

**INTERIM CONSOLIDATED FINANCIAL STATEMENTS OF THE
CAPITAL GROUP OF
POWSZECHNY ZAKŁAD UBEZPIECZEŃ
SPÓŁKA AKCYJNA
FOR A 6-MONTH PERIOD
ENDED 30 JUNE 2012**



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INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

PLN '000

Assets	Note	30 June 2012	31 March 2012	31 December 2011	30 June 2011
Intangible assets		154 676	152 329	166 038	123 243
Goodwill		8 601	8 529	8 716	8 400
Property, plant and equipment		1 019 919	1 038 599	1 055 381	1 106 735
Investment property		534 493	531 510	534 222	455 994
Entities measured using the equity method		-	-	-	-
Financial assets					
Financial instruments held to maturity	11.1.1	21 203 014	22 029 401	21 659 505	21 994 138
Financial instruments available for sale	11.1.2	8 517 656	8 508 798	7 851 903	9 838 348
Financial instruments measured at fair value through profit or loss	11.1.3	10 588 306	10 592 121	10 814 619	12 996 283
Loans	11.1.4	8 579 939	8 278 276	6 449 332	6 305 673
Receivables, including receivables from insurance contracts	11.2	1 911 710	2 491 604	1 734 636	2 428 341
Reinsurers' share in technical provisions		728 367	629 051	700 713	748 204
Estimated salvages and subrogations	11.3	65 622	73 434	83 117	51 399
Deferred tax assets		18 615	13 923	8 600	16 105
Current income tax receivables		235	7 035	8 582	9 103
Deferred acquisition costs		573 653	588 033	569 843	566 333
Prepayments	11.6	80 265	99 317	125 890	178 047
Other assets		112 650	126 123	120 461	133 823
Cash and cash equivalents		169 614	160 784	237 724	319 240
Assets used in continuing operations		54 267 335	55 328 867	52 129 282	57 279 409
Non-current assets held for sale and disposal groups		269	-	-	21 869
Total assets		54 267 604	55 328 867	52 129 282	57 301 278

Interim consolidated statement of financial position (cont'd)

PLN '000

	Note	30 June 2012	31 March 2012	31 December 2011	30 June 2011
Equity and liabilities					
Equity					
Issued share capital and other equity attributable to the shareholders of the parent					
Share capital		86 352	86 352	86 352	86 352
Other capitals		9 113 958	8 045 033	7 948 386	8 102 870
Supplementary capital		8 780 034	7 711 915	7 711 818	7 711 649
Revaluation reserve		368 057	369 769	268 831	431 850
Exchange differences from translation of controlled entities		(34 133)	(36 651)	(32 263)	(40 629)
Undistributed profit / uncovered loss		3 460 259	5 570 618	4 748 424	3 957 132
Previous year profit (loss)		1 743 326	4 748 327	2 403 000	2 403 169
Net profit (loss)		1 716 933	822 291	2 345 424	1 553 963
Appropriations on net profit during the financial year		80 015	86 674	86 343	84 344
Non-controlling interest		12 740 584	13 788 677	12 869 505	12 230 698
Liabilities					
Technical provisions	11.7				
Provision for unearned premiums and for unexpired risks		4 786 417	4 895 536	4 521 396	4 603 178
Life insurance provision		14 784 811	14 733 835	14 595 112	14 525 034
Provisions for outstanding claims		5 724 615	5 471 924	5 429 481	5 044 204
Provision for capitalized value of annuity claims		5 146 903	5 104 344	5 088 626	4 903 518
Provisions for bonuses and rebates for the insured		4 165	5 914	7 192	6 198
Other technical provisions		544 809	563 127	581 155	572 943
Unit linked technical provisions		2 593 063	2 448 643	2 299 767	2 392 789
Investment contracts	11.8				
- with guaranteed and fixed terms and conditions		2 417 450	2 981 131	2 330 870	3 534 365
- for the client and at the client's risk		1 055 139	1 136 171	1 140 902	1 374 738
Provisions for employee benefits		259 848	257 050	255 576	261 588
Other provisions	11.9	278 667	299 920	322 063	202 507
Provision for deferred income tax		299 044	302 941	109 716	387 807
Current income tax liabilities		21 329	1 893	7 570	62 053
Derivatives		36 142	24 712	93 443	38 003
Other liabilities	11.10	3 089 259	2 754 282	1 789 951	6 750 768
Accruals and deferred income	11.11				
Cost accruals		459 137	532 122	669 048	402 001
Deferred income		26 222	26 645	17 909	8 886
Liabilities related to continuing operations		41 527 020	41 540 190	39 259 777	45 070 580
Liabilities directly related to non-current assets classified as held for sale		-	-	-	-
Total liabilities		41 527 020	41 540 190	39 259 777	45 070 580
Total equity and liabilities		54 267 604	55 328 867	52 129 282	57 301 278

INTERIM CONSOLIDATED INCOME STATEMENT

PLN '000

Consolidated income statement			1 April -	1 January -	1 April -	1 January -
	Note		30 June 2012	30 June 2012	30 June 2011	30 June 2011
Gross written premiums	11.12		3 923 527	8 246 274	3 696 378	7 673 262
Reinsurers' share in the written premium			(25 268)	(80 870)	(38 399)	(150 634)
Net written premium			3 898 259	8 165 404	3 657 979	7 522 628
Change in net provision for unearned premium			99 619	(298 668)	39 586	(252 929)
Net earned premiums			3 997 878	7 866 736	3 697 565	7 269 699
Fee and commissions income	11.13		56 357	116 359	77 954	156 227
Net investment income	11.14		647 934	1 084 369	488 917	894 822
Net profit or loss on realization and impairment loss on investments	11.15		15 667	126 088	61 793	(67 751)
Net change in the fair value of assets and liabilities plus equity measured at fair value	11.16		(12 495)	313 447	54 290	251 988
Other operating income	11.17		88 477	163 923	88 308	293 241
Claims and change in technical provisions	11.18 11.20		(2 898 858)	(5 648 200)	(2 671 976)	(5 075 832)
Reinsurers' share in claims and change in technical provisions			161 105	133 565	54 507	57 535
Net insurance claims			(2 737 753)	(5 514 635)	(2 617 469)	(5 018 297)
Investment benefits and change in valuation of investment contracts	11.19		(11 654)	(86 961)	(1 301)	(36 940)
Acquisition costs	11.20		(498 143)	(998 877)	(482 526)	(953 041)
Administrative expense	11.20		(321 597)	(686 707)	(304 235)	(633 196)
Other operating expense	11.21		(123 787)	(248 186)	(123 084)	(254 388)
Operating profit (loss)			1 100 884	2 135 556	940 212	1 902 364
Financial expense	11.22		(7 047)	(12 805)	(5 480)	(5 776)
Share in net profit (loss) of entities measured using the equity method			-	-	-	-
Gross profit (loss)			1 093 837	2 122 751	934 732	1 896 588

Interim consolidated income statement (cont'd)

PLN '000

Consolidated income statement	Note	1 April - 30 June 2012	1 January - 30 June 2012	1 April - 30 June 2011	1 January - 30 June 2011
Income tax					
- current portion		(207 912)	(250 628)	(230 950)	(374 998)
- deferred portion		7 895	(155 674)	57 387	30 814
Net profit (loss), including:		893 820	1 716 449	761 169	1 552 404
- profit (loss) attributable to equity holders of the parent		894 642	1 716 933	762 164	1 553 963
- minority profits (loss)		(822)	(484)	(995)	(1 559)
Net profit (loss) from continuing operations		894 642	1 716 933	762 164	1 553 963
Net profit (loss) from discontinued operations		-	-	-	-
Weighted average basic and diluted number of ordinary shares		86 352 300	86 352 300	86 352 300	86 352 300
Basic and diluted profit (loss) on continuing operations per ordinary share (in PLN)		10,36	19,88	8,83	18,00
Basic and diluted profit (loss) on discontinued operations per ordinary share (in PLN)		-	-	-	-
Basic and diluted profit (loss) per ordinary share (in PLN)		10,36	19,88	8,83	18,00

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

PLN '000

Consolidated statement of comprehensive income	Note	1 April - 30 June 2012	1 January - 30 June 2012	1 April - 30 June 2011	1 January - 30 June 2011
Net profit (loss)		893 820	1 716 449	761 169	1 552 404
Other comprehensive income:	11.23	809	97 352	(17 138)	37 755
Amounts subject to subsequent transfer to profit or loss		809	97 352	(17 138)	37 755
Financial assets available for sale		(1 712)	99 226	(16 026)	33 854
Exchange differences from translation of controlled entities		2 521	(1 874)	(810)	(1 827)
Real property reclassified from property, plant and equipment to investment property		-	-	(302)	5 728
Amounts not subject to subsequent transfer to profit or loss		-	-	-	-
Net comprehensive income total		894 629	1 813 801	744 031	1 590 159
- comprehensive income attributable to holders of the parent's equity		895 448	1 814 289	745 024	1 591 715
- comprehensive income attributable to non-controlling interest		(819)	(488)	(993)	(1 556)

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

PLN '000

Statement of changes in consolidated Equity	Equity and provisions attributable to owners of the parent's share capital							Non-controlling interest	Total equity
	Share capital	Supplementary capital	Other capitals		Undistributed profit / uncovered loss		Total		
			Revaluation reserve	Exchange differences from translation	Previous year profit (loss)	Net profit (loss)			
Balance as at 1 January 2012	86 352	7 711 818	268 831	(32 263)	4 748 424	-	12 783 162	86 343	12 869 505
Change in measurement of AFS financial assets	-	-	99 226	-	-	-	99 226	-	99 226
Exchange differences from translation	-	-	-	(1 870)	-	-	(1 870)	(4)	(1 874)
Total increases (decreases) recognized directly in net capital (including income tax)	-	-	99 226	(1 870)	-	-	97 356	(4)	97 352
Net profit (loss) for the financial year	-	-	-	-	-	1 716 933	1 716 933	(484)	1 716 449
Total increases (decreases)	-	-	99 226	(1 870)	-	1 716 933	1 814 289	(488)	1 813 801
Other changes, including:	-	1 068 216	-	-	(3 005 098)	-	(1 936 882)	(5 840)	(1 942 722)
Financial profit distribution/loss coverage	-	1 068 113	-	-	(3 004 995)	-	(1 936 882)	(5 860)	(1 942 742)
Other	-	103	-	-	(103)	-	-	20	20
Balance as at 30 June 2012	86 352	8 780 034	368 057	(34 133)	1 743 326	1 716 933	12 660 569	80 015	12 740 584



Interim consolidated statement of changes in equity (cont'd)

PLN '000

Statement of changes in consolidated Equity	Equity and provisions attributable to owners of the parent's share capital						Total	Non-controlling interest	Total equity
	Share capital	Other capitals			Undistributed profit / uncovered loss				
		Supplementary capital	Revaluation reserve	Exchange differences from translation	Previous year profit (loss)	Net profit (loss)			
Balance as at 1 January 2011	86 352	6 296 313	392 268	(38 799)	6 063 666	-	12 799 800	126	12 799 926
Change in measurement of AFS financial assets	-	-	(162 649)	-	-	-	(162 649)	-	(162 649)
Exchange differences from translation	-	-	-	6 536	-	-	6 536	14	6 550
Real property reclassified from property, plant and equipment to investment property	-	-	39 212	-	-	-	39 212	-	39 212
Total increases (decreases) recognized directly in net capital (including income tax)	-	-	(123 437)	6 536	-	-	(116 901)	14	(116 887)
Net profit (loss) for the financial year	-	-	-	-	-	2 345 424	2 345 424	(1 477)	2 343 947
Total increases (decreases)	-	-	(123 437)	6 536	-	2 345 424	2 228 523	(1 463)	2 227 060
Other changes, including:	-	1 415 505	-	-	(3 660 666)	-	(2 245 161)	87 680	(2 157 481)
Financial profit distribution/loss coverage	-	1 415 325	-	-	(3 660 485)	-	(2 245 160)	(2 830)	(2 247 990)
Consolidation of the Armatura Capital Group	-	-	-	-	-	-	-	88 679	88 679
Other	-	180	-	-	(181)	-	(1)	1 831	1 830
Balance as at 31 December 2011	86 352	7 711 818	268 831	(32 263)	2 403 000	2 345 424	12 783 162	86 343	12 869 505



Interim consolidated statement of changes in equity (cont'd)

PLN '000

Statement of changes in consolidated Equity	Equity and provisions attributable to owners of the parent's share capital						Total	Non-controlling interest	Total equity
	Share capital	Supplementary capital	Other capitals		Undistributed profit / uncovered loss				
			Revaluation reserve	Exchange differences from translation	Previous year profit (loss)	Net profit (loss)			
Balance as at 1 January 2011	86 352	6 296 313	392 268	(38 799)	6 063 666	-	12 799 800	126	12 799 926
Change in measurement of AFS financial assets	-	-	33 854	-	-	-	33 854	-	33 854
Exchange differences from translation	-	-	-	(1 830)	-	-	(1 830)	3	(1 827)
Real property reclassified from property, plant and equipment to investment property	-	-	5 728	-	-	-	5 728	-	5 728
Total increases (decreases) recognized directly in net capital (including income tax)	-	-	39 582	(1 830)	-	-	37 752	3	37 755
Net profit (loss) for the financial year	-	-	-	-	-	1 553 963	1 553 963	(1 559)	1 552 404
Total increases (decreases)	-	-	39 582	(1 830)	-	1 553 963	1 591 715	(1 556)	1 590 159
Other changes, including:	-	1 415 336	-	-	(3 660 497)	-	(2 245 161)	85 774	(2 159 387)
Financial profit distribution/loss coverage	-	1 415 325	-	-	(3 660 485)	-	(2 245 160)	(2 830)	(2 247 990)
Consolidation of the Armatura Capital Group	-	-	-	-	-	-	-	88 679	88 679
Other	-	11	-	-	(12)	-	(1)	(75)	(76)
Balance as at 30 June 2011	86 352	7 711 649	431 850	(40 629)	2 403 169	1 553 963	12 146 354	84 344	12 230 698

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

PLN '000

Consolidated statement of cash flows	1 January - 30 June 2012	1 January - 31 December 2011	1 January - 30 June 2011
Cash flows from operating activities			
Inflows	10 366 860	19 725 868	8 828 273
- gross inflows from insurance premiums	8 198 025	14 929 349	6 052 351
- inflows from investment contracts	1 545 039	3 054 350	1 935 142
- inflows from reinsurance commissions and share in reinsurers' profits	6 186	20 513	3 316
- reinsurers' payments due to share in claims	76 580	385 775	178 317
- other inflows from operating activities	541 030	1 335 881	659 147
Outflows	(9 139 292)	(18 138 296)	(7 885 551)
- insurance premiums paid due to reinsurance	(104 801)	(174 369)	(86 940)
- paid commissions and profit sharing due to outward reinsurance	(1 183)	(4 679)	(2 537)
- gross claims paid	(4 555 018)	(9 026 567)	(4 382 895)
- claims paid due to investment contracts	(1 619 983)	(3 068 852)	(594 826)
- outflows due to acquisition	(787 666)	(1 483 488)	(733 229)
- administrative outflows	(1 125 196)	(2 073 279)	(1 092 372)
- interest payments	(27)	(146)	(114)
- income tax payments	(107 055)	(904 071)	(128 033)
- other operating outflows	(838 363)	(1 402 845)	(864 605)
Net cash flows generated by operating activities	1 227 568	1 587 572	942 722
Cash flows from investment activities			
Inflows	169 454 568	259 765 786	116 462 098
- disposal of investment property	-	13 282	-
- inflows from investment property	4 212	8 763	4 960
- disposal of intangible assets and property, plant and equipment	5 095	27 905	1 115
- disposal of shares	2 640 937	4 372 949	2 330 185
- redemption of debt securities	24 209 502	65 465 651	34 782 638
- withdrawal of term deposits at credit institutions	67 878 281	130 812 922	59 879 111
- cash from other investments	73 967 180	58 512 745	19 388 619
- interest received	685 693	450 899	47 607
- dividends received	63 668	98 101	25 294
- inflows due to consolidation new entities	-	2 569	2 569
Outflows	(169 915 129)	(260 054 472)	(119 557 386)
- payments for maintenance of investment property	(9 950)	(11 581)	(6 129)
- acquisition of intangible assets and property, plant and equipment	(60 356)	(168 435)	(49 852)
- acquisition of shares	(2 083 479)	(4 561 634)	(2 456 899)
- acquisition of debt securities	(25 082 460)	(63 630 331)	(36 427 972)
- acquisition of term deposits at credit institutions	(67 407 809)	(132 934 922)	(61 394 508)
- acquisition of other investments	(75 266 443)	(58 733 953)	(19 218 161)
- other payments for investments	(4 632)	(13 616)	(3 865)
Net cash used in/generated by investment activities	(460 561)	(288 686)	(3 095 288)

Interim consolidated statement of cash flows (cont'd)

PLN '000

Consolidated statement of cash flows	1 January - 30 June 2012	1 January - 31 December 2011	1 January - 30 June 2011
Cash flows from financing activities			
Inflows	22 528 272	39 242 376	6 139 417
- loans and borrowings and issues of debt securities ¹⁾	22 528 261	39 242 376	6 139 417
- other financial inflows	11	-	-
Outflows	(23 361 320)	(40 728 208)	(4 088 750)
- dividends paid to holders of the parent's equity	(132)	(2 163 206)	(120)
- dividends paid to non-controlling interest	-	(2 830)	-
- repayment of loans and borrowings and redemption of debt securities ¹⁾	(23 358 685)	(38 556 267)	(4 085 396)
- interest on credit facilities, loans and issued debt securities	(2 503)	(5 905)	(2 810)
- other financial expenses	-	-	(424)
Net cash used in financing activities	(833 048)	(1 485 832)	2 050 667
Total net cash flows	(66 041)	(186 946)	(101 899)
Cash and cash equivalents at the beginning of the financial year	237 724	423 703	423 703
Change in cash due to exchange differences	(2 069)	967	(2 564)
Cash and cash equivalents at the end of the financial year, including:	169 614	237 724	319 240
- of limited disposability	8 979	26 841	49 385

1) Position relates almost exclusively to inflows from short term contingent *sell-buy-back* transactions.

ADDITIONAL INFORMATION TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Information about PZU and the PZU Group

1.1. PZU

PZU – joint-stock company with its registered office in Warsaw at Al. Jana Pawła II 24 (“PZU”) is the Parent of the PZU Group. It was established as a result of transforming of Państwowy Zakład Ubezpieczeń into a joint-stock company wholly owned by the State Treasury pursuant to Article 97 of the Act on insurance activity of 28 July 1990 (consolidated text: Journal of Laws No. 11 of 1996, item 62, as amended).

PZU is recorded in the Register of Entrepreneurs of the National Court Register at the District Court for the capital city of Warsaw, XII Business Division of the National Court Register, under KRS number 0000009831.

According to Polish NACE (PKD), the core business of PZU includes other personal and property insurance (PKD 65.12) and according to NACE, non-life insurance (EKD 6603). Warsaw Stock Exchange (WSE) classifies the Company in the insurance sector.

1.2. PZU Group Companies

No.	Entity's name	Registered office	Date of commencing control/significant impact	% of share capital directly or indirectly held by PZU		% of votes directly or indirectly held by PZU		Business activity
				30 June 2012	31 December 2011	30 June 2012	31 December 2011	
Entities included in consolidation								
1	Powszechny Zakład Ubezpieczeń SA	Warsaw	nd.	nd.	nd.	nd.	nd.	Property and casualty insurance.
2	Powszechny Zakład Ubezpieczeń na Życie SA („PZU Życie”)	Warsaw	18.12.1991	100,00%	100,00%	100,00%	100,00%	Life insurance.
3	Powszechne Towarzystwo Emerytalne PZU SA („PTE PZU”)	Warsaw	08.12.1998	100,00%	100,00%	100,00%	100,00%	Pension fund management.
4	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.
5	Tower Inwestycje Sp. z o.o. („Tower Inwestycje”)	Warsaw	27.08.1998	100,00%	100,00%	100,00%	100,00%	Other finance services excluding insurance and pension funds.
6	PrJSC IC PZU Ukraine („PZU Ukraine”)	Kiev (Ukraine)	01.07.2005	100,00%	100,00%	100,00%	100,00%	Property insurance.
7	UAB DK PZU Lietuva („PZU Lietuva”)	Vilnius (Lithuania)	26.04.2002	99,76%	99,76%	99,76%	99,76%	Property insurance.
8	Ogrodowa-Inwestycje Sp. z o.o.	Warsaw	15.09.2004	100,00%	100,00%	100,00%	100,00%	Acquisition, operation, lease and disposal of real property.
9	Armatura Kraków SA	Kraków	07.10.1999	63,83%	63,83%	63,83%	63,83%	Production of kitchen and bathroom mixing faucets.
10	Armatoora SA	Nisko	10.12.2008	63,83%	63,83%	63,83%	63,83%	Production of radiators and aluminium casts.
11	Armatoora SA i wspólnicy sp. k.	Kraków	10.02.2009	63,83%	63,83%	63,83%	63,83%	Use of free funds, development investments.
12	Armagor SA	Gorzów Śląski	06.09.2009	63,83%	63,83%	63,83%	63,83%	Production of valves, tooling services.
13	PZU Specjalistyczny Fundusz Inwestycyjny Otwarty Dłużny	Warsaw	15.12.2009	100,00%	100,00%	nd.	nd.	Investment of funds collected from members.

The Capital Group of PZU Spółka Akcyjna
Interim consolidated financial statements for the 6-month period ended 30 June 2012

No.	Entity's name	Registered office	Date of commencing control/significant impact	% of share capital directly or indirectly held by PZU		% of votes directly or indirectly held by PZU		Business activity
				30 June 2012	31 December 2011	30 June 2012	31 December 2011	
Non-consolidated subsidiaries								
14	Towarzystwo Funduszy Inwestycyjnych PZU SA („TFI PZU”)	Warsaw	30.04.1999	100,00%	100,00%	100,00%	100,00%	Creation, representing and management of investment funds.
15	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.
16	PZU Pomoc SA	Warsaw	18.03.2009	100,00%	100,00%	100,00%	100,00%	Assistance services.
17	UAB PZU Lietuva Gyvybes Draudimas	Vilnius (Lithuania)	26.04.2002	99,34%	99,34%	99,34%	99,34%	Life insurance.
18	PrJSC IC PZU Ukraine Life Insurance („PZU Ukraine Life”)	Kiev (Ukraine)	01.07.2005	100,00%	100,00%	100,00%	100,00%	Life insurance.
19	Międzyzakładowe Pracownicze Towarzystwo Emerytalne PZU SA („MPTE PZU SA”)	Warsaw	13.08.2004	100,00%	100,00%	100,00%	100,00%	Management of employee pension fund.
20	Ipsilon Sp. z o.o.	Warsaw	02.04.2009	100,00%	100,00%	100,00%	100,00%	The Company does not conduct activities.
21	Ipsilon Bis SA	Warsaw	02.09.2011	100,00%	100,00%	100,00%	100,00%	The Company does not conduct activities.
22	Omicron SA	Warsaw	13.09.2011	100,00%	100,00%	100,00%	100,00%	The Company does not conduct activities.
23	Syta Development Sp. z o.o. w likwidacji	Warsaw	29.04.1996	100,00%	100,00%	100,00%	100,00%	Acquisition and disposal of real property, trade agency and administration of real property.
24	Sigma Investments Sp. z o.o. w likwidacji ¹⁾	Warsaw	28.12.1999	100,00%	100,00%	100,00%	100,00%	The Company does not conduct activities.
25	Company with Additional Liability Inter-Risk Ukraine („Inter Risk”) ²⁾	Kiev (Ukraine)	01.07.2005	0,00%	100,00%	0,00%	100,00%	Legal services.
26	LLC Finansowa Kompania Idea-Kapital ³⁾	Kiev (Ukraine)	06.10.2011	0,00%	100,00%	0,00%	100,00%	Financial services.
27	LLC SOS Services Ukraine	Kiev (Ukraine)	01.07.2005	100,00%	100,00%	100,00%	100,00%	Assistance services.
28	ICH Center SA w likwidacji ⁴⁾	Warsaw	31.01.1996	90,00%	90,00%	90,00%	90,00%	The Company does not conduct activities.

No.	Entity's name	Registered office	Date of commencing control/ significant impact	% of share capital directly or indirectly held by PZU		% of votes directly or indirectly held by PZU		Business activity
				30 June 2012	31 December 2011	30 June 2012	31 December 2011	
Associates								
29	Kolej Gondolowa Jaworzyna Krynicka SA	Krynica	17.08.1998	37,53%	37,53%	36,71%	36,71%	Operation of ski hoists.
30	Nadwiślańska Agencja Ubezpieczeniowa SA	Tychy	08.06.1999	30,00%	30,00%	30,00%	30,00%	Insurance activities.

¹⁾ On 19 July 2012 the Extraordinary General Shareholders' Meeting of PZU passed a resolution on initiation liquidation process on 1 August 2012.

²⁾ Sale is described in point 2.2.

³⁾ Sale is described in point 2.3.

⁴⁾ On 8 March 2012 the Extraordinary General Shareholders' Meeting of PZU passed a resolution on initiation liquidation process on 16 March 2012.

2. Changes in the organization of PZU Group

2.1. Transfer of portion of financial investments to funds

On 2 July 2012, another portion of bonds issued by the State Treasury owned by PZU Życie and classified to the portfolio of financial instruments measured at fair value through profit or loss - classified to the category at the initial recognition, with the fair value as at the transfer date of PLN 953,162 thousand - were transferred to PZU Specjalistyczny Fundusz Inwestycyjny Otwarty Dłużny, with PZU Życie as the sole participant.

The objective of the transfer was to improve the effectiveness of the management of financial investments by among others tax optimization (CIT on capital gains and VAT paid to other companies in the PZU Group for the management of the portfolio of securities and not deducted by PZU Życie).

The above transaction had not impact on the net assets and profit/loss of the PZU Group.

Presentation, classification and the method of measurement of the assets in these consolidated financial statements of the PZU Group did not change due to the fact that the PZU fund Specjalistyczny Fundusz Inwestycyjny Otwarty Dłużny is consolidated using the full method since 30 June 2011.

2.2. Sale of the Company with Additional Liability Inter-Risk Ukraine

On 22 December 2011 PZU Ukraine and PZU Ukraine Life concluded an Agreement on the Sale of the Company with Additional Liability Inter-Risk Ukraine with Powszechna Kasa Oszczędności BP SA ("PKO BP SA") for the total amount of PLN 2,500 thousand.

On 16 January 2012 the ownership rights to Inter Risk shares were transferred to the acquirer. The profit from the sale of shares amounted to PLN 2,286 thousand.

2.3. The sale of the company LLC Finansowa Kompania Idea-Kapitał

Under the agreement dated 20 March 2012, on 23 March 2012 the ownership rights to shares in LLC Finansowa Kompania Idea-Kapitał were transferred to Publiczna Spółka Akcyjna Kredobank for the total amount of UAH 4,100 thousand.

3. Compliance with International Financial Reporting Standards

These consolidated financial statements of the PZU Group have been prepared in compliance with International Financial Reporting Standards as endorsed by the European Commission ("EC") as at 30 June 2012, including the requirements of IAS 34 Interim Financial Reporting and the Ordinance on current and periodic information.

3.1. Standards and interpretations as well as revised standards effective in 2012

The following revised standards have been applied to these consolidated financial statements for the first time (the amendments were applied earlier, because in the case of the consolidated financial statements of the PZU Group they would have applied to periods beginning on or after 1 January 2013):

Standard/interpretation	Date of entry into force for periods beginning on	EC Regulation endorsing a standard or interpretation
Amendments to IAS 1 - Presentation of items of other comprehensive income	1 July 2012	475/2012

3.1.1. Published standards, interpretations and revised standards which have not come into force

The following standards, interpretations and revised standards have been published but have not come into force yet:

- Approved by EC:

Standard/interpretation	Date of entry into force for periods beginning on	EC Regulation endorsing a standard or interpretation
Amendments to IAS 19 - Amendments to the accounting treatment of post-employment benefits	1 January 2013	475/2012

The PZU Group decided not apply the standard earlier.

- Not approved by EC:

Standard/interpretation	Date of entry into force for periods beginning on (by IASB)
IFRS 9 – Financial Instruments	1 January 2015
IFRS 10 – Consolidated financial statements	1 January 2013 *
IFRS 11 – Joint Arrangements	1 January 2013 *
IFRS 12 – Disclosure of interests in other entities	1 January 2013 *
IFRS 13 – Fair value measurement	1 January 2013
Revised IAS 27 – Separate financial statements	1 January 2013 *
Revised IAS 28 - Investments in associates and joint ventures	1 January 2013 *
Amendments to IAS 12 – Income Taxes	1 January 2012
Severe hyperinflation and removal of fixed dates for first-time adopters (Amendments to IFRS 1)	1 July 2011
Amendments to IFRS 7 – offsetting financial assets and financial liabilities	1 January 2013
Amendments to IAS 32 - offsetting financial assets and financial liabilities	1 January 2014
Amendments to IFRS 1 – Government loans	1 January 2013
Amendments to IAS (2009-2011)	1 January 2013
Provisional guidelines (amendments to IFRS 10, IFRS 11 and IFRS 12)	1 January 2013 *
IFRIC 20 – Stripping costs in the production phase of a surface mine	1 January 2013

* On 1 June 2012 Accounting Regulatory Committee – ARC which advises to the European Commission advocated that the regulation should be applicable to annual periods starting on or after 1 January 2014 at the latest (early application could be possible after the standard has been approved by the European Commission).

It is expected that the application of the above standards, interpretations and revised standards will not have a material impact on the comprehensive income and equity of the PZU Group, except for:

- IFRS 9 - due to the late effective date and expected further changes in the accounting principles connected with financial instruments, partly related to the current works on gradual replacement of the present IAS 39 with new regulations, the impact of application of IFRS 9 on the comprehensive income and equity of the PZU Group were not assessed.

4. Summary of Significant Accounting Policies

Detailed accounting principles (policy) have been presented in the annual consolidated financial statements of the Capital Group of Powszechny Zakład Ubezpieczeń Spółka Akcyjna for 2011, signed by the Management Board of PZU on 14 March 2012, on which the certified auditor issued an unqualified opinion on the above date (the "Consolidated financial statements of the PZU Group for 2011").

The consolidated financial statements of the PZU Group for 2011 are available on the PZU website www.pzu.pl under "PZU Capital Group/Investor Relations/Periodic and current reports/Periodic reports".

5. Changes in accounting principles (policy) and comparability of financial data

During the 6 months ended 30 June 2011, the Group did not introduce changes to the accounting principles (policies).

The method of presentation of financial data in the consolidated financial statements did not change compared to the annual consolidated financial statements of the PZU Group for 2011, with the reservation that:

- these interim consolidated financial statements are condensed financial statements as understood by IAS 34;
- since the beginning of 2012 the Capital Group changed the presentation method applied to segment reporting note, drawn up in line with IFRS 8. The new presentation method applied, as presented in detail in point 14, has been introduced due to the change in the method of presenting financial performance to the body responsible for taking key operational decisions in PZU. The new presentation method applied to segment reporting is more detailed and user-friendly without compromising data reliability.
- changes to IAS 1 "Presentation of Items of Other Comprehensive Income" approved by the European Commission on 5 June 2012 were applied for the first time to the financial statements of the PZU Group for the 6-month period ended 30 June 2012 (The amendments were applied earlier, because in the case of the consolidated financial statements of the PZU Group they would have applied to periods beginning on or after 1 January 2013). Due to the amendment, other comprehensive income has been recognized under two categories: as items subject to later recognition in profit or loss or not subject to later recognition in profit or loss. The Company also disclosed information concerning income tax on items of other comprehensive income in an appropriate note.

6. Key assumptions made for the purpose of accounting estimates and judgments used in the process of selection and application of accounting principles (policy)

Key assumptions made for the purpose of accounting estimates and judgments used in the process of selection and application of accounting principles (policy) were presented in the consolidated financial statements of the PZU Group for 2011.

In the 6-month period ended 30 June 2012 the above assumptions and judgments were not changed.

7. Restatement of prior year results

In the 6-month period from 1 January to 30 June 2012 no adjustments of prior year errors were made.

8. Other information regarding the method of preparation of the interim condensed consolidated financial statements

8.1. Period covered by the interim consolidated financial statements

These interim consolidated financial statements cover a 6-month period from 1 January to 30 June 2012.

8.2. Functional and presentation currency

The Polish zloty (PLN) is the functional and presentation currency of the PZU Group. Unless expressly stated otherwise, all amounts presented in the interim consolidated financial statements are in PLN thousand.

8.3. Going concern

These interim consolidated financial statements have been prepared on the assumption that the PZU Group companies will continue as a going concern in the foreseeable future, i.e. in the period of at least 12 months from the end of the reporting period. As of the date of signing the interim consolidated financial statements, no facts

and circumstances indicated a risk to the ability of the PZU Group entities to continue as a going concern within 12 months of the end of the reporting period due to intended or forced discontinuation or material limitation of their activities.

8.4. Discontinued operations

In the 6-month period ended 30 June 2011 the PZU Group entities did not discontinue any of their operations. Extraordinary Shareholders Meeting of ICH Center SA (a company excluded from consolidation) issued a resolution dated 8 March 2012 to start liquidation of the company as of 16 March 2012. At the beginning of 2011, the subsidiary ICH Center SA, excluded from consolidation, ceased to conduct its statutory activities (i.e. loss adjustment for Green Card holders).

Extraordinary Shareholders' Meeting of Sigma Investments Sp. z o.o. (a company excluded from consolidation) issued a resolution dated 19 July 2012 to start liquidation of the company as of 1 August 2012. Sigma Investments Sp. z o.o. did not carry out any business activities.

8.5. Seasonal or cyclical nature of business

Operations of the PZU Group are not of a seasonal or cyclical nature to the extent that would justify application of the suggestions presented in IAS 34.21.

8.6. Foreign exchange rates

The following exchange rates have been applied to translate data of foreign controlled entities and to present selected financial data in the interim consolidated financial statements:

Currency	1 January – 30 June 2012	30 June 2012	31 marca 2012	1 January – 31 December 2011	31 December 2011	1 January – 30 June 2011	30 June 2011
LTL	1,2235	1,2341	1,2053	1,1990	1,2792	1,1498	1,1546
UAH	0,4044	0,4221	0,3889	0,3716	0,4255	0,3512	0,3444
EUR	4,2246	4,2613	4,1616	4,1401	4,4168	3,9699	3,9866

The rates are:

- average rates of the National Bank of Poland ruling as at the balance sheet date – for the statement of financial position;
- rates determined as the arithmetic mean of the rates published by the National Bank of Poland, ruling as at the last day of each month of a given period - for the income statement, statement of comprehensive income and statement of cash flows.

9. Significant events with a substantial impact on changes in the structure of individual items of the financial statements

9.1. Distribution of profit of PZU for 2011

On 30 May 2012, the General Shareholders' Meeting of PZU adopted a resolution on distribution of the profit for 2011. The issue has been described in detail in point **Błąd! Nie można odnaleźć źródła odwołania.**

9.2. Key dividends paid among the PZU Group companies

The following operations have no influence of the profit/loss of the PZU Group, but on the presentation of the results of individual segments.

9.2.1. Dividend from PZU Życie to PZU

On 22 May 2012, the Ordinary General Shareholders' Meeting of PZU Życie adopted a resolution on the following distribution of PLN 1,583,301 thousand of profit of PZU Życie for the 2011 financial year:

- payment of dividend to the sole shareholder, i.e. PZU - PLN 1,177,474 thousand;
- reclassification to the supplementary capital - PLN 395,825 thousand;
- PLN 10,000 thousand reclassified to the Company's Social Benefits Fund.

In accordance with the resolution in question the dividend record date was set at 22 May and the dividend was to be paid out on 13 September 2012.

9.2.2. Dividend from PTE to PZU Życie

On 18 June 2012, PTE PZU paid a dividend to PZU Życie of PLN 36.868 thousand.

10. Significant post-balance sheet events

10.1. Starting the next stage of staff restructuring

The issue has been described in point 20.5.

10.2. The next stage of transferring financial investments to funds

On 24 July 2012 PZU and PZU Życie subscribed for B series investment certificates of PZU Fundusz Inwestycyjny Zamknięty Akcji making the following payments:

- PZU: cash of PLN 79,000 thousand and shares classified as securities held for trading with the value of PLN 361,712 thousand;
- PZU Życie: shares classified as securities held for trading with the value of PLN 591,000 thousand.

On 25 July TFI PZU awarded investment certificates with the value of PLN 437,500 thousand to PZU and of PLN 585,700 thousand to PZU Życie. The difference between the subscription value and the issue value was returned to the accounts of PZU and PZU Życie.

The objective of these steps was the same as in case of the classification of a portion of debt securities to investment funds, as presented in point 2.1.

The transaction will not affect the net assets or the financial profit or loss of the PZU Group.

11. Notes to the condensed interim consolidated financial statements

11.1. Financial assets

11.1.1. Financial instruments held to maturity

Financial instruments held to maturity	30 June 2012	31 March 2012	31 December 2011	30 June 2011
Instruments for which fair value may be determined	21 203 014	22 029 401	21 659 505	21 994 138
Debt securities	21 203 014	22 029 401	21 659 505	21 994 138
- government securities	21 011 015	21 842 846	21 467 316	21 361 678
- fixed rate	20 656 030	21 495 731	21 128 913	21 021 217
- floating rate	354 985	347 115	338 403	340 461
- other securities	191 999	186 555	192 189	632 460
- listed on a regulated market	69 026	63 571	66 566	514 188
- fixed rate	69 026	63 571	66 566	514 188
- not listed on a regulated market	122 973	122 984	125 623	118 272
- fixed rate	-	-	-	-

- floating rate	122 973	122 984	125 623	118 272
Total financial instruments held to maturity	21 203 014	22 029 401	21 659 505	21 994 138

11.1.2. Financial instruments available for sale

Financial instruments available for sale	30 June 2012	31 March 2012	31 December 2011	30 June 2011
Instruments for which fair value may be determined	8 392 747	8 382 792	7 723 676	9 712 189
Equity instruments	1 162 310	1 405 315	1 189 903	1 297 088
- listed on a regulated market	314 334	563 654	506 886	649 589
- not listed on a regulated market	847 976	841 661	683 017	647 499
Debt securities	7 230 437	6 977 477	6 533 773	8 415 101
- government securities	6 923 866	6 675 543	6 467 372	8 299 470
- fixed rate	5 905 078	6 025 991	5 764 231	8 169 318
- floating rate	1 018 788	649 552	703 141	130 152
- other securities	306 571	301 934	66 401	115 631
- listed on a regulated market	68 356	68 716	66 401	68 322
- fixed rate	24 849	24 527	23 745	24 507
- floating rate	43 507	44 189	42 656	43 815
- not listed on a regulated market	238 215	233 218	-	47 309
- floating rate	238 215	233 218	-	47 309
Instruments for which fair value may not be determined	124 909	126 006	128 227	126 159
Equity instruments	124 909	126 006	128 227	126 159
- not listed on a regulated market *	124 909	126 006	128 227	126 159
Total financial instruments available for sale	8 517 656	8 508 798	7 851 903	9 838 348

* This item includes shares in controlled entities not included under consolidation, whose carrying amount as at 30 June 2012 was PLN 121.820 thousand (as at 31 March 2012: PLN 122.918 thousand, as at 31 December 2011: PLN 125.140 thousand, as at 30 June 2011: PLN 122.908 thousand).

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

Financial instruments measured at fair value through profit or loss – classified as such upon initial recognition	30 June 2012	31 March 2012	31 December 2011	30 June 2011
Instruments for which fair value may be determined	4 339 093	4 461 262	4 363 764	6 607 852
Equity instruments	22 486	16 376	118 727	162 408
- listed on a regulated market	19 789	13 773	11 240	21 297
- not listed on a regulated market	2 697	2 603	107 487	141 111
Debt securities	4 316 607	4 444 886	4 245 037	6 445 444
- government securities	4 248 120	4 376 043	4 178 520	6 329 680
- fixed rate	3 585 654	3 900 407	3 719 321	6 211 590
- floating rate	662 466	475 636	459 199	118 090
- other securities	68 487	68 843	66 517	115 764
- listed on a regulated market	68 487	68 843	66 517	68 455
- fixed rate	24 980	24 654	23 861	24 640
- floating rate	43 507	44 189	42 656	43 815
- not listed on a regulated market	-	-	-	47 309
- floating rate	-	-	-	47 309
Total financial instruments measured at fair value through profit or loss – classified as such upon initial recognition	4 339 093	4 461 262	4 363 764	6 607 852

Financial instruments measured at fair value through profit or loss – held for trading	30 June 2012	31 March 2012	31 December 2011	30 June 2011
Instruments for which fair value may be determined	6 249 213	6 130 859	6 450 855	6 388 431
Equity instruments	3 597 857	3 694 099	3 723 493	4 301 273
- listed on a regulated market	1 692 554	1 836 739	1 989 010	2 500 122
- not listed on a regulated market	1 905 303	1 857 360	1 734 483	1 801 151
Debt securities	2 584 511	2 372 545	2 642 574	1 998 712
- government securities	2 537 281	2 325 100	2 597 771	1 969 787
- fixed rate	1 817 157	1 581 775	1 870 647	1 555 362
- floating rate	720 124	743 325	727 124	414 425
- other securities	47 230	47 445	44 803	28 925
- listed on a regulated market	-	-	-	5 271
- fixed rate	-	-	-	5 271
- not listed on a regulated market	47 230	47 445	44 803	23 654
- fixed rate	-	24 739	24 402	-
- floating rate	47 230	22 706	20 401	23 654
Other, including:	66 845	64 215	84 788	88 446
- derivatives	66 845	64 215	84 788	88 446
Total financial instruments measured at fair value through profit or loss – held for trading	6 249 213	6 130 859	6 450 855	6 388 431

11.1.4. Loans

Loans	30 June 2012	31 March 2012	31 December 2011	30 June 2011
Debt securities	862 328	160 408	114 143	10 782
Government securities	14 460	9 560	5 329	-
- fixed rate	14 460	9 560	5 329	-
Pozostale	847 868	150 848	108 814	10 782
- listed on a regulated market	57 996	52 347	51 622	698
- fixed rate	7 232	793	860	698
- floating rate	50 764	51 554	50 762	-
- unlisted	789 872	98 501	57 192	10 084
- floating rate	789 872	98 501	57 192	10 084
Other, including:	7 717 611	8 117 868	6 335 189	6 294 891
- reverse repo transactions	2 399 154	516 588	628 497	1 128 836
- term deposits with credit institutions	4 351 854**	6 678 217*	4 828 511	5 127 561
- deposits with ceding undertakings	348	334	407	1 249
- loans	966 255	922 729	877 774	37 245
Total loans	8 579 939	8 278 276	6 449 332	6 305 673

* Over 95% of term deposits with credit institutions are denominated in PLN. Over 75% of term deposits have maturity before 30 June 2012.

** Over 96% of term deposits with credit institutions are denominated in PLN. Over 76% of term deposits have maturity before 31 December 2012.

Other loans

Type of loans	30 June 2012	31 March 2012	31 December 2011	30 June 2011
Mortgage loans	29 633	30 976	32 264	34 623
Loans with collaterals such as pledges on shares, liability portfolios as well as bank accounts, other loans or other forms of collateral	933 754	888 957	842 290	-
Not collateralized loans	2 868	2 796	3 220	2 622
Total	966 255	922 729	877 774	37 245

11.1.5. Exposure to bonds issued by treasuries

The table below presents the exposure of the PZU Group companies in bonds issued by treasuries other than the Polish treasury, as at 30 June 2012.

Issuer	Currency	Classification	Purchase price	Carrying amount	Fair value	Amortized cost	impairment losses
Germany	EUR	available for sale	431 699	412 746	412 746	410 121	-
Germany	EUR	held for trading	4 333	4 473	4 473	4 474	-
Iceland	USD	held for trading	186 327	189 058	189 058	189 158	-
Lithuania	LTL	held to maturity	75 774	92 988	95 425	92 988	-
Lithuania	EUR	held to maturity	27 177	27 598	29 898	27 598	-
Lithuania	LTL	measured at fair value through profit or loss	12 407	12 521	12 521	12 547	-
Ukraine	UAH	loans	14 630	14 460	n/a	14 460	-
Hungary	EUR	held to maturity	2 278	2 479	2 435	2 479	-
Hungary	EUR	held for trading	51 961	54 949	54 949	53 601	-
Hungary	HUF	held for trading	172 672	175 898	175 898	175 811	-
Total			979 258	987 170	n/a	983 237	-

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

11.1.6.1. Capital market

Long-lasting difficult situation in the Eurozone resulting from the debt crisis considerably affected the Polish capital market in the first half of 2012. The relatively good situation in the stock market in January 2012 was followed by a few months of a downfall a rebound in June 2012. In the whole first half of 2012, the WIG index increased by 8.6% and WIG20 by 6.1% (source: Thomson Reuters Datastream).

In the first half of 2012 the prices of Polish treasury bonds were on the upward trend, except for periodical declines. Consequently, the Polish yield curve has flattened considerably. The highest drop in the yields was observed in the prices of 10-year bonds (5.15% at the end of June 2012 vs. 5.91% at the end of 2011). The interest rate of 5-year bonds dropped in this period by 2 b.p. to 4.73%, while the interest rate of 2-year bonds - by 20 b.p. down to 4.67% (source: Thomson Reuters Datastream). The prices of Polish treasury bonds were growing despite high risk aversion and the increase in the NBP's reference rate by 25 b.p. in May 2012.

11.1.6.2. Interest rates and inflation

In the first half of 2012 inflation (annual CPI), measured as a monthly average and at the end of June, was slightly lower than in the second half of 2011 (4.0% YoY vs. 4.3% YoY and 4.3% YoY vs. 4.6% YoY, respectively), (source: Central Statistical Office).

In May 2012 the Monetary Policy Council decided to increase interest rates by 25 b.p. Consequently, the reference rate was set at 4.75% (source: National Bank of Poland).

11.1.6.3. Foreign exchange rates

In the first half of 2012 the PLN rate was fluctuating considerably and the amplitude of the exchange rates for major currencies (EUR, USD) reached ca. PLN 0,50. The Polish zloty was strengthening in the first quarter of 2012, however, in April the trend reversed to continue through May. June saw an increase in the value of zloty, which finally strengthened against the EUR, USD and CHF in the whole first half of 2012. In this period the Polish currency gained against the EUR (3.5%) and the CHF (2.4%). The USD dropped by 0.8% against the PLN (source: National Bank of Poland).

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

In the 6-month period ended 30 June 2012 PZU or its subsidiaries did not change classification of any financial assets due to the change of the purpose or use of the assets.

11.1.8. Fair value classification

Using applicable methods of fair value measurement, particular financial assets and liabilities were classified to the following levels:

- Level I – Financial instruments measured based on listed prices (unadjusted) from active markets for identical assets and liabilities. The level includes:
 - listed liquid debt securities;
 - listed shares;
 - listed derivatives.
- Level II – financial instruments 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 non-liquid debt securities (including other than treasury debt securities issued by other financial entities, local government and entities from outside the financial sector);
 - other than listed derivatives;
 - investment fund units.
- Level III – financial instruments measured based on input data unobserved on the existing markets (unobservable input data). The level comprises among others shares and stock of unlisted subsidiaries and associates not included in consolidation and all assets held by PZU Ukraine.

Financial assets and liabilities measured at fair value as at 30 June 2012	Level I	Level II	Level III	Total
Assets				
Financial instruments available for sale	7 306 556	1 086 191	-	8 392 747
Equity instruments	314 334	847 976	-	1 162 310
Debt securities	6 992 222	238 215	-	7 230 437
Carrying amount of debt instruments measured at fair value through profit or loss - classified as such upon initial recognition	4 336 396	2 697	-	4 339 093
Equity instruments	19 789	2 697	-	22 486
Debt securities	4 316 607	-	-	4 316 607
Financial instruments measured at fair value held for trading				
Equity instruments	1 692 554	1 905 303	-	3 597 857
Debt securities	2 537 281	47 230	-	2 584 511
Derivatives	1 000	65 845	-	66 845
Financial liabilities				
Liabilities measured at fair value				
Derivatives	5 325	30 817	-	36 142
Derivatives	5 325	30 817	-	36 142

Financial assets and liabilities measured at fair value as at 30 March 2012	Level I	Level II	Level III	Total
Assets				
Financial instruments available for sale	7 307 172	1 074 879	741	8 382 792
Equity instruments	562 913	841 661	741	1 405 315
Debt securities	6 744 259	233 218	-	6 977 477
Carrying amount of debt instruments measured at fair value through profit or loss - classified as such upon initial recognition	4 458 659	2 603	-	4 461 262
Equity instruments	13 773	2 603	-	16 376
Debt securities	4 444 886	-	-	4 444 886
Financial instruments measured at fair value held for trading				
Equity instruments	1 836 739	1 857 360	-	3 694 099
Debt securities	2 325 100	47 445	-	2 372 545
Derivatives	-	64 215	-	64 215
Financial liabilities				
Liabilities measured at fair value				
Derivatives	181	24 531	-	24 712
Derivatives	181	24 531	-	24 712

Financial assets and liabilities measured at fair value as at 31 December 2011	Level I	Level II	Level III	Total
Assets				
Financial instruments available for sale	7 039 968	683 017	691	7 723 676
Equity instruments	506 195	683 017	691	1 189 903
Debt securities	6 533 773	-	-	6 533 773
Carrying amount of debt instruments measured at fair value through profit or loss - classified as such upon initial recognition	4 256 277	107 487	-	4 363 764
Equity instruments	11 240	107 487	-	118 727
Debt securities	4 245 037	-	-	4 245 037
Financial instruments measured at fair value held for trading				
Equity instruments	1 989 010	1 734 483	-	3 723 493
Debt securities	2 597 771	44 803	-	2 642 574
Derivatives	-	84 788	-	84 788
Financial liabilities				
Liabilities measured at fair value				
Derivatives	24	93 419	-	93 443
Derivatives	24	93 419	-	93 443

Financial assets and liabilities measured at fair value as at 30 June 2011	Level I	Level II	Level III	Total
Assets				

Financial instruments available for sale	9 015 573	694 808	1 808	9 712 189
Equity instruments	649 589	647 499	-	1 297 088
Debt securities	8 365 984	47 309	1 808	8 415 101
Carrying amount of debt instruments measured at fair value through profit or loss - classified as such upon initial recognition	6 421 566	186 286	-	6 607 852
Equity instruments	23 431	138 977	-	162 408
Debt securities	6 398 135	47 309	-	6 445 444
Financial instruments measured at fair value held for trading	4 475 180	1 913 251	-	6 388 431
Equity instruments	2 500 122	1 801 151	-	4 301 273
Debt securities	1 975 058	23 654	-	1 998 712
Derivatives	-	88 446	-	88 446
Financial liabilities				
Liabilities measured at fair value	-	38 003	-	38 003
Derivatives	-	38 003	-	38 003

11.1.9. Change in the method of fair value measurement for financial instruments measured at fair value.

In the 6-month period ended 30 June 2012 PZU and its subsidiaries did not change the method of fair value measurement of financial instruments.

11.2. Receivables, including under insurance contracts

Receivables, including under insurance contracts – carrying amount	30 June 2012	31 March 2012	31 December 2011	30 June 2011
Receivables from direct insurance, including:	1 438 281	1 498 508	1 378 054	1 365 246
- receivables from policyholders	1 327 471	1 385 410	1 268 320	1 250 434
- receivables from insurance intermediaries	59 390	85 792	84 511	57 487
- other receivables	51 420	27 306	25 223	57 325
Receivables from reinsurance	35 947	35 303	33 987	73 167
Other receivables	437 482	957 793	322 595	989 928
Net receivables, including under insurance contracts	1 911 710	2 491 604	1 734 636	2 428 341

11.2.1. Other receivables

Other receivables	30 June 2012	31 March 2012	31 December 2011	30 June 2011
Receivables from Metro Projekt sp. z o.o. claimed at court	98 373	97 924	96 491	94 600
Receivables relating to prevention activities	49 891	48 062	43 057	39 072
Receivables from loss adjusting services	4 849	4 759	6 326	4 504
Receivables of the unit-linked products in life insurance	10 971	26 442	4 014	17 170
Receivables from disposal of securities	157 946	660 453	57 667	689 294
Trade receivables	91 938	89 816	89 426	86 985
Other	23 514	30 337	25 614	58 303
Total other receivables	437 482	957 793	322 595	989 928

Receivables from Metro Projekt sp. z o.o. and related matters have been described in point 19.5.

11.3. Reinsurers' share in technical provisions

Reinsurers' share in technical provisions – property and casualty insurance	30 June 2012	31 March 2012	31 December 2011	30 June 2011
Provision for unearned premiums	133 255	148 120	163 937	111 973
Provision for unexpired risks	41	152	167	53
Provisions for claims outstanding, including:	354 113	235 427	283 085	281 639
- for claims reported	218 410	195 588	233 774	239 374
- for claims incurred but not reported (IBNR)	122 452	27 594	37 503	29 223
- for claims handling costs	13 251	12 245	11 808	13 042

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Provision for capitalized value of annuity claims	240 586	244 797	253 524	354 161
Reinsurers' share in technical provisions (net)	727 995	628 496	700 713	747 826

Reinsurers' share in technical provisions - life insurance	30 czerwca 2012	31 marca 2012	31 grudnia 2011	30 czerwca 2011
Provision for unearned premiums	372	555	-	378
Reinsurers' share in technical provisions (net)	372	555	-	378

11.4. Impairment of financial assets and receivables

Changes in impairment losses on financial assets in period 1 January - 30 June 2012	Impairment losses – opening balance	Impairment losses recognized in the income statement	Release of impairment losses recognized in the income statement	Derecognition of impairment losses from the accounting records (not recognized in the income statement)	Exchange differences	Other changes in impairment losses
Financial assets available for sale	253 372	15 441	-	(7 878)	(16)	260 919
- equity instruments	253 372	15 441	-	(7 878)	(16)	260 919
Loans	28 770	-	-	-	(373)	28 397
Term deposits with credit institutions	10 434	-	-	-	(368)	10 066
Loans	18 336	-	-	-	(5)	18 331
Receivables, including under insurance contracts	581 209	68 647	(6 317)	(107)	(191)	643 241
Receivables from direct insurance	512 855	68 009	(3 708)	(103)	(161)	576 892
Receivables from reinsurance	4 848	88	(451)	-	-	4 485
Other receivables	63 506	550	(2 158)	(4)	(30)	61 864
Reinsurers' share in technical provisions	18 613	10 124	(21 986)	-	-	6 751
Total	881 964	94 212	(28 303)	(7 985)	(580)	939 308

Changes in impairment losses on financial assets in the year ended 31 December 2011	Impairment losses – opening balance	Impairment losses recognized in the income statement	Release of impairment losses recognized in the income statement	Derecognition of impairment losses from the accounting records (not recognized in the income statement)	Exchange differences	Other changes in impairment losses	Impairment losses – closing balance
Financial assets available for sale	296 919	16 352	-	(60 147)	248	-	253 372
- equity instruments	296 919	16 352	-	(60 147)	248	-	253 372
Loans	18 321	9 780	-	-	669	-	28 770
Term deposits with credit institutions	-	9 780	-	-	654	-	10 434
Loans	18 321	-	-	-	15	-	18 336
Receivables, including under insurance contracts	507 659	147 596	(61 677)	(13 756)	1 400	(13)	581 209
Receivables from direct insurance	423 260	93 258	(3 089)	(1 705)	1 135	(4)	512 855
Receivables from reinsurance	18 544	51 801	(53 892)	(11 605)	-	-	4 848
Other receivables	65 855	2 537	(4 696)	(446)	265	(9)	63 506
Reinsurers' share in technical provisions	36 372	7 378	(25 137)	-	-	-	18 613

Total	859 271	181 106	(86 814)	(73 903)	2 317	(13)	881 964
Changes in impairment losses on financial assets in period 1 January - 30 June 2011	Impairment losses – opening balance	Impairment losses recognized in the income statement	Release of impairment losses recognized in the income statement	Derecognition of impairment losses from the accounting records (not recognized in the income statement)	Exchange differences	Other changes in impairment losses	Impairment losses – closing balance
Financial assets available for sale	296 919	325	-	(8 536)	(129)	-	288 579
- equity instruments	296 919	325	-	(8 536)	(129)	-	288 579
Loans	18 321	-	-	-	1	-	18 322
Receivables, including under insurance contracts	507 659	93 170	(24 843)	-	(520)	(12)	575 454
Receivables from direct insurance	423 260	61 545	(2 802)	-	(414)	(4)	481 585
Receivables from reinsurance	18 544	31 614	(19 801)	-	-	-	30 357
Other receivables	65 855	11	(2 240)	-	(106)	(8)	63 512
Reinsurers' share in technical provisions	36 372	-	-	-	-	-	36 372
Total	859 271	93 495	(24 843)	(8 536)	(648)	(12)	918 727

11.5. Credit risk exposure – investment activities

The table below presents credit risk exposure of assets broken down by Fitch rating categories (if Fitch ratings are unavailable, Standard&Poors or Moody`s ratings have been used). The exposure to credit risk resulting from repo transactions has been presented as exposure towards the issuer.

The maximum credit risk exposure of other assets is presented in the table below. The table does not present information on assets used to cover liabilities under unit-linked insurance and investment contracts.

Assets exposed to credit risk as at 30 June 2012 (PLN million)	AAA	AA	A	BBB	BB	No rating	Total
Debt securities	417	-	32 615	1 227	477	103	34 839
Bank deposits and repo transactions involving treasury securities	-	-	4 833	1 682	4	62	6 581
Mortgage loans	-	-	-	-	-	30	30
Other loans	-	-	-	-	-	934	934
Derivatives	-	4	47	16	-	-	67
Reinsurers' share in net claims provisions	-	365	145	19	-	66	595
Receivables from reinsurance	-	18	8	1	-	9	36
Total assets exposed to credit risk	417	387	37 648	2 945	481	1 204	43 082

Assets exposed to credit risk as at 31 December 2011 (PLN million)	AAA	AA	A	BBB	BB	No rating	Total
Debt securities	480	-	32 883	321	58	63	33 805
Bank deposits and repo transactions involving treasury securities	-	-	4 705	492	14	73	5 284
Mortgage loans	-	-	-	-	-	32	32
Other loans	-	-	-	-	-	842	842
Derivatives	-	34	51	-	-	-	85
Reinsurers' share in net claims provisions	2	329	123	18	11	54	537
Receivables from reinsurance	-	19	7	3	2	3	34
Total assets exposed to credit risk	482	382	37 769	834	85	1 067	40 619

Assets exposed to credit risk as at 30 June 2011(PLN million)	AAA	AA	A	BBB	BB	No rating	Total
Debt securities	908	-	36 303	280	-	13	37 504
Bank deposits and repo transactions involving treasury securities	-	6	4 620	1 427	3	94	6 150
Mortgage loans	-	-	-	-	-	35	35
Derivatives	-	55	17	-	-	-	72
Reinsurers' share in net claims provisions	3	282	273	22	7	49	636
Receivables from reinsurance	-	30	25	3	-	15	73
Total assets exposed to credit risk	911	373	41 238	1 732	10	206	44 470

The table below presents credit risk ratios used to calculate the credit risk:

Standard&Poor's ratings	AAA	AA	A	BBB	BB	No rating*
Ratio (%) 30 June 2012	0,78	0,86	1,77	4,88	15,59	28,70
Ratio (%) 31 December 2011	0,79	0,82	1,84	5,22	16,54	29,94
Ratio (%) 30 June 2011	0,79	0,82	1,84	5,22	16,54	29,94

* For exposure to mortgage loans without a rating, 2% ratio has been applied.

As of 30 June 2012 the credit risk involved in investment activities amounted to PLN 1.229 million (PLN 1.070 million as at 31 December 2011, PLN 913 million as at 30 June 2011).

11.6. Prepayments

Prepayments	30 June 2012	31 March 2012	31 December 2011	30 June 2011
IT expenses	6 956	8 729	6 217	4 557
Deferred acquisition costs relating to OFE PZU	12 991	17 937	23 400	35 615
Prepayments relating to reinsurance	34 638	42 484	85 366	118 485
Other	25 680	30 167	10 907	19 390
Total	80 265	99 317	125 890	178 047

11.7. Technical provisions

11.7.1. Technical provisions – property and casualty insurance

Technical provisions - property and casualty insurance	30 June 2012	31 March 2012	31 December 2011	30 June 2011
Provision for unearned premiums	4 678 802	4 777 729	4 411 652	4 481 512
Provision for unexpired risks	14 500	23 620	13 411	24 423
Provisions for claims outstanding	5 150 429	4 898 036	4 817 359	4 431 695
Provision for capitalized value of annuity claims	5 146 903	5 104 344	5 088 626	4 903 518
Provisions for bonuses and rebates for the insured	2 897	4 772	6 232	4 511
Total	14 993 531	14 808 501	14 337 280	13 845 659

11.7.1.1. *Change in technical provisions in property and casualty insurance*

Change in provision for unearned premium in property and casualty insurance	1 January - 30 June 2012			1 January - 31 December 2011			1 January - 30 June 2011		
	gross	reinsurers' share	own share	gross	reinsurers' share	own share	gross	reinsurers' share	own share
Opening balance	4 411 652	(163 937)	4 247 715	4 183 127	(75 230)	4 107 897	4 183 127	(75 230)	4 107 897
Increase (decrease) in provisions for policies concluded in the current year	3 242 791	(76 069)	3 166 722	4 133 193	(130 081)	4 003 112	3 336 179	(49 019)	3 287 160
Increase (decrease) in provisions for policies concluded in previous years	(2 972 667)	106 645	(2 866 022)	(3 917 700)	42 059	(3 875 641)	(3 035 638)	12 019	(3 023 619)
Exchange differences during the period	(2 974)	106	(2 868)	13 032	(685)	12 347	(2 156)	257	(1 899)
Closing balance	4 678 802	(133 255)	4 545 547	4 411 652	(163 937)	4 247 715	4 481 512	(111 973)	4 369 539

Change in provision for unearned premium in property and casualty insurance	1 January - 30 June 2012			1 January - 31 December 2011			1 January - 30 June 2011		
	gross	reinsurers' share	own share	gross	reinsurers' share	own share	gross	reinsurers' share	own share
Opening balance	13 411	(167)	13 244	31 917	(89)	31 828	31 917	(89)	31 828
Increase (decrease) in provisions for policies concluded in the current year	13 047	(39)	13 008	4 064	89	4 153	13 277	-	13 277
Increase (decrease) in provisions for policies concluded in previous years	(11 607)	159	(11 448)	(24 044)	(146)	(24 190)	(20 492)	30	(20 462)
Exchange differences during the period	(351)	6	(345)	1 474	(21)	1 453	(279)	6	(273)
Closing balance	14 500	(41)	14 459	13 411	(167)	13 244	24 423	(53)	24 370

Change in provisions for claims outstanding in property and casualty insurance	1 January - 30 June 2012			1 January - 31 December 2011			1 January - 30 June 2011		
	gross	reinsurers' share	own share	gross	reinsurers' share	own share	gross	reinsurers' share	own share
Opening balance, including:	4 817 359	(283 085)	4 534 274	4 548 445	(336 023)	4 212 422	4 548 445	(336 023)	4 212 422
- for claims reported	1 824 201	(233 774)	1 590 427	1 919 232	(270 855)	1 648 377	1 919 232	(270 855)	1 648 377
- for claims incurred but not reported (IBNR)	2 171 324	(37 503)	2 133 821	1 921 859	(52 650)	1 869 209	1 921 859	(52 650)	1 869 209
- for loss adjustment expenses	821 834	(11 808)	810 026	707 354	(12 518)	694 836	707 354	(12 518)	694 836
Paid claims concerning losses incurred in previous years, including:	(1 029 847)	60 052	(969 795)	(1 836 072)	305 640	(1 530 432)	(1 275 867)	97 826	(1 178 041)
- claims paid	(893 477)	58 761	(834 716)	(1 616 984)	303 487	(1 313 497)	(1 162 079)	96 833	(1 065 246)
- loss adjustment expenses	(136 370)	1 291	(135 079)	(219 088)	2 153	(216 935)	(113 788)	993	(112 795)
Increase (decrease) in provisions, including:	1 367 233	(125 937)	1 241 296	2 088 420	(242 031)	1 846 389	1 160 811	(40 838)	1 119 973
- losses incurred in the current year	1 472 623	(145 757)	1 326 866	1 927 247	(31 017)	1 896 230	1 227 443	(18 838)	1 208 605
- losses incurred in the previous years	(105 390)	19 820	(85 570)	161 173	(211 014)	(49 841)	(66 632)	(22 000)	(88 632)
Other changes	-	(5 970)	(5 970)	-	(6 861)	(6 861)	-	(3 079)	(3 079)
Exchange differences during the period	(4 316)	827	(3 489)	16 566	(3 810)	12 756	(1 694)	475	(1 219)
Closing balance	5 150 429	(354 113)	4 796 316	4 817 359	(283 085)	4 534 274	4 431 695	(281 639)	4 150 056
- for claims reported	1 827 572	(218 410)	1 609 162	1 824 201	(233 774)	1 590 427	1 761 327	(239 374)	1 521 953
- for claims incurred but not reported (IBNR)	2 447 416	(122 452)	2 324 964	2 171 324	(37 503)	2 133 821	1 938 786	(29 223)	1 909 563
- for loss adjustment expenses	875 441	(13 251)	862 190	821 834	(11 808)	810 026	731 582	(13 042)	718 540

Change in provision for capitalized value of annuity claims – property and casualty insurance	1 January - 30 June 2012			1 January - 31 December 2011			1 January - 30 June 2011		
	gross	reinsurers' share	own share	gross	reinsurers' share	own share	gross	reinsurers' share	own share
Opening balance	5 088 626	(253 524)	4 835 102	4 862 552	(360 508)	4 502 044	4 862 552	(360 508)	4 502 044
Paid claims concerning losses incurred in previous years	(86 186)	3 460	(82 726)	(161 033)	9 309	(151 724)	(80 168)	5 529	(74 639)
Increase (decrease) in provisions for losses incurred in the previous years	37 108	15 368	52 476	169 897	106 606	276 503	20 551	661	21 212
Increase in provisions for losses incurred in the current year	107 355	-	107 355	234 642	-	234 642	100 583	-	100 583
Other changes	-	(5 890)	(5 890)	(17 432)	(8 931)	(26 363)	-	157	157
Closing balance	5 146 903	(240 586)	4 906 317	5 088 626	(253 524)	4 835 102	4 903 518	(354 161)	4 549 357

11.7.2. Technical provisions - life insurance

Technical provisions - life insurance	30 June 2012	31 March 2012	31 December 2011	30 June 2011
Provision for unearned premiums	93 115	94 187	96 333	97 243
Life insurance provision	14 784 811	14 733 835	14 595 112	14 525 034
Provisions for claims outstanding	574 186	573 888	612 122	612 509
Provisions for bonuses and rebates for the insured	1 268	1 142	960	1 687
Other technical provisions	544 809	563 127	581 155	572 943
Unit-linked reserve	2 593 063	2 448 643	2 299 767	2 392 789
Total technical provisions - life insurance	18 591 252	18 414 822	18 185 449	18 202 205

11.7.2.1. *Change in technical provisions in life insurance*

Change in provisions for unearned premium in life insurance	1 January - 30 June 2012			1 January - 31 December 2011			1 January - 30 June 2011		
	gross	reinsurers' share	own share	gross	reinsurers' share	own share	gross	reinsurers' share	own share
Opening balance	96 333	-	96 333	100 631	-	100 631	100 631	-	100 631
Increases	93 115	(372)	92 743	96 333	1 490	97 823	91 279	(1 113)	90 166
Decreases	(96 333)	-	(96 333)	(100 631)	(1 490)	(102 121)	(94 667)	735	(93 932)
Closing balance	93 115	(372)	92 743	96 333	-	96 333	97 243	(378)	96 865

Change in provision in life insurance - insurance contacts with no DPF	1 January - 30 June 2012			1 January - 31 December 2011			1 January - 30 June 2011		
	gross	reinsurers' share	own share	gross	reinsurers' share	own share	gross	reinsurers' share	own share
Opening balance	10 923 226	-	10 923 226	10 848 252	-	10 848 252	10 848 252	-	10 848 252
Net premiums received	693 336	-	693 336	1 463 774	-	1 463 774	705 890	-	705 890
Technical interest rate for the provisions	183 684	-	183 684	362 217	-	362 217	180 647	-	180 647
Released provisions due to maturity and survival, mortality, resignation/redemption and other fortuitous events	(1 000 018)	-	(1 000 018)	(2 350 096)	-	(2 350 096)	(1 173 311)	-	(1 173 311)
Impact of the sale of new policies and renegotiation of contracts existing at the beginning of the period	224 659	-	224 659	599 079	-	599 079	243 639	-	243 639
Closing balance	11 024 887	-	11 024 887	10 923 226	-	10 923 226	10 805 117	-	10 805 117

Change in provisions in life insurance, provisions for low interest rates and provisions for revaluation and trials - insurance and investment contracts with DPF	1 January - 30 June 2012			1 January - 31 December 2011			1 January - 30 June 2011		
	gross	reinsurers' share	own share	gross	reinsurers' share	own share	gross	reinsurers' share	own share
Opening balance	4 232 448	-	4 232 448	4 317 278	-	4 317 278	4 317 278	-	4 317 278
Net premiums received	211 016	-	211 016	365 329	-	365 329	158 805	-	158 805
Technical interest rate for the provisions	89 075	-	89 075	167 382	-	167 382	91 898	-	91 898
Increase in provisions for profit sharing	16 375	-	16 375	17 467	-	17 467	12 024	-	12 024
Released provisions due to maturity and survival, mortality, resignation/redemption and other fortuitous events	(260 245)	-	(260 245)	(671 416)	-	(671 416)	(304 935)	-	(304 935)
Changes in assumptions	-	-	-	44 205	-	44 205	-	-	-
Impact of the sale of new policies and renegotiation of contracts existing at the beginning of the period	(5 575)	-	(5 575)	(7 797)	-	(7 797)	(2 374)	-	(2 374)
Closing balance	4 283 094	-	4 283 094	4 232 448	-	4 232 448	4 272 696	-	4 272 696

Change in provisions in life insurance - unit-linked contracts	1 January - 30 June 2012			1 January - 31 December 2011			1 January - 30 June 2011		
	gross	reinsurers' share	own share	gross	reinsurers' share	own share	gross	reinsurers' share	own share
Net assets of the fund at the beginning of the period	2 299 767	-	2 299 767	2 296 089	-	2 296 089	2 296 089	-	2 296 089
Increases in the fund due to premiums	357 297	-	357 297	404 404	-	404 404	201 337	-	201 337
Payments deducted from the fund for risk, administration and other	(21 115)	-	(21 115)	(37 973)	-	(37 973)	(16 789)	-	(16 789)
Revenue from the fund's investments	117 590	-	117 590	(80 939)	-	(80 939)	55 633	-	55 633
Decreases in the fund due to claims, redemptions, etc.	(159 837)	-	(159 837)	(277 226)	-	(277 226)	(142 051)	-	(142 051)
Other decreases	(6 886)	-	(6 886)	(21 752)	-	(21 752)	(4 212)	-	(4 212)
Other increases	6 247	-	6 247	17 164	-	17 164	2 782	-	2 782
Net assets of the fund at the end of the period	2 593 063	-	2 593 063	2 299 767	-	2 299 767	2 392 789	-	2 392 789

Change in provisions in life insurance - other insurance contracts	1 January - 30 June 2012			1 January - 31 December 2011			1 January - 30 June 2011		
	gross	reinsurers' share	own share	gross	reinsurers' share	own share	gross	reinsurers' share	own share
Opening balance	21 553	-	21 553	21 333	-	21 333	21 333	-	21 333
Change in provisions during the period	1 354	-	1 354	220	-	220	518	-	518
Closing balance	22 907	-	22 907	21 553	-	21 553	21 851	-	21 851

Change in provisions for claims	1 January - 30 June 2012			1 January - 31 December 2011			1 January - 30 June 2011		
	gross	reinsurers' share	own share	gross	reinsurers' share	own share	gross	reinsurers' share	own share
RBNP at the beginning of the period	125 937	-	125 937	108 425	-	108 425	108 425	-	108 425
IBNR at the beginning of the period	486 185	-	486 185	500 210	-	500 210	500 210	-	500 210
Total RBNP and IBNR at the beginning of the period	612 122	-	612 122	608 635	-	608 635	608 635	-	608 635
Provisions for claims applied during the year	(612 122)	-	(612 122)	(608 635)	-	(608 635)	(507 389)	-	(507 389)
Provisions for claims created during the year	574 186	-	574 186	612 122	-	612 122	511 263	-	511 263
Total RBNP and IBNR at the end of the period	574 186	-	574 186	612 122	-	612 122	612 509	-	612 509
RBNP at the end of the period	94 919	-	94 919	125 937	-	125 937	87 949	-	87 949
IBNR at the end of the period	479 267	-	479 267	486 185	-	486 185	524 560	-	524 560

11.8. Investment contracts

Investment contracts – carrying amount	30 June 2012	31 March 2012	31 December 2011	30 June 2011
Investment contracts with guaranteed and fixed terms and conditions	2 417 450	2 981 131	2 330 870	3 534 365
- measured at amortized cost	2 417 450	2 981 131	2 330 870	3 534 365
Unit linked investment contracts	1 055 139	1 136 171	1 140 902	1 374 738
Total investment contracts – carrying amount	3 472 589	4 117 302	3 471 772	4 909 103

11.9. Other provisions

Changes in other provisions in period 1 January - 30 June 2012	Opening balance	Increases	Application	Release	Change in the consolidation scope
Provision for restructuring expenses	112 956	-	(37 364)	(6 005)	69 587
Provisions created for potential liabilities relating to CLSIOR investments	916	-	-	-	916
Provision for disputed claims and potential liabilities under insurance contracts	4 019	91	-	(694)	3 416
Provision for the Office of Competition and Consumer Protection	137 035	-	-	-	137 035
Provision for exit costs of the GraphTalk project	50 349	-	-	(457)	49 892
Provision for PTE's reimbursement of undue fees to the Social Insurance Institution	8 095	164	(652)	-	7 607
Other	8 693	3 382	(13)	(1 848)	10 214
Total other provisions	322 063	3 637	(38 029)	(9 004)	278 667

Changes in other provisions in the year ended 31 December 2011	Opening balance	Increases	Application	Release	Change in the consolidation scope	Closing balance
Provision for restructuring expenses	75 253	96 842	(58 169)	(970)	-	112 956
Provisions created for potential liabilities relating to CLSIOR investments	916	-	-	-	-	916
Provision for disputed claims and potential liabilities under insurance contracts	4 461	3 881	(1 820)	(2 503)	-	4 019
Provision for the Office of Competition and Consumer Protection	69 143	67 892	-	-	-	137 035
Provision for exit costs of the GraphTalk project	49 396	953	-	-	-	50 349
Provision for PTE's reimbursement of undue fees to the Social Insurance Institution	9 532	766	(1 372)	(831)	-	8 095
Other	3 858	4 835	-	(2 046)	2 046	8 693
Total other provisions	212 559	175 169	(61 361)	(6 350)	2 046	322 063

Changes in other provisions in period 1 January - 30 June 2011	Opening balance	Increases	Application	Release	Change in the consolidated scope	Closing balance
Provision for restructuring expenses	75 253	-	(17 728)	(970)	-	56 555
Provisions created for potential liabilities relating to CLSiOR investments	916	-	-	-	-	916
Provision for disputed claims and potential liabilities under insurance contracts	4 461	1 629	-	-	-	6 090
Provision for the Office of Competition and Consumer Protection	69 143	-	-	-	-	69 143
Provision for exit costs of the GraphTalk project	49 396	252	-	-	-	49 648
Provision for PTE's reimbursement of undue fees to the Social Insurance Institution	9 532	766	(978)	-	-	9 320
Other	3 858	5 944	(121)	(892)	2 046	10 835
Total other provisions	212 559	8 591	(18 827)	(1 862)	2 046	202 507

The "Provision for exit costs of the GraphTalk project" comprises amounts resulting from the issue presented in point 19.4.

The "Provision for the Office of Competition and Consumer Protection" comprises the amount resulting from the issue presented in points **Błąd! Nie można odnaleźć źródła odwołania.** i 19.3.

The restructuring process has been presented in detail in point 20.4 i 0.

11.10. Other liabilities

Liabilities - carrying amount	30 June 2012	31 March 2012	31 December 2011	30 June 2011
Liabilities due to direct insurance	552 935	558 087	528 648	523 006
Liabilities due to reinsurance	98 681	100 854	49 450	93 309
Liabilities to credit institutions	193 292	1 158 856	758 951	2 700 730
Other liabilities	2 244 351	936 485	452 902	3 433 723
Total liabilities	3 089 259	2 754 282	1 789 951	6 750 768

The major element of liabilities towards credit institutions are liabilities due to a contingent *sell-buy-back* transactions. As at 30 June 2012 they amounted to PLN 109,197 thousand (as at 31 March 2012: PLN 1,071,347 thousand, as at 31 December 2011: PLN 758,929 thousand and as at 30 June 2011: PLN 2,586,649 thousand).

Other liabilities	30 June 2012	31 March 2012	31 December 2011	30 June 2011
Liabilities to the State Budget, other than corporate income tax (CIT)	19 492	17 606	18 016	15 306
Liabilities to the Social Insurance Institution, PFRON, the Company's Social Benefits Fund etc.	45 868	42 646	23 564	27 985
Due to acquired securities	97 061	690 791	139 292	975 248
Liabilities to the Shareholders	1 940 392	3 510	3 650	2 249 000
Trade payables to suppliers	43 299	51 470	124 529	49 979
Estimated non-insurance liabilities	55 389	43 678	80 551	59 160
Other	42 850	86 784	63 300	57 045
Total other liabilities	2 244 351	936 485	452 902	3 433 723

11.11. Accruals and deferred income

Accruals and deferred income	30 June 2012	31 March 2012	31 December 2011	30 June 2011
Accrued expenses, including:	459 137	532 122	669 048	402 001
- accrued costs of agency commissions	194 018	199 682	195 912	164 541
- accrued payroll costs	73 606	85 581	121 803	65 071
- accrued costs and revenue from reinsurance	66 217	77 489	153 618	71 777
- remuneration of intermediaries in companies	58 866	48 695	40 301	47 531
- provision for paid vacation	30 013	69 956	134 836	25 764
- accrued employee bonuses	36 417	50 719	22 578	27 317
Deferred income, including:	26 222	26 645	17 909	8 886
- deferred reinsurance commission	10 356	10 500	9 688	8 470
- other	15 866	16 145	8 221	416
Total accruals and deferred income	485 359	558 767	686 957	410 887

11.12. Gross written premiums

Gross written premiums	1 April - 30 June 2012	1 January - 30 June 2012	1 April - 30 June 2011	1 January - 30 June 2011
Gross written premiums – property and casualty insurance	2 084 037	4 599 862	2 023 180	4 339 851
In direct insurance	2 077 407	4 588 749	2 018 102	4 326 888
In indirect insurance	6 630	11 113	5 078	12 963
Gross written premiums – life insurance	1 839 490	3 646 412	1 673 198	3 333 411
Individual premiums	726 647	1 410 085	598 701	1 191 560
In direct insurance	726 647	1 410 085	598 701	1 191 560
Group insurance premiums	1 112 843	2 236 327	1 074 497	2 141 851
In direct insurance	1 112 843	2 236 327	1 074 497	2 141 851
Total gross written premiums	3 923 527	8 246 274	3 696 378	7 673 262

Gross written premiums in direct property and casualty insurance (by classes specified in section II of the appendix to the Act on insurance activity)	1 April - 30 June 2012	1 January - 30 June 2012	1 April - 30 June 2011	1 January - 30 June 2011
Accident and sickness insurance (class 1 and 2)	97 713	266 792	95 434	199 181
TPL motor insurance (class 10)	789 052	1 563 267	754 633	1 459 039
Other motor insurance (class 3)	572 638	1 158 229	591 785	1 187 221
Sea, aircraft and transport insurance (classes 4, 5, 6, 7)	22 299	39 154	12 323	28 676
Insurance against fire and other damage to property (classes 8, 9)	367 174	987 937	367 448	989 322
TPL insurance (classes 11, 12, 13)	138 645	400 679	113 974	304 069
Credit insurance and surety ship (classes 14, 15)	18 378	35 161	15 102	28 289
Assistance (class 18)	51 449	99 402	50 375	95 559
Legal protection (class 17)	242	564	256	558
Other (class 16)	19 817	37 564	16 772	34 974
Gross written premiums in direct property and casualty insurance (by classes specified in section II of the appendix to the Act on insurance activity)	2 077 407	4 588 749	2 018 102	4 326 888

11.13. Fee and commission income

Fee and commission income	1 April - 30 June 2012	1 January - 30 June 2012	1 April - 30 June 2011	1 January - 30 June 2011
Pension insurance	47 360	96 308	62 969	128 977
Commission on handling fees	7 969	17 760	22 545	51 473
Commission on asset management for open pension fund	39 391	78 548	40 412	77 455
Commission on transfer payments	-	-	12	49
Investment contracts	5 316	10 965	6 392	12 359
Revenue from unit-linked investment contract fees	5 316	10 965	6 392	12 359
Other	3 681	9 086	8 593	14 891
Revenue and fees from funds and investment fund management companies	3 681	9 086	8 593	14 891
Total fee and commission income	56 357	116 359	77 954	156 227

11.14. Net investment income

Net investment income	1 April - 30 June 2012	1 January - 30 June 2012	1 April - 30 June 2011	1 January - 30 June 2011
Interest income, including:	570 937	1 029 851	441 810	853 726
- financial assets available for sale	91 577	147 729	90 880	177 227
- financial assets held to maturity	313 700	622 946	311 899	607 359
- loans	165 005	257 148	39 031	69 140
- cash and cash equivalents	655	2 028	-	-
Dividend income, including:	85 337	88 987	49 908	50 248
- financial assets measured at fair value through profit or loss – classified as such upon initial recognition	147	147	(35)	192
- financial assets held for trading	62 631	62 736	27 248	27 361
- financial assets available for sale	22 559	26 104	22 695	22 695
Income from property investments	6 077	12 584	6 476	12 973
Exchange differences, including:	2 132	(14 134)	1 393	(2 494)
- financial assets held to maturity	3 159	(5 363)	(818)	961
- loans	(1 312)	(6 635)	2 621	3 253
- receivables, including under insurance contracts	285	(2 136)	(410)	(6 708)
Other, including:	(16 549)	(32 919)	(10 670)	(19 631)
- costs of investing activities	(11 645)	(22 607)	(5 708)	(10 265)
- investment property maintenance costs	(4 904)	(10 312)	(4 962)	(9 366)
Total net investment income	647 934	1 084 369	488 917	894 822

11.15. Net profit/loss on realization and impairment loss on investments

Net profit/loss on realization and impairment loss on investments	1 April - 30 June 2012	1 January - 30 June 2012	1 April - 30 June 2011	1 January - 30 June 2011
Net profit/loss on realization of investments	65 048	203 859	100 583	901
Financial assets measured at fair value through profit or loss – classified as such upon initial recognition, including:	16 704	48 839	25 055	2 636
- equity instruments	(504)	10 894	1 161	(178)
- debt securities	17 208	37 945	23 894	2 814
Financial assets held for trading, including:	13 876	106 095	24 518	(1 888)
- equity instruments	937	63 089	8 855	528
- debt securities	(1 154)	(3 265)	10 467	5 659
- derivatives	14 093	46 271	5 196	(8 075)
Financial assets available for sale, including:	48 245	76 094	61 853	27 035
- equity instruments	39 021	40 981	61 238	63 650
- debt securities	9 224	35 113	615	(36 615)
Financial assets held to maturity, including:	295	901	499	294
- debt securities	295	901	499	294
Receivables, including under insurance contracts	(14 278)	(28 276)	(11 342)	(27 176)
Investment property	206	206	-	-
Impairment losses	(49 381)	(77 771)	(38 790)	(68 652)
Financial assets available for sale, including:	(15 441)	(15 441)	(325)	(325)
- equity instruments	(15 441)	(15 441)	(325)	(325)
Receivables, including under insurance contracts	(33 940)	(62 330)	(38 465)	(68 327)
Total net profit/loss on realization and impairment loss on investments	15 667	126 088	61 793	(67 751)

11.16. 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 2012	1 January - 30 June 2012	1 April - 30 June 2011	1 January - 30 June 2011
Financial instruments measured at fair value through profit or loss – classified as such upon initial recognition, including:	18 406	89 517	88 618	154 446
- equity instruments	91	1 318	(5 286)	(618)
- debt securities	18 315	88 199	93 904	155 064
Financial instruments held for trading, including:	(33 842)	226 367	(34 328)	97 542
- equity instruments	(88 200)	110 098	(98 501)	(6 269)
- debt securities	53 788	96 659	44 081	70 604
- derivatives	570	19 610	20 092	33 207
Investment property	2 941	(2 437)	-	-
Net change in the fair value of assets and liabilities measured at fair value	(12 495)	313 447	54 290	251 988

11.17. Other operating income

Other operating income	1 April - 30 June 2012	1 January - 30 June 2012	1 April - 30 June 2011	1 January - 30 June 2011
Released impairment losses on non-financial assets	802	1 557	(2 930)	1 424
Reinsurers' commissions and share in reinsurers' profit	(10 418)	(12 802)	2 974	11 709
Non insurance companies' revenues from sales of products, goods and services	67 069	121 448	70 169	127 271
Consolidation of the Armatura Group	-	-	-	118 916
Other	31 024	53 720	18 095	33 921
Total other operating income	88 477	163 923	88 308	293 241

11.18. Insurance claims

Insurance claims	1 April - 30 June 2012	1 January - 30 June 2012	1 April - 30 June 2011	1 January - 30 June 2011
Claims and change in technical provisions - property and casualty insurance	1 538 401	2 824 476	1 479 830	2 673 371
Reinsurers' share in claims and change in technical provisions - property and casualty insurance	(161 066)	(133 526)	(54 510)	(57 538)
Claims and change in technical provisions - life insurance	1 360 457	2 823 724	1 192 146	2 402 461
Reinsurers' share in claims and change in technical provisions - life insurance	(39)	(39)	3	3
Total insurance claims	2 737 753	5 514 635	2 617 469	5 018 297

11.19. Investment benefits and change in valuation of investment contracts

Investment benefits and change in valuation of investment contracts	1 April - 30 June 2012	1 January - 30 June 2012	1 April - 30 June 2011	1 January - 30 June 2011
Resulting from investment contracts with guaranteed and fixed terms and conditions	28 920	53 521	29 632	51 220
- interest expenses included in the effective interest rate	28 920	53 521	29 632	51 220
Resulting from unit-linked investment contracts	(17 266)	33 440	(28 331)	(14 280)
Total investment benefits and change in valuation of investment contracts	11 654	86 961	1 301	36 940

11.20. Administrative expenses, acquisition costs and loss adjusting costs, by type

Administrative expenses, acquisition costs and loss adjusting costs, by type	1 April - 30 June 2012	1 January - 30 June 2012	1 April - 30 June 2011	1 January - 30 June 2011
Consumption of materials and energy	20 095	41 073	19 593	39 847
External services	113 512	250 132	130 271	261 821
Taxes and charges	13 416	27 655	12 247	38 375
Employee expenses	341 800	721 710	341 458	698 322
Depreciation of property, plant and equipment	20 915	39 367	24 800	48 038
Amortization of intangible assets	19 228	38 388	12 781	24 355
Other (by type), including:	459 336	904 427	405 157	797 894
- direct business commission	330 328	680 188	312 310	645 161
- advertisement	22 569	53 378	19 492	33 785
- change in capitalized acquisition costs	14 643	(4 199)	1 973	(25 552)
- remuneration of intermediaries in companies	63 427	121 986	53 516	107 792
- other	28 369	53 074	17 866	36 708
Total administrative expenses, acquisition costs and loss adjusting costs	988 302	2 022 752	946 307	1 908 652

11.21. Other operating expenses

Other operating expenses	1 April - 30 June 2012	1 January - 30 June 2012	1 April - 30 June 2011	1 January - 30 June 2011
Insurance Guarantee Fund	15 222	15 222	7 242	14 354
National Headquarters of the State Fire Service and Volunteer Fire Service Association	2 508	23 041	2 605	24 791
Compulsory payments to the insurance market institutions	10 833	23 366	12 217	27 405
Expenses due to prevention activities	4 552	7 684	2 169	7 681
Costs of manufacturing of products and acquisition of goods at the Armatura Group	77 563	128 516	56 909	98 083
Other	13 109	50 357	41 942	82 074
Total other operating expenses	123 787	248 186	123 084	254 388

11.22. Financial expenses

Financial expenses	1 April - 30 June 2012	1 January - 30 June 2012	1 April - 30 June 2011	1 January - 30 June 2011
Interest, including:	6 234	13 045	5 129	6 874
- loans	4 705	10 564	4 003	4 434
- credit facilities	1 529	2 481	1 126	2 440
Other, including:	813	(240)	351	(1 098)
- exchange differences	764	(289)	344	(1 105)
- other	49	49	7	7
Total financial expenses	7 047	12 805	5 480	5 776

11.23. Other comprehensive income

Tax relating to other comprehensive income	1 April - 30 June 2012	1 January - 30 June 2012	1 April - 30 June 2011	1 January - 30 June 2011
Net other comprehensive income (net)	809	97 352	(17 138)	37 755
Income tax	(348)	24 172	(5 124)	8 643
Financial assets available for sale	(348)	24 172	(5 053)	7 299
Real property reclassified from property, plant and equipment to investment property	-	-	(71)	1 344
Other comprehensive income (gross)	461	121 524	(22 262)	46 398

12. Contingent assets and liabilities

Contingent assets and liabilities	30 June 2012	31 March 2012	31 December 2011	30 June 2011
Contingent assets, including:	18 025	17 894	17 746	5 001
Guarantees and sureties received	18 025	17 894	17 746	5 001
Contingent liabilities	157 343	157 911	171 030	93 174
Guarantees and sureties issued	3 600	4 864	4 873	6 469
Disputable claims related to insurance	61 503	57 786	53 937	53 438
Other disputable claims	18 561	22 886	32 029	32 370
Other	73 679*	72 375*	80 191*	897

* including PLN 42.886 thousand (as at 31 March 2012: PLN 41.448 thousand, as at 31 December 2011: PLN 49.264 thousand) of contingent liabilities arising from credit agreements concluded by Armatura Group and PLN 30.000 thousand (as at 31 March 2012 and as at 31 December 2011: PLN 30.000 thousand) contingent liabilities arisen from real property sale by Armatura Group

13. Solvency

The principles for calculation of the required solvency margin and the minimum value of the guarantee fund 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 fund for insurance sections and classes (Journal of Laws No. 211 of 2003, item 2060, the "Solvency Margin Ordinance").

Detailed information regarding the manner of calculating the solvency margin has been presented in the consolidated financial statements of the PZU Group for 2010.

The financial data relied upon in calculation of the value of own funds and the required solvency margin have been determined based on Polish Accounting Standards.

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 2012	31 March 2012	31 December 2011	30 June 2011
PZU equity	11 628 993	12 544 351	11 745 410	11 191 406
Intangible assets	(104 418)	(99 569)	(107 004)	(67 408)
Value of shares in insurance companies operating within the insurance capital group of PZU	(5 943 891)	(6 476 777)	(6 063 902)	(5 552 482)
Deferred tax asset	(319 381)	(331 920)	(363 384)	(295 927)
Effect of other insurance companies operating within the insurance capital group of PZU on the value of PZU's own funds:	3 889 861	4 569 857	3 980 944	3 565 444
PZU Życie (100.00%)	3 893 998	4 580 758	3 988 423	3 559 580
Own funds	5 642 773	6 342 836	5 703 608	5 268 971
Required solvency margin	1 748 775	1 762 078	1 715 185	1 709 391
Surplus of own funds to cover the required solvency margin	3 893 998	4 580 758	3 988 423	3 559 580
UAB DK PZU Lietuva (99.76%)	8 426	3 578	4 229	13 818
Own funds	42 047	33 797	34 918	40 976
Required solvency margin	33 601	30 210	30 679	27 125
Surplus of own funds to cover the required solvency margin	8 446	3 587	4 239	13 851
PrJSC IC PZU Ukraine (100.00%)	(14 620)	(13 407)	(14 206)	(11 047)
Own funds	7 129	5 728	6 715	4 522
Required solvency margin	21 750	19 135	20 921	15 569
Surplus of own funds to cover the required solvency margin	(14 620)	(13 407)	(14 206)	(11 047)
Other insurance companies	2 057	(1 072)	2 498	3 093
Own funds of PZU	9 151 164	10 205 942	9 192 064	8 841 033
Required solvency margin of PZU	1 348 012	1 348 689	1 338 798	1 336 216
Guarantee fund of PZU	449 337	449 563	446 266	445 405
Surplus of own funds to cover the required solvency margin	7 803 152	8 857 253	7 853 266	7 504 817
Surplus of own funds to cover the guarantee fund	8 701 827	9 756 379	8 745 798	8 395 628

14. Segment reporting

14.1. Reportable segments

14.1.1. Key division criterion

IFRS 8 sets out requirements for disclosure of information about an entity's operating segments in their annual and interim financial statements. Operating segments are components of the entity for which separate financial information is available and that are regularly reviewed by the entity's 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 the PZU Group is based on the criterion of consolidated entities with the exception of the key companies in the PZU Group (PZU and PZU Życie) where additional segments based on the criteria such as client groups, product lines and types of activities can be distinguished.

PZU segments:

- Corporate insurance (personal and property insurance);

- Retail client insurance (personal and property 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 the PZU Group, in accordance with the segmentation pattern of the PZU Group based on the criterion of consolidated entities and the usefulness for the users of financial statements, the additional following segments have been separated (even though they do not meet the quantitative thresholds defined in IFRS 13.8):

- Individual insurance (life insurance);
- Pension insurance;
- Ukraine (personal and property insurance);
- Lithuania (personal and property 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 these financial statements separate operating segments have not been aggregated into reportable segments with the exception of the “Investments” segment which comprises investment activities using the PZU Group companies’ own funds.

14.1.2. Geographical areas

The PZU Group applies additional geographical segmentation as follows:

- Poland;
- Lithuania;
- Ukraine.

14.2. Settlements among segments

All business transactions among operating and geographical segments are concluded on arm’s length terms.

The investment performance (the difference between realised and unrealised revenue and expenses) disclosed under corporate insurance (personal and property insurance), retail client insurance (personal and property 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), taking into account that for 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 disclosed.

14.3. Measure of profit of a segment

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

- In insurance companies – a profit or loss on insurance in accordance with the accounting policies of the country of residence of the company, constituting the profit or loss before tax and other operating revenue and expenses (including borrowing costs), however taking into account the net profit or loss on investments covering 100% of technical provisions. A profit or loss on insurance is a similar measure to the technical result on insurance defined in Polish Accounting Standards, however it includes the net profit or loss on investments described in the previous sentence for property, personal and life insurance.
- 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.

14.4. Information about segments

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

- Corporate insurance (personal and property insurance) – reporting in accordance with Polish Accounting Standards – a wide range of property insurance products, third party and motor insurance products customised to meet clients' expectations and with individual risk assessment, offered by PZU to big enterprises;
- Retail client insurance (personal and property insurance) – reporting in accordance with Polish Accounting Standards – a wide range of property insurance products, accident insurance products, third party and motor insurance products offered by PZU to retail clients and entities in the SMB sector;
- Group insurance and individually continued insurance (life insurance) - reporting in accordance with Polish 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 Polish 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;
- Investments - reporting in accordance with Polish Accounting Standards – comprising investment activities in respect of the PZU Group's own funds constituting a surplus of investments over technical provisions in the key insurance companies of the PZU Group (PZU and PZU Życie, however the surplus is not the same as investments of own funds of insurance companies as defined in Polish Accounting Standards) and other funds available in the PZU Group;
- Pension insurance - reporting in accordance with Polish Accounting Standards – comprising the company PZU PTE;
- Ukraine (personal and property insurance) - reporting in accordance with Ukrainian standards – comprising the company PZU Ukraine;
- Lithuania (personal and property insurance) - reporting in accordance with Lithuanian standards – comprising the company PZU Lietuva;
- Investment contracts - reporting in accordance with Polish 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). In accordance with IFRS and as required by IAS 39, these products are accounted for using the deposit method and measured depending on the structure of a product – at amortised cost or fair value. Written premium on these products is not recognised in accordance with IFRS. In accordance with Polish Accounting Standards, all of the aforesaid products are disclosed as insurance products and written premium is recognised;
- 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 revenue is earned mainly from the manufacture of fittings, heaters, casting and services.

14.5. Polish Accounting Standards applied

14.5.1. PZU

Polish 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 for 2011, prepared in accordance with PAS and signed by the Management Board of PZU on 14 March

2012, on which the certified auditor issued an unqualified opinion on the same date ("Separate financial statements of PZU for 2011").

The separate financial statements of PZU for 2011 are available on the PZU website www.pzu.pl under "PZU Capital Group/Investor Relations/Periodic and current reports/Periodic reports".

14.5.2. PZU Życie

The accounting policies in accordance with PAS as regards PZU Życie are similar to those regarding PZU (with the exception of accounting for insurance contracts and investment contracts).

In accordance with IFRS, the accounting policies regarding insurance contracts and investment contracts of PZU Życie have been presented in the Consolidated Financial Statements of the PZU Group for 2011.

The key differences between PAS and IFRS as regards accounting for insurance contracts and investment contracts of PZU Życie comprise:

- Classification of insurance contracts in accordance with instructions included in IFRS 4 regarding classification of products as insurance contracts under IFRS 4 or investment contracts valued in accordance with IAS 39. In accordance with IFRS 4, a contract is an insurance contract only when it could cause an insurer to pay significant additional benefits in any scenario, excluding scenarios lacking commercial substance (i.e. having no discernible effect on the economics of the transaction), therefore when significant insurance risk is transferred under the contract. Determination whether significant financial risk is transferred under a given contract requires an analysis of the cash flows associated with a given product in different scenarios and estimation of the likelihood of its occurrence.
- The technical interest rate used for determination of technical provisions. In line with IFRS 4, if the insurer already measures its insurance contracts with sufficient prudence, it should not introduce additional prudence in subsequent reporting periods. In line with Polish Accounting Standards, technical interest rates are decreased for some types of insurance due to maximum technical interest rates being announced by the Polish Financial Supervision Authority, which results in an increase in technical interest rates under PAS as compared with the same provisions under IFRS.

The impact of the aforesaid differences between PAS and IFRS has been presented in a segment reporting note in separate columns.

14.6. Structure of the segment reporting note and reconciliations

Since the revenue measures of individual segments are based on local accounting standards applicable in the country of residence of the PZU Group's registered office, the financial data of the reporting segments is disclosed under a few different accounting standards. In addition, due to the differences in the formats of management reports submitted to the chief operating decision maker 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 chief operating decision maker (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 revenue 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 chief operating decision maker 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 revenue and expenses to items presented under "operating profit/(loss)" in accordance with IFRS;
- Reconciliation of differences between the accounting standards used for the presentation of 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).

14.7. Simplifications in the segment note

Some simplifications in the segment note have been made, as compared with the requirements of 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 entity's chief operating decision maker. The key information submitted to the entity's chief operating decision maker 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 requirement under PAS, i.e. having assets covering technical provisions exceed the sum of those provisions (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 realised and unrealised revenue 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;
- Revenue and expenses other than realised and unrealised investment revenue 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 revenue and expenses and financial expenses of the companies PZU 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 income 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.

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Income statement for 1 April 2012 - 30 June 2012	Corporate insurance (personal and property insurance)	Retail client insurance (personal and property insurance)	Group insurance and individually continued insurance (life insurance)	Individual life insurance (life insurance)	Investment activities	Pension insurance	Ukraine (personal and property insurance)	Lithuania (personal and property insurance)	Investment contracts	Other activities	Presentation differences	Investment property and financial instruments	Investment contracts	Technical interest rate in life insurance	Prevention fund and Social Benefits Fund	Consolidation eliminations and unallocated amounts	Consolidated amounts	Income statement for 1 April 2012 - 30 June 2012			
	PSR	PSR	PSR	PSR	PSR	PSR	UA GAAP	LT GAAP	PSR	PSR	PSR	PSR - MSSF	PSR - MSSF	PSR - MSSF	PSR - MSSF	MSSF	MSSF				
Gross written premiums - external	423.524	1.571.949	1.579.594	259.896	-	-	33.238	55.326	520.816	-	-	-	(520.816)	-	-	-	3.923.527	Gross written premiums - external			
Gross written premiums - cross-segment	(41)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	41	-	Gross written premiums - cross-segment			
Gross written premiums	423.483	1.571.949	1.579.594	259.896	-	-	33.238	55.326	520.816	-	-	-	(520.816)	-	-	41	3.923.527				
Reinsurers' share in gross written premiums	(15.306)	(3.825)	(493)	(22)	-	-	(4.356)	(1.616)	-	-	-	-	-	-	-	350	(25.268)	Reinsurers' share in gross written premiums			
Net written premiums	408.177	1.568.124	1.579.101	259.874	-	-	28.882	53.710	520.816	-	-	-	(520.816)	-	-	391	3.898.259	Net written premiums			
Change in gross provision for unearned premiums and for unexpired risks	58.632	65.174	313	758	-	-	(304)	(13.085)	(145)	-	(11.887)	-	145	-	-	18	99.619	Change in gross provision for unearned premiums and for unexpired risks			
Reinsurers' share in change in gross provision for unearned premiums and for unexpired risks	(5.536)	(8.015)	(180)	(4)	-	-	377	1.471	-	-	11.887	-	-	-	-	-	-				
Net earned premiums	461.273	1.625.283	1.579.234	260.628	-	-	28.955	42.096	520.671	-	-	-	(520.671)	-	-	409	3.997.878	Net earned premiums			
Investment result, including:	40.361	151.808	201.786	60.351	1.445.555	3.003	3.766	1.147	17.834	92	47.360	-	8.997	-	-	-	56.357	Revenue from commissions and fees			
Net investment result (external)	40.361	151.808	201.786	60.351	217.881	3.003	3.766	1.147	17.834	92	(1.925.703)	-	-	-	-	-	-				
Net investment result (cross-segment)	-	-	-	-	1.227.674	-	-	-	-	-	(698.029)	-	-	-	-	-	-				
											(1.227.674)	-	-	-	-	1.469	647.934	Net investment income (external transactions)			
											646.465	-	-	-	-	(1.227.674)	-	Net investment income (cross-segment transactions)			
											14.885	5.140	-	-	-	(4.358)	15.667	Net profit or loss on realization and impairment loss on investments			
											(9.970)	(6.086)	-	-	-	3.561	(12.495)	Net change in the fair value of assets and liabilities measured at fair value			
Other technical revenue, net of reinsurance	1.957	26.739	210	2.535	-	-	-	-	3.681	-	(35.122)	-	-	-	-	-	-				
Operating revenue (no insurance undertakings)	-	-	-	-	-	47.360	-	-	-	90.307	(137.667)	-	-	-	-	-	-				
Other operating revenue (no insurance undertakings)	-	-	-	-	-	10	-	-	-	1.394	115.191	1.618	(3.681)	-	-	(26.055)	88.477	Other operating revenue			
Claims paid (gross)	(246.287)	(964.560)	(1.036.119)	(143.969)	-	-	(12.543)	(22.780)	(1.172.528)	-	173.206	(378)	527.009	(766)	-	857	(2.898.858)	Claims and change in technical provisions			
Change in provisions for claims outstanding (gross)	(272.447)	(22.726)	(5.433)	5.133	-	-	(1.124)	(296)	(1.186)	-	298.079	-	-	-	-	-	-				
Reinsurers' share in claims paid	17.418	30.297	39	-	-	-	842	(630)	-	-	113.457	-	-	-	-	(318)	161.105	Reinsurers' share in claims and change in technical provisions			
Reinsurers' share in change in provisions for claims outstanding	113.667	(15.571)	-	-	-	-	(450)	(2.035)	-	-	(95.611)	-	-	-	-	-	-				
Net insurance claims	(387.649)	(972.560)	(1.041.513)	(138.836)	-	-	(13.275)	(25.741)	(1.173.714)	-	489.131	(378)	527.009	(766)	-	539	(2.737.753)	Net insurance claims			
Changes in other technical provisions, net of reinsurance, unit linked technical provisions, equalization provision	-	-	(67.885)	(108.428)	-	-	-	-	646.048	-	(469.735)	-	-	-	-	-	(11.654)	Claims and change in measurement of investment contracts			
Bonuses and rebates net of reinsurance, including change in provisions	1.682	43	(174)	-	-	-	-	-	-	-	(1.551)	-	-	-	-	-	-				
Other technical expense, net of reinsurance	(9.043)	(68.842)	(20.412)	(1.447)	-	-	-	-	(1.729)	-	101.473	-	-	-	-	-	-				
Acquisition expense	(85.055)	(275.373)	(84.971)	(22.253)	-	-	(4.871)	(9.810)	(12.459)	(3.623)	-	6	-	-	-	266	(498.143)	Acquisition expense			
Administrative expense	(20.838)	(115.549)	(145.007)	(13.427)	-	-	(15.262)	(6.885)	(4.561)	(3.780)	-	(946)	-	-	-	4.658	(321.597)	Administrative expense			
Reinsurers' commissions and share in reinsurers' profit	(9.880)	(770)	15	-	-	-	-	-	-	-	10.635	-	-	-	-	-	-				
Operating expense (no insurance undertakings)	-	-	-	-	-	-	-	-	-	(94.570)	94.570	-	-	-	-	-	-				
Other operating expense (no insurance undertakings)	-	-	-	-	-	(51)	-	-	-	(1)	(157.358)	(2)	-	-	14.658	18.967	(123.787)	Other operating expense			
Result on insurance / Operating profit (loss)	(7.192)	370.779	421.283	39.123	1.445.555	30.189	2.751	482	5.388	(2.778)	10.278	(648)	-	(766)	14.658	(1.228.218)	1.100.884	Operating profit (loss)			
Other operating revenue	9.873	-	7.346	-	-	-	123	633	-	-	(17.975)	-	-	-	-	-	-				
Other operating expense	(10.700)	-	(1.173)	-	-	-	286	(853)	-	-	12.440	-	-	-	-	-	-				
Financial expense	-	-	-	-	-	-	-	-	-	(2.342)	(4.705)	-	-	-	-	-	(7.047)	Financial expense			
																		1.093.837	Gross profit (loss)		
																			(200.017)	Income tax	
																				893.820	Net profit (loss)

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	PSR	PSR	PSR	PSR	PSR	PSR	UA GAAP	LT GAAP	PSR	PSR	PSR	PSR - MSSF	PSR - MSSF	PSR - MSSF	PSR - MSSF	MSSF	MSSF	
Gross written premiums - external	1.040.753	3.395.358	3.168.846	477.566	-	-	64.717	99.034	1.545.039	-	-	-	(1.545.039)	-	-	-	8.246.274	Gross written premiums - external
Gross written premiums - cross-segment	512	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(512)	-	Gross written premiums - cross-segment
Gross written premiums	1.041.265	3.395.358	3.168.846	477.566	-	-	64.717	99.034	1.545.039	-	-	-	(1.545.039)	-	-	(512)	8.246.274	
Reinsurers' share in gross written premiums	(56.170)	(4.446)	(1.276)	(62)	-	-	(13.448)	(6.916)	-	-	-	-	-	-	-	1.448	(80.870)	Reinsurers' share in gross written premiums
Net written premiums	985.095	3.390.912	3.167.570	477.504	-	-	51.269	92.118	1.545.039	-	-	-	(1.545.039)	-	-	936	8.165.404	Net written premiums
Change in gross provision for unearned premiums and for unexpired risks	(88.510)	(171.042)	123	3.095	-	-	1.521	(12.491)	(807)	-	(30.061)	-	807	-	-	(1.303)	(298.668)	Change in gross provision for unearned premiums and for unexpired risks
Reinsurers' share in change in gross provision for unearned premiums and for unexpired risks	(15.380)	(16.901)	339	33	-	-	377	1.471	-	-	30.061	-	-	-	-	-	-	
Net earned premiums	881.205	3.202.969	3.168.032	480.632	-	-	53.167	81.098	1.544.232	-	-	-	(1.544.232)	-	-	(367)	7.866.736	Net earned premiums
Investment result, including:	62.995	264.864	441.019	150.084	1.832.422	6.320	10.011	3.960	94.264	343	96.308	-	20.051	-	-	-	116.359	Revenue from commissions and fees
Net investment result (external)	62.995	264.864	441.019	150.084	597.997	6.320	10.011	3.960	94.264	343	(2.866.282)	-	-	-	-	-	-	Net investment income (external transactions)
Net investment result (cross-segment)	-	-	-	-	1.234.425	-	-	-	-	-	(1.631.857)	-	-	-	-	(1.234.425)	-	Net investment income (cross-segment transactions)
											1.081.155	-	-	-	-	3.214	1.084.369	
											1.234.425	-	-	-	-	(1.234.425)	-	
											118.380	5.140	-	-	-	2.568	126.088	Net profit or loss on realization and impairment loss on investments
											341.700	(25.111)	-	-	-	(3.142)	313.447	Net change in the fair value of assets and liabilities measured at fair value
Other technical revenue, net of reinsurance	8.739	36.041	822	6.100	-	-	-	-	9.086	-	(60.788)	-	-	-	-	-	-	
Operating revenue (no insurance undertakings)	-	-	-	-	-	96.308	-	-	-	168.397	(264.705)	-	-	-	-	-	-	
Other operating revenue (no insurance undertakings)	-	-	-	-	-	90	-	-	-	3.650	223.867	2.282	(9.086)	-	-	(56.880)	163.923	Other operating revenue
Claims paid (gross)	(507.088)	(1.837.205)	(2.123.408)	(286.904)	-	-	(25.496)	(49.658)	(1.620.218)	-	(807.329)	(378)	1.620.228	(11.374)	-	630	(5.648.200)	Claims and change in technical provisions
Change in provisions for claims outstanding (gross)	(220.792)	(190.555)	18.720	19.214	-	-	(1.124)	(296)	(1.453)	-	376.286	-	-	-	-	-	-	
Reinsurers' share in claims paid	28.029	44.851	39	-	-	-	946	1.215	-	-	58.744	-	-	-	-	(259)	133.565	Reinsurers' share in claims and change in technical provisions
Reinsurers' share in change in provisions for claims outstanding	83.010	(33.641)	-	-	-	-	(450)	(2.035)	-	-	(46.884)	-	-	-	-	-	-	
Net insurance claims	(616.841)	(2.016.550)	(2.104.649)	(267.690)	-	-	(26.124)	(50.774)	(1.621.671)	-	(419.183)	(378)	1.620.228	(11.374)	-	371	(5.514.635)	Net insurance claims
Changes in other technical provisions, net of reinsurance, unit linked technical provisions, equalization provision	-	-	(221.193)	(214.083)	-	-	-	-	1.446	-	433.830	-	-	-	-	-	(86.961)	Claims and change in measurement of investment contracts
Bonuses and rebates net of reinsurance, including change in provisions	3.032	112	(355)	-	-	-	-	-	-	-	(2.789)	-	-	-	-	-	-	
Other technical expense, net of reinsurance	(18.340)	(161.533)	(30.406)	(1.849)	-	-	-	-	-	-	214.897	-	-	-	-	-	-	
Acquisition expense	(171.873)	(558.903)	(162.975)	(40.497)	-	(11.222)	(17.711)	(24.153)	(13.552)	-	-	4	-	-	-	2.005	(998.877)	Acquisition expense
Administrative expense	(49.283)	(251.702)	(288.138)	(24.909)	-	(32.501)	(13.436)	(8.687)	(6.871)	-	-	2.322	-	-	(20.000)	6.498	(686.707)	Administrative expense
Reinsurers' commissions and share in reinsurers' profit	(9.428)	(3.806)	15	-	-	-	-	-	-	-	13.219	-	-	-	-	-	-	
Operating expense (no insurance undertakings)	-	-	-	-	-	-	-	-	-	(171.266)	171.266	-	-	-	-	-	-	
Other operating expense (no insurance undertakings)	-	-	-	-	-	(287)	-	-	-	(549)	(301.462)	636	-	-	8.606	44.870	(248.186)	Other operating expense
Result on insurance / Operating profit (loss)	90.206	511.492	802.172	87.788	1.832.422	58.708	5.907	1.444	4.165	575	13.838	(15.105)	-	(11.374)	(11.394)	(1.235.288)	2.135.556	Operating profit (loss)
Other operating revenue	25.040	-	12.119	-	-	-	222	1.253	-	-	(38.634)	-	-	-	-	-	-	
Other operating expense	(25.264)	-	(8.298)	-	-	-	(155)	(1.639)	-	-	35.356	-	-	-	-	-	-	
Financial expense	-	-	-	-	-	-	-	-	-	(2.241)	(10.564)	-	-	-	-	-	(12.805)	Financial expense
																	2.122.751	Gross profit (loss)
																	(406.302)	Income tax
																	1.716.449	Net profit (loss)

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	PSR	PSR	PSR	PSR	PSR	PSR	UA GAAP	LT GAAP	PSR	PSR	PSR	PSR - MSSF	PSR - MSSF	PSR - MSSF		MSSF	MSSF					
Gross written premiums - external	437.813	1.517.423	1.528.540	144.658	-	-	24.488	43.456	1.550.133	-	-	-	(1.550.133)	-	-	-	3.696.378	Gross written premiums - external				
Gross written premiums - cross-segment	1.367	7	-	-	-	-	-	-	-	-	-	-	-	-	-	(1.374)	-	Gross written premiums - cross-segment				
Gross written premiums	439.180	1.517.430	1.528.540	144.658	-	-	24.488	43.456	1.550.133	-	-	-	(1.550.133)	-	-	(1.374)	3.696.378					
Reinsurers' share in gross written premiums	(28.193)	(3.957)	(331)	38	-	-	(4.720)	(1.931)	-	-	-	-	-	-	-	695	(38.399)	Reinsurers' share in gross written premiums				
Net written premiums	410.987	1.513.473	1.528.209	144.696	-	-	19.768	41.525	1.550.133	-	-	-	(1.550.133)	-	-	(679)	3.657.979	Net written premiums				
Change in gross provision for unearned premiums and for unexpired risks	20.743	31.209	55	672	-	-	519	(10.254)	-	-	(3.072)	(456)	-	-	-	170	39.586	Change in gross provision for unearned premiums and for unexpired risks				
Reinsurers' share in change in gross provision for unearned premiums and for unexpired risks	2.124	(5.014)	(155)	(27)	-	-	-	-	-	-	3.072	-	-	-	-	-	-					
Net earned premiums	433.854	1.539.668	1.528.109	145.341	-	-	20.287	31.271	1.550.133	-	-	(456)	(1.550.133)	-	-	(509)	3.697.565	Net earned premiums				
Investment result, including:	32.539	125.723	197.140	62.350	2.230.032	3.092	2.656	1.677	(2.448)	287	(2.653.048)	-	14.985	-	-	-	77.954	Revenue from commissions and fees				
Net investment result (external)	32.539	125.723	197.140	62.350	137.389	3.092	2.656	1.677	(2.448)	287	(560.405)	-	-	-	-	-	-					
Net investment result (cross-segment)	-	-	-	-	2.092.643	-	-	-	-	-	(2.092.643)	-	-	-	-	-	-					
																		487.384	Net investment income (external transactions)			
																			2.092.643	Net investment income (cross-segment transactions)		
																			33.786	Net profit or loss on realization and impairment loss on investments		
																			(358)	Net change in the fair value of assets and liabilities measured at fair value		
Other technical revenue, net of reinsurance	4.828	6.728	159	2.340	-	-	-	-	8.595	-	(22.650)	-	-	-	-	-	-	54.611				
Operating revenue (no insurance undertakings)	-	-	-	-	-	62.969	-	-	-	89.213	(152.182)	-	-	-	-	-	-	127.963				
Other operating revenue (no insurance undertakings)	-	-	-	-	-	303	-	-	-	(377)	133.278	(2.945)	(8.593)	-	-	(33.358)	88.308	Other operating revenue				
Claims paid (gross)	(333.268)	(1.057.511)	(1.005.160)	(150.288)	-	-	(23.677)	(19.904)	(458.915)	-	(1.169.929)	281	1.545.043	(2.315)	-	3.667	(2.671.976)	Claims and change in technical provisions				
Change in provisions for claims outstanding (gross)	(456)	(49.870)	11.517	1.464	-	-	-	-	1.823	-	35.522	-	-	-	-	-	-	-				
Reinsurers' share in claims paid	36.255	24.743	(3)	-	-	-	9.283	811	-	-	(17.776)	464	-	-	-	730	54.507	Reinsurers' share in claims and change in technical provisions				
Reinsurers' share in change in provisions for claims outstanding	(19.540)	(2.776)	-	-	-	-	-	-	-	-	22.316	-	-	-	-	-	-	-				
Net insurance claims	(317.009)	(1.085.414)	(993.646)	(148.824)	-	-	(14.394)	(19.093)	(457.092)	-	(1.129.867)	745	1.545.043	(2.315)	-	4.397	(2.617.469)	Net insurance claims				
Changes in other technical provisions, net of reinsurance, unit linked technical provisions, equalization provision	-	-	(61.152)	14.627	-	-	-	-	(1.087.951)	-	1.134.476	-	-	-	-	1	(1.301)	Claims and change in measurement of investment contracts				
Bonuses and rebates net of reinsurance, including change in provisions	271	-	(204)	-	-	-	-	-	-	-	(67)	-	-	-	-	-	-	-				
Other technical expense, net of reinsurance	(6.435)	(63.500)	(7.579)	(254)	-	-	-	-	(1.038)	-	78.806	-	-	-	-	-	-	-				
Acquisition expense	(76.983)	(283.507)	(70.011)	(13.769)	-	(25.264)	(7.146)	(9.832)	(9.383)	-	-	1	-	-	-	13.368	(482.526)	Acquisition expense				
Administrative expense	(21.769)	(105.642)	(131.780)	(12.529)	-	(18.647)	(5.524)	(3.267)	(3.367)	-	(5.693)	1.370	-	-	-	2.613	(304.235)	Administrative expense				
Reinsurers' commissions and share in reinsurers' profit	3.196	(915)	450	-	-	-	-	-	-	-	(2.731)	-	-	-	-	-	-	-				
Operating expense (no insurance undertakings)	-	-	-	-	-	-	-	-	-	(81.759)	81.759	-	-	-	-	-	-	-				
Other operating expense (no insurance undertakings)	-	-	-	-	-	(755)	-	-	-	(7.723)	(140.191)	2.852	-	-	(4.543)	27.276	(123.084)	Other operating expense				
Result on insurance / Operating profit (loss)	52.492	133.141	461.486	49.282	2.230.032	21.698	(4.121)	756	(2.551)	(359)	(1.686)	(43.778)	-	(2.315)	(4.543)	(1.949.322)	940.212	Operating profit (loss)				
Other operating revenue	3.416	-	6.843	-	-	-	91	538	-	-	(10.888)	-	-	-	-	-	-	-				
Other operating expense	(3.963)	-	(12.382)	-	-	-	(342)	(930)	-	-	17.617	-	-	-	-	-	-	-				
Financial expense	-	-	-	-	-	-	-	-	-	(437)	(5.043)	-	-	-	-	-	-	(5.480)	Financial expense			
																			934.732	Gross profit (loss)		
																				(173.563)	Income tax	
																					761.169	Net profit (loss)

The Capital Group of PZU Spółka Akcyjna
Interim consolidated financial statements for the 6-month period ended 30 June 2012

Income statement for 1 January 2011 - 30 June 2011	Corporate insurance (personal and property insurance)	Retail client insurance (personal and property insurance)	Group insurance and individually continued insurance (life insurance)	Individual life insurance (life insurance)	Investment activities	Pension insurance	Ukraine (personal and property insurance)	Lithuania (personal and property insurance)	Investment contracts	Other activities	Presentation differences	Investment property and financial instruments	Investment contracts	Technical interest rate in life insurance	Prevention fund	Consolidation eliminations and unallocated amounts	Consolidated amounts	Income statement for 1 January 2011 - 30 June 2011
	PSR	PSR	PSR	PSR	PSR	PSR	UA GAAP	LT GAAP	PSR	PSR	PSR	PSR - MSSF	PSR - MSSF	PSR - MSSF	PSR - MSSF	MSSF	MSSF	
Gross written premiums - external	914.135	3.296.644	3.052.008	281.403	-	-	52.434	76.638	1.935.142	-	-	-	(1.935.142)	-	-	-	7.673.262	Gross written premiums - external
Gross written premiums - cross-segment	1.811	929	-	-	-	-	-	-	-	-	-	-	-	-	-	(2.740)	-	Gross written premiums - cross-segment
Gross written premiums	915.946	3.297.573	3.052.008	281.403	-	-	52.434	76.638	1.935.142	-	-	-	(1.935.142)	-	-	(2.740)	7.673.262	
Reinsurers' share in gross written premiums	(90.581)	(38.928)	(1.892)	(92)	-	-	(12.691)	(8.344)	-	-	-	-	-	-	-	1.894	(150.634)	Reinsurers' share in gross written premiums
Net written premiums	825.365	3.258.645	3.050.116	281.311	-	-	39.743	68.294	1.935.142	-	-	-	(1.935.142)	-	-	(846)	7.522.628	Net written premiums
Change in gross provision for unearned premiums and for unexpired risks	(23.972)	(262.815)	53	3.335	-	-	1.090	(5.199)	-	-	35.335	(986)	-	-	-	230	(252.929)	Change in gross provision for unearned premiums and for unexpired risks
Reinsurers' share in change in gross provision for unearned premiums and for unexpired risks	22.903	12.054	311	67	-	-	-	-	-	-	(35.335)	-	-	-	-	-	-	
Net earned premiums	824.296	3.007.884	3.050.480	284.713	-	-	40.833	63.095	1.935.142	-	-	(986)	(1.935.142)	-	-	(616)	7.269.699	Net earned premiums
Investment result, including:	63.686	244.533	393.613	130.285	2.345.098	6.521	7.277	3.440	29.766	434	(3.224.653)	-	27.250	-	-	-	156.227	Revenue from commissions and fees
Net investment result (external)	63.686	244.533	393.613	130.285	252.135	6.521	7.277	3.440	29.766	434	(1.131.690)	-	-	-	-	-	-	
Net investment result (cross-segment)	-	-	-	-	2.092.963	-	-	-	-	-	-	-	-	-	-	-	-	
											893.544	-	-	-	-	1.278	894.822	Net investment income (external transactions)
											2.092.963	-	-	-	-	(2.092.963)	-	Net investment income (cross-segment transactions)
											(52.131)	(120.204)	-	-	-	104.584	(67.751)	Net profit or loss on realization and impairment loss on investments
											202.068	35.957	-	-	-	13.963	251.988	Net change in the fair value of assets and liabilities measured at fair value
Other technical revenue, net of reinsurance	7.639	33.950	477	5.360	-	-	-	-	14.892	-	(62.318)	-	-	-	-	-	-	
Operating revenue (no insurance undertakings)	-	-	-	-	-	128.977	-	-	-	162.969	(291.946)	-	-	-	-	-	-	
Other operating revenue (no insurance undertakings)	-	-	-	-	-	307	-	-	-	724	261.821	(758)	(14.891)	-	-	46.038	293.241	Other operating revenue
Claims paid (gross)	(677.990)	(1.981.467)	(2.092.198)	(295.989)	-	-	(35.387)	(41.573)	(595.136)	-	(1.302.565)	83	1.959.723	(19.274)	-	5.941	(5.075.832)	Claims and change in technical provisions
Change in provisions for claims outstanding (gross)	73.073	(15.165)	(3.611)	(263)	-	-	-	-	(4.020)	-	(50.014)	-	-	-	-	-	-	
Reinsurers' share in claims paid	63.273	52.603	(3)	-	-	-	8.850	1.502	-	-	(70.155)	2.243	-	-	-	(778)	57.535	Reinsurers' share in claims and change in technical provisions
Reinsurers' share in change in provisions for claims outstanding	(35.292)	(37.783)	-	-	-	-	-	-	-	-	73.075	-	-	-	-	-	-	
Net insurance claims	(576.936)	(1.981.812)	(2.095.812)	(296.252)	-	-	(26.537)	(40.071)	(599.156)	-	(1.349.659)	2.326	1.959.723	(19.274)	-	5.163	(5.018.297)	Net insurance claims
Changes in other technical provisions, net of reinsurance, unit linked technical provisions, equalization provision	-	-	(16.143)	26.156	-	-	-	-	(1.360.567)	-	1.350.554	-	-	-	-	-	(36.940)	Claims and change in measurement of investment contracts
Bonuses and rebates net of reinsurance, including change in provisions	(1.550)	-	(476)	-	-	-	-	-	-	-	2.026	-	-	-	-	-	-	
Other technical expense, net of reinsurance	(15.242)	(175.735)	(17.631)	(445)	-	-	-	-	(1.876)	-	210.929	-	-	-	-	-	-	
Acquisition expense	(146.409)	(567.315)	(128.618)	(28.522)	-	(36.346)	(13.428)	(18.754)	(22.432)	-	-	3	-	-	-	8.780	(953.041)	Acquisition expense
Administrative expense	(42.953)	(221.679)	(272.425)	(24.132)	-	(38.972)	(11.859)	(6.814)	(6.292)	-	(10.594)	2.235	-	-	-	289	(633.196)	Administrative expense
Reinsurers' commissions and share in reinsurers' profit	8.170	2.686	450	-	-	-	-	-	-	-	(11.306)	-	-	-	-	-	-	
Operating expense (no insurance undertakings)	-	-	-	-	-	-	-	-	-	(160.853)	160.853	-	-	-	-	-	-	
Other operating expense (no insurance undertakings)	-	-	-	-	-	(871)	-	-	-	(3.916)	(302.175)	4.102	-	-	(15.009)	63.481	(254.388)	Other operating expense
Result on insurance / Operating profit (loss)	120.701	342.512	913.915	97.163	2.345.098	59.616	(3.714)	896	(10.523)	(642)	(1.047)	(77.325)	-	(19.274)	(15.009)	(1.850.003)	1.902.364	Operating profit (loss)
Other operating revenue	29.904	-	27.353	-	-	-	182	1.187	-	-	(58.626)	-	-	-	-	-	-	
Other operating expense	(28.080)	-	(33.426)	-	-	-	(831)	(1.771)	-	-	64.108	-	-	-	-	-	-	
Financial expense	-	-	-	-	-	-	-	-	-	(1.342)	(4.434)	-	-	-	-	-	(5.776)	Financial expense
																	1.896.588	Gross profit (loss)
																	(344.184)	Income tax
																	1.552.404	Net profit (loss)

1 January – 30 June 2012 and at 30 June 2012	Poland	Lithuania	Ukraine	Unallocated (consolidation eliminations and other)	Consolidated value
Gross written premiums - external	8 082 523	99 034	64 717	-	8 246 274
Gross written premiums - cross-segment	(75)	-	-	75	-
Revenue from commissions and fees	116 359	-	-	-	116 359
Net investment income (external transactions)	1 074 997	3 114	6 258	-	1 084 369
Net profit or loss on realization and impairment loss on investments (external transactions)	124 172	(175)	2 091	-	126 088
Net change in the fair value of assets and liabilities measured at fair value (external transactions)	312 417	1 022	8	-	313 447
Non-current assets other than financial instruments*	1 159 729	9 524	7 150	(1 808)	1 174 595
Deferred tax assets	17 315	-	1 300	-	18 615
Assets	54 059 294	288 684	151 396	(321 904)	54 177 470

* applicable to intangible assets and property, plant and equipment

As at 31 December 2011	Poland	Lithuania	Ukraine	Unallocated (consolidation eliminations and other)	Consolidated value
Non-current assets other than financial instruments*	1 205 179	10 410	7 752	(1 922)	1 221 419
Deferred tax assets	7 289	-	1 311	-	8 600
Assets	52 017 213	279 246	147 909	(315 086)	52 129 282

* applicable to intangible assets and property, plant and equipment

1 January - 30 June 2011 and at 30 June 2011	Poland	Lithuania	Ukraine	Unallocated (consolidation eliminations and other)	Consolidated value
Gross written premiums - external	7 544 190	76 638	52 434	-	7 673 262
Gross written premiums - cross-segment	2 034	-	-	(2 034)	-
Revenue from commissions and fees	156 227	-	-	-	156 227
Net investment income (external transactions)	887 736	3 547	3 537	-	894 822
Net profit or loss on realization and impairment loss on investments (external transactions)	(66 746)	(671)	(334)	-	(67 751)
Net change in the fair value of assets and liabilities measured at fair value (external transactions)	251 874	114	-	-	251 988
Non-current assets other than financial instruments*	1 215 807	9 465	6 340	(1 634)	1 229 978
Deferred tax assets	15 235	-	870	-	16 105
Assets	57 264 629	241 214	111 250	(315 815)	57 301 278

* applicable to intangible assets and property, plant and equipment

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

During the 6-month period ended 30 June 2012, PZU did not issue, redeem or repay any debt or equity securities.

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

During the 6-month period ended 30 June 2012, PZU or its subsidiaries did not default under any credit facility or loan agreement nor did they breach any significant covenants or provisions of such agreements, which was not followed by appropriate remedial actions taken before the end of the reporting period.

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

During the 6-month period ended 30 June 2011, neither PZU nor its subsidiaries gave 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.

18. Dividends

As regards the profit for 2011 and the preceding years, only the profit disclosed in the separate financial statements of the parent company, drawn up in accordance with the Polish Accounting Standards, is subject to distribution.

On 12 April 2012, the Management Board of PZU adopted a resolution concerning the proposed distribution of profit for 2011 and recommended paying out a dividend of PLN 1,752,952 thousand, i.e. PLN 20.30 per share. The Management Board recommendation was approved by the Supervisory Board of PZU on 8 May 2012 and subsequently it was forwarded to the General Shareholders' Meeting of PZU.

On 30 May 2012, the Ordinary General Shareholders' Meeting of PZU adopted a resolution on the following distribution of PLN 2,582,303 thousand of profit of PZU for the 2011 financial year:

- PLN 1,936,882 thousand to dividend for the shareholders, i.e. PLN 22.43 per share (more than originally recommended by the Management Board of PZU);
- reclassification to the supplementary capital – PLN 635,421 thousand;
- PLN 10,000 thousand to the Company's Social Benefits Fund.

The dividend record date was set at 30 August 2012 and the dividend payment date at 20 September 2012.

Additionally, as the court issued a final decision to repeal the resolution of the General Shareholders' Meeting of PZU concerning PZU's profit for the financial year 2006 in the amount of PLN 3,280,883 thousand, the General Shareholders' Meeting of PZU decided to distribute profit for the financial year 2006 in a manner applied to profit distribution in the repealed resolution, i.e.:

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

The issue has been described in detail in point 19.1.

19. Receivables and liabilities due to litigious proceedings

The entities in the 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 obligations. 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 the PZU Group.

Most disputes the PZU Group companies are parties to pertain to two companies: PZU and PZU Życie. Additionally, PZU and PZU Życie are parties to proceedings carried out before the President of Office for Competition and Consumer Protection.

PZU and PZU Życie consider such claims when creating technical provisions for reported damages, considering the probability of an unfavourable 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-month period ended 30 June 2012 and by the date of submission of the interim statements, the 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 of 30 June 2012 the total value of all 34,533 cases heard by courts, bodies competent to hear arbitration proceedings or public authority bodies involving the PZU Group companies was PLN 1,903,694 thousand. The amount includes PLN 1,533,630 thousand of liabilities and PLN 370,064 thousand of receivables of the PZU Group companies, which constituted 13,19% and 3,18% of PZU equity calculated in line with PAS, respectively.

19.1. Cancellation of the resolution of the General Meeting of PZU on the distribution of the profit of PZU for the 2006 financial year

Following a statement of claim of 30 July 2007, Manchester Securities Corporation initiated proceedings against PZU to cancel resolution No. 8/2007 of the General Meeting of PZU of 30 June 2007 on the distribution of the profit of PZU for the 2006 financial year on the grounds that the resolution was in breach of good practice and its objective was to harm the petitioner, a shareholder of PZU.

The contested resolution of the General Meeting of PZU divided the net profit for 2006 of PLN 3,280,883 thousand as follows:

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

In a ruling of 22 January 2010 a Regional Court in Warsaw cancelled the entire resolution of the General Meeting of PZU. On 17 February 2010 PZU appealed against the ruling of the Regional Court in Warsaw.

On 6 December 2011 the Court of Appeals in Warsaw dismissed the appeal of PZU against the decision of the Regional Court in Warsaw of 22 January 2010. On the date of issuing the ruling by the Court of Appeals, the ruling of the Regional Court of 22 January 2010, which repealed the resolution of the General Shareholders' Meeting of PZU, became valid.

On 7 December 2011 PZU applied for a written statement of reasons for the ruling of the Court of Appeals in Warsaw of 6 December 2011. On 2 April 2012 the Court's decision with its rationale was served to PZU. On 29 May 2012, PZU made a final appeal against the entire decision of the Court of Appeals of 6 December 2011.

According to the Management Board of PZU, the cancellation of the resolution of the General Shareholders' Meeting of PZU does not result in a shareholders' claim for payment of dividend by PZU.

Irrespective of the above, as the decision repealing the resolution in question became final and valid, adoption of resolution on distribution of the net profit of PZU for the financial year 2006 appeared on the agenda of the General Shareholders' Meeting of PZU called for 30 May 2012.

The Management Board recommended the General Shareholders' Meeting of PZU to distribute profit for 2006 in a manner presented in the resolution repealed by the aforementioned court decisions, because after the adoption of the resolution, PZU paid out dividend for 2009 using funds which included earnings retained in PZU in line with the resolution in question.

On 30 May 2012 the General Shareholders' Meeting of PZU adopted a resolution to distribute profit for the financial year 2006 in line with the repealed resolution. Manchester Securities Corporation appealed against the resolution of 30 May 2012 which was indicated in the meeting minutes.

On 20 August 2012 PZU received a copy of a petition lodged by Manchester Securities Corporation to the Regional Court in Warsaw, where the petitioner requested repealing the resolution of the General Shareholders' Meeting of PZU dated 30 May 2012 concerning distribution of profit for the financial year 2006. The value of claim was estimated at PLN 5,054 thousand. The first hearing was planned for 12 March 2013. PZU will respond, requesting dismissal of the entire claim. If the arguments of PZU are not accepted, the court may issue a decision repealing the resolution in question.

As at 30 June 2012 there had been no changes in the presentation of equity of PZU which could result from the cancellation of the resolution of the General Meeting of PZU, including "Supplementary capital" and "Prior year profit (loss)", the resources of the Company's Social Benefits Fund had not been adjusted and there had been no provisions for any additional claims resulting from the cancellation of the resolution.

19.2. PZU Proceedings against PZU carried out by the Office of Competition and Consumer Protection

19.2.1. 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 listed 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. On 18 January 2010 PZU appealed to the Court of Competition and Consumer Protection against the decision (this way the decision did not become valid). In a ruling of 14 November 2011 the Court of Competition and Consumer Protection dismissed the appeal of PZU. On 14 December 2011 PZU appealed to the Court of Appeals in Warsaw. On 5 July 2012 the Court of Appeals in Warsaw dismissed the decision of the Court of Competition and Consumer Protection dated 14 November 2011 until the case is re-examined.

Regardless of the appeal measures, PZU recognized a provision for the fine totalling – as at 30 June 2012 and 31 December 2011 – PLN 14,792 thousand.

19.2.2. Fines imposed in 2011

19.2.2.1. Reimbursement of the costs of rental a replacement car

In a decision of 18 December 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) citing a number of objections.

Regardless of the appeal measures, PZU recognized a provision for the fine totalling – as at 30 June 2012 and 31 December 2011 – PLN 11,287 thousand.

19.2.2.2. *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 clients of PZU in the kujawsko-pomorskie region were serviced by Maximus Broker in exchange for recommendation of PZU insurance to those clients. The Office demanded that the practices be discontinued.

The Management Board of PZU does not agree with the facts and legal reasons presented in the decision. In the opinion of the Management Board of PZU 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.

Regardless of the appeal measures, PZU recognized a provision for the fine totalling – as at 30 June 2012 and 31 December 2011 – PLN 56,605 thousand.

19.3. 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 UOKiK instituted antimonopoly proceedings on suspicion of abuse by PZU Życie of its dominant position in the market of employee group insurance, which might breach 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 proceedings, the President of UOKiK 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 did not take into account all the evidence and the legal qualification was incorrect, as a result of which it was assumed wrongly 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 UOKiK. On 31 May 2011 the Court issued a ruling whereby it dismissed the appeal of PZU Życie on the grounds that the decision of the President of UOKiK of 25 October 2007 was not correctly served on PZU Życie and thus the period available to PZU Życie to appeal against the decision did not start. The ruling has been appealed against by both parties. Having considered the appeals placed by the plaintiff and the defendant, in a ruling of 26 October 2010, the court of second instance cancelled the disputed decision.

In a ruling of 17 February 2011, the District Court in Warsaw – Consumer and Competition Protection Court – 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. The date of the hearing before the Court of Appeals had been set at 21 August 2012, when the Court of Appeals adjourned the hearing without determining a new date.

Regardless of the appeal measures, PZU Życie recognized a provision for the fine amounting to PLN 50,384 thousand as at 30 June 2012 and 31 December 2011.

19.4. Dispute with CSC Computer Sciences Polska Sp. z o.o.

On 9 April 2010 the Court of Arbitration served on PZU Życie a statement of claim for payment. The case against PZU Życie was brought by CSC Computer Sciences Polska sp. z o. o. which demanded payment of EUR 8 437 thousand with respect to implementation of the GraphTalk system at PZU Życie. Following further amendments in claim, CSC is demanding the total of PLN 36,823 thousand.

The amount sought by CSC includes the claims related to licence fees, implementation works, maintenance of the computer system, service works, fee for computer systems, liquidated damages and capitalized interest.

On 31 May 2010 in response to the statement of claim, PZU Życie requested that the Court of Arbitration rule that the court temporarily refuses jurisdiction for some claims and dismissed the entire claims. In the opinion of PZU Życie, the claims of CSC are either unfounded or have not been proven.

PZU Życie also filed a counter claim against CSC, demanding payment of PLN 71 890 thousand as a return of remuneration collected by CSC under the concluded contract or as damages for undue performance of obligations under the concluded contract. In response to the counter claim, on 31 August 2010, CSC requested that the claim of PZU Życie be dismissed in whole, indicating the absence of evidence to accept it.

On 31 January 2012 a hearing was held before the Court of Arbitration at the Polish Chamber of Commerce in Warsaw, and on 19 June 2012 the Court of Arbitration closed the case. The court decision is expected on 13 September 2012.

Additionally, on 21 December 2010, PZU Życie placed a motion for amicable settlement related to the amount of PLN 123,326 thousand claimed from CSC as damages arising from undue performance of an agreement or for a return of the contractual fee paid to CSC in the amount of PLN 71,890 thousand. During the court proceedings on 8 February 2011 the parties failed to reach a settlement. The court discontinued the case for amicable settlement. The decision is valid.

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

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

The loan had not been repaid and in November 2002 Metro-Projekt was declared bankrupt.

On 15 September 2004, the receiver of Universal SA in bankruptcy ("Universal") brought an action to the District Court in Warsaw demanding exclusion of the property located in Warsaw at Al. Jerozolimskie 44 from the bankruptcy assets of Metro-Projekt due to an entry in section III of the land and mortgage register of a warning regarding the proceedings pending between Universal and BI Code SA ("BI Code") for cancellation of a transaction involving sales of the property by Universal to BI Code from which Metro-Projekt acquired the property. In view of the above, on 21 September 2004 the District Court in Warsaw issued a decision suspending the liquidation of assets of Metro-Projekt until the lawsuit for exclusion of the aforementioned property from the bankruptcy assets is settled.

The action for cancellation of the agreement transferring the perpetual usufruct right and ownership title to the office building located in Warsaw at Al. Jerozolimskie 44 was settled on 7 March 2006 - the Court of Appeals in Warsaw dismissed the case of Universal against BI Code. However, in August 2006 the receiver of Universal made a final appeal to the Supreme Court with respect to the aforementioned decision.

After the judgment of the Court of Appeals of 7 March 2006 became final, Metro-Projekt applied for deletion of the warning entered in section III of the land and mortgage register about the pending court proceedings instituted by Universal against BI Code for cancellation of the aforementioned sales agreement. The decision to delete the above entry was issued on 3 November 2006.

On 14 March 2007 the Supreme Court reversed the judgment of the Court of Appeals and ordered that the case to be re-examined by that court. On 21 November 2007 the Court of Appeals reversed the judgment of the District Court and ordered that the case be re-examined by that court.

On 11 September 2009, the District Court issued a judgement in the lawsuit filed by the receiver of Universal against the receiver of BI Code for cancellation of the sales agreement for the land perpetual usufruct right and the ownership title to the building, entered into between Universal and BI Code, pursuant to which the aforementioned sales agreement was cancelled. The receiver of BI Code appealed against the judgement and on 29 July 2010 the appeal was dismissed. The receiver of BI Code SA appealed against the judgment which was dismissed in a decision of 29 July 2010. The receiver of BI Code made a final appeal to the District Court but it has not been accepted to consider. Therefore the proceeding was terminated.

In January 2011 the receiver of Metro-Projekt requested that the proceedings before the District Court brought by the receiver of Universal for exclusion of the land perpetual usufruct right and the separate title to the building on that land suspended in 2005 were resumed. On 30 May 2011, the Regional Court dismissed the claim of Universal.

The decision was not final and it was appealed against on 12 September 2011 by the receiver in bankruptcy of Universal. On 23 February 2012 the Regional Court in Warsaw dismissed the petition of Universal's receiver demanding exclusion of the property located in Warsaw at Al. Jerozolimskie 44 from the bankruptcy assets of Metro-Projekt. The case was closed with a final court decision.

On 9 May 2012 the receiver of Metro-Projekt filed a petition to the Judge Commissioner for a permission to conclude an amicable settlement with the receiver of Universal concerning disputed claims concerning the two bankruptcy assets. Following the settlement, the bankruptcy assets of Metro-Projekt were to be charged with an additional amount of PLN 5,722 thousand for the benefit of bankruptcy assets of Universal, and in return, the receiver of bankruptcy assets of Universal was to waive all claims. Judge commissioner consented to the settlement in line with the decision of 31 May 2012. The decision is final and valid.

The receiver of Universal made an irreversible statement in the form of a notarized deed waiving all claims against Metro-Projekt. Consequently, the receiver of Metro-Projekt made a payment for the benefit of bankruptcy assets of Universal on 5 July 2012.

In the opinion of the Management Board of PZU, the mortgage established for the benefit of PZU Życie does exist and the Company has the right to pursue the related claims from any owner.

20. Other information

20.1. Rating of the PZU Group companies by credit rating agencies

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

As at the date of submission of this report, PZU and PZU Życie SA had an A long-term credit rating and financial strength rating (assigned by Standard & Poor's Ratings Services on 16 July 2009) and a stable rating outlook. Every year, Standard & Poor's Ratings Services confirmed the above rating and Outlook (on 23 July 2012, 22 July 2011 and 5 July 2010, respectively).

The table below presents the ratings on the PZU Group companies by Standard&Poor's, together with the previous year ratings.

Company name	Rating and outlook	Assignment date	Rating and outlook	Assignment date
PZU				
Financial strength rating	A /stable/	23 July 2012	A /stable/	22 July 2011
Credit rating	A /stable/	23 July 2012	A /stable/	22 July 2011
PZU Życie				
Financial strength rating	A /stable/	23 July 2012	A /stable/	22 July 2011
Credit rating	A /stable/	23 July 2012	A /stable/	22 July 2011

20.2. Additional payment to cover losses of PZU Lietuva

On 11 April 2012 the Management Board of PZU SA adopted a resolution to cover a part of prior year losses of PZU Lietuva by way of making a non-refundable capital contribution of LTL 7,000 thousand in order that PZU Lietuva could meet regulatory capital requirements. According to the Lithuanian law, the equity of a company should not be lower than a half of the share capital).

At the end of 2011 the requirement was not met as in 2011 PZU Lietuva incurred a net loss of LTL 6,854 thousand.

On 27 April 2012 the General Shareholders' Meeting of PZU Lietuva adopted a resolution to contribute capital of LTL 7,000 thousand. After the contribution was made by PZU, on 10 May 2012 PZU Lietuva met the regulatory requirements in question.

20.3. Plans to open branches of PZU Lietuva in Latvia and Estonia

The development strategy of PZU Lietuva assumes entering the Latvian and the Estonian markets. On 10 August 2012 PZU Lietuva filed a motion to Lithuanian insurance supervision authorities (the Bank of Lithuania) to open branches in Latvia and Estonia. It was the initial step in the branch opening procedure. In accordance with the law, the Bank of Lithuania has three months to analyse the documents and if they are accepted the Bank, they will be forwarded to supervisory authorities of Latvia and Estonia, who should express their consent to open the branches within one month. When all permissions have been obtained, branch registration procedure will be commenced. The company plans to enter the Latvian and the Estonian markets in the fourth quarter of 2012 and in the second quarter of 2013, respectively.

The branch will offer the whole range of corporate products (property insurance, general third-party (TPL) insurance, financial guarantees, motor insurance, etc.). PZU Lietuva intends to use relationships with international companies to which it provides insurance services. In the first years, it will offer services to the corporate and SME segments through its own distribution network and brokers.

As for individual clients, PZU Lietuva intends to use an alternative sales network (banks, tour operators). Own sales network for individual insurance products will be developed in Latvia and Estonia provided that both branches report a net profit.

Capital expenditure will be financed by PZU Lietuva. It is estimated that in the first years of the investment project, PZU Lietuva may require a capital contribution of EUR 7 million (LTL 24 million) related to minimum capital and solvency requirements.

20.3.1. Changes in the composition of management and supervisory bodies of PZU

20.3.2. Management Board of PZU

Composition of the Management Board of PZU as at 31 December 2011:

- Andrzej Klesyk - Chairman of the Board;
- Witold Jaworski - Member of the Board;
- Przemysław Dąbrowski - Member of the Board;

- Tomasz Tarkowski - Member of the Board;
- Bogusław Skuza - Member of the Board;
- Ryszard Trepczyński - Member of the Board.

By the date of submission of these interim statements, the composition of the Management Board of PZU had not undergone any changes.

20.3.3. Supervisory Board of PZU

Composition of the Supervisory Board as of 31 December 2011:

- Marzena Piszczek - Chairperson of the Board;
- Zbigniew Cwiąkalski - Vice-Chairperson of the Board;
- Krzysztof Dresler - Secretary of the Board;
- Waldemar Maj - Member of the Board;
- Dariusz Filar - Member of the Board;
- Zbigniew Derdziuk - Member of the Board;
- Dariusz Daniluk - Member of the Board.

On 30 May 2012, the General Shareholders' Meeting of PZU adopted a resolution whereby the number of Members of the Supervisory Board of PZU was set at nine.

On the same day, Krzysztof Dresler resigned and the General Shareholders' Meeting of PZU dismissed Marzena Piszczek from the Supervisory Board and appointed new members of the Supervisory Board of PZU: Tomasz Zganiacz, Maciej Piotrowski, Włodzimierz Kiciński and Alojzy Nowak.

On 28 June 2012, during the first meeting after the personal changes, the Supervisory Board appointed Waldemar Maj the new Chairman and Tomasz Zganiacz – the new Secretary.

Composition of the Supervisory Board of PZU since 28 June 2012:

- Waldemar Maj - Chairperson of the Board;
- Zbigniew Cwiąkalski - Vice-Chairperson of the Board;
- Tomasz Zganiacz - Secretary of the Board;
- Dariusz Daniluk - Member of the Board.
- Zbigniew Derdziuk - Member of the Board;
- Dariusz Filar - Member of the Board;
- Włodzimierz Kiciński - Member of the Board;
- Alojzy Nowak - Member of the Board;
- Maciej Piotrowski - Member of the Board.

By the date of submission of these interim statements, the composition of the Supervisory Board of PZU had not undergone any changes.

20.3.4. Directors in the Group

Directors at the PZU Group as at 31 December 2011:

- Dariusz Krzewina;
- Rafał Grodzicki.

On 7 February 2012 the Management Board of PZU appointed Przemysław Henschke Director of the PZU Group as of 1 February 2012.

On 16 March 2012 the Management Board of PZU appointed Sławomir Niemierka Director of the PZU Group as of 19 March 2012.

Directors at the PZU Group from 19 March 2012 to the date of submission of this interim report:

- Dariusz Krzewina;
- Rafał Grodzicki;
- Przemysław Henschke;

- Sławomir Niemierka.

All the present Directors at the PZU Group are also members of PZU Życie Management Board.

20.4. Termination of Collective Labour Agreements and changes of employment contracts

On 28 February 2012 the Management Boards of PZU and PZU Życie terminated the Collective Labour Agreements in operation in the companies in 2003 and 2006, mainly as a result of a new, more motivating salaries and wages system adapted to the market. It provides for, among other things, new bonus rules as of Q4 2012: the monthly bonus of 25% of the monthly pay will be replaced by a quarterly bonus of 30% of the basic quarterly pay (directly dependent on the stage of completion of objectives) and resignation from other employee benefits exceeding those resulting from the labour code.

Talks with trade unions concerning pay lasted from 28 February to 26 April 2012. In the end the unions rejected the proposed payroll system. Rejection of the new terms and conditions of pay may result in termination of some employment contracts and therefore PZU and PZU Życie announced that they intend to carry out layoffs. The talks with the trade unions lasted from 27 April 2012 and did not lead to an agreement. On 7 May 2012 the Management Boards of PZU and PZU Życie agreed the terms and conditions of layoffs in the form of regulations and determined the terms and conditions of pay which the employees will be proposed until the pay system is agreed with the trade unions.

The changes in employment contracts of all employees of PZU and PZU Życie started on 9 May 2012 and ended on 6 July 2012. It consisted in individual meetings with employees during which they were proposed by their superiors and HR representatives an agreement amending the employment contract with new pay rules. If an employee did not accept the change in the terms and conditions of employment, they received a notice of termination amending the terms and conditions of employment. This applied to approx. 200 persons which accounted for less than 2% of employees. How many of them accepted the notices will be clear at the beginning of September 2012.

Changes in the principles of remuneration did not considerably affect the amount of salaries and wages and employee benefits incurred in the 6-month period ended 30 June 2012. Changes in the principles of remuneration were not reflected in the amount of the provision for employee benefits, which amounted to PLN 259,848 thousand as at the balance sheet date because the company is still analysing the possibilities of using the provision for employee benefits accrued by the date of terminating Collective Labour Agreements. The works are planned to be completed by the end of 2012.

20.5. Employment restructuring at PZU and PZU Życie

On 29 December 2009 the Management Board of PZU and PZU Życie announced an implementation plan of the restructuring program for 2010-2012.

During the 6 months ended 30 June 2012 persons terminated employment at PZU and PZU Życie as a result of: termination agreement or statement of termination of employment handed in 2011 or if an employee rejected the new terms and conditions of employment offered by the employer.

Following the layoffs in Q2 2012 resulting from termination of the Collective Labour Agreement the mass sales function of PZU was reorganised. A new management model was introduced and the previous "multi-channel" management was replaced by "one-channel" management and separate jobs were created for each sales channel. Following the adjustment of the staff structures to the new situation, approx. 60 persons (less than 5% of the area) did not accept the new terms and conditions of employment.

Termination conditions offered to the dismissed employees or employees who did not accept the offered terms of employment during all stages of restructuring (i.e. in the years 2010–2012) were more favourable than those provided for by the applicable laws (the Act of 13 March 2003 on special principles applicable to termination of employment contracts for reasons other than through the fault of employees – Journal of Laws No. 90 of 2003, item 844, as amended, "Act on special principles of termination of employment"). The amount of additional redundancy pay in individual restructuring processes varied, but each time it depended on the salary of each employee and their time of employment at the PZU Group.

On 10 July 2012 the Management Boards of PZU and PZU Życie decided to continue the staff restructuring at PZU and PZU Życie and asked the trade unions operating in those companies to start drafting layoff agreements in

line with the Act on special principles of termination of employment and submitted to a competent Regional Labour Office information that layoff procedures have been instigated.

On 24 July 2012 PZU and PZU Życie and their trade unions concluded an agreement concerning the terms and conditions of staff restructuring. The document was based on the experience drawn from and agreements reached during similar negotiations in past years and the agreement includes information about the number of employees affected by the restructuring, criteria for redundancy selection, financial package, principles of protection of selected employee groups and the implementation schedule.

It is planned that the staff restructuring at PZU and PZU Życie will take place from 13 August to 11 October 2012 and will affect up to 955 persons in both companies (it is expected that the number of staff will be reduced by 376 employees and 579 employees will have their terms and conditions of employment changed following an agreement or notice of termination amending the employment contract).

The current stage of restructuring results from implementation of a number of projects consisting in simplification of procedures, automation and optimisation of business processes and centralisation of functions. The restructuring will affect most operations, finance and loss adjustment areas.

Similar to the previous stages of restructuring, the laid off persons and those who did not accept new terms and conditions of employment will be offered more favourable conditions of termination than those provided for by the provisions of law in similar cases, however, the financial package will depend on the years in service at the PZU Group and the pay of an employee.

The total restructuring costs charged to provisions between 1 January and 30 June 2012 totalled PLN 37,364 thousand (throughout 2011: PLN 58,169 thousand and between 1 January to 30 June 2011: PLN 17,728 thousand).

As at 30 June 2012 the provision for the costs of restructuring totalled PLN 69,587 thousand (as at 31 March 2012: PLN 88,738 thousand; as at 31 December 2011: PLN 112,956 thousand; as at 30 June 2011: PLN 56,555 thousand), which resulted in a change in the balance of the provision between 1 January to 30 June 2012 of PLN 43,369 thousand (throughout 2011: PLN 37,703 thousand).

21. Related party transactions

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

During the 6-month period ended 30 June 2011, PZU or its subsidiaries did not conclude any related party transactions which could be considered significant (individually or jointly) and would be concluded on non-arm's length terms.

21.2. Turnovers and balances of related-party transactions

Balances and turnovers of transactions between the PZU Group and related parties	Gross written premium				write-downs on receivables created in the current period	Należności					
	property and casualty insurance	life insurance (including volumes from investment contracts)	Other revenue	Expenses		gross value	revaluation write-downs	net	Liabilities	Contingent assets	Contingent liabilities
1 January – 30 June 2012 and at 30 June 2012											
Key members of the management of consolidated entities 1/	-	-	-	-	-	-	-	-	-	-	-
Other related parties 2/	75	-	16 557	11 757	-	11 124	(9 806)	1 318	2 241	-	-
1 January – 31 December 2011 and at 31 December 2011											
Key members of the management of consolidated entities 1/	-	-	-	-	-	-	-	-	-	-	-
Other related parties 2/	387	-	35 840	17 192	-	11 398	(9 806)	1 592	1 868	-	-
1 January – 30 June 2011 and at 30 June 2011											
Key members of the management of consolidated entities 1/	-	-	-	-	-	-	-	-	-	-	-
Other related parties 2/	312	-	11 659	11 843	-	12 554	(10 306)	2 248	3 295	-	-

1/ Members of the management boards of consolidated companies in the PZU Group and Director of the PZU Group.

2/ Companies directly or indirectly controlled by, associated with PZU and excluded from consolidation, whose detailed list is presented in section **Błąd! Nie można odnaleźć źródła odwołania..**

As of 30 June 2012 and 31 December 2011, the key item in receivables from other related parties were receivables from Syta Development Sp. z o. o. in liquidation ("Syta Development") due to agreements relating to investments of the Loss Adjustment and Underwriting Centre of PLN 9.806 thousand (as of 30 June 2011: PLN 10.306 thousand), which - because the agreements were not performed as of that dates - were covered with a revaluation write-down up to the full amount.

21.3. Transactions with entities controlled by the State Treasury

IAS 24 requires that related party transactions be disclosed. Until 11 May 2010, the interest of the State Treasury in the share capital of PZU exceeded 50%. On 11 May 2010, as part of the IPO, the share capital of PZU dropped below 50%. Additionally, on 10 June 2011, the State Treasury sold a ten-percent block of shares in PZU, thus lowering its interest in the share capital and the total number of votes to 35.19%.

In spite of the above issue, considering 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 purpose of presentation of turnovers and balances for related party transactions, it is assumed that, the State Treasury maintained control over PZU as understood by IAS 27 and thus PZU remains an entity controlled by the State Treasury and is still obliged to present in its financial statements transactions with related parties of the State Treasury.

For the purpose of this clause, "entities controlled by, co-subsidiaries of and entities associated with the State Treasury" denote only commercial companies and State Treasury controlled state entities, whose lists are published on the website of the Ministry of Treasury. In particular, while carrying out their statutory activities, entities in the PZU Group entered into transactions with entities controlled by and related to the State Treasury other than commercial companies and state entities, whose business names are published on the website of the Ministry of Treasury. Considering a substantial number of such entities and transactions concluded, limitations of the reporting system implemented by the PZU Group, as well as immateriality of the impact of such transactions on the performance of the PZU Group, PZU believes that their disclosure is not material for ensuring a reliable presentation of the financial position of the PZU Group.

The PZU Group applied the exemption referred to in point 25 of IAS 24 and withdrew from disclosure of some information in relation to transactions with parties that are related as a result of control, joint control or significant influence of the same government.

Property and personal insurance contracts, life insurance contracts and investment contracts constituted an overwhelming majority of transactions with entities controlled by, co-subsidiaries of and entities associated with the State Treasury.

The table below shows the written premiums and investment contract volumes resulting from transactions with entities controlled by, co-subsidiaries of and entities associated with the State Treasury, concluded and settled on the terms and conditions which could be obtained in transactions with unrelated parties.

Entities controlled by, co-subsidiaries of and entities associated with the State Treasury	1 April - 30 June 2012	1 January - 30 June 2012	1 April - 30 June 2011	1 January - 30 June 2011
Gross written premium at PZU	26 580	40 769	28 214	51 965
Gross written premium at PZU Życie	3 590	7 037	4 412	7 059
PZU Życie investment contract volumes	-	584 564	976 934	976 934
Total	30 170	632 370	1 009 560	1 035 958

The tables below present data related to written premiums and investment contract volumes in bancassurance transactions with banks controlled by and associated with the State Treasury.

Bank Powszechna Kasa Oszczędności BP SA	1 April - 30 June 2012	1 January - 30 June 2012	1 April - 30 June 2011	1 January - 30 June 2011
Gross written premium at PZU	4 195	6 766	2 996	11 982
Gross written premium at PZU Życie	3 590	7 037	4 412	7 059
PZU Życie investment contract volumes	-	584 564	976 934	976 934
Total	7 785	598 367	984 342	995 975

Bank Ochrony Środowiska SA	1 April - 30 June 2012	1 January - 30 June 2012	1 April - 30 June 2011	1 January - 30 June 2011
Gross written premium at PZU	11	31	17	36
Gross written premium at PZU Życie	-	-	-	-
PZU Życie investment contract volumes	-	-	-	-
Total	11	31	17	36

Bank Gospodarstwa Krajowego SA	1 April - 30 June 2012	1 January - 30 June 2012	1 April - 30 June 2011	1 January - 30 June 2011
Gross written premium at PZU	-	3	-	57
Gross written premium at PZU Życie	-	-	-	-
PZU Życie investment contract volumes	-	-	-	-
Total	-	3	-	57

Bank Gospodarki Żywnościowej SA	1 April - 30 June 2012	1 January - 30 June 2012	1 April - 30 June 2011	1 January - 30 June 2011
Gross written premium at PZU	1 149	1 682	640	1 015
Gross written premium at PZU Życie	-	-	-	-
PZU Życie investment contract volumes	-	-	-	-
Total	1 149	1 682	640	1 015

The interim consolidated financial statements of the Capital Group of PZU for a 6-month period ended 30 June 2012 was signed by:

Date	Name and surname	Position/Function	
28 August 2012	Andrzej Klesyk	Chairman of the Management Board of PZU (signature)
28 August 2012	Przemysław Dąbrowski	Member of the Management Board of PZU (signature)
28 August 2012	Witold Jaworski	Member of the Management Board of PZU (signature)
28 August 2012	Bogusław Skuza	Member of the Management Board of PZU (signature)
28 August 2012	Tomasz Tarkowski	Member of the Management Board of PZU (signature)
28 August 2012	Ryszard Trepczyński	Member of the Management Board of PZU (signature)
28 August 2012	Piotr Marczyk	Director of the Accounting Office (signature)