



Press release

Warsaw, 12 May 2011

## PZU's financial results for Q1 2011

**PZU Group's net financial result for Q1 2011 amounted to PLN 791.2 million and was similar to the result for the corresponding period last year. Gross written premium in motor insurance for individual clients, the non-life company's flagship line of business, increased nearly 13%.**

*"The financial result for Q1 2011 was, despite high drop of investment income, similar to the result in Q1 last year. One should be happy because of the significant increase of premiums in motor insurance for individual clients which enables us to maintain our market share in this segment. What is more, for the first time, we managed to stop client attrition which historically happened in the first months of the year. In parallel, we continue projects aiming at reduction of costs and improvement of efficiency. The results for Q1 allow us to be optimistic about full-year results."* – said Andrzej Klesyk – PZU SA CEO.

PZU Group's net result in Q1 2011 was driven by the following factors:

- Very good sales results in motor insurance for individual clients, combined with improved profitability in the motor insurance segment.
- Increase of premiums written in regular-premium life insurance.
- Consistent implementation of the PZU Group strategy, in particular:
  - Restructuring of the quality of the corporate client motor insurance portfolio in property and casualty insurance;
  - Restructuring processes aiming at reducing administrative expenses.
- In the analyzed period there were no catastrophic events – in Q1 2010 in total PLN 161.2 million on account of "snow claims" was disbursed and provisioned, whereas in Q1 2011 there were much higher than last year agriculture insurance claims pertaining to winter survival, for which a PLN 80.0 million provision was established.
- Reduction of administration expenses thanks to the restructuring program carried out in 2010 and the fixed cost reduction program;
- Consolidation of the Armatura Group – one-off impact on the net result in the amount of PLN 118.9 million;

Among the factors that had negative impact on PZU Group's net financial result was lower investment income, down by PLN 435 million year-over-year. Despite that, the net financial result for Q1 2011 was PLN 791.2 million, down by 2% compared to the net result for the first quarter of last year.

Gross written premium for Q1 2011 amounted to PLN 3,976.9 million. The PLN 172.1 million (+4.5%) increase was attributable to higher premium written in PZU Group's mass segment. One should also note the nearly 13% profitable growth of written premium in motor insurance for individual clients.

Investment income in Q1 2011 amounted to PLN 474.5 million. The PLN 435.7 million decrease resulted primarily from an adverse trend on treasury securities market and lower growth rate of equity prices on stock exchanges.

Lower net claims paid, down by PLN 73.4 million (-3%), resulted mainly from absence of claims caused by catastrophic events in the property and casualty insurance segment compared to the first quarter of 2010.

The 9,4% decrease in administrative expenses was the consequence of the restructuring activities conducted in PZU Group companies. Apart from salary costs, the Group managed, in particular, to reduce IT costs, costs of materials and services of administrative nature, and property upkeep costs.

Operating profit in the first quarter of 2011 was PLN 962.2 million, down by PLN 67.0 million year-over-year, mainly as a consequence of lower investment income in the PZU Group.

Consolidated equity according to IFRS as at 31 March 2011 amounted to PLN 13,734.7 million, up by 14% year-over-year. Increased equity resulted in lower, although still very high, return on equity (ROE), which amounted to 23.9% (- 3.8 p.p.).

Financial assets as at 31 March 2011 amounted to PLN 47,411.9 million.

no.	Item	Period ended	
		31.03.2011	31.03.2010
1.	Gross written premiums	3,976,884	3,804,773
2.	Net claims and change in technical provisions	2,400,828	2,474,264
3.	Investment income, including:	474,059	909,805
	3a. Net investment income	405,905	440,700
	3b. Net profit or loss on realization and impairment loss on investments	-129,544	135,274
	3c. Net change in the fair value of assets and liabilities restated to fair value	197,698	333,831
4.	Net profit	791,235	807,412
5.	Equity	13,734,678	12,053,249
6.	Financial assets	47,411,928	47,409,523
7.	Total assets	53,640,564	52,577,500

Additional information:

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