

**SUPERVISORY BOARD
OF POWSZECHNY ZAKŁAD UBEZPIECZEŃ
SPÓŁKA AKCYJNA**

**REPORT OF THE PZU SA SUPERVISORY BOARD
FROM EVALUATION OF THE PZU SA FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011**

**MANAGEMENT BOARD REPORT
ON THE ACTIVITY OF PZU SA IN 2011**

**AND THE MANAGEMENT BOARD'S MOTION to distribute the profit
earned by PZU SA in the financial year ended 31 December 2011**

Warsaw, 8 May 2012

This document is a report issued by the Supervisory Board of Powszechny Zakład Ubezpieczeń Spółka Akcyjna pertaining to the following:

- 1) evaluation of the PZU SA financial statements for the year ended 31 December 2011;
- 2) evaluation of the Management Board's report on the activity of PZU SA in 2011;
- 3) evaluation of the motion filed by the Company's Management Board in the matter of the distribution of profit.

I.

Evaluation of the financial statements of PZU SA for the year ended 31 December 2011 and the Management Board's report on the activity of PZU SA in 2011.

Pursuant to Article 382 § 3 of the Commercial Company Code, the special duties of the Supervisory Board include evaluation of the management board's report on the Company's activity and the financial statements for the previous financial year in respect of their compliance with the underlying ledgers and documents and the facts, and of the management board's motions concerning distribution of profit, as well as submitting annual reports in writing to the shareholder meeting presenting the outcome of the evaluation.

to the shareholder meeting Deloitte Audyt Sp. z o.o. („auditor”) as an entity authorized to audit financial statements, to carry out the audit of the individual financial statements of PZU SA and the annual consolidated financial statements of the PZU SA Capital Group for the year ended 31 December 2011.

The Management Board is responsible for the preparation of the financial statements of PZU SA and the Management Board Report on the activity of PZU SA compliant with the applicable regulations. On the other hand, the Supervisory Board along with the Management Board are obligated to ensure that those reports meet the requirements set forth in Article 4 of the Accountancy Act of 29 September 1994 (Journal of Laws no. 152 Item 1223 as amended) and executive regulations issued on its basis.

The financial statements of PZU SA for the year ended 31 December 2011 and the Management Board report on the activity of PZU SA in 2011 were discussed in detail with the Management Board and the Company's auditor and evaluated by the Audit Committee of the PZU SA Supervisory Board at the meeting held on 14 March 2012.

The auditor's opinion contained an assurance that the audit of the financial statements had been planned and conducted in such a manner as to obtain reasonable certainty allowing us to express an opinion on the financial statements. In particular, the audit included checking correctness of the accounting policies used by the Company and any material estimates, verification by random sample of accounting evidence and accounting records, from which the numbers and information included in the financial statements originate, as well as a general evaluation of the financial statements. The audit provided sufficient basis to express an opinion.

In the independent auditor's opinion, the audited financial statements of PZU SA, in all material aspects:

- accurately and clearly depicts all information of material importance for the evaluation of the Company's assets and financial standing as at 31 December 2011 and its financial result for the financial year from 1 January 2011 to 31 December 2011;
- were drawn up in accordance with the applicable accounting policy prescribed by the Accounting Act and the executive regulations duly issued on its basis, based on properly kept accounting ledgers;

- comply with the provisions of the law and the provisions of the Company's Articles of Association affecting the contents of the financial statements;

In connection with the above, the auditor's opinion on the audit of the individual financial statements of PZU SA was issued without qualifications on 14 March 2012.

Additionally, the auditor emphasized that:

- the financial statements have been drawn up under the assumption that PZU SA is an ongoing concern in the foreseeable future, i.e. for at least 12 months after the balance sheet date, i.e. after 31 December 2011;
- as at the date of signing the financial statements, there are no facts or circumstances that would indicate a threat to PZU SA's ability to continue its activity over the 12 months after the balance sheet date as a result of an intentional or an induced discontinuation or a material curtailment of its hitherto activity;
- after the balance sheet date until the date of signing the financial statements, there were no other material events affecting the assets and financial standing of PZU SA and audited subsidiary companies other than those included in this report;
- the level of technical reserves ensures adequate coverage of current and future liabilities and meets the requirements prescribed for insurance companies.

The auditor also assured that the PZU SA activity report for the financial year 2011 is complete within the meaning of Article 49 section 2 of the Accountancy Act and Schedule 6 to the Finance Minister's Regulation of 28 December 2009 on the special accounting principles for insurance and reinsurance companies and the information contained in the report originating from the audited financial statements is consistent with these regulations.

The PZU SA Management Board also represented that the financial statements of PZU SA for 2011 were prepared in an accurate manner and reflects correctly the economic events occurring in the Company and is free from irregularities arising from intentional actions or errors.

The Supervisory Board of PZU SA, having analyzed the following documents submitted by the Management Board:

- 1) Financial statements of Powszechny Zakład Ubezpieczeń Spółka Akcyjna for the year ended on 31 December 2011 comprised of:
 - a) balance sheet drawn up as at 31 December 2011 showing total assets and liabilities of PLN 27,397,857 thousand (twenty seven billion three hundred ninety seven million eight hundred and fifty seven thousand Polish zloty),
 - b) technical non-life insurance account for the period from 1 January to 31 December 2011 showing the technical result to be transferred to the non-technical profit and loss account in the amount of PLN 332,297 thousand (three hundred thirty two million two hundred ninety seven thousand Polish zloty),
 - c) non-technical profit and loss account for the period from 1 January to 31 December 2011 showing a net profit of PLN 2,582,303 thousand (two billion five hundred eighty two million three hundred three thousand Polish zloty),
 - d) statement of changes in equity showing a decrease in equity during the financial year ended 31 December 2011 by the amount of PLN 156,776 thousand (one hundred fifty six million seven hundred seventy six thousand Polish zloty),
 - e) cash flow statement showing an increase in cash during the financial year ended 31 December 2011 by PLN 58,421 (fifty eight million four hundred twenty one thousand Polish zloty),
 - f) notes to the financial statements for the financial year ended 31 December 2011,

- 2) auditor's opinion and report dated 13 March 2012,
- 3) PZU SA Management Board report on the activity of Powszechny Zakład Ubezpieczeń Spółka Akcyjna in 2011,

made a positive evaluation of those documents with respect to their consistency with the Company's underlying ledgers and documents and the facts.

In connection with the above, the Supervisory Board of PZU SA resolves to submit this evaluation to the Ordinary Shareholder Meeting of PZU SA.

The Supervisory Board hereby recommends for the Shareholder Meeting of PZU SA to approve:

- the financial statements of Powszechny Zakład Ubezpieczeń Spółka Akcyjna for the financial year ended 31 December 2011,
- the PZU SA Management Board report on the activity of Powszechny Zakład Ubezpieczeń Spółka Akcyjna in 2011,

pursuant to § 18 item 1 of the Articles of Association of Powszechny Zakład Ubezpieczeń Spółka Akcyjna and Article 395 § 2 item 1 of the Commercial Company Code.

II.

Evaluation of the Management Board's motion to distribute the net profit earned by PZU SA for the financial year ended 31 December 2011

The Supervisory Board hereby issues a positive evaluation of the Management Board's motion to the Ordinary Shareholder Meeting of PZU SA to distribute the net profit earned by PZU SA for the year ended 31 December 2011 and recommends for the Ordinary Shareholder Meeting to allocate the profit of PLN 2,582,302,747.40 (two billion five hundred eighty two million three hundred two thousand seven hundred twenty seven Polish zloty and forty grosz) as follows:

- 1) PLN 1,752,951,690.00 (one billion seven hundred fifty two million nine hundred fifty one thousand six hundred ninety Polish zloty) i.e. PLN 20.30 per share will be allocated to a dividend payment;
- 2) PLN 819,351,037.40 (eight hundred nineteen million three hundred fifty one thousand thirty seven Polish zloty and forty grosz) will be allocated to the reserve capital;
- 3) PLN 10,000,000.00 (ten million Polish zloty) will be allocated to the Company Social Benefits Fund (ZFSS).

Chairwoman
of the PZU SA Supervisory Board

Marzena Piszczek