



Press Release

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In Q1 the PZU Group earned more than PLN 800 million.

In Q1 2010 the PZU Group had net earnings of PLN 807.41 million. The consolidated gross written premium on insurance was PLN 3,927.8 million.

„In Q1 2010 the PZU Group had net earnings of more than PLN 800 million. This is a very good result. Had it not been for the long and snowy winter, which caused considerable growth in claims and benefits paid, the result would have been even better. Moreover, for the PZU Group the beginning of 2010 meant initiating a headcount restructuring program whose long-term effect is to be a major reduction in operating expenses.” – said Andrzej Klesyk, CEO of PZU SA.

In Q1 2010 the PZU Group's financial results were driven primarily by the following factors:

- Implementation of the PZU Group's strategy in the following areas:
 - maintaining its dominant position in group life insurance while retaining the stable profitability of this line of business,
 - rebuilding its portfolio in motor business for corporate clients, causing the written premium to fall in non-life insurance,
 - conducting restructuring processes to cut administrative costs.
- Lower release of technical insurance reserves than in the same period in 2009 resulting from the conversion of long-term life insurance policies into yearly-renewable term business.

- Solid results on investment activity despite the considerable reduction in the value of the investment portfolio resulting from the interim dividend paid in November 2009 toward the dividend for the 2009 financial year (PLN 12,750 million).
- Lengthy winter with a large amount of snow as a result of which the number of claims in property insurance, general TPL and agricultural insurance grew considerably, which reduced profitability in the non-life insurance segment.

**Consolidated financial highlights concerning the PZU Group's operations for Q1 2010
(unaudited, IFRS compliant, in thousands of PLN)**

#	Item	31 March 2009	31 March 2010
1.	Gross written premium on insurance	3 992 173	3 927 789
2.	Income on investment activity	416 719	911 414
2a.	Net revenues on investments	678 427	442 309
2b.	Net realized result and impairment charges	-108 614	135 274
2c.	Net movement in the fair value of assets and liabilities appraised at fair value	-153 094	333 831
3.	Net insurance claims and benefits paid and movement in technical insurance reserves	1 693 394	2 459 124
4.	Acquisition costs	424 981	433 329
5.	Administrative costs	442 967	390 292
6.	Operating profit	1 433 347	1 029 167
7.	Net profit	1 144 646	807 412
8.	Equity	21 018 295	12 053 249

**Financial highlights concerning the PZU Group's operating segments in Q1 2010
(unaudited, IFRS compliant, in thousands of PLN)**

#	Item	31 March 2009	31 March 2010
1.	Gross written premium on insurance	3 992 173	3 927 789
1a.	Non-life insurance	2 445 556	2 322 886
1b.	Life insurance	1 547 335	1 605 469
1c.	Pension insurance	-	-
1d.	Unallocated (consolidation exclusions and other companies)	-718	-566
2.	Operating profit	1 433 347	1 029 167
2a.	Non-life insurance	541 244	173 806
2b.	Life insurance	852 422	778 887
2c.	Pension insurance	38 190	27 169
2d.	Unallocated (consolidation exclusions and other companies)	1 491	49 305

Gross written premium on insurance in Q1 2010 fell by PLN 64.4 million (1.6%) compared to the same period last year, which was caused by lower premium in non-life insurance (primarily in motor business for corporate clients). It was partially made up for by higher sales in life insurance (development of group insurance).

The growth in investment income in the amount of PLN 494.7 million (118.7%) stemmed primarily from higher prices on capital instruments (mostly the valuation of equities in the portfolio). This growth was curtailed by the reduction in net revenues on investments in the amount of PLN 236.1 million – the decline in interest revenues resulting from the payment of the interim dividend of PLN 12,750 million (in November 2009).

The growth in net claims and benefits paid in the amount of PLN 765.7 million (45.2%) resulted in part from the lower conversion rate of long-term policies into yearly-renewable term business in life insurance (lower release of mathematical reserves), and in part from higher losses caused by precipitation and snow melting in non-life insurance (in Q1 2010 the claims paid for “snow losses” were PLN 161.2 million while in Q1 2009 they were PLN 5.2 million).

In Q1 2010 acquisition costs climbed to PLN 433.3 million compared to PLN 425.0 million in Q1 2009. This 2% growth was precipitated primarily by changes in this area in non-life insurance (gradual change in the product structure toward products with higher commissions and implementing additional motivational bonuses for agents in 2009).

The decline in administration costs in this period by PLN 52.7 million (11.9%) compared to the same period last year was to a large extent the consequence of restructuring efforts in PZU Group companies, including the headcount restructuring program in the head offices of PZU and PZU Życie conducted in H2 2009.

The operating profit in Q1 2010 was PLN 404.1 million (28.2%) lower than in the same period of the previous year. This resulted primarily from higher net claims and benefits paid this year and lower release of technical reserves, partially made up for by higher investment income. The reduction in operating profit directly contributed to net profit being lower by PLN 337.2 million (29.5%) in Q1 2010 compared to Q1 2009.

At the end of Q1 2010 equity fell by PLN 8,965.0 million (-42.7%) compared to the end of Q1 2009. The decline in equity resulted from the disbursement of the interim dividend of PLN 12,750 million by the power of the provisions of the Settlement and Divestment Agreement

(payout in November 2009). The lower level of equity has contributed positively to the return on equity, which at the end of Q1 2010 was 28.7%, while one year ago it was 22.8%.

Financial highlights concerning PZU SA and PZU Życie SA for Q1 2010 (unaudited, prepared according to PAS, in thousands of PLN)

#	Item	31 March 2009	31 March 2010
1.	Gross written premium on insurance		
1a.	PZU SA	2 380 216	2 268 168
1b.	PZU Życie SA	2 004 955	1 836 828
2.	Technical result		
2a.	PZU SA	316 424	-59 322
2b.	PZU Życie SA	970 734	683 884

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