Warsaw, 15 November 2010

Press release

PZU's financial results after Q3 2010

After the first three quarters of 2010, PZU collected PLN 10,946.5 million of gross written premium (compared to PLN 11,061.7 million in the same period of the previous year). Due to various events of a catastrophic and non-recurring nature and portfolio restructuring (rearrangement of the structure of premiums), the PZU Group's net profit decreased both on a Q3 year-over-year basis (-21.0%) and on a year-to-date basis compared to the first three quarters of the previous year (-41.4%). As at the end of Q3 2010, ROE was 20.5%, up by 2.3 p.p. year-over-year.

The first stage of employment restructuring in PZU was completed as planned. This completion and the introduction of target operating models (a shared outlet network for PZU SA and PZU Life and centralization of the back office function – operations, finances and claims handling) will allow PZU to gradually decrease its administrative expenses while improving the availability of the Group's products and services to its clients.

"PZU is steadily implementing the Group's strategy adopted in 2009. The recent several months brought a further growth in life insurance, a slowdown of the downward trend in motor insurance for individual clients and an increase in the sales growth rate. We are continuing our remedial program in non-life insurance for corporate clients and our employment restructuring program as a result of which we can keep reducing our administrative expenses," said Andrzej Klesyk, CEO of PZU SA.

The PZU Group's financial results in the first three quarters of 2010 were largely determined by:

- Changes in the structure of written premium in the non-life segment caused by restructuring of the corporate client portfolio.
- Continued upward trend in life insurance – both group insurance and individual insurance.
- Impact of events of a catastrophic and non-recurring nature:
  - heavy snowfall in the winter (Q1);
  - two "large" flood waves in May and June (Q2) and one "small" flood wave in July;
  - smaller dissolution of technical reserves resulting from conversion of long-term policies into annual policies in type P group life insurance – the gradually declining impact of conversions noticeable in Q3 was caused by a decreasing portfolio of long-term agreements.
- Gradual decrease in administrative expenses.
- Good results on investment activity despite a considerably smaller investment base due to disbursed dividends (payment of an interim dividend in November 2009 and payment of the dividend for 2009).

In accordance with the business assumptions for 2010, PZU launched an employment optimization process. The first part of the project scheduled to run until 2012 was completed below the planned costs. In aggregate, 6,655 persons were affected by the changes. 2,079 FTEs were cut. Thanks to PZU's cooperation with social partners and a tailored outplacement program, the social impact of the changes was successfully minimized. PZU focused on making maximum use of the available human resources. This allowed PZU to offer jobs in the Group's new organizational structure to over 1,000 of its employees as a result of knowledge and skill retraining.

No.	Item	9 months ended		Q3 net	
		30 Sep 2010	30 Sep 2009	1 Jul 2010 – 30 Sep 2010	1 Jul 2009 – 30 Sep 2009
1.	Gross written insurance premium	10,946,506	11,061,694	3,552,801	3,574,851
2.	Net insurance claims and change in the balance of technical reserves	(7,851,533)	(6,768,795)	(2,762,121)	(2,753,117)
3.	Investment income, including:	2,190,217	2,578,855	925,175	1,075,279
3a.	Net investment income	1,393,247	1,836,878	395,878	568,751
3b.	Net result on the realization of investments and impairment charges	194,763	25,164	34,009	117,142
3c.	Net change in the fair value of assets and liabilities restated to fair value	602,207	716,813	495,288	389,386
4.	Net profit	1,874,164	3,200,833	704,330	892,000
5.	Equity	12,191,979	23,393,362	x	x
6.	Financial assets	43,705,970	55,775,576	x	x
7.	Total assets	49,171,718	61,247,148	x	x

After the first three quarters of 2010, gross written premium was PLN 10,946.5 million (compared to PLN 11,061.7 in the same period of the previous year). The PLN 115.2 million decrease (-1.0%) was caused by a lower written premium in the non-life insurance segment, especially in the early months of 2010, which was partly offset by an increase in sales in the life insurance segment. The decrease in written premium at the beginning of the year (and in the second half of 2009) was also the main reason for a decline in net earned premium (the deferred income mechanism).

Investment income generated in the first three quarters of 2010 decreased by 15.1% year-over-year, reaching PLN 2,190.2 million. This was a consequence of a fall in net investment income and a lower result on the restatement of assets at fair value coupled with an improved net result on the realization of investments.

The greatest impact on the fall in total investment income was exerted by a considerably smaller investment base due to disbursed dividends (payment of an interim dividend of PLN 12,750 million in November 2009 and payment of the remaining part of the dividend for 2009 in the amount of PLN 942.1 million on 9 September 2010). After a slightly weaker period of the first 6 months of this year on the financial markets, Q3 saw an increase in the value of the Warsaw Stock Exchange WIG index and, as a consequence, brought higher rates of return on the investment portfolios – the realization on the portfolio of capital instruments improved considerably.

The increase in net claims paid by PLN 1,082.7 million (16%) resulted from a lower rate of conversions of long-term policies into annual policies (a smaller dissolution of the mathematical reserve) in the life insurance segment and greater losses caused by catastrophic events coupled with a growing loss ratio of motor insurance in the non-life insurance segment.

In the first three quarters of 2010, acquisition costs increased by PLN 39.4 million (3.0%) compared to the same period of 2009. This increase resulted predominantly from changes in the sales area of the non-life insurance segment.

The PLN 73.6 million decrease in administrative expenses (-5,8%) was largely a consequence of the restructuring activities conducted in the PZU Group companies, including the employment restructuring program implemented in PZU and PZU Life in the second half of 2009 and another such program launched in 2010.

The change in the balance of other operating income and expenses in the first three quarters of 2010 was PLN 92.3 million, having improved from PLN -186.0 million in the first three quarters of 2009 to PLN -93.7 million.

Operating profit in the first three quarters of 2010 was PLN 2,378.0 million, down by PLN 1,573.1 million (-39.8%) year-over-year, mainly as a consequence of this year's greater net claims paid and smaller dissolution of technical reserves in the life insurance segment. The decreased operating profit translated directly into a fall in net profit by PLN 1,326.7 million (41.4%).

As at 30 September 2010, consolidated equity, according to IFRS, was PLN 12,192.0 million compared to PLN 23,393.4 million as at 30 September 2009. The decrease in equity resulted from payment of an interim dividend for financial year 2009 of PLN 12,750 million in November 2009 (pursuant to the provisions the Settlement and Divestment Agreement) and payment of the remaining part of the dividend for 2009 in the amount of PLN 942.1 million on 9 September 2010. The smaller amount of equity translated into higher profitability – ROE as at 30 September 2010 was 20.5% compared to 18.2% as at 30 September 2009.

As at 30 September 2010, the value of financial assets was PLN 43,706.0 million compared to PLN 55,775.6 million as at 30 September 2009. The decrease in financial assets by PLN 12,069.6 million was caused predominantly by a smaller debt securities portfolio resulting from the paid dividends and the June 2010 repayment of the loan taken for the purposes of disbursing the interim dividend.

Contact for the media:
Michał Witkowski,
Press Spokesman for PZU,
phone: (022) 582 58 07,
e-mail: rzecznik@pzu.pl

Contact for investors:
Piotr Wiśniewski,
Investor Relations Coordinator,
phone: (022) 582 26 23,
e-mail: ir@pzu.pl