and unexpired risks reserves (gross)	(157,646)	(113,143)	448	1,696	-	-	(692)	(22,066)	25	-	5,449	-	(25)	-	(1,267)	(287,221)	Net change in unearned premiums provision		
Reinsurers' share in changes in unearned premiums and unexpired risks reserves (gross)	16,080	(17,489)	-	-	-	-	4,527	2,331	-	-	(5,449)	-	-	-	-	-			
Net earned premiums	730,394	3,200,662	3,264,495	644,884	-	-	67,209	126,016	277,983	-	-	-	(277,983)	-	(1,061)	8,032,599	Net earned premiums		
Investment income, including:	66,823	274,471	371,257	182,775	1,842,399	5,425	15,413	8,514	25,366	17,575	140,915	-	7,685	-	(25,467)	123,133	Income from fees and commissions		
Net investment result (external transactions)	66,823	274,471	371,257	182,775	359,030	5,425	15,413	8,514	25,366	17,575	(2,810,018)	-	-	-	-	-			
Net investment result (cross-segment transactions)	-	-	-	-	1,483,369	-	-	-	-	-	(1,483,369)	-	-	-	-	-			
											807,834	-	-	-	(1,758)	806,076	Net investment income (external transactions)		
											1,483,369	-	-	-	(1,483,369)	-	Net investment revenues (cross-segment transactions)		
											26,846	(1,417)	-	-	(250)	25,179	Net result on the realization and impairment losses of investments		
											549,599	20,132	-	-	(30,522)	539,209	Net change in the fair value of assets and liabilities measured at fair value		
Other technical income net of reinsurance	10,015	28,121	675	16	-	-	-	-	2	-	(38,829)	-	-	-	-	-			
Operating revenues of non-insurance companies	-	-	-	-	-	76,851	-	-	-	198,476	(275,327)	-	-	-	-	-			
Other operating revenue (not applicable to insurance companies)	-	-	-	-	-	494	-	-	-	2,453	317,318	(905)	(2)	-	(74,491)	244,867	Other operating revenue		
Gross claims and benefits paid	(379,951)	(1,744,496)	(2,176,242)	(331,501)	-	-	(51,808)	(88,088)	(1,061,536)	-	65,372	-	276,325	-	15,547	(5,478,378)	Claims paid and change in technical provisions		
Changes in provisions for outstanding claims and benefits (gross)	(81,805)	(150,397)	(11,912)	22,602	-	-	(2,527)	7,271	(1,272)	-	218,040	-	-	-	-	-			
Reinsurers' share in claims and benefits paid	20,383	9,114	43	-	-	-	1,622	9,758	-	-	18,514	-	-	-	857	60,291	Reinsurers' share in claims paid and change in technical provisions		
Reinsurers' share in change in provisions	25,625	(885)	-	-	-	-	3,205	(8,152)	-	-	(19,793)	-	-	-	-	-			
Net claims	(415,748)	(1,886,664)	(2,190,111)	(308,899)	-	-	(49,508)	(79,211)	(1,062,808)	-	282,133	-	276,325	-	16,404	(5,418,087)	Net claims		
Changes in technical provision net of reinsurance, life insurance provisions, unit-linked technical provisions, risk equalization reserve	-	-	(161,141)	(342,446)	-	-	-	-	786,553	-	(282,966)	-	-	-	-	(6,025)	Benefits and change in valuation of investment contracts		
Bonuses and rebates for the insured net of reinsurance, including change in provisions	1,010	-	(493)	-	-	-	-	-	(71)	-	(446)	-	-	-	-	-			
Other technical charges - net of reinsurance	(26,414)	(106,087)	(9,992)	(777)	-	-	-	-	(339)	-	143,609	-	-	-	-	-			
Acquisition costs	(148,926)	(582,785)	(174,922)	(62,882)	-	(3,337)	(24,187)	(35,483)	(10,393)	-	-	-	-	-	6,551	(1,036,364)	Acquisition costs		
Administrative expenses	(57,370)	(272,801)	(259,480)	(25,814)	-	(50,394)	(13,406)	(15,702)	(5,185)	-	-	9,931	-	(20,000)	7,946	(702,275)	Administrative expenses		
Reinsurance commission and share in profits	7,430	(1,349)	331	-	-	-	-	-	-	-	(6,412)	-	-	-	-	186,196			
Operating expenses of non-insurance companies	-	-	-	-	-	-	-	-	-	(186,196)	-	-	-	-	-	-			
Other operating expenses (insurance companies excluded)	-	-	-	-	-	(93)	-	-	-	(2,542)	(436,401)	(16,272)	-	(31,477)	114,194	(372,591)	Other operating expenses		
Insurance result / Operating profit (loss)	167,214	653,568	840,619	86,857	1,842,399	28,946	(4,479)	4,134	11,108	29,766	87,420	11,469	-	(51,477)	(1,471,823)	2,235,721	Profit (loss) from operations		
Other operating income	39,673	-	29,343	-	-	-	12,008	2,687	-	-	(83,711)	-	-	-	-	-			
Other operating expenses	(38,569)	-	(7,541)	-	-	-	(3,552)	(3,384)	-	-	53,046	-	-	-	-	-			
Financial costs	-	-	-	-	-	-	-	-	(33,267)	-	(56,755)	-	-	-	30,209	(59,813)	Financial costs		
																245	Share of net profits (losses) of entities accounted for under equity method		
																	2,176,153	Gross profit (loss)	
																	(455,792)	Tax	
																		1,720,361	Net profit (loss)

1 January – 30 June 2015 and as at 30 June 2015	Poland	Baltic states	Ukraine	Non-allocated (eliminated from consolidation and other)	Consolidated value
Gross written premiums – external	8,444,101	608,058	74,291	-	9,126,450
Gross written premiums – cross-segment	21,904	-	-	(21,904)	-
Revenue from commissions and fees	103,196	-	-	-	103,196
Net investment income	768,977	8,649	27,969	-	805,595
Net result on realization and impairment losses on investments	182,094	3,588	(2,740)	-	182,942
Net change in the fair value of assets and liabilities measured at fair value	63,958	4,370	891	-	69,219
Non-current assets other than financial instruments ¹⁾	1,424,565	344,687	3,184	(490)	1,771,946
Deferred tax assets	25,146	-	1,178	-	26,324
Assets	65,046,559	2,180,592	194,065	(1,341,482)	66,079,734

¹⁾ Intangible assets and property, plant and equipment.

31 December 2014	Poland	Baltic states	Ukraine	Non-allocated (eliminated from consolidation and other)	Consolidated value
Non-current assets other than financial instruments ¹⁾	1,425,655	441,425	3,887	(666)	1,870,301
Deferred tax assets	16,639	9,300	1,018	-	26,957
Assets	66,803,450	2,169,983	224,704	(1,625,376)	67,572,761

¹⁾ concerns the intangible assets and the components of property, plant and equipment

1 January – 30 June 2014 and as at 30 June 2014	Poland	Baltic states	Ukraine	Non-allocated (eliminated from consolidation and other)	Consolidated value
Gross written premiums – external	8,202,222	158,572	77,099	-	8,437,893
Gross written premiums – cross-segment	147	-	-	(147)	-
Revenue from commissions and fees	123,133	-	-	-	123,133
Net investment income	787,533	4,702	13,841	-	806,076
Net result on realization and impairment losses on investments	25,000	468	(289)	-	25,179
Net change in the fair value of assets and liabilities measured at fair value	534,004	3,344	1,861	-	539,209
Non-current assets other than financial instruments ¹⁾	1,261,031	141,211	3,996	(476)	1,405,762
Deferred tax assets	19,553	4,087	1,000	-	24,640
Assets	63,360,492	848,081	212,113	(598,905)	63,821,781

¹⁾ Intangible assets and property, plant and equipment.

12. Issues, redemption and repayment of debt and equity securities

During the period of 6 months ended on 30 June 2015, PZU did not perform any issuance, buyout, and repayment of debt and capital securities.

13. Breach or default of significant provisions of the loans or other borrowing arrangements

During the 6 months ended on 30 June 2015, there were no instances of outstanding credit or loan payments or violation of the credit or loan terms not subject to corrective measures before the end of the reporting period in either PZU or its subsidiaries.

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

During the 6 months ended on 30 June 2015, neither PZU nor its subsidiaries granted 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

Only the profit recognized in the separate financial statements of the parent entity, drawn up in accordance with PAS, is subject to distribution.

On 12 May 2015, the PZU Management Board decided to apply to the General Shareholders' Meeting of PZU to appropriate the net profit of PZU for the year concluded on 31 December 2014 in amount of PLN 2,636,733 thousand as follows:

- PLN 2,590,569 thousand or PLN 30.00 per share to the dividend payment;
- PLN 36,164 thousand to supplementary capital;
- PLN 10,000 thousand to the Social Benefits Fund.

The PZU Management Board decided to apply to the General Shareholders' Meeting of PZU to set the dividend date at 30 September 2015 and the dividend payment date at 21 October 2015.

The motion of the PZU Management Board complies with the dividend policy and recognizes PFSA recommendations concerning the dividend policy of insurance and reinsurance companies.

On 30 June 2015, the General Shareholders' Meeting of PZU passed an ordinance to appropriate the net profit of PZU for the year concluded on 31 December 2014 in compliance with the motion of the PZU Management Board.

16. Disputes

The entities in 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 liabilities. The typical administrative proceedings are those related to own real property. The proceedings and disputes are typical and repetitive and; usually, individually, they are not significant for PZU Group.

Most disputes the PZU Group entities are parties to pertain to two companies: PZU and PZU Życie. In addition, PZU and PZU Życie participate in the proceedings before the President of the Office of Competition and Consumer Protection (UOKiK).

PZU and PZU Życie consider such claims when creating technical provisions for reported damages, considering the probability of an unfavorable 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 months ended on 30 June 2015 and by the date of submission of these interim statements, 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 at 30 June 2015, the total subject of dispute value of all 77,323 cases heard by courts, bodies competent to hear arbitration proceedings or public authority bodies involving the PZU Group entities was PLN 3,322,425 thousand. The amount includes PLN 2,808,530 thousand of liabilities and PLN 513,895 thousand of receivables of PZU Group entities which accounts for 25.31% and 4.63% of the equity of PZU calculated in line with PAS, respectively.

The estimations of provisions for individual cases recognize all information available at the signing of the consolidated financial statements, but they may change in the future.

16.1. Resolution of General Shareholders' Meeting of PZU regarding 2006 profit distribution

A petition of 30 July 2007 initiated an action of Manchester Securities Corporation ("MSC"), with the registered office in New York, against PZU regarding cancellation of the General Shareholders' Meeting of PZU's Resolution no. 8/2007 of 30 June 2007 regarding distribution of PZU profit for 2006 as non-compliant with good practices and acting to the detriment of the claimant, a shareholder of PZU.

The debated resolution of the General Shareholders' Meeting of PZU distributed the 2006 profit of PLN 3,280,883 thousand in the following manner:

- PLN 3,260,883 thousand to the supplementary capital;
- PLN 20,000 thousand to the Social Benefits Fund.

In its decision of 22 January 2010, the District Court in Warsaw cancelled the above resolution. PZU has appealed to all possible instances, including a cassation appeal to the Supreme Court, which dismissed said appeal on 27 March 2013. The ruling is final and binding and is not subject to further appeals.

PZU believes that cancellation of the above GSM resolution does not give rise to shareholders' claim for dividend.

In relation to the ruling repealing resolution no. 8/2007 taking effect, on 30 May 2012 the General Shareholders' Meeting of PZU passed the resolution to distribute the profit for the 2006 financial year in a manner corresponding to the cancelled resolution no. 8/2007. Manchester Securities Corporation objected against the resolution of 30 May 2012, which was recorded in the minutes.

On 20 August 2012, PZU received a copy of the lawsuit filed by MSC to the District Court in Warsaw, which stated that said company seeks the cancellation of the resolution of the General Shareholders Meeting of PZU dated 30 May 2012 on the distribution of profit for 2006, and the value of the subject of dispute was determined by the plaintiff to the amount of PLN 5,054 thousand. PZU filed its response to the lawsuit seeking the dismissal of the action in its entirety.

On 17 December 2013, the District Court pronounced a judgment whereby the claims were accepted in whole and the costs of the proceedings awarded from PZU to Manchester Securities Corporation. On 4 March 2014, PZU appealed against the judgment in whole. On 11 February 2015, the Appellate Court in Warsaw passed a judgment that changed the judgment of the District Court dated 17 December 2013 in its entirety, dismissed the action filed by MSC and ordered MSC to pay the costs of the proceedings. The judgment of the Appellate Court is final. MSC lodged a cassation appeal regarding the entire decision of the Appellate Court of 9 June 2015. PZU responded to the cassation appeal and moved for rejection or alternatively dismissal of the complaint by the Supreme Court.

On 16 December 2014, MSC called PZU to pay PLN 264,865 thousand of compensation due to the cancellation of the resolution No 8/2007 of the General Shareholders Meeting of PZU of 30 June 2007 on the distribution of profit of PZU for 2006. PZU refused to fulfil the obligation.

According to the Management Board, MSC's claims are unfounded. Thus, as at 30 June 2015, no changes in the presentation of PZU equity were made that may result from cancellation of the resolution of the General Shareholders Meeting on the distribution of profit for 2006, including "Supplementary capital" and "Retained earnings". The funds appropriated to the Social Benefits Fund were not adjusted or provisions recognized against any potential additional claims resulting from cancellation of the above resolution.

16.1.1. Other requests for payment concerning the distribution of profit of PZU for 2006

On 17 December 2014, Wspólna Reprezentacja SA called PZU to pay the amount of PLN 56,281 thousand and the amount of PLN 618 thousand as claims compensation acquired from the shareholders as a response to their deprivation of the right to a share in the profit of PZU. PZU refused to fulfill the obligation.

Apart from the above mentioned documents, the shareholders or the former shareholders presented PZU with a request for payment based on the facts presented above. The parties requesting the payment did not indicate specific amounts, but a number of shares, or simply request the payment. PZU submitted a response in writing indicating that such claims did not exist and they would not be taken into account.

16.1.2. Other legal proceedings concerning the distribution of profit of PZU for 2006

On 19 January 2015, the District Court of Warsaw delivered a copy of a motion with attachments regarding the action initiated by Wspólna Reprezentacja SA for a summons to a conciliation hearing concerning the amount of PLN 56,281 thousand. PZU rejected the conciliation at the hearing on 19 February 2015.

On 2 February 2015, the District Court of Warsaw delivered a copy of an application of MSC for a summons to a conciliation hearing concerning the amount of PLN 264,865 thousand. The claim covered in the application is tantamount to the request filed by MSC on 16 December 2014. PZU rejected the conciliation at the hearing on 24 February 2015.

PZU is receiving other copies of application for a summons to a conciliation hearing concerning settlement agreements consisting in the payment of the amount due to the share in the profit of PZU for 2006. A part of the proceedings have already ended. PZU refused the conciliation proposal indicating that such claims did not exist and they would not be taken into account.

There are 6 suits filed against PZU (two of which have been combined) for payment of dividend or claims. PZU consistently responds to such requests demanding their cancellation in their entirety. At the two hearings on 24 April 2014 and on 24 June 2015, the Regional Court for Warszawa Śródmieście dismissed the suits in their entirety (the ruling of 24 April 2015 is final, the ruling of 24 June 2015 is not).

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

16.2.1. Fine imposed in 2009 for standard agreements

In a decision of 30 December 2009 the President of the Office of Competition and Consumer Protection imposed a fine on PZU of PLN 14,792 thousand for the use of practices that infringe the collective interest of consumers consisting in:

- including contractual provisions specified in the Register of prohibited contractual provisions in the standard agreements;
- including contractual provisions which infringe Article 813.1 of the Civil Code by citing the unused sum insured as the condition for the amount of premium reimbursed to the consumer by the insurance company due to unused insurance period whereas the Article does not refer to such condition.

PZU does not agree with the decision and its statement of reasons. After several years of proceedings, on 6 November 2013, the Appellate Court in Warsaw changed the judgment issued by the Court of Competition and Consumer

Protection ("CCCP") of 18 January 2013 through reversal of the decision of the President of the Office of Competition and Consumer Protection dated 30 December 2009 in part, dismissal – as regards the contractual clauses in contravention of Article 813.1 of the Civil Code – of PZU's appeal of 18 January 2010, reduction of fine to PLN 1,644 thousand. The judgment of 6 November 2013 is final and was executed through the payment of PZU of the awarded financial penalty. On 23 June 2014, PZU filed a cassation appeal to the Supreme Court against the judgment. On 24 July 2014, PZU received a response of the President of Office of Competition and Consumer Protection to its cassation appeal. On 28 January 2015, the Supreme Court issued the decision accepting the cassation appeal for consideration. The hearing was set for 9 September 2015.

16.2.2. Fines imposed in 2011

16.2.2.1. Reimbursement of the costs of rental a replacement car

In a decision of 18 November 2011 the President of the Office of Competition and Consumer Protection imposed a fine on PZU of PLN 11,287 thousand for the use of practices that infringe the collective interest of consumers as set out in Article 24.1 and 24.2 of the Act on competition and consumer protection (Journal of Laws No. 50 of 2007, item 331, as amended) consisting in limitation of the scope of liability of PZU towards consumers that submit claims under the insurers' guarantee liability due to compulsory civil liability insurance of an owner of a motor vehicle by:

- refusing to acknowledge that the loss of the possibility to use the damaged car is a property damage and agreeing to pay damages for the rental of a replacement car only if the injured party presented specific circumstances necessitating the rental of a replacement car;
- leaving out the period necessary for the garage to obtain spare parts from the calculation of the reimbursement for the costs of rental of the replacement car;

and demanded that the practices be discontinued.

The Management Board of PZU does not agree with the decision and its legal and factual statement of reasons. On 5 December 2011 PZU appealed against the decision (thus the decision did not become valid).

At a trial held on 2 December 2013, the District Court in Warsaw passed a judgment whereby PZU's appeal was dismissed and the costs of legal representation were awarded from PZU to the President of the Office of Competition and Consumer Protection. On 23 December 2013, PZU appealed against the decision. At the hearing on 17 December 2014, the Appellate Court issued a decision suspending the above proceedings until the Supreme Court settles the legal issue that raises serious doubts regarding a different case pending before the Appellate Court. The hearing before the Supreme Court was set for 9 September 2015.

Regardless of the initiated legal procedures, PZU held a provision for the above fine, whose amount both as at 30 June 2015 and 31 December 2014 was PLN 11,287 thousand.

16.2.2.2. Sale of a group accident insurance

In a decision of 30 December 2011 the President of the Office of Competition and Consumer Protection imposed a fine on PZU of PLN 56,605 thousand for the use of practices that limit competition and infringe the prohibition specified in Article 6.1.3 of the Act on competition and consumer protection following an agreement concluded by PZU and Maximus Broker sp. z o.o. with its registered office in Toruń ("Maximus Broker") that limited the competition in the domestic group accident insurance for children, youth and staff of educational institutions by dividing the market between the entities – the customers of PZU in the kujawsko-pomorskie region were serviced by Maximus Broker in exchange for recommendation of PZU insurance to those customers. The Office demanded that the practices be discontinued.

The Management Board of PZU refuses to agree with the facts and legal reasons presented in the decision, because the decision does not consider all the evidence and the legal classification was not correct.

On 18 January 2012 PZU appealed against the decision (thus the decision did not become valid). In the appeal PZU pointed that:

- PZU and Maximus Broker did not conclude any agreement apart from the agreement concerning brokerage fees;
- the President of the Office of Competition and Consumer Protection is wrong in the understanding of insurance contracts concluded via a broker;
- the majority of insurance contracts concluded via Maximus Broker was concluded with insurance companies other than PZU;
- PZU and Maximus Broker cannot and could not carry out competitive activities in their markets.

On 22 October 2012, PZU received a response of the President of Office of Competition and Consumer Protection to its appeal. On 5 November 2012 PZU replied to the response. On 27 March 2015, the Court of Competition and Consumer Protection ruled to cancel the decision of the President of Office of Competition and Consumer Protection of 30 December 2011. On 21 May 2015, the President of the Office of Competition and Consumer Protection appealed against the decision. On 24 June 2015, PZU responded to the appeal of the President of the Office of Competition and Consumer Protection.

PZU held a provision for the above fine, whose amount both as at 30 June 2015 and 31 December 2014 was PLN 56,605 thousand.

16.3. 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 the Office of Competition and Consumer Protection ("OCCP") instituted anti-monopoly proceedings on suspicion of abuse by PZU Życie of its dominant position in the market of employee group insurance, which might have constituted a breach of 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 aforementioned proceedings, the President of the Office of Competition and Consumer Protection 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 issued did not take into account all the evidence and the legal qualification was incorrect, and as a result it was wrongly assumed 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 the CCCP.

After several years of proceedings, the CCCP in a ruling of 17 February 2011 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.

On 9 May 2013, the Appellate Court in Warsaw admitted the charges filed by PZU Życie and reversed the judgment of the CCCP on grounds of nullity of legal proceedings, cancelled the proceedings to the extent that they were null and remanded the matter for a new trial before the CCCP.

As a result of further proceedings, in the judgment of 28 March 2014 the CCCP dismissed the appeal of PZU Życie and adjudged the return of proceeding's expenses by PZU Życie. On 10 July 2014 PZU Życie appealed against the judgment of the CCCP of 28 March 2014, appealing against the judgment in its entirety. The court sent a copy of the appeal to the defendant and other participants who submitted a response to the appeal, which was followed by an exchange of subsequent pleadings. The files were then transferred to the Appellate Court in Warsaw. On 2 July 2015, PZU Życie replied to the appeal response. The appeal hearing was set for 3 September 2015.

Regardless of the initiated appellation procedures, PZU Życie held a provision for the above fine, whose amount both as at 30 June 2015 and 31 December 2014 was PLN 50,384 thousand.

16.4. Dispute with CSC Computer Sciences Polska sp. z o.o.

On 9 April 2010, the Court of Arbitration delivered to PZU Życie a statement of claims for payment. The case against PZU Życie was brought by CSC Computer Sciences Polska sp. z o.o. ("CSC") which demanded payment of EUR 8,437 thousand with respect to implementation of the GraphTalk system at PZU Życie. Following subsequent amendments, CSC claimed the total of PLN 35,663 thousand with interest due from the claim date (i.e. from 31 March 2010) until the date of payment. The sought amount included claims related to license fees, implementation works, support and maintenance services, contractual penalties, and capitalized interest.

On 31 May 2010, PZU Życie requested that the Court of Arbitration rule that the court temporarily refuses jurisdiction for some claims and dismissed the entire claims. PZU Życie also filed a counter claim against CSC, demanding payment of PLN 71,890 thousand as a return of the remuneration collected by CSC or as damages for undue performance of liabilities. On 31 August 2010, CSC motioned dismissal of the entire claim of PZU Życie indicating lack of evidence to consider it.

After the proceedings before the Arbitration Court at the Polish Chamber of Commerce, on 18 December 2012, the court issued a judgment ("Judgment of the Arbitration Court 108/10") adjudicating the payment of PLN 17,193 thousand for CSC by PZU Życie and discontinued the proceedings concerning the main complaint regarding the payment of EUR 8,437 thousand with statutory interest for the period from the claim date. Furthermore, the Arbitration Court dismissed the remaining part of the main suit and dismissed the countersuit of PZU Życie.

Due to the final and binding conclusion of the suit concerning the feasibility of Judgment 108/10, on 9 July 2015 PZU Życie paid the adjudged PLN 17,393 thousand to CSC under reserve.

16.5. Submission of PZU claims to the bankruptcy estate of PBG Capital Group companies

PZU concluded contracts of mandate regarding periodic insurance guarantees (contractual guarantees) with PBG SA ("PBG") and Hydrobudowa Polska SA ("Hydrobudowa"). The registered offices of both companies are located in Wysogotowo near Poznań. PZU issued insurance guarantees on the basis of the aforementioned contracts. Should PZU perform on these guarantees, its customers were obliged to refund amounts paid to PZU.

In 2012, bankruptcy proceedings were initiated against PBG and Hydrobudowa. On 21 September 2012 PZU joined the above proceedings submitting its claims to the bankruptcy estate of both companies.

PBG and Hydrobudowa belong to the same capital group with PBG as the parent entity. They granted liabilities to each other. All claims submitted to the bankruptcy estate of Hydrobudowa in the amount of PLN 100,996 thousand have been therefore submitted in relation to the bankruptcy estate of PBG as well. Out of the above claims:

- PBG granted sureties regarding PLN 33,747 thousand arising from guarantees issued for Hydrobudowa;
- Hydrobudowa granted sureties regarding PLN 67,249 thousand arising from guarantees issued for PBG.

(Following their verification by the judge-commissioner and the court appointed supervisor) PZU's receivables due from the bankruptcy estate of PBG of PLN 103,014 thousand have been entered into the list of receivables. Both as at 30 June 2015 and as at 31 December 2014, the sureties amount to PLN 102,164 thousand and their reduction is due to the expiry of a part of guarantees to which no claims were reported. The creditor's meeting set for 29 April 2015, which was supposed to include the vote concerning the PBG arrangement proposals, was cancelled. At the creditor's meeting on 5 August 2015, PZU voted in favor of adopting the arrangement. Before specifying the final results of the voting, the judge-commissioner shall verify the validity of cast votes. The results of the voting on the arrangement will be announced at the meeting set for 25 August 2015.

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

In 1999, PZU Życie granted a mortgage loan to Metro-Projekt sp. z o. o. ("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 land perpetual usufruct and a building owned by Metro-Projekt, located in Warsaw at Al. Jerozolimskie 44.

Metro-Projekt did not repay its loan, and in November 2002 it was declared bankrupt.

The proceedings resulting from the receiver of Universal SA filing for a separation of the real estate located at Al. Jerozolimskich 44 in Warsaw from the bankruptcy estate of Metro-Projekt began in 2004.

As a result of a settlement concluded in 2012, in exchange for resigning from claims for the bankruptcy estate of Universal, the bankruptcy estate of Metro-Projekt was to be charged with an additional amount of PLN 5,722 thousand to be transferred to the former.

After several more unsuccessful attempts to sell the enterprise, another announcement of the receiver was published on 25 August 2014. The bidding opened at PLN 80 million. The only bid in the amount of PLN 80 million was opened on 21 October 2014.

The receiver sold the enterprise for PLN 80 million on 18 December 2014.

As at 31 December 2014 the carrying amount of the receivables from Metro-Projekt was PLN 109,478 thousand. On 28 April 2015, the PZU Życie liability of PLN 109,478 thousand was covered in full.

17. Other information

17.1. Rating of PZU Group entities by credit rating agencies

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

As at the release of this periodical report, the financial strength and local currency credit of PZU and PZU Życie were rated A (by S&P on 16 July 2009). This rating was subject to update at least once a year (the dates of recent updates are presented in the table below).

The long-term credit rating in the local currency as at the date of the report was A with a stable outlook, while the credit rating of Poland for long-term foreign currency debt is A- with a stable outlook.

In the announcement of 27 April 2015, the S&P agency confirmed PZU's rating position at the level of "A" with a stable outlook. This means that PZU's debt in foreign currency rating is currently higher than that of Poland.

The table below presents ratings assigned to PZU and PZU Życie by S&P together with previous ratings.

Company name	Rating and outlook	Date of granting / update	Previous rating and outlook	Date of granting / update
PZU				
Financial strength rating	A /stable/	27 April 2015	A /stable/	25 March 2014
Credit rating	A /stable/	27 April 2015	A /stable/	25 March 2014
PZU Życie				
Financial strength rating	A /stable/	27 April 2015	A /stable/	25 March 2014
Credit rating	A /stable/	27 April 2015	A /stable/	25 March 2014

17.2. Acquisition of shares of Alior Bank SA

Under preliminary share purchase agreement for the shares of Alior Bank SA ("Alior Bank") dated 30 May 2015, PZU will acquire 17,818,473 Alior Bank's shares from Alior Lux S.à.r.l & Co. S.C.A ("Seller 1") and 500 000 Alior Bank's shares from Alior Polska sp. z o.o. ("Seller 2"), i.e. in total j. 18,318,473 shares which constitutes approximately 25.25% of Alior Bank's share capital and total number of votes at Alior Bank's general shareholders' meeting.

Having fulfilled the conditions specified in the purchase agreement, the shares of Alior Bank will be acquired by PZU in three instalments:

- first – 6,744,900 shares from Seller 1 and 500,000 shares from Seller 2;
- second – 7,244,900 shares from Seller 1;
- third – 3,828,673 shares from Seller 1.

price per share shall amount to PLN 89.25, with the total value of PLN 1,634,924 thousand.

The transaction is determined by the following conditions precedent which simultaneously serve as the conditions precedent of individual instalments (the first three points refer only to the first instalment):

- lack of objection of the Polish Financial Supervision Authority ("PFSA") in relation to the purchase of the shares of Alior Bank by PZU;
- approval of the Office of Competition and Consumer Protection ("OCCP") or if the approval is considered obtained (on 6 August 2015, PZU learned that the conditions was fulfilled);
- approval from the Anti-Monopoly Office of ;
- no violation of declarations and statements placed by the contractual parties;
- no unauthorized benefits specified in the agreement, which are not covered by appropriate compensation;
- no considerable negative change specified in the agreement;
- no violation of liabilities over the transitional period between the agreement signing date and the date of the next instalment;
- Alior Bank's acquisition of a part of the enterprise of Seller 2 which includes the real property listed in points a) – d) of ordinance no. 27/2015 of the general shareholders' meeting of Alior Bank dated 25 May 2015.

17.3. Split of PZU shares

On 30 June 2015, the General Shareholders' Meeting adopted a resolution on the PZU's share split by reducing the nominal value of each PZU share from PLN 1 to PLN 0.10 and increasing the number of PZU shares of the share capital from 86,352,300 to 863,523,000. The distribution of shares will take place though the exchange of all the shares in a 1:10 ratio. The share split does not affect the share capital of PZU.

The split is planned to take place in November of 2015.

17.4. Employment restructuring process

On 18 December 2014, the Management Board of PZU decided to begin restructuring activities connected to the introduction of new IT systems and operation process automation.

On 8 April 2015, the Management Boards of PZU and PZU Życie announced their intention to carry out group redundancies, in accordance to the Act of 13 March 2003 on special principles of employment termination for reasons not related to employees (Journals of Laws of 2003, item 844, as amended) ("Act on special principles of employment termination").

On 10 April 2015, PZU, PZU Życie, and the trade unions operating at these companies signed an agreement setting out the terms and conditions of employment restructuring. The final form of the document was based on the experience and solutions developed during the corresponding negotiations in previous years.

Employment restructuring was conducted during the planned period (May–June 2015) and finally encompassed 269 people within PZU and PZU Życie, while the employment downsizing applied to 136 employees.

Similarly to all previous stages of the employment restructuring process (i.e. from 2010 to 2014), those employees who were laid off or refused to accept the proposed change of employment terms were offered more favorable terms of leaving the company than the ones provided for by the applicable regulations (Act laying down special principles applicable to termination of employment contracts). The amount of additional redundancy pay depended on the length of service with PZU Group and the salary of each employee.

Costs associated with benefits paid to released employees were recognized in the reserve for restructuring purposes included in the consolidated financial report for 2014. The remaining costs were included in the interim consolidated financial statements.

As at 30 June 2015, the provision for restructuring costs was PLN 4,971 thousand (as at 31 December 2014: PLN 9,354 thousand).

17.5. Related party transactions

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

During the 6 months ended on 30 June 2015, neither PZU nor its subsidiaries entered any related party transactions of individual or collective significance or concluded under conditions other than arm's length, with exception of the below transactions.

Under the agreement dated 23 March 2015, PZU granted to PZU Zdrowie an interest-free cash loan. The maximum loan amount is PLN 200,000 thousand and the repayment deadline is 31 December 2030. The first loan advance of PLN 90,000 thousand was launched on 24 March 2015. Since both companies are members of the Tax Capital Group, it is tax neutral.

Furthermore, on the basis of the framework agreement signed by said entities on 7 August 2013, PLN cash loans are granted between PZU and PZU Życie for a fixed term of 12 months or less. The total value of loans provided by each Party may not exceed PLN 1 billion. The objective of the aforementioned agreement is to provide PZU Group with a liquidity management tool. The loans do not fall under arm's length basis – the loaned amount is not subject to interest and the lender is entitled to a commission of PLN 100 for every concluded loan agreement – however, since both companies are members of the Tax Capital Group, the loans are tax neutral. During the period of 6 months ended 30 June 2015 such loans were not granted.

17.5.2. Balances and turnovers of transactions with related parties

Balances and turnovers of transactions between PZU Group and related parties	1 January – 30 June 2015 and as at 30 June 2015		1 January – 31 December 2014 and as at 31 December 2014		1 January – 30 June 2014 and as at 30 June 2014	
	Key management personnel of the main entities ¹⁾	Other related parties ²⁾	Key management personnel of the main entities ¹⁾	Other related parties ²⁾	Key management personnel of the main entities ¹⁾	Other related parties ²⁾
Gross written premium						
in non-life insurance	-	1,606	-	860	-	-
in life insurance (including investment contracts)	-	-	-	-	-	-
Other income	-	2	-	-	-	-
Expenses	-	11	-	18	-	-
including write-offs for receivables recognized in current period	-	-	-	-	-	-
Receivables		14		40		
gross value	-	14	-	40	-	-
impairment losses	-	-	-	-	-	-
net value	-	14	-	40	-	-
Liabilities	-	-	-	11	-	-
Contingent assets	-	-	-	-	-	-
Contingent liabilities	-	-	-	-	-	-

¹⁾ High level management, data as per statements.

²⁾ Non-consolidated entities in liquidation, associates and joint ventures measured using the equity method.

17.5.3. Transactions with entities controlled by the State Treasury

In spite of the provisions of the By-laws of PZU (in particular those concerning the limitations of the voting rights of the shareholders other than the State Treasury and the rules of appointing Supervisory Board of PZU), for the purposes of presentation of related party transactions, it is assumed that the State Treasury has retained control over PZU, as understood by IAS 27, and thus PZU remains an entity controlled by the State Treasury.

Non-life insurance contracts, life insurance contracts and investment contracts constituted the major part of transactions with associates, joint-ventures and associates of the State Treasury. The transactions are concluded and settled on the terms and conditions applicable to customers which are not related parties. Receivables from and liabilities to related parties due to insurance contracts are short-term.

PZU Group enjoys the exemption from the obligation to disclose related-party transactions due to the fact of being under control, joint control or significant influence of the same government, as referred to in Par. 25 of IAS 24. However, as such information is useful, PZU Group decided to disclose the value of premium written as well as the volumes of investment contracts resulting from transactions with subsidiaries, joint-ventures, and associates of the State Treasury understood exclusively as commercial law companies and subsidiaries, joint-ventures, and associates of the State Treasury, the letters of which are published on the State Treasury Ministry's websites.

The table below presents the written premium and investment contract volumes resulting from transactions with subsidiaries, joint-ventures, and associates of the State Treasury.

Entities controlled by, joint ventures of and associates of the State Treasury	1 April – 30 June 2015	1 January – 30 June 2015	1 April – 30 June 2014	1 January – 30 June 2014
Gross written premium at non-life insurance	14,610	20,286	38,757	48,038
- including written premium in transactions with Bank Powszechny Kasa Oszczędności BP SA	3,904	5,556	6,666	8,477
Gross written premium from life insurance	6,799	13,840	7,926	15,698
- including written premium and volumes of investment contracts in transactions with Bank Powszechny Kasa Oszczędności BP SA	6,799	13,840	7,926	15,698
Total	21,409	34,126	46,683	63,736

17.6. Inspection of PZU Życie by the Polish Financial Supervision Authority

The Polish Financial Supervision Authority conducted an inspection at PZU Życie between 12 August and 3 October 2014. The inspection covered the PZU Życie's operations and financial status in respect of:

- organization and management;
- bookkeeping;
- investment policy;
- technical provisions;
- fulfillment of benefits.

PZU Życie received the post-inspection report on 29 June 2015 and filed its reservations towards it on 13 July 2015. As at the date of release of these interim financial statements, PZU Życie has not received any post-inspection recommendations.

17.7. Inspection of PZU by the Polish Financial Supervision Authority

The Polish Financial Supervision Authority conducted an inspection at PZU in scope of insurance agent services between 17 April and 17 June 2015.

As at the date of release of this interim statement, PZU has not received the post-inspection report or any recommendations.

17.8. Situation in Ukraine

From 2014, the political and economic situation in Ukraine is unstable. This is related to the following factors affecting the Ukrainian insurance sector:

- high inflation rate and strong local currency (Ukrainian hryvnia) depreciation towards the dollar and the euro;
- collapsing internal demand;
- trouble in the banking sector (bankruptcy of Ukraine's fourth-largest bank, the Delta Bank – temporary administration was applied on 3 March 2015).

The external factors are disturbing the operations of the financial sector and make it difficult to plan long-term business. On the other hand, under such conditions, the clients have grown to appreciate the reliability of insurance companies, they are willing to accept higher prices, and insurance companies with foreign capital are perceived as more credible. By diversifying the sales channels and portfolio, PZU Ukraine and PZU Ukraine Life Insurance are more flexible towards market changes and are realizing the financial plans passed in 2014. Considering the hazards presented by the external environment, the PZU Management Board is cooperating with the management boards of PZU Ukraine and PZU Ukraine Life Insurance to monitor the situation in Ukraine. Scenarios of reaction to market changes and controlling mechanisms have been developed. PZU has no intention to withdraw from the Ukrainian market. As at the date of this interim report, the PZU Management Board assumes that PZU Ukraine and PZU Ukraine Life Insurance will continue their business activity in accordance with the agreed objectives. Nevertheless, the current economic instability in Ukraine may have a negative impact on the financial situation and results of PZU Ukraine and PZU Ukraine Life Insurance in the future, which cannot be credibly projected at this point. These interim statements reflect the PZU Management Board's current evaluation of the situation.

17.9. Sale of shares of PZU Lietuva

On 2 February 2015, an share purchase agreement of shares in PZU Lietuva was signed, under which Gjensidige Forsikring ASA with the registered office in Oslo (Norway) acquired 1,761,941 ordinary registered shares with the nominal value of LTL 100 (EUR 28.96) each, representing a total of 99.879% of the share capital of PZU Lietuva.

The sale of shares is subject to the fulfillment of the following conditions precedent:

- the lack of objection of the Bank of Lithuania regarding the purchase of shares in PZU Lietuva by the purchaser (the condition was met on 13 August 2015);
- approvals from the Latvian and Estonian anti-monopoly authorities or written statements that such approvals are not required (PZU received a statement that such approvals are not required on 25 May 2015 and 14 May 2015 respectively);
- approval from the Lithuanian Competition Council (PZU learned of the condition's fulfillment on 7 April 2015);
- completion of the process of separating assets and liabilities of PZU Lietuva related to the operations carried out by the branches of PZU Lietuva in Latvia and Estonia to PZU Group (the condition was fulfilled on 23 June 2015);
- approval of the Bank of Lithuania concerning the early repayment of the subordinated loan granted to PZU Lietuva by PZU (the approval in question was issued on 15 July 2015 and the loan was paid off on 16 July 2015);

- Approval from the Norwegian Financial Supervision Authority for the purchase of the shares in PZU Lietuva by the purchaser (PZU learned of the condition's fulfillment on 14 May 2015);
- waiver of the pre-emptive right by the non-controlling shareholder of PZU Lietuva (holding 0.121% of the share capital) in relation to the shares of PZU Lietuva in favor of PZU;
- consent of the Lithuanian Government Commission for the purchase of the shares in PZU Lietuva by the purchaser or a written confirmation that such consent is not required (PZU learned of the condition's fulfillment on 14 May 2015).

The sale of PZU Lietuva shares will be effected once the last of the conditions precedent has been met, i.e. waiver of the preemptive right by the non-controlling shareholder. The last conditions precedent should be fulfilled by 30 November 2015.

The payment for PZU Lietuva shares is EUR 54,000 thousand and it shall be adjusted by the difference between the estimated net asset value and the net asset reference amount as well as the four payments made over 6-month periods in amounts of 1.5% of capital surplus measured as the difference between the actual equity of PZU Lietuva established according to the requirements of the Bank of Lithuania and the required equity of PZU Lietuva established according to legal regulations and regulations binding PZU Lietuva.

17.10. Administrative proceedings conducted by the Office of Competition and Consumer Protection

On 30 January 2015, PZU Życie received a letter from the Office of Competition and Consumer Protection dated 26 January 2015 announcing the launch of administration proceedings concerning practices violating collective consumer interests. The proceedings are ongoing. As at the date of release of this interim statement, the President of the Office of Competition and Consumer Protection has not released a decision in the matter.

Signatures of members of the Management Board of PZU

Name	Position	
Andrzej Klesyk	CEO of PZU (signature)
Przemysław Dąbrowski	Member of the Board (signature)
Rafał Grodzicki	Member of the Board (signature)
Dariusz Krzewina	Member of the Board (signature)
Tomasz Tarkowski	Member of the Board (signature)

Person responsible for preparation of the condensed interim consolidated financial statements:

Katarzyna Łubkowska	Director of Accounting Department (signature)
---------------------	--------------------------------------	------------------------

Warsaw, 25 August 2015