

**CONSOLIDATED INTERIM FINANCIAL STATEMENTS
OF THE POWSZECHNY ZAKŁAD UBEZPIECZEŃ SPÓŁKA AKCYJNA
CAPITAL GROUP
FOR Q3 2011**



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INTRODUCTION

These interim consolidated financial statements of Powszechny Zakład Ubezpieczeń Spółka Akcyjna Capital Group ("PZU Group") have been prepared in line with International Financial Reporting Standards as endorsed by the Commission of European Communities as at 30 September 2011 ("IFRS"), including the requirements of International Accounting Standard 34 "Interim Financial Reporting" and the requirements of the Finance Minister's Regulation of 19 February 2009 on current and periodic information transmitted by securities issuers and conditions for acknowledgment of equivalence of information required by legal regulations of a non-member state (Journal of Laws No. 33 of 2009, Item 259 – "Regulation on current and periodic information").

Pursuant to Article 83 section 1 of the Regulation on current and periodic information, separate quarterly financial information of the PZU Group's parent company, i.e. Powszechny Zakład Ubezpieczeń Spółka Akcyjna ("PZU", "Company", "parent company") forms part of this consolidated interim financial statements.

According to Article 45 section 1a of the Accountancy Act of 29 September 1994 (Journal of Laws of 2009, No. 152 Item 1223, as amended, "Accountancy Act"), financial statements of issuers of securities admitted into trading on one of the regulated markets of European Economic Area states may be prepared in accordance with IFRS.

As the PZU Shareholder Meeting has not made the decision referred to in art. 45 par. 1c of the Accountancy Act in the matter of preparation of financial statements pursuant to IFRS, PZU's standalone statements are prepared in accordance with the Polish Accounting Standards ("PAS"), defined in the Accountancy Act, and in the executive regulations issued on its basis, inter alia:

- Finance Minister's Regulation of 28 December 2009 on the special accounting principles for insurance and reinsurance companies (Journal of Laws of 2009, No. 226, Item 1825);
- Finance Minister's Regulation of 12 December 2001 on the detailed principles of recognition, valuation methods, scope of disclosure and presentation of financial instruments (Journal of Laws of 2001 No. 149, Item 1674, as later amended).

In matters not regulated by the Accountancy Act and secondary legislation issued on its basis, Polish Accounting Standards and/or IFRS are applied accordingly.

FINANCIAL HIGHLIGHTS**1. Selected consolidated financial data of the PZU Group**

Data from the consolidated statement of financial position	thous. PLN 30 Sep 2011	thous. PLN 31 Dec 2010	thous. PLN 30 Sep 2010	thous. EUR 30 Sep 2011	thous. EUR 31 Dec 2010	thous. EUR 30 Sep 2010
Assets	54,234,820	50,670,557	49,240,420	12,294,800	12,794,626	12,350,243
Share capital	86,352	86,352	86,352	19,576	21,804	21,658
Capital attributed to holders of the parent's equity	12,334,897	12,799,800	12,191,856	2,796,268	3,232,028	3,057,902
Minority interest	84,433	126	123	19,141	32	31
Total equity	12,419,330	12,799,926	12,191,979	2,815,409	3,232,060	3,057,933
Main and diluted weighted average number of common shares	86,352,300	86,352,300	86,352,300	86,352,300	86,352,300	86,352,300
Book value per common share (PLN/EUR)	142.84	148.23	141.19	32.38	37.43	35.41

Data from the consolidated profit and loss account	PLN thous. 1 January – 31 September 2011	PLN thous. 1 January – 31 September 2010	EUR thous. 1 January – 31 September 2011	EUR thous. 1 January – 31 September 2010
Gross written premium	11,425,796	10,800,917	2,825,999	2,698,408
Net earned premium	11,054,489	10,581,133	2,734,162	2,643,499
Fee and commission income	218,992	209,748	54,164	52,402
Net result on investment activity	1,040,071	2,185,919	257,246	546,111
Net insurance claims	(7,624,189)	(7,903,704)	(1,885,729)	(1,974,593)
Gross profit (loss)	2,292,938	2,319,391	567,124	579,457
Net profit (loss) attributed to holders of parent's equity	1,858,497	1,874,169	459,671	468,226
Minority profit (loss)	(1,482)	(5)	(367)	(1)
Main and diluted weighted average number of common shares	86,352,300	86,352,300	86,352,300	86,352,300
Main and diluted profit per common share (in PLN/EUR)	21.52	21.70	5.32	5.42

Data from the consolidated cash flow statement	PLN thous.	PLN thous.	EUR thous.	EUR thous.
	1 January – 31 September 2011	1 January – 31 September 2010	1 January – 31 September 2011	1 January – 31 September 2010
Net cash flow on operating activity	1,937,853	(626,533)	479,299	(156,528)
Net cash flow on investing activity	(2,034,528)	6,369,644	(503,210)	1,591,337
Net cash flow on financing activity	(81,058)	(5,727,691)	(20,048)	(1,430,957)
Total net cash flow	(177,733)	15,420	(43,959)	3,852

2. Selected individual financial data of PZU (PAS)

Data from the balance sheet	thous. PLN 30 Sep 2011	thous. PLN 31 Dec 2010	thous. PLN 30 Sep 2010	thous. EUR 30 Sep 2011	thous. EUR 31 Dec 2010	thous. EUR 30 Sep 2010
Assets	29,064,684	26,349,819	25,703,271	6,588,838	6,653,491	6,446,770
Share capital	86,352	86,352	86,352	19,576	21,804	21,658
Total equity	11,409,847	11,902,186	11,035,562	2,586,563	3,005,375	2,767,886
Main and diluted weighted average number of common shares	86,352,300	86,352,300	86,352,300	86,352,300	86,352,300	86,352,300
Book value per common share (PLN/EUR)	132.13	137.83	127.80	29.95	34.80	32.05

Data from technical account of non-life insurance and non-technical profit and loss account	PLN thous. 1 January – 31 September 2011	PLN thous. 1 January – 31 September 2010	EUR thous. 1 January – 31 September 2011	EUR thous. 1 January – 31 September 2010
Gross written premium	6,217,302	5,769,100	1,537,756	1,441,302
Net earned premium	5,873,777	5,569,076	1,452,790	1,391,330
Net insurance claims	4,062,932	4,371,562	1,004,905	1,092,153
Technical result of non-life insurance	329,942	(328,771)	81,606	(82,137)
Net result on investment activity	2,621,693	4,014,282	648,436	1,002,894
Gross profit (loss)	2,722,516	3,448,964	673,373	861,659
Net profit (loss)	2,569,441	3,356,064	635,513	838,450
Main and diluted weighted average number of common shares	86,352,300	86,352,300	86,352,300	86,352,300
Main and diluted profit per common share (in PLN/EUR)	29.76	38.86	7.36	9.71

3. Selected non-consolidated financial data of Powszechny Zakład Ubezpieczeń na Życie Spółka Akcyjna (PAS)

Data from the balance sheet	PLN thous. 31 Sep 2011	PLN thous. 31 Dec 2010	PLN thous. 31 Sep 2010	EUR thous. 31 Sep 2011	EUR thous. 31 Dec 2010	EUR thous. 31 Sep 2010
Assets	29,501,620	29,761,380	28,229,966	6,687,890	7,514,931	7,080,503
Total equity	5,581,830	6,414,677	5,939,712	1,265,377	1,619,745	1,489,770

Data from the technical life insurance account and the non-technical profit and loss account	PLN thous. 1 Jan – 30 Sep 2011	PLN thous. 1 Jan – 30 Sep 2010	EUR thous. 1 Jan – 30 Sep 2011	EUR thous. 1 Jan – 30 Sep 2010
Gross written premium	7,918,112	6,632,646	1,958,426	1,657,043
Technical life insurance result	1,555,250	1,685,624	384,668	421,122
Net result on investment activity	566,091	1,465,499	140,014	366,128
Net profit (loss)	1,192,143	1,677,802	294,859	419,168

4. Summary of consolidated financial results

The PZU Group's net financial result for 3 quarters of 2011 was PLN 1.857,0 million and was 0.9% lower than in the same period of the previous year.

At the end of Q3 2011, ROE was 19.6%, decreasing by 1.7 p.p. compared to the end of Q3 in the previous year.

The decrease of the net profit was affected by lower income earned on PZU Group's investment activity, mainly due to a worse trading conditions on the Warsaw Stock Exchange compared to the previous year.

The following factors also affected PZU Group's net result after 3 quarters of 2011:

- Significant drop of income on investment activity in connection with the situation on the Warsaw Stock Exchange being worse than last year (the WIG20 index fell 22% in Q3 and over 20% from the beginning of the year);
- Higher written premiums resulting from increased sales of motor insurance for mass clients and group life insurance;
- Lower claim levels in the current year resulting from the absence of damages caused by intensive snowfall and floods which occurred in 2010;
- Improved profitability in motor insurance and non-life insurance in 2010;
- Reduction of administrative costs as a result of the employment restructuring program implemented in the years 2010-2011 and the fixed cost reduction program;
- Consolidation of the Armatura Group – non-recurring impact of PLN 118.9 million on the net result;
- Consistent implementation of the PZU Group strategy during the current year, in particular:
 - Improved profitability in motor insurance for corporate clients in the non-life insurance segment;
 - conducting restructuring processes aimed at reducing administrative costs.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**1. Consolidated interim statement of financial position**

PLN thous.

Assets	Note	30 Sep 2011	30 Jun 2011	31 Dec 2010	30 Sep 2010	31 Dec 2009
Intangible assets		133,132	123,243	109,067	93,868	85,069
Goodwill		8,712	8,400	8,381	19,952	19,631
Property, plant and equipment		1,090,893	1,106,735	990,411	1,016,441	1,043,811
Investment property		454,446	455,994	441,014	379,347	346,552
Entities carried by the equity method		-	-	-	-	-
Financial assets	8.1 8.4					
Financial instruments held to maturity	8.1.1	22,144,223	21,994,138	20,305,758	21,101,281	23,327,568
Financial instruments available for sale	8.1.2	8,474,600	9,838,348	8,623,082	8,965,433	10,027,845
Financial instruments carried at fair value through profit or loss	8.1.3	10,425,540	12,996,283	12,118,252	10,910,250	10,213,631
Loans	8.1.4	7,396,098	6,305,673	4,297,940	2,729,006	4,668,549
Receivables, including receivables under insurance contracts	8.2 8.4	2,198,124	2,428,341	1,734,274	1,929,088	1,495,207
Reinsurers' share in the technical reserves	8.3 8.4	701,603	748,204	771,850	886,490	748,313
Estimated salvage and subrogation		49,714	51,399	77,812	69,784	82,330
Deferred income tax assets		14,466	16,105	16,645	18,921	24,913
Current income tax receivables		-	9,103	9,958	31	87,599
Deferred acquisition cost		556,154	566,333	540,729	533,743	518,279
Prepayments and accruals	8.5	173,323	178,047	194,226	206,595	215,804
Other assets		134,895	133,823	7,455	10,056	15,781
Cash and cash equivalents		248,220	319,240	423,703	370,134	366,556
Assets related to continuing operations		54,204,143	57,279,409	50,670,557	49,240,420	53,287,438
Non-current assets earmarked to be sold and assets comprising groups to be sold		30,677	21,869	-	-	-
Total Assets		54,234,820	57,301,278	50,670,557	49,240,420	53,287,438

Consolidated interim statement of financial position (cont.)

PLN thous.

Liabilities and equity	Note	30 Sep 2011	30 Jun 2011	31 Dec 2010	30 Sep 2010	31 Dec 2009
Equity						
Issued share capital and other capital attributable to parent's shareholders						
Share capital		86,352	86,352	86,352	86,352	86,352
Other capital		7,986,882	8,102,870	6,649,782	6,606,995	5,802,568
Reserve capital		7,711,652	7,711,649	6,296,313	6,296,396	5,485,014
Revaluation reserve		308,025	431,850	392,268	350,369	340,970
FX gains from converting subordinated units		(32,795)	(40,629)	(38,799)	(39,770)	(23,416)
Retained earnings		4,261,663	3,957,132	6,063,666	5,498,509	5,377,826
Profit (loss) brought forward		2,403,166	2,403,169	3,624,435	3,624,340	2,365,282
Net profit (loss)		1,858,497	1,553,963	2,439,231	1,874,169	3,762,945
Charges to net profit during the financial year		-	-	-	-	(750,401)
Minority interest		84,433	84,344	126	123	133
Total equity		12,419,330	12,230,698	12,799,926	12,191,979	11,266,879
Liabilities						
Technical reserves	8.6					
Unearned premium reserve and unexpired risk reserve		4,548,352	4,603,178	4,315,675	4,265,436	4,189,849
Life insurance reserve		14,524,871	14,525,034	14,570,725	14,596,209	14,582,590
Unpaid claims reserve		5,346,581	5,044,204	5,157,080	5,025,483	4,456,464
Reserve for capitalized annuities		4,941,024	4,903,518	4,862,552	4,935,888	4,874,653
Reserve for bonuses and rebates for the insureds		5,815	6,198	6,177	6,177	5,071
Other technical reserves		557,505	572,943	614,692	621,156	698,918
Technical reserves for life insurance if the policyholder bears the investment risk		2,273,949	2,392,789	2,296,089	2,218,704	2,017,501
Investment contracts	8.7					
- with guaranteed and set conditions		3,147,518	3,534,365	2,270,568	1,533,020	2,632,054
- for the client's account and risk		1,232,259	1,374,738	1,273,947	1,165,144	1,094,475
Reserves for employee benefits		261,135	261,588	257,916	272,380	260,946
Other reserves	8.8	208,574	202,507	212,559	235,218	314,595
Deferred income tax reserve		237,698	387,807	404,956	470,954	444,053
Current income tax liabilities		55,514	62,053	1,743	87,687	3,056
Derivative instruments		76,382	38,003	11,730	19,433	3,533
Other liabilities	8.9	3,962,396	6,750,768	1,132,079	1,200,520	5,974,052
Accruals and deferred income	8.10					
Accrued expenses		414,822	402,001	474,272	389,450	464,126
Deferred income		21,095	8,886	7,871	5,582	4,623
Liabilities related to continuing operations		41,815,490	45,070,580	37,870,631	37,048,441	42,020,559
Liabilities related directly to non-current assets classified as earmarked to be sold		-	-	-	-	-
Total Liabilities		41,815,490	45,070,580	37,870,631	37,048,441	42,020,559
Total Liabilities and Equity		54,234,820	57,301,278	50,670,557	49,240,420	53,287,438

2. Consolidated Interim Profit And Loss Account

PLN thous.

Consolidated profit and loss account	Note	1 July - 30 Sep 2011	1 Jan - 30 Sep 2011	1 July - 30 Sep 2010	1 Jan - 30 Sep 2010
Gross written premium	8.11	3,752,534	11,425,796	3,509,063	10,800,917
Reinsurers' share in gross written insurance premium		(19,500)	(170,134)	(29,085)	(144,814)
Net written premium		3,733,034	11,255,662	3,479,978	10,656,103
Change in the balance of the net unearned premium reserve		51,756	(201,173)	98,237	(74,970)
Net earned premium		3,784,790	11,054,489	3,578,215	10,581,133
Fee and commission income	8.12	62,765	218,992	79,658	209,748
Net investment income	8.13	580,182	1,475,004	394,482	1,388,949
Net investment realization result and investments impairment charges	8.14	(12,541)	(80,292)	34,009	194,763
Net change in the fair value of assets and liabilities carried at fair value	8.15	(606,629)	(354,641)	495,288	602,207
Other operating income	8.16	97,143	390,384	1,883	81,132
Claims and movements in technical reserves		(2,667,455)	(7,743,287)	(2,804,087)	(8,328,319)
Claims and movements in insurance liabilities ceded to re-insurers		61,563	119,098	21,295	424,615
Net insurance claims	8.17	(2,605,892)	(7,624,189)	(2,782,792)	(7,903,704)
Claims and changes in valuation of investment contracts	8.18	81,379	44,439	(60,554)	(115,558)
Acquisition costs	8.19	(491,465)	(1,444,506)	(481,131)	(1,377,641)
Administrative costs	8.19	(306,775)	(939,971)	(336,106)	(1,103,790)
Other operating expenses	8.20	(153,828)	(408,216)	(45,002)	(179,194)
Operating profit (loss)		429,129	2,331,493	877,950	2,378,045
Financial costs	8.21	(32,779)	(38,555)	-	(58,654)
Share of the net profit (loss) of units carried by the equity method		-	-	-	-
Gross profit (loss)		396,350	2,292,938	877,950	2,319,391

CONSOLIDATED INTERIM PROFIT AND LOSS ACCOUNT (CONT.)

PLN thous.

Consolidated profit and loss account	Note	1 July - 30 Sep 2011	1 Jan - 30 Sep 2011	1 July - 30 Sep 2010	1 Jan - 30 Sep 2010
Income tax					
- current part		(211,277)	(586,275)	(131,963)	(421,181)
- deferred part		119,538	150,352	(41,657)	(24,046)
Net profit (loss), including		304,611	1,857,015	704,330	1,874,164
- profit (loss) attributed to holders of parent's equity		304,534	1,858,497	704,330	1,874,169
- minority profit (loss)		77	(1,482)	-	(5)
Net profit (loss) on continuing operations		304,534	1,858,497	704,330	1,874,169
Net profit (loss) on discontinued operations		-	-	-	-
Main and diluted weighted average number of common shares		86,352,300	86,352,300	86,352,300	86,352,300
Main and diluted profit (loss) on continuing operations per common share (PLN)		3.53	21.52	8.15	21.70
Main and diluted profit (loss) on discontinued operations per common share (PLN)		-	-	-	-
Main and diluted profit (loss) per common share (PLN)		3.53	21.52	8.15	21.70

3. Consolidated Interim Statement of Comprehensive Income

PLN thous.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	1 July - 30 Sep 2011	1 Jan - 30 Sep 2011	1 July - 30 Sep 2010	1 Jan - 30 Sep 2010
Net profit (loss)	304,611	1,857,015	704,330	1,874,164
Other comprehensive income:	(115,979)	(78,224)	148,865	(6,960)
Financial assets available for sale	(123,418)	(89,564)	168,681	(1,059)
FX gains from converting subordinated units	7,846	6,019	(19,816)	(16,359)
Reclassification of real property from property, plant and equipment to investment property	(407)	5,321	-	10,458
Total net comprehensive income	188,632	1,778,791	853,195	1,867,204
- comprehensive income attributed to holders of parent's equity	188,543	1,780,258	853,200	1,867,214
- comprehensive income attributed to the equity component of agreements with a discretionary participation feature	-	-	-	-
- comprehensive income attributed to minority share	89	(1,467)	(5)	(10)

4. Interim Statement of Changes in Consolidated Equity

PLN thous.

Statement of Changes in Consolidated Equity	Capital and reserves attributed to holders of the parent's equity						Total	Minority interest	Total Equity
	Share capital	Reserve capital	Other capital Revaluation reserve	Conversion FX differences	Retained earnings Profit (loss) brought forward	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 the value of financial instruments available for sale	-	-	(89,564)	-	-	-	(89,564)	-	(89,564)
Conversion FX differences	-	-	-	6,004	-	-	6,004	15	6,019
Reclassification of real property from property, plant and equipment to investment property	-	-	5,321	-	-	-	5,321	-	5,321
Increases (decreases) recognized directly in capital, net (after income tax), total	-	-	(84,243)	6,004	-	-	(78,239)	15	(78,224)
Net profit (loss) of the financial year	-	-	-	-	-	1,858,497	1,858,497	(1,482)	1,857,015
Increases (decreases), total	-	-	(84,243)	6,004	-	1,858,497	1,780,258	(1,467)	1,778,791
Other changes, including:	-	1,415,339	-	-	(3,660,500)	-	(2,245,161)	85,774	(2,159,387)
Distribution of financial result	-	1,415,325	-	-	(3,660,485)	-	(2,245,160)	(2,830)	(2,247,990)
Consolidation of the Armatura Group	-	-	-	-	-	-	-	88,679	88,679
Other	-	14	-	-	(15)	-	(1)	(75)	(76)
Balance as at 30 September 2011	86,352	7,711,652	308,025	(32,795)	2,403,166	1,858,497	12,334,897	84,433	12,419,330

Interim Statement of Changes in Consolidated Equity (cont.)

PLN thous.

Statement of Changes in Consolidated Equity	Capital and reserves attributed to holders of the parent's equity							Minority interest	Total Equity
	Share capital	Other capital			Retained earnings		Total		
		Reserve capital	Revaluation reserve	Conversion FX differences	Profit (loss) brought forward	Net profit (loss)			
Balance as at 1 January 2010	86,352	5,485,014	340,970	(23,416)	5,377,826	-	11,266,746	133	11,266,879
Change in the value of financial instruments available for sale	-	-	641	-	-	-	641	-	641
Conversion FX differences	-	-	-	(15,383)	-	-	(15,383)	(5)	(15,388)
Reclassification of real property from property, plant and equipment to investment property	-	-	50,657	-	-	-	50,657	-	50,657
Increases (decreases) recognized directly in capital, net (after income tax), total	-	-	51,298	(15,383)	-	-	35,915	(5)	35,910
Net profit (loss) of the financial year	-	-	-	-	-	2,439,231	2,439,231	(2)	2,439,229
Increases (decreases), total	-	-	51,298	(15,383)	-	2,439,231	2,475,146	(7)	2,475,139
Other changes, including:	-	811,299	-	-	(1,753,391)	-	(942,092)	-	(942,092)
Distribution of financial result	-	811,115	-	-	(1,753,219)	-	(942,104)	-	(942,104)
Other	-	184	-	-	(172)	-	12	-	12
Balance as at 31 December 2010	86,352	6,296,313	392,268	(38,799)	3,624,435	2,439,231	12,799,800	126	12,799,926

Interim Statement of Changes in Consolidated Equity (cont.)

PLN thous.

Statement of Changes in Consolidated Equity	Capital and reserves attributed to holders of the parent's equity						Total	Minority interest	Total Equity
	Share capital	Reserve capital	Other capital		Retained earnings				
			Revaluation reserve	Conversion FX differences	Profit (loss) brought forward	Net profit (loss)			
Balance as at 1 January 2010	86,352	5,485,014	340,970	(23,416)	5,377,826	-	11,266,746	133	11,266,879
Change in the value of financial instruments available for sale	-	-	(1,059)	-	-	-	(1,059)	-	(1,059)
Conversion FX differences	-	-	-	(16,354)	-	-	(16,354)	(5)	(16,359)
Reclassification of real property from property, plant and equipment to investment property	-	-	10,458	-	-	-	10,458	-	10,458
Increases (decreases) recognized directly in capital, net (after income tax), total	-	-	9,399	(16,354)	-	-	(6,955)	(5)	(6,960)
Net profit (loss) of the financial year	-	-	-	-	-	1,874,169	1,874,169	(5)	1,874,164
Increases (decreases), total	-	-	9,399	(16,354)	-	1,874,169	1,867,214	(10)	1,867,204
Other changes, including:		811,382	-	-	(1,753,486)	-	(942,104)	-	(942,104)
Distribution of financial result	-	811,116	-	-	(1,753,220)	-	(942,104)	-	(942,104)
Other	-	266	-	-	(266)	-	-	-	-
Balance as at 30 September 2010	86,352	6,296,396	350,369	(39,770)	3,624,340	1,874,169	12,191,856	123	12,191,979

5. Consolidated Interim Cash Flow Statement

PLN thous.

Consolidated Cash Flow Statement	1 Jan - 30 Sep 2011	1 Jan - 31 Dec 2010	1 Jan - 30 Sep 2010
Cash flow on operating activity			
Proceeds	15,245,813	18,470,571	13,266,801
- proceeds on gross insurance premiums	11,118,824	14,521,524	10,756,660
- proceeds on investment contracts	2,906,374	2,787,658	1,786,865
- proceeds on reinsurance commissions and profit-sharing	10,048	10,779	6,633
- payments received from reinsurers for their share of claims paid	270,915	466,219	190,293
- other operating proceeds	939,652	684,391	526,350
Expenditures	(13,307,960)	(18,001,148)	(13,893,334)
- insurance premiums paid for reinsurance	(153,030)	(154,254)	(127,594)
- commissions paid and profit-sharing on inward reinsurance	(2,907)	(4,152)	(2,261)
- gross claims paid	(6,927,581)	(9,295,988)	(6,948,757)
- claims paid on investment contracts	(2,007,600)	(3,026,424)	(2,824,568)
- acquisition expenditures	(1,073,362)	(1,450,351)	(1,044,745)
- administrative expenditures	(1,602,521)	(2,135,292)	(1,586,157)
- interest expenditures	(127)	(225)	(170)
- income tax expenditures	(215,270)	(110,228)	(83,322)
- other operating expenditures	(1,325,562)	(1,824,234)	(1,275,760)
Net cash flow on operating activity	1,937,853	469,423	(626,533)
Cash flow on investing activity			
Proceeds	183,092,066	270,016,909	212,259,001
- proceeds from investment property	6,134	5,628	4,300
- sale of intangible assets and components of property, plant and equipment	1,325	7,859	6,720
- sale of ownership interests and shares	3,505,521	4,416,405	3,280,946
- realization of debt securities	54,492,176	31,510,882	22,010,943
- liquidation of term deposits in credit institutions	94,382,553	129,179,172	99,229,297
- realization of other investments	30,520,613	103,641,528	87,112,617
- interest received	88,720	1,191,346	565,436
- dividends received	92,455	64,089	48,742
- increase in cash due to consolidation of new entities	2,569	-	-
Expenditures	(185,126,594)	(264,687,431)	(205,889,357)
- purchase of investment property	-	(1,329)	(359)
- expenditures for the maintenance of investment property	(7,480)	(8,152)	(7,008)
- purchase of intangible assets and components of property, plant and equipment	(121,686)	(155,850)	(111,599)
- purchase of ownership interests and shares	(3,739,645)	(4,561,101)	(3,502,914)
- reduction of cash due to deconsolidation of mutual funds	-	(201)	(201)
- purchase of debt instruments	(52,579,758)	(27,390,996)	(17,265,992)
- purchase of term deposits in credit institutions	(96,617,476)	(127,601,087)	(97,368,477)
- purchase of other investments	(32,050,276)	(104,929,875)	(87,607,928)
- other expenditures for investments	(10,273)	(38,840)	(24,879)
Net cash flow on investing activity	(2,034,528)	5,329,478	6,369,644

Consolidated Interim Cash Flow Statement (cont.)

PLN thous.

Consolidated Cash Flow Statement	1 Jan - 30 Sep 2011	1 Jan – 31 Dec 2010	1 Jan - 30 Sep 2010
Cash flow on financing activity			
Proceeds	32,662,423	578	322
- credits, loans and debt securities issues ¹⁾	32,662,423	578	322
Expenditures	(32,743,481)	(5,728,563)	(5,728,013)
- dividends paid to holders of parent's equity	(140)	(921,239)	(920,917)
- dividends paid to minority interest holders	(2,830)	-	-
- amortization of credits and loans and redemption of own debt securities ¹⁾	(32,737,277)	(4,807,324)	(4,807,096)
- interest on credits and loans and issued debt securities	(2,810)	-	-
- other financial expenditures	(424)	-	-
Net cash flow on financing activity	(81,058)	(5,727,985)	(5,727,691)
Total net cash flow	(177,733)	70,916	15,420
Cash and cash equivalents at the beginning of the period	423,703	366,556	366,556
Movements in cash due to foreign currency differences	2,250	(13,769)	(11,842)
Cash and cash equivalents at the end of the period, including:	248,220	423,703	370,134
- cash with limited ability to use	39,223	22,426	47,774

1) These items for 2011 contain almost exclusively the cash flows resulting from sell-buy-back transactions.

SUPPLEMENTARY INFORMATION TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. Information on PZU and the PZU Group

1.1. PZU

The parent company in the PZU Group is PZU - a joint stock company with a registered seat in Warsaw at Al. Jana Pawła II 24. PZU was established by the transformation of Państwowy Zakład Ubezpieczeń into a State Treasury-owned joint stock company, pursuant to Article 97 of the Insurance Activity Act of 28 July 1990 - uniform text in Journal of Laws No. 11 of 1996, Item 62, as later amended.

PZU has been entered in the National Court Register kept by the District Court for the Capital City of Warsaw in Warsaw, 13th Economic Division of the National Court Register , under file number KRS 0000009831.

According to Polish Classification of Economic Activities (PKD), the core business of PZU consists of other casualty insurance and property insurance (PKD 65.12) and according to the European Classification of Economic Activities, non-life insurance (EKD 6603).

1.2. PZU Group companies

No.	Company name	Registered Offices	Date of obtaining control / material influence	% of share capital held directly or indirectly by PZU		% of votes held directly or indirectly by PZU		Line of business
				30 Sep 2011	31 Dec 2010	30 Sep 2011	31 Dec 2010	
Consolidated subsidiaries								
1	Powszechny Zakład Ubezpieczeń Spółka Akcyjna	Warsaw	n/a	n/a	n/a	n/a	n/a	Non-life insurance.
2	Powszechny Zakład Ubezpieczeń na Życie SA („PZU Życie”)	Warsaw	18 Dec 1991	100.00%	100.00%	100.00%	100.00%	Life insurance,
3	Powszechne Towarzystwo Emerytalne PZU SA, („PTE PZU”)	Warsaw	8 Dec 1998	100.00%	100.00%	100.00%	100.00%	Management of pension funds.
4	PZU Centrum Operacji SA („PZU CO”)	Warsaw	30 Nov 2001	100.00%	100.00%	100.00%	100.00%	Auxiliary activity associated with insurance and pension funds.
5	Tower Inwestycje Sp. z o.o.	Warsaw	27 Aug 1998	100.00%	100.00%	100.00%	100.00%	Other financial services activity, excluding insurance and pension funds.
6	PrJSC IC PZU Ukraine („PZU Ukraine”)	Kiev (Ukraine)	1 July 2005	100.00%	100.00%	100.00%	100.00%	Property insurance.
7	UAB DK PZU Lietuva („PZU Lietuva”)	Vilnius (Lithuania)	26 Apr 2002	99.76%	99.76%	99.76%	99.76%	Property insurance.
8	Ogrodowa-Inwestycje Sp. z o.o.	Warsaw	15 Sep 2004	100.00%	100.00%	100.00%	100.00%	Buying, operating, renting and selling real estate
9	Armatura Kraków SA ¹⁾	Cracow	7 Oct 1999	63.83%	64.63%	63.83%	64.63%	Manufacturing bathroom and kitchen fixtures
10	Armatoora SA ¹⁾	Nisko	10 Dec 2008	63.83%	64.63%	63.83%	64.63%	Manufacturing heaters and aluminum casts
11	Armatoora SA i wspólnicy sp. k. ¹⁾	Cracow	10 Feb 2009	63.83%	64.63%	63.83%	64.63%	Utilization of available funds, growth investments
12	Armagor SA (till 5 April 2011: Armagor Sp. z o.o.) ¹⁾	Gorzów Śląski	6 Sep 2009	63.83%	64.37%	63.83%	64.37%	Manufacture of valves, tooling services

No.	Company name	Registered Offices	Date of obtaining control / material influence	% of share capital held directly or indirectly by PZU		% of votes held directly or indirectly by PZU		Line of business
				30 Sep 2011	31 Dec 2010	30 Sep 2011	31 Dec 2010	
Consolidated mutual funds								
13	PZU Debt Specialized Open-End Mutual Fund ²⁾	Warsaw	15 Dec 2009	100.00%	100.00%	n/a	n/a	Investment of funds collected from fund members
Non-consolidated subsidiaries								
14	PZU Pomoc SA	Warsaw	18 Mar 2009	100.00%	100.00%	100.00%	100.00%	Provision of assistance services.
15	Ipsilon Sp. z o.o.	Warsaw	2 Apr 2009	100.00%	100.00%	100.00%	100.00%	Provision of assistance services and medical services
16	Ipsilon Bis SA	Warsaw	2 Sep 2011	100.00%	100.00%	100.00%	100.00%	The company does not conduct any activity.
17	Omicron SA	Warsaw	13 Sep 2011	100.00%	100.00%	100.00%	100.00%	The company does not conduct any activity.
18	Syta Development Sp. z o.o. in liquidation	Warsaw	29 Apr 1996	100.00%	100.00%	100.00%	100.00%	Buying and selling real estate, intermediacy in buying and selling, administration of real estate
19	Towarzystwo Funduszy Inwestycyjnych PZU SA („TFI PZU”)	Warsaw	30 Apr 1999	100.00%	100.00%	100.00%	100.00%	Establishing, representing and managing investment funds
20	Sigma Investments Sp. z o.o.	Warsaw	28 Dec 1999	100.00%	100.00%	100.00%	100.00%	Investment activity. Buying and selling the shares of public companies, bonds and other publicly-traded securities
21	PZU Asset Management SA („PZU AM”)	Warsaw	12 July 2001	100.00%	100.00%	100.00%	100.00%	Provision of managed account services
22	Międzyzakładowe Pracownicze Towarzystwo Emerytalne PZU SA („MPTE PZU SA”)	Warsaw	13 Aug 2004	100.00%	100.00%	100.00%	100.00%	Managing an employee pension fund
23	PrJSC IC PZU Ukraine Life Insurance („PZU Ukraine Life”)	Kiev (Ukraine)	1 July 2005	100.00%	100.00%	100.00%	100.00%	Life insurance,
24	LLC SOS Services Ukraine	Kiev (Ukraine)	1 July 2005	100.00%	100.00%	100.00%	100.00%	Assistance services.
25	Company with Additional Liability Inter-Risk Ukraine	Kiev (Ukraine)	1 July 2005	100.00%	100.00%	100.00%	100.00%	Legal services.
26	UAB PZU Lietuva Gyvybes Draudimas	Vilnius (Lithuania)	26 Apr 2002	99.34%	99.34%	99.34%	99.34%	Life insurance,
27	ICH Center S.A.	Warsaw	31 Jan 1996	90.00%	90.00%	90.00%	90.00%	Claims handling as part of the Green Card insurance (the company discontinued its activity in the beginning of 2011).

No.	Company name	Registered Offices	Date of obtaining control / material influence	% of share capital held directly or indirectly by PZU		% of votes held directly or indirectly by PZU		Line of business
				30 Sep 2011	31 Dec 2010	30 Sep 2011	31 Dec 2010	
Associated companies								
28	Kolej Gondolowa Jaworzyna Krynicka SA	Krynica	17 Aug 1998	37.53%	37.53%	36.71%	36.71%	Operating ski and tourist lifts
29	Nadwiślańska Agencja Ubezpieczeniowa S.A.	Tychy	8 June 1999	30.00%	30.00%	30.00%	30.00%	Insurance service

¹⁾ Consolidated by the full method since 1 January 2011. This matter is described in item 7.1.

²⁾ Consolidated by the full method since 30 June 2011. This matter is described in item 1.3.1.

1.3. Changes in organization of the PZU Group

1.3.1. Converting some financial investments into a mutual fund

On 30 June and 29 September 2011 a portion of the bonds issued by the State Treasury held by PZU Życie classified as belonging to the portfolio of financial instruments measured at fair value in the financial result – classified in this category at the time of their original recognition with a market value as at the date of transfer of PLN 954,210 thousand and PLN 1,004,266 thousand was transferred to PZU Specjalistyczny Fundusz Inwestycyjny Otwarty Dłużny (PZU Specialized Debt Open-end Mutual Fund) whose sole participant is PZU Życie.

This measure aims to improve the effectiveness of the process of managing financial investments through tax optimization (in respect of the corporate income tax and VAT tax paid to date to other PZU Group companies for securities portfolio management services which were not deductible by PZU Życie).

The foregoing transactions did not exert an impact on the PZU Group's net assets or financial result.

Nor have the presentation, classification or method of measuring these assets been changed in these condensed consolidated financial statements of the PZU Group, and the PZU mutual fund called PZU Specjalistyczny Fundusz Inwestycyjny Otwarty Dłużny is subject to full consolidation as of 30 June 2011.

1.3.2. Transfer of PZU CO, TFI PZU and PZU AM from PZU Życie to PZU

On 27 September 2011 (after receiving KNF's consent on 26 September 2011 to execute this type of transaction concerning the shares in PZU AM and TFI PZU) PZU acquired all the shares belonging to PZU Życie:

- 25,001 registered shares in PZU AM (50.002% of the shares) for a price of PLN 5,617 thousand, forming the equivalent of PZU AM's net assets attributable to the acquired shares resulting from this company's financial statement prepared for the most recent reporting period (according to Polish Accounting Standards);
- 50,000 registered shares in PZU CO (100.0% of the shares) for a price of PLN 40,605 thousand, corresponding to the value of the shares in PZU CO carried in the books of PZU Życie as at the date of signing the share purchase agreement (according to Polish Accounting Standards);
- 13,000 registered shares in TFI PZU (100.0% of the shares) for a price of PLN 38,364 thousand, corresponding to the value of the shares in TFI PZU carried in the book of PZU Życie as at the date of signing the share purchase agreement (according to Polish Accounting Standards).

At present, PZU is the sole shareholder in these companies. The transaction was executed in connection among others with the planned extension of the Tax Capital Group as described in item 23.3.

1.3.3. Establishment of the company Ipsilon Bis SA

On 9 August 2011 PZU established a company called Ipsilon Bis SA with share capital of PLN 100 thousand, which was registered by the National Court Register on 2 September 2011.

1.3.4. Establishment of the company Omicron SA

On 30 August 2011 PZU established a company called Omicron SA with share capital of PLN 100 thousand, which was registered by the National Court Register on 13 September 2011.

2. Compliance with International Financial Reporting Standards

These consolidated interim financial statements of the PZU Group were drawn up according to the International Financial Reporting Standards approved by the European Commission ("Commission of EC") as at 30 September 2011, including in compliance with the requirements of IAS 34 "Interim Financial Reporting" and in compliance with the requirements set forth in the Regulation on current and periodic information.

2.1. Introduction of new IFRS

2.1.1. Standards, interpretations and amended standards effective from 1 January 2011

The following standards, interpretations, and amended standards effective from 1 January 2011 have been first time adopted in these interim consolidated financial statements.

Name of the standard/interpretation	Effective date for the periods starting on	EC Regulation endorsing the standard or interpretation
Amendment to IAS 32 – Classification of Rights Issue	1 February 2010	1293/2009
Amendment to IFRS 1 – First-time Adoption of IFRS: limited exemption from comparative IFRS 7 disclosures	1 July 2010	574/2010
Amendment to IFRIC 14 – Prepayments of a Minimum Funding Requirement	1 January 2011	633/2010
Amended IAS 24 – Related Party Disclosures	1 January 2011	632/2010
IFRIC 19 – Extinguishing Financial Liabilities with Equity Instruments	1 July 2010	662/2010
Improvements to IFRS (published by the International Accounting Standards Board in May 2010)	Different dates, no earlier than 1 July 2010	149/2011

The above standards and interpretations do not affect the accounting principles with respect to PZU Group's comprehensive income or equity presented in these consolidated interim financial statements.

2.1.2. Standards and interpretations and amendments to standards issued but not yet effective

The following standards and interpretations and amendments to standards have already been issued but are not yet effective:

- not approved by the EC Commission:

Name of the standard/interpretation	Effective date for the periods starting on (according to the International Accounting Standards Board)
IFRS 9 – Financial Instruments	1 January 2013
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
Amended IAS 27 – Separate Financial Statements	1 January 2013
Amended IAS 28 – Investments in Associates and Joint Ventures	1 January 2013
Amendments to IFRS 7 – Financial Instruments: Disclosures	1 July 2011
Amendment to IAS 12 – Deferred Tax: Recovery of Underlying Assets	1 January 2012
Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters (amendments to IFRS 1)	1 July 2011
Amendments to IAS 1 – Presentation of items of Other Comprehensive Income	1 July 2012
Amendments to IAS 19 – Amendments to the accounting of post-employment benefits	1 January 2013
IFRIC 20 – Stripping Costs in the Production Phase of a Surface Mine	1 January 2013

It is expected that the application of the above standards and interpretations and amendment to standards will not materially affect PZU Group's comprehensive income and equity, with the exception of:

- IFRS 9 and IFRS 13, in the case of which, due to the remote effective date, anticipated further amendments to accounting principles for financial instruments, related to, among others, the work currently conducted on the gradual substitution of the current IAS 39 with new regulations, the effect of application of IFRS 9 and IFRS 13 on PZU Group's comprehensive income and equity was not estimated.
- IFRS 10, in the case of which the range of consolidated entities may expand, however due to the remote effective date, the effect of application of IFRS 10 on PZU Group's comprehensive income and equity was not estimated.

3. Key accounting principles (policies)

Detailed accounting principles (accounting policy) are presented in the annual consolidated financial statements of the Powszechny Zakład Ubezpieczeń Spółka Akcyjna Capital Group for 2010, signed by the PZU Management Board on 15 March 2011 for which the auditor issued an unqualified opinion on the same date ("PZU Group 2010 consolidated financial statements").

The consolidated financial statements of the PZU Group for 2010 are available on the PZU website at www.pzu.pl in the "PZU Group / Investor Relations / Current and periodic reports / Periodic reports" tab.

4. Changes to accounting principles (policies) and comparability of financial data

In the 9 months period ended 30 September 2011, the following changes to the accounting principles (accounting policy) were made, as described in the items below.

The method of presentation of financial data in the consolidated financial statements as compared to the annual consolidated financial statements of the PZU Group for 2010 did not change, with the proviso that:

- these interim consolidated financial statements are condensed statements within the meaning of IAS 34;
- the PZU Group took advantage of the exemption specified in par. 25 of revised IAS 24 "Related Party Disclosures" making it possible to refrain from disclosing certain information on transactions with related parties as they are controlled, jointly controlled or government-related, disclosing only the amounts of written premiums and investment contract volumes in the transactions with such parties. At the same time, in accordance with the definition presented in sec. 9 of revised IAS 24, disclosures were made for transactions with entities that are subsidiary, jointly controlled and government-related and not like in previous years, only transactions with entities under joint control of the same government (i.e. only with subsidiaries of the same government).

4.1. Change of rules for recognition of gross written premium in PZU

From 1 January 2011 a change was made; it involved recognition of income from written premium on the date of conclusion of the insurance contract rather than on the date of commencement of insurance liability resulting from concluded insurance contracts (deferred on the other side through the premium reserve). In addition, a corresponding change was applied to recognition of the costs of commissions on the concluded contracts in the profit and loss account (also without impact on the financial result by using the mechanism of deferring these costs over time on the other side).

The newly-accepted principle of recognizing premium revenues is more useful while preserving the credibility of the accounting rules used compared to the previously used method, among others on account of the following:

- it procures a disclosure of the entirety of premium revenues and the related asset line items (i.e. receivables from policyholders for premiums not received up to the balance sheet date) and the liabilities (premium reserve) stemming from all the insurance contracts executed as at the balance sheet date regardless of the term of insurance cover specified thereunder;
- it complies with the interpretations and recommendations issued by the regulator of the Polish insurance market – the Financial Supervision Commission („KNF”) required for regulatory reporting purposes in respect of correctly determining the size of the premium reserve and the appropriate coverage of technical provisions with investments;
- it allows for comparative analyses with the Polish insurance market using the criterion of the amount of gross written premium.

This change did not affect the consolidated financial result or consolidated net assets of the PZU Group.

4.2. ABC allocation

4.2.1. Introduction of the ABC allocation model in PZU

In 2011 PZU introduced a model for allocation of indirect costs to individual insurance products using the activity based costing method.

In previous years, the indirect cost allocation method assumed allocation of:

- administrative expenses – pro rata to written premium;
- indirect acquisition expenses – pro rata to direct acquisition expenses;
- indirect costs of claims handling and recourse collection – pro rata to claims paid.

This cost classification involved significant simplifications as regards reflecting the organizational structure and operational processes. Application of a simplified cost allocation method using general keys resulted in imprecise allocation of costs to individual product groups and products (also imprecise allocation of costs between the corporate client and mass client divisions). This led to numerous difficulties in the cost analysis process and, as a consequence, made managerial processes difficult.

The aim of the activity based costing introduced in 2011 is to:

- more precisely determine the actual costs of the products offered by PZU;
- more precisely determine the actual overhead charges (and the basis of their allocation) to individual products.

The ABC method envisages distribution of indirect costs by product and taking out of the administration expenses: acquisition expenses, claims handling and recourse collection costs, investment activity costs and other operating expenses. The adopted methodology is based on determining:

- the type and amount of allocated resources;
- actions that make it possible to ascribe resources;
- cost carriers making it possible to allocate resources to actions;
- cost objects to which resources are allocated;
- cost carriers making it possible to ascribe actions to cost objects.

Only the following are allocated: indirect acquisition expenses, indirect claims handling costs, indirect costs of pursuing recourse claims, portion of administration expenses (described above), costs of upkeep of investment property and other costs of investment activity.

The model is updated on a quarterly basis with regard to resources and actions reflected in it; the cost data comes from the financial and accounting system (general ledger and individual modules).

4.2.2. Change in the ABC model in PZU Życie

In 2011 PZU Życie introduced a new model for allocation of indirect costs to individual insurance products using the ABC method.

The new model is based on the following assumptions: simplification of the structure in relation to the previous model, improvement of model transparency and calculation results, increase of usefulness of the model for managerial purposes, increase of model flexibility through facilitating its adaptability to organizational changes.

The key changes introduced (in relation to the previous model version) involve reducing the list of resources and actions adopted in the calculation (aggregation), determining new division carriers for the resources and for actions, abandoning time work sheets completed by all employees of specific organizational cells in favor of work time sheets completed by managers of specific organizational cells.

4.3. Impact of the changes on comparable data

The following tables present the impact of the aforementioned changes on the financial data for comparable periods. In the case of the profit and loss account, these are:

- the period of 9 months from 1 January to 30 September 2010;
- the period of 3 months from 1 July to 30 September 2010;

In the case of the statement of financial position, the balances as at the following dates were presented: 31 December 2010, 30 September 2010 and 31 December 2009.

Assets	Item	31 Dec 2010 historical data	Change	31 Dec 2010 comparable data	30 Sep 2010 historical data	Change	30 Sep 2010 comparable data	31 Dec 2009 historical data	Change	31 Dec 2009 comparable data
Receivables, including receivables under insurance contracts	4.1	1,597,549	136,725	1,734,274	1,860,386	68,702	1,929,088	1,383,978	111,229	1,495,207
Deferred acquisition cost	4.1	502,815	37,914	540,729	505,669	28,074	533,743	481,139	37,140	518,279
Prepayments and accruals	4.1	232,140	(37,914)	194,226	234,669	(28,074)	206,595	252,944	(37,140)	215,804
Total assets		50,533,832	136,725	50,670,557	49,171,718	68,702	49,240,420	53,176,209	111,229	53,287,438

Liabilities and equity	Item	31 Dec 2010 historical data	Change	31 Dec 2010 comparable data	30 Sep 2010 historical data	Change	30 Sep 2010 comparable data	31 Dec 2009 historical data	Change	31 Dec 2009 comparable data
Unearned premium reserve and unexpired risk reserve	4.1	3,975,861	339,814	4,315,675	4,067,776	197,660	4,265,436	3,846,600	343,249	4,189,849
Deferred income	4.1	210,960	(203,089)	7,871	134,540	(128,958)	5,582	236,643	(232,020)	4,623
Total Liabilities and Equity		50,533,832	136,725	50,670,557	49,171,718	68,702	49,240,420	53,176,209	111,229	53,287,438

Consolidated profit and loss account	Item	1 July - 30 Sep 2010 historical data	Change	1 July - 30 Sep 2010 comparable data	1 Jan - 30 Sep 2010 historical data	Change	1 Jan - 30 Sep 2010 comparable data
Gross written premium	4.1	3,552,801	(43,738)	3,509,063	10,946,506	(145,589)	10,800,917
Net written premium	4.1	3,523,716	(43,738)	3,479,978	10,801,692	(145,589)	10,656,103
Change in the balance of the net unearned premium reserve	4.1	54,499	43,738	98,237	(220,559)	145,589	(74,970)
Net earned premium		3,578,215	-	3,578,215	10,581,133	-	10,581,133
Net investment income	4.2	395,878	(1,396)	394,482	1,393,247	(4,298)	1,388,949
Claims and movements in technical reserves	4.2	(2,783,416)	(20,671)	(2,804,087)	(8,276,148)	(52,171)	(8,328,319)
Net insurance claims		(2,762,121)	(20,671)	(2,782,792)	(7,851,533)	(52,171)	(7,903,704)
Claims and changes in valuation of investment contracts	4.2	(60,941)	387	(60,554)	(118,198)	2,640	(115,558)
Acquisition costs	4.2	(463,021)	(18,110)	(481,131)	(1,340,585)	(37,056)	(1,377,641)
Administrative costs	4.2	(377,370)	41,264	(336,106)	(1,199,005)	95,215	(1,103,790)
Other operating expenses	4.2	(43,528)	(1,474)	(45,002)	(174,864)	(4,330)	(179,194)
Operating profit (loss)		877,950	-	877,950	2,378,045	-	2,378,045
Net profit (loss)		704,330	-	704,330	1,874,164	-	1,874,164

5. Key assumptions for accounting estimation purposes and subjective judgments made in the process of selecting and applying accounting rules (policies)

The key assumptions made for accounting estimation purposes and subjective judgments made in the process of selecting and applying accounting rules (policies) were presented in the consolidated financial statements of the PZU Group for 2010.

No changes were made to these assumptions and judgments in the period of 9 months ended 30 September 2011.

6. Other information related to the manner of drawing up the condensed consolidated interim financial statements

6.1. Period covered by the consolidated interim financial statements

These consolidated interim financial statements cover the period of 9 months from 1 January to 30 September 2011.

6.2. Functional and presentation currency

Polish zloty is the functional and the presentation currency of the PZU Group. Unless otherwise noted, all the amounts presented in these consolidated interim financial statements are stated in thousands of Polish zloty.

6.3. Ongoing concern

These consolidated interim financial statements have been drawn up under the assumption that PZU Group entities remain a going concern in the foreseeable future, i.e. in the period of at least 12 months after the end of the reporting period. As at the date of signing these consolidated interim financial statements, there are no facts or circumstances that would indicate a threat to ability of PZU Group companies to continue their activity in the period of 12 months after the end of the reporting period as a result of an intentional or an induced discontinuation or a material curtailment of their hitherto activity.

6.4. Discontinued operations

In the period of 9 months ended 30 September 2011, the consolidated entities of the PZU Group did not discontinue any type of operations.

An unconsolidated subsidiary ICH Center SA discontinued its statutory business activity starting from the beginning of 2011 (i.e. handling claims under a Green Card insurance).

6.5. Seasonality and business cycles

Activity of the PZU Group is not seasonal and is not subject to business cycles to the extent that would justify application of the suggestion included in Clause 21 of IAS 34.

6.6. FX rates

The following currency exchange rates were used in these consolidated interim financial statements to convert financial data of foreign subordinated entities and to present financial highlights:

Currency	1 Jan – 30 Sep 2011	30 Sep 2011	30 Jun 2011	1 Jan – 31 Dec 2010	31 Dec 2010	1 Jan – 30 Sep 2010	30 Sep 2010	31 Dec 2009
LTL	1.1709	1.2775	1.1546	1.1597	1.1469	1.1592	1.1547	1.1898
UAH	0.3583	0.4076	0.3444	0.3830	0.3722	0.3854	0.3689	0.3558
EUR	4.0431	4.4112	3.9866	4.0044	3.9603	4.0027	3.9870	4.1082

These FX rates are:

- for line items in the statement of financial position – NBP average exchange rates on the balance sheet date;
- for profit and loss account, statement of comprehensive income and cash flow statement items – exchange rates calculated as mean NBP rates for the last day of each month of the given period.

7. Information about major events that materially influence the structure of financial statement items

7.1. Consolidation of the Armatura Capital Group

Starting on 1 January 2011, consolidated financial data of the Armatura Capital Group ("Armatura Group", comprised of financial data of the following entities: Armatura Kraków SA, Armatoora SA, Armatoora i wspólnicy sp. k. and Armagora SA) are consolidated using the full method in the consolidated financial statements of the PZU Group. The consolidation of the Armatura Group is an effect of its consolidated financial data exceeding the significance thresholds adopted by the PZU Group for consolidated financial reporting purposes.

The table below presents the key positions of the consolidated statement of financial position of the Armatura Group and reconciliation to consolidated net assets of the Armatura Group as at 1 January 2011 (measured according to PZU Group's accounting principles):

Reconciliation of Armatura Group's net assets as at 1 January 2011	Value
Property, plant and equipment	159,199
Investment property	23,767
Receivables	102,419
Cash and cash equivalents	1,849
Assets to be sold (investment property)	76,000
Other assets	123,895
Total assets	487,129
Liabilities	(236,582)
Minority interest	(75)
Net assets	250,472

The difference between the carrying amount of Armatura Kraków SA's shares as at 1 January 2011 and PZU Group's share in Armatura Group's net assets in the amount of PLN 118,916 thousand was recognized in the financial result of 2011 and posted in "Other operating income" of the consolidated profit and loss account.

Impact of consolidation of the Armatura Group on the consolidated financial result of the PZU Group	Value
Carrying amount of Armatura Kraków SA shares (at the historical cost of purchase minus impairment charges)	42,952
Value of Armatura Group's consolidated net assets as at 1 January 2011	250,472
Portion of Armatura Group's consolidated net assets held by the PZU Group, as at 1 January 2011 (64.6250%)	161,868
Impact on PZU Group's consolidated financial result	118,916

8. Supplementary notes to the condensed consolidated interim financial statements

8.1. Financial assets

8.1.1. Financial instruments held to maturity

Financial instruments held to maturity	30 Sep 2011	30 Jun 2011	31 Dec 2010	30 Sep 2010	31 Dec 2009
Instruments, for which fair value can be determined	22,144,223	21,994,138	20,305,758	21,101,281	23,327,568
Debt securities	22,144,223	21,994,138	20,305,758	21,101,281	23,327,568
Sovereign Debt	21,492,598	21,361,678	19,687,560	20,491,240	22,724,017
Fixed Income	21,159,306	21,021,217	19,687,560	20,491,240	22,407,507
Variable interest rate	333,292	340,461	-	-	316,510
Others	651,625	632,460	618,198	610,041	603,551
Listed on a regulated market	524,422	514,188	445,700	437,042	428,328
Fixed Income	524,422	514,188	445,700	437,042	428,328
Not listed on a regulated market	127,203	118,272	172,498	172,999	175,223
Fixed Income	-	-	54,718	53,342	79,998
Variable interest rate	127,203	118,272	117,780	119,657	95,225
Financial assets held to maturity, total	22,144,223	21,994,138	20,305,758	21,101,281	23,327,568

8.1.2. Financial instruments available for sale

Financial instruments available for sale	30 Sep 2011	30 Jun 2011	31 Dec 2010	30 Sep 2010	31 Dec 2010
Instruments, for which fair value can be determined	8,348,251	9,712,189	8,492,528	8,842,614	9,926,704
Capital instruments	1,201,324	1,297,088	1,309,060	1,254,962	1,324,807
Listed on a regulated market	546,658	649,589	868,899	820,551	909,525
Not listed on a regulated market	654,666	647,499	440,161	434,411	415,282
Debt instruments	7,146,927	8,415,101	7,183,468	7,587,652	8,601,897
Sovereign Debt	7,080,338	8,299,470	7,052,769	7,501,041	8,537,465
Fixed Income	6,955,134	8,169,318	7,027,713	7,501,041	8,208,297
Variable interest rate	125,204	130,152	25,056	-	329,168
Others	66,589	115,631	130,699	86,611	64,432
Listed on a regulated market	66,589	68,322	39,425	39,465	15,067
Fixed Income	23,143	24,507	24,346	24,202	-
Variable interest rate	43,446	43,815	15,079	15,263	15,067
Not listed on a regulated market	-	47,309	91,274	47,146	49,365
Variable interest rate	-	47,309	91,274	47,146	49,365
Instruments, for which fair value cannot be determined	126,349	126,159	130,554	122,819	101,141
Capital instruments	126,349	126,159	130,554	122,819	101,141
Not listed on a regulated market*	126,349	126,159	130,554	122,819	101,141
Financial instruments available for sale, total	8,474,600	9,838,348	8,623,082	8,965,433	10,027,845

* this item includes shares in unconsolidated subordinated entities, the carrying amount of which as at 30 September 2011 was 123,254 thousand, (PLN 122,908 thousand as at 30 June 2011, PLN 127,313 thousand as at 31 December 2010, PLN 119,579 thousand as at 30 September 2010 and PLN 98,001 thousand as at 31 December 2009).

8.1.3. Financial instruments carried at fair value through profit or loss

Financial instruments valued at fair value through profit or loss - classified in that category upon first recognition	30 Sep 2011	30 Jun 2011	31 Dec 2010	30 Sep 2010	31 Dec 2010
Instruments, for which fair value can be determined	4,624,900	6,607,852	6,373,065	5,235,408	5,498,886
Capital instruments	140,283	162,408	456,181	449,878	340,009
Listed on a regulated market	29,527	21,297	19,060	22,889	6,887
Not listed on a regulated market	110,756	141,111	437,121	426,989	333,122
Debt instruments	4,484,617	6,445,444	5,916,884	4,785,530	5,158,877
Sovereign Debt	4,417,904	6,329,680	5,786,065	4,698,794	5,094,085
Fixed Income	4,303,625	6,211,590	5,677,640	4,698,794	4,852,891
Variable interest rate	114,279	118,090	108,425	-	241,194
Others	66,713	115,764	130,819	86,736	64,792
Listed on a regulated market	66,713	68,455	39,545	39,590	15,427
Fixed Income	23,267	24,640	24,466	24,327	288
Variable interest rate	43,446	43,815	15,079	15,263	15,139
Not listed on a regulated market	-	47,309	91,274	47,146	49,365
Variable interest rate	-	47,309	91,274	47,146	49,365
Financial instruments carried at fair value through profit or loss - classified in that category upon first recognition, total	4,624,900	6,607,852	6,373,065	5,235,408	5,498,886

Financial instruments carried at fair value through profit or loss – held for trading	30 Sep 2011	30 Jun 2011	31 Dec 2010	30 Sep 2010	31 Dec 2010
Instruments, for which fair value can be determined	5,800,640	6,388,431	5,745,187	5,674,842	4,714,745
Capital instruments	3,614,941	4,301,273	3,845,937	3,708,157	3,001,885
Listed on a regulated market	1,984,756	2,500,122	2,195,887	2,220,218	1,795,234
Not listed on a regulated market	1,630,185	1,801,151	1,650,050	1,487,939	1,206,651
Debt instruments	2,112,480	1,998,712	1,794,049	1,878,241	1,699,137
Sovereign Debt	2,085,636	1,969,787	1,765,125	1,849,284	1,649,374
Fixed Income	1,618,254	1,555,362	1,622,191	1,844,278	1,641,849
Variable interest rate	467,382	414,425	142,934	5,006	7,525
Others	26,844	28,925	28,924	28,957	49,763
Listed on a regulated market	5,376	5,271	5,131	5,384	7,683
Fixed Income	5,376	5,271	5,131	5,384	7,683
Not listed on a regulated market	21,468	23,654	23,793	23,573	42,080
Fixed Income	-	-	-	-	2,952
Variable interest rate	21,468	23,654	23,793	23,573	39,128
Other, including:	73,219	88,446	105,201	88,444	13,723
- derivatives	73,219	88,446	105,201	88,444	13,723
Financial instruments carried at fair value through profit or loss – held for trading, total	5,800,640	6,388,431	5,745,187	5,674,842	4,714,745

8.1.4. Loans

Loans	30 Sep 2011	30 Jun 2011	31 Dec 2010	30 Sep 2010	31 Dec 2010
Debt securities	10,915	10,782	-	-	-
- listed on a regulated market	825	698	-	-	-
- fixed income	825	698	-	-	-
- unlisted	10,090	10,084	-	-	-
- variable income	10,090	10,084	-	-	-
Other, including:	7,385,183	6,294,891	4,297,940	2,729,006	4,668,549
- reverse repo transactions	2,667,748	1,128,836	1,374,939	174,585	345,789
- term deposits in credit institutions	4,679,634	5,127,561	2,901,417	2,532,290	4,297,184
- deposits with ceding companies	1,402	1,249	1,770	1,958	1,542
- loans	36,399	37,245	19,814	20,173	24,034
Loans, total	7,396,098	6,305,673	4,297,940	2,729,006	4,668,549

8.2. Receivables, including receivables under insurance contracts

Receivables, including receivables under insurance contracts – carrying value	30 Sep 2011	30 Jun 2011	31 Dec 2010	30 Sep 2010	31 Dec 2009
Receivables on direct insurance, including:	1,459,380	1,365,246	1,274,191	1,277,388	1,184,828
- receivables from policyholders	1,363,270	1,250,434	1,162,466	1,179,148	1,122,860
- receivables from insurance intermediaries	64,587	57,487	55,462	48,394	51,616
- other receivables	31,523	57,325	56,263	49,846	10,352
Reinsurance receivables	62,069	73,167	122,215	170,833	26,334
Other receivables	676,675	989,928	337,868	480,867	284,045
Receivables, including receivables under insurance contracts (net)	2,198,124	2,428,341	1,734,274	1,929,088	1,495,207

8.2.1. Other receivables

Other receivables	30 Sep 2011	30 Jun 2011	31 Dec 2010	30 Sep 2010	31 Dec 2009
Amounts due from Metro Projekt Sp. z o.o.	94,600	94,600	92,439	91,620	89,831
Prevention settlements	41,003	39,072	36,155	30,111	24,593
Receivables for acting as an emergency adjuster	4,393	4,504	23,575	12,154	41,568
Receivables of unit-linked funds in life insurance	19,752	17,170	30,510	27,843	8,053
Receivables on selling securities	383,281	689,294	131,808	276,238	93,537
Trade receivables	101,853	86,985	767	930	644
Others	31,793	58,303	22,614	41,971	25,819
Other receivables, total	676,675	989,928	337,868	480,867	284,045

8.2.1.1. Receivable resulting from the mortgage loan agreement with Metro-Projekt Sp. z o.o.

In 1999, PZU Życie granted a mortgage-backed loan to Metro-Projekt Sp. z o.o. ("Metro-Projekt") for five years. The loan amount was the equivalent of USD 25,500 thousand. The loan was secured with a deposit mortgage instituted on the real estate located in Warsaw at al. Jerozolimskie 44, consisting of the perpetual usufruct right to the land and a building owned by Metro-Projekt.

The loan was not repaid, and the bankruptcy of Metro-Projekt was declared in November 2002.

On 15 September 2004, the receiver of Universal SA in bankruptcy (hereinafter: "Universal") filed an application with the District Court in Warsaw to remove the real estate in Warsaw at Al. Jerozolimskie 44 from the bankrupt's estate of Metro-Projekt Sp. z o.o. in connection with a notice, entered in Section III of the mortgage book, about the pending proceeding between Universal and BI Code SA ("BI Code") to declare invalid the transaction of the sale of the real estate by Universal to BI Code, from which Metro-Projekt purchased the real estate. Due to the above, on 21 September 2004, the District Court in Warsaw issued a decision to suspend the winding up of the estate of Metro-Projekt Sp. z o.o. until the claim to exclude the real estate from the bankrupt's estate is resolved.

The claim for declaring invalid the agreement to transfer perpetual usufruct right to the land and the ownership title to the office building located in Warsaw, Aleje Jerozolimskie 44 was resolved on 7 March 2006 – the Appellate Court in Warsaw dismissed Universal's claim against BI Code. However, in August 2006, the receiver of Universal in bankruptcy filed a cassation complaint to the Supreme Court against the above decision.

As soon as the verdict of the Appellate Court of 7 March 2006 became effective, Metro-Projekt filed an application to delete the notice from Section III of the mortgage book about the pending court proceeding resulting from the claim filed by Universal against BI Code to declare the above sale agreement invalid. The decision to delete the entry was issued on 3 November 2006.

On 14 March 2007, the Supreme Court overruled the verdict of the Appellate Court and decided that the Appellate Court should re-examine the case. On 21 November 2007, the Appellate Court overruled the verdict of the District Court and decided that the District Court should re-examine the case.

On 11 September 2009, the District Court issued a verdict in the case filed by the receiver of Universal's bankruptcy estate against the receiver of BI Code's bankruptcy estate to rule invalidity of the sale of the perpetual usufruct right and the ownership title to the building concluded between Universal and BI Code, in which it ruled invalidity of the aforementioned sale agreement. The receiver of BI Code's bankruptcy estate appealed against the foregoing verdict, which was overruled in the verdict of 29 July 2010. The receiver of BI Code's bankruptcy estate then filed a cassation complaint against the Appellate Court's verdict, which was not accepted and accordingly, the proceedings were closed.

In January 2011, the receiver of Metro-Projekt's bankruptcy estate filed for recommencement of the proceedings suspended in 2005 in the case pending before the District Court filed by the receiver of Universal's bankruptcy estate, to exclude, from Metro-Projekt's bankruptcy estate, the perpetual usufruct right and a separate ownership title to a building located on the property. On 30 May 2011, the District Court dismissed Universal's claim in this case. The verdict was beneficial for the receiver of Metro-Projekt's bankruptcy estate but is not effective: on 12 September 2011, the receiver of Universal's bankruptcy estate filed an appeal.

The PZU Management Board believes that the mortgage entered in favor of PZU Życie exists and that PZU Życie has the right of satisfaction from each owner.

8.3. Reinsurers' share in the technical reserves

Reinsurers' share in technical reserves – non-life insurance	30 Sep 2011	30 Jun 2011	31 Dec 2010	30 Sep 2010	31 Dec 2009
Unearned premium reserve	95,345	111,973	75,230	77,200	75,096
Unexpired risk reserve	107	53	89	-	-
Claim reserve, including:	301,275	281,639	336,023	335,038	191,210
- for reported claims	256,594	239,374	270,855	301,264	156,106
- for claims not reported (IBNR)	32,664	29,223	52,650	18,324	19,056
- for claims handling costs	12,017	13,042	12,518	15,450	16,048
Reserve for capitalized annuities	304,687	354,161	360,508	474,252	482,007
Reinsurers' share in the technical reserves (net)	701,414	747,826	771,850	886,490	748,313

Reinsurers' share in technical reserves – life insurance	30 Sep 2011	30 Jun 2011	31 Dec 2010	30 Sep 2010	31 Dec 2009
Unearned premium reserve	189	378	-	-	-
Reinsurers' share in the technical reserves (net)	189	378	-	-	-

8.4. Impairment of financial assets and receivables

Movements in impairment charges for financial asset in the period 1 January - 30 September 2011	Impairment charges at the beginning of the period	Creation of charges recognized in the profit and loss account	Release of charges, recognized in the profit and loss account	Removal of charges from accounting ledgers (not recognized in the profit and loss account)	FX gains and losses	Other changes in impairment charges	Impairment charges at the end of the period
Financial assets available for sale	296,919	11,428	-	(8,536)	165	-	299,976
- capital instruments	296,919	11,428	-	(8,536)	165	-	299,976
Loans	18,321	-	-	-	15	-	18,336
Receivables, including receivables under insurance contracts	507,659	127,778	(27,338)	-	1,061	(12)	609,148
Receivables on direct insurance	423,260	75,965	(1,716)	-	861	(4)	498,366
Reinsurance receivables	18,544	51,801	(23,352)	-	-	-	46,993
Other receivables	65,855	12	(2,270)	-	200	(8)	63,789
Reinsurers' share in the technical reserves	36,372	6,925	(5,985)	-	-	-	37,312
Total	859,271	146,131	(33,323)	(8,536)	1,241	(12)	964,772

Movements in impairment charges for financial asset in the year ended 31 December 2010	Impairment charges at the beginning of the period	Creation of charges recognized in the profit and loss account	Release of charges, recognized in the profit and loss account	Removal of charges from accounting ledgers (not recognized in the profit and loss account)	FX gains and losses	Other changes in impairment charges	Impairment charges at the end of the period
Financial assets available for sale	303,779	17,737	-	(24,674)	77	-	296,919
Capital instruments	303,779	17,737	-	(24,674)	77	-	296,919
Loans	19,124	-	(375)	(423)	(5)	-	18,321
Receivables, including receivables under insurance contracts	432,507	102,998	(28,313)	(415)	177	705	507,659
Receivables on direct insurance	347,079	80,797	(5,722)	(78)	179	1,005	423,260
Reinsurance receivables	17,824	18,543	(17,593)	(224)	(6)	-	18,544
Other receivables	67,604	3,658	(4,998)	(113)	4	(300)	65,855
Reinsurers' share in the technical reserves	30,370	12,918	(6,916)	-	-	-	36,372
Total	785,780	133,653	(35,604)	(25,512)	249	705	859,271

Movements in impairment charges for financial asset in the period 1 January – 30 September 2010	Impairment charges at the beginning of the period	Creation of charges recognized in the profit and loss account	Release of charges, recognized in the profit and loss account	Removal of charges from accounting ledgers (not recognized in the profit and loss account)	FX gains and losses	Other changes in impairment charges	Impairment charges at the end of the period
Financial assets available for sale	303,779	17,534	-	(23,485)	61	-	297,889
Capital instruments	303,779	17,534	-	(23,485)	61	-	297,889
Loans	19,124	-	-	(423)	(4)	-	18,697
Receivables, including receivables under insurance contracts	432,507	76,665	(27,862)	(146)	172	708	482,044
Receivables on direct insurance	347,079	57,461	(4,320)	-	166	1,008	401,394
Reinsurance receivables	17,824	18,548	(21,390)	(146)	(7)	-	14,829
Other receivables	67,604	656	(2,152)	-	13	(300)	65,821
Reinsurers' share in the technical reserves	30,370	-	-	-	-	-	30,370
Total	785,780	94,199	(27,862)	(24,054)	229	708	829,000

8.5. Prepayments and accruals

Prepayments and accruals	30 Sep 2011	30 Jun 2011	31 Dec 2010	30 Sep 2010	31 Dec 2009
IT costs	5,493	4,557	4,536	2,825	3,338
Capitalized acquisition expenses in favor of OFE PZU	29,824	35,615	45,829	47,380	38,154
Prepayments and accruals on reinsurance	128,487	118,485	132,776	136,017	164,228
Others	9,519	19,390	11,085	20,373	10,084
Accruals, total	173,323	178,047	194,226	206,595	215,804

8.6. Technical reserves

8.6.1. Technical reserves in non-life insurance

Technical reserves in non-life insurance	30 Sep 2011	30 Jun 2011	31 Dec 2010	30 Sep 2010	31 Dec 2009
Unearned premium reserve	4,434,928	4,481,512	4,183,127	4,118,162	4,047,377
Unexpired risk reserve	19,529	24,423	31,917	50,306	37,167
Unpaid claims reserve	4,740,620	4,431,695	4,548,445	4,392,675	3,837,211
Reserve for capitalized annuities	4,941,024	4,903,518	4,862,552	4,935,888	4,874,653
Reserve for bonuses and rebates for the insureds	4,557	4,511	4,731	4,636	4,180
Technical reserves, total	14,140,658	13,845,659	13,630,772	13,501,667	12,800,588

8.6.2. Technical reserves in life insurance

Technical reserves in life insurance	30 Sep 2011	30 Jun 2011	31 Dec 2010	30 Sep 2010	31 Dec 2009
Unearned premium reserve	93,895	97,243	100,631	96,968	105,305
Life insurance reserve	14,524,871	14,525,034	14,570,725	14,596,209	14,582,590
Unpaid claims reserve	605,961	612,509	608,635	632,808	619,253
Reserve for bonuses and rebates for the insureds	1,258	1,687	1,446	1,541	891
Other technical reserves	557,505	572,943	614,692	621,156	698,918
technical reserves for life insurance if the policyholder bears the investment risk	2,273,949	2,392,789	2,296,089	2,218,704	2,017,501
Technical reserves, total	18,057,439	18,202,205	18,192,218	18,167,386	18,024,458

8.7. Investment contracts

Investment contracts - carrying amount	30 Sep 2011	30 Jun 2011	31 Dec 2010	30 Sep 2010	31 Dec 2009
Investment contracts with guaranteed and set conditions	3,147,518	3,534,365	2,270,568	1,533,020	2,632,054
- carried at amortized cost	3,147,518	3,534,365	2,270,568	1,533,020	2,631,567
- carried at fair value	-	-	-	-	487
Investment contracts for client's account and risk (unit-linked)	1,232,259	1,374,738	1,273,947	1,165,144	1,094,475
Investment contracts - carrying amount, total	4,379,777	4,909,103	3,544,515	2,698,164	3,726,529

8.8. Other reserves

Other reserves	30 Sep 2011	30 Jun 2011	31 Dec 2010	30 Sep 2010	31 Dec 2009
Reserves established for the potential liabilities on account of CLSiOR-related investments	916	916	916	916	916

Reserve for disputed claims and potential liabilities under outstanding insurance agreements	6,536	6,090	4,461	20,960	24,936
Provision for restructuring costs	59,871	56,555	75,253	89,578	158,763
Reserve for UOKiK (Office for Competition and Consumer Protection)	69,143	69,143	69,143	65,176	65,176
Reserve for Graphtalk project closing expenses	50,230	49,648	49,396	44,616	48,632
Reserve for PTE's refund of undue commission to ZUS	8,753	9,319	9,532	10,379	12,858
Others	13,125	10,836	3,858	3,593	3,314
Other reserves, total	208,574	202,507	212,559	235,218	314,595

The item entitled „Reserve for Graphtalk project closing expenses” includes the amount ensuing from the issue discussed in item 22.1.

The item entitled „Reserve for UOKIK” includes the amount ensuing primarily from the issue discussed in item 22.2.

The restructuring process was described in item 23.6.

8.9. Other liabilities

Liabilities – carrying amount	30 Sep 2011	30 Jun 2011	31 Dec 2010	30 Sep 2010	31 Dec 2009
Liabilities on direct insurance	531,020	523,006	484,004	410,444	371,199
Reinsurance liabilities	70,584	93,309	39,674	43,769	26,959
Liabilities to credit institutions	582,262	2,700,730	122	94	4,780,108
Other liabilities	2,778,530	3,433,723	608,279	746,213	795,786
Total Liabilities	3,962,396	6,750,768	1,132,079	1,200,520	5,974,052

Other liabilities	30 Sep 2011	30 Jun 2011	31 Dec 2010	30 Sep 2010	31 Dec 2009
Liabilities to the state budget, other than income tax liabilities	16,668	15,306	18,234	43,207	23,288
Public law settlements: ZUS, PFRON, ZFŚS and other	26,565	27,985	23,895	33,279	45,200
On account of purchased securities	221,515	975,248	396,604	508,508	436,533
Liabilities of mutual funds	-	-	-	-	40,719
Trade liabilities	155,630	49,979	10,050	7,683	9,470
Estimated liabilities	55,097	59,160	90,509	47,473	145,321
Amounts payable to PZU shareholders	2,248,980	2,249,000	4,002	4,345	8,581
Others	54,075	57,045	64,985	101,718	86,674
Other liabilities, total	2,778,530	3,433,723	608,279	746,213	795,786

8.10. Accruals and deferred income

Accruals and deferred income	30 Sep 2011	30 Jun 2011	31 Dec 2010	30 Sep 2010	31 Dec 2009
Cost accruals, including:	414,822	402,001	474,272	389,450	464,126
- accrued agency commission costs	171,339	164,541	164,331	159,046	174,814
- accrued employee salary costs	79,694	65,071	115,410	62,558	94,916
- accrued costs and income on reinsurance	53,546	71,777	64,917	59,591	74,847
- remuneration of intermediaries in work establishments	21,374	21,122	19,507	20,014	19,523
- employee leave reserve	41,753	47,531	39,386	38,055	38,633
- accrued bonuses for employees	38,203	25,764	58,075	44,109	50,966
- other	8,913	6,195	12,646	6,077	10,427
Deferred income	21,095	8,886	7,871	5,582	4,623
Accruals and deferred income, total	435,917	410,887	482,143	395,032	468,749

8.11. Gross written premium

Gross written premium	1 July - 30 Sep 2011	1 Jan - 30 Sep 2011	1 July - 30 Sep 2010	1 Jan - 30 Sep 2010
Gross written premium in non-life insurance	2,074,207	6,414,058	1,891,296	5,955,136
In direct insurance	2,066,801	6,393,689	1,879,612	5,930,761
In indirect insurance	7,406	20,369	11,684	24,375
Gross written premium in life insurance	1,678,327	5,011,738	1,617,767	4,845,781
Individual premiums	579,000	1,770,560	568,160	1,722,908
On direct insurance	579,000	1,770,560	568,160	1,722,908
Group insurance premiums	1,099,327	3,241,178	1,049,607	3,122,873
On direct insurance	1,099,327	3,241,178	1,049,607	3,122,873
Gross written premium, total	3,752,534	11,425,796	3,509,063	10,800,917

Gross written premium in direct non-life insurance (by groups prescribed by section II of the attachment to the Insurance Activity Act)	1 July - 30 Sep 2011	1 Jan - 30 Sep 2011	1 July - 30 Sep 2010	1 Jan - 30 Sep 2010
Results of accidents and illnesses (group 1 and 2)	204,992	404,173	213,224	410,146
Motor - third party liability (group 10)	738,826	2,197,865	646,585	1,952,867
Other motor (group 3)	565,792	1,753,013	561,420	1,659,414
Marine, air and cargo (groups 4, 5, 6, 7)	13,714	42,390	6,971	36,846
Fire and other property damages (groups 8 and 9)	348,810	1,338,132	297,761	1,256,914
Third party liability (groups 11, 12, 13)	97,805	401,874	82,950	380,526
Credit and guarantee (groups 14, 15)	15,996	44,285	16,315	51,058
Assistance (group 18)	53,055	148,614	50,388	135,626
Legal protection (group 17)	65	623	110	569
Other (group 16)	27,746	62,720	3,888	46,795
Gross written premium in direct non-life insurance, total	2,066,801	6,393,689	1,879,612	5,930,761

8.12. Fee and commission income

Fee and commission income	1 July - 30 Sep 2011	1 Jan - 30 Sep 2011	1 July - 30 Sep 2010	1 Jan - 30 Sep 2010
Pension insurance	50,436	179,413	67,434	183,381
Commissions on distribution fees	9,812	61,285	31,308	80,773
Commissions on managing assets of an open-end pension fund	40,624	118,079	36,117	102,577
Commission on transfer payments	-	49	9	31
Investment contracts	6,141	18,500	4,178	11,301
Income from fees relating to investment contracts for the client's account and risk	6,141	18,500	4,178	11,301
Others	6,188	21,079	8,046	15,066
Income and fees from funds and mutual fund companies	6,188	21,079	8,046	15,066
Fee and commission income, total	62,765	218,992	79,658	209,748

8.13. Net investment income

Net investment income	1 July - 30 Sep 2011	1 Jan - 30 Sep 2011	1 July - 30 Sep 2010	1 Jan - 30 Sep 2010
Interest income, including:	477,131	1,330,857	396,098	1,344,169
- financial assets available for sale	107,919	285,146	74,969	290,096
- financial assets held to maturity	280,106	887,465	302,121	966,429
- loans	89,106	158,246	18,919	86,912
- cash and cash equivalents	-	-	89	732
Dividend income, including:	71,782	122,030	15,156	61,623
- financial assets classified as instruments carried at fair value through profit or loss at the moment of first recognition	64	256	102	168
- financial assets held for trading	52,270	79,631	14,066	40,285
- financial assets available for sale	19,448	42,143	988	21,170
Income on investment property	7,727	20,700	6,437	19,190
FX differences, including:	38,046	35,552	(14,791)	(12,953)
- financial assets held to maturity	14,090	15,051	(5,530)	(5,194)
- loans	8,705	11,958	(80)	(2,714)
- receivables, including receivables under insurance contracts	15,251	8,543	(9,181)	(5,045)
Other, including:	(14,504)	(34,135)	(8,418)	(23,080)
- investment activity expenses	(9,607)	(19,872)	(4,816)	(11,139)
- investment property maintenance expenses	(4,897)	(14,263)	(3,602)	(11,941)
Net investment income, total	580,182	1,475,004	394,482	1,388,949

8.14. Net investment realization result and investments impairment charges

Net investment realization result and investments impairment charges	1 July - 30 Sep 2011	1 Jan - 30 Sep 2011	1 July - 30 Sep 2010	1 Jan - 30 Sep 2010
Net result on investment realization	30,675	31,576	47,675	261,100
Financial assets carried at fair value through profit or loss - classified in that category upon first recognition, including:	37,989	40,625	798	24,495
- capital instruments	1,595	1,417	-	(72)
- debt securities	36,394	39,208	798	24,567
Financial assets held for trading, including:	(89,340)	(91,228)	11,091	50,834
- capital instruments	(118,029)	(117,501)	35,403	95,863
- debt securities	(2,052)	3,607	228	6,094
- other	30,741	22,666	(24,540)	(51,123)
Financial assets available for sale, including:	95,015	122,050	29,600	183,609
- capital instruments	3,949	67,599	1,479	75,773
- debt securities	91,066	54,451	28,121	107,836
Financial assets held to maturity, including:	542	836	21,938	27,741
- debt securities held to maturity	542	836	21,938	27,741
Loans	-	-	1,262	16,772
Receivables, including receivables under insurance contracts	(13,531)	(40,707)	(17,014)	(42,351)
Impairment charges	(43,216)	(111,868)	(13,666)	(66,337)
Financial assets available for sale, including:	(11,103)	(11,428)	(143)	(17,534)
- capital instruments	(11,103)	(11,428)	(143)	(17,534)
Receivables, including receivables under insurance contracts	(32,113)	(100,440)	(13,523)	(48,803)
Net investment realization result and investments impairment charges, total	(12,541)	(80,292)	34,009	194,763

8.15. Net change in the fair value of assets and liabilities carried at fair value

Net change in the fair value of assets and liabilities carried at fair value	1 July - 30 Sep 2011	1 Jan - 30 Sep 2011	1 July - 30 Sep 2010	1 Jan - 30 Sep 2010
Financial instruments carried at fair value through profit or loss – classified in that category upon first recognition, including:	15,246	169,692	114,681	220,795
- capital instruments	(34,169)	(34,787)	27,867	34,567
- debt securities	49,415	204,479	86,839	186,266
- derivatives	-	-	(25)	(38)
Financial instruments held for trading, including:	(621,875)	(524,333)	375,774	381,177
- capital instruments	(611,664)	(617,933)	279,249	215,355
- debt securities	42,272	112,876	57,765	107,879
- derivatives	(52,483)	(19,276)	38,760	57,943
Investment property	-	-	4,833	235
Net change in the fair value of assets and liabilities carried at fair value	(606,629)	(354,641)	495,288	602,207

8.16. Other operating income

Other operating income	1 July - 30 Sep 2011	1 Jan - 30 Sep 2011	1 July - 30 Sep 2010	1 Jan - 30 Sep 2010
Provisions dissolved	420	2,346	1,199	11,123
Release of impairment charges for non-financial assets	514	1,938	941	11,954

Reinsurance commissions and profit-sharing	(10,270)	1,439	(17,863)	2,619
Revenues on the sales of products and merchandise in the Armatura Group	80,066	207,337	-	-
Consolidation of the Armatura Group	-	118,916	-	-
Others	26,413	58,408	17,606	55,436
Other operating income, total	97,143	390,384	1,883	81,132

8.17. Net insurance claims

Net insurance claims	1 July - 30 Sep 2011	1 Jan - 30 Sep 2011	1 July - 30 Sep 2010	1 Jan - 30 Sep 2010
Claims and change in the balance of technical reserves in non-life insurance	1,605,183	4,278,554	1,549,971	4,910,312
Reinsurers' share in claims and change in the balance of technical reserves in non-life insurance	(61,563)	(119,101)	(21,281)	(424,601)
Claims and change in the balance of technical reserves in life insurance	1,062,272	3,464,733	1,254,116	3,418,007
Reinsurers' share in claims and change in the balance of technical reserves in life insurance	-	3	(14)	(14)
Claims, total	2,605,892	7,624,189	2,782,792	7,903,704

8.18. Claims and changes in valuation of investment contracts

Claims and changes in valuation of investment contracts	1 July - 30 Sep 2011	1 Jan - 30 Sep 2011	1 July - 30 Sep 2010	1 Jan - 30 Sep 2010
Under investment contracts with guaranteed and set conditions	36,291	87,511	11,168	41,853
- interest expenses calculated using the effective interest rate	36,291	87,511	10,906	41,591
- embedded options	-	-	262	262
Under investment contracts for client's account and risk (unit-linked)	(117,670)	(131,950)	49,386	73,705
Claims and changes in valuation of investment contracts, total	(81,379)	(44,439)	60,554	115,558

8.19. Administrative, acquisition and claims handling costs, by type

Claims handling, acquisition and administrative costs, by type	1 July - 30 Sep 2011	1 Jan - 30 Sep 2011	1 July - 30 Sep 2010	1 Jan - 30 Sep 2010
Consumption of materials and energy	17,380	57,227	21,108	70,238
Third party services	144,259	406,080	152,398	452,222
Taxes and fees	13,647	52,022	19,422	61,968
Employee expenses	340,278	1,038,600	373,669	1,160,278
Depreciation of property, plant and equipment	20,062	68,100	25,787	83,581
Depreciation of intangible assets	16,078	40,433	12,824	38,697
Other (by type), including:	418,280	1,216,174	386,541	1,138,726
- commission on direct activity	318,756	963,917	299,534	889,408
- advertising	11,498	45,283	12,022	48,323
- change in the balance of capitalized acquisition expenses	11,163	(14,389)	7,811	(24,784)
- remuneration of group insurance administrators in work establishments	53,102	160,894	52,307	158,994
- other	23,761	60,469	14,867	66,785
Claims handling, acquisition and administrative costs, total	969,984	2,878,636	991,749	3,005,710

8.20. Other operating expenses

Other operating expenses	1 July - 30 Sep 2011	1 Jan - 30 Sep 2011	1 July - 30 Sep 2010	1 Jan - 30 Sep 2010
Insurance Guarantee Fund	7,124	21,478	6,206	15,602
National Fire Brigade Headquarters and Association of Voluntary Fire Brigades	1,965	26,756	1,882	28,320
Obligatory fees to insurance market institutions	13,460	40,865	10,899	40,628
Expenditures for prevention activity	4,335	12,016	5,913	19,265
Manufacturing cost of products and purchase cost of merchandise in the Armatura Group	54,329	152,412	-	-
Provision created for reorganization and restructuring costs	4,287	4,287	-	-
Employment restructuring costs	17,834	17,834	-	8,941
Others	50,494	132,568	20,102	66,438
Other operating expenses, total	153,828	408,216	45,002	179,194

8.21. Financial costs

Financial costs	1 July - 30 Sep 2011	1 Jan - 30 Sep 2011	1 July - 30 Sep 2010	1 Jan - 30 Sep 2010
Interest, including:	29,888	36,762	-	58,654
- loans	30,673	35,107	-	58,654
- bank loans	(785)	1,655	-	-
Other, including:	2,891	1,793	-	-
- FX gains	2,675	1,570	-	-
- other	216	223	-	-
Financial expenses, total	32,779	38,555	-	58,654

9. Contingent assets and liabilities

Contingent assets and liabilities	30 Sep 2011	30 Jun 2011	31 Dec 2010	30 Sep 2010	31 Dec 2009
Contingent assets, including:	6,746	5,001	4,528	3,728	3,699
Guarantees and sureties received	6,746	5,001	4,528	3,728	3,699
Contingent liabilities	87,997	93,174	136,699	106,796	1,000,074,157
Guarantees and sureties given	6,261	6,469	8,543	7,807	7,714
Disputed insurance claims	48,159	53,438	64,426	61,271	1,000,045,496
Other disputed claims	32,680	32,370	62,704	36,647	19,865
Others	897	897	1,026	1,071	1,082

10. Commentary to the condensed consolidated interim financial statements

10.1. Summary

- Growth of the PZU Group's gross written premium in comparison to the same period of the previous year in both insurance segments:
 - higher gross written premium in the non-life segment in retail products, especially motor;
 - higher gross written premium in the life segment in group business and to a lesser extent in individual insurance.
- Considerable decline in the investment result in connection with the downturn on the Warsaw Stock Exchange compared to last year (the WIG20 index slumped by 22% in Q3 and by more than 20% from the outset of the year).
- Lower net claims paid compared to the same period of the previous year stemming from the absence of the non-recurring events that took place in 2010 – claims caused by intense snow fall and flooding coupled with controlled growth in the loss ratio aligned to expectations in group protection insurance.
- Decline in the level of operating expenses compared to the same period of the previous year as a result of the savings programs being pursued – headcount restructuring and cutting fixed expenses. Lower operating expenses were partially offset by higher acquisition expenses in connection with higher sales, changes to sales network management and the rising share of more expensive channels of distribution (such as agents and multi-agencies).
- The rules for recognizing written premium revenues changed: now they are recognized on the date of the agreement (the method used till the end of 2010: on the insurance coverage commencement date); this change does not affect the consolidated financial result or the consolidated net assets of the PZU Group. For a detailed description, please see item 4.1.
- Since 1 January 2011, a new activity based costing methodology was implemented in PZU for allocating indirect costs; the methodology is based on the company's structure and its internal processes. It does not change the sum of the costs, but results in shifts between cost categories and insurance products. For a detailed description, please see item 4.2.1.
- Since 1 January 2011, PZU Życie changed the model for allocating indirect costs to respective insurance products to activity-based costing. For a detailed description, please see item 4.2.2.
- Non-recurring impact of consolidating the Armatura Group in the amount of PLN 118.9 million increased the financial result through other operating revenue. For a detailed description, please see item 7.1.
- The net result of the PZU Group in Q3 2011 was slightly lower than in 2010 (-0.9%), while the result on insurance activity improved and result on investment activity deteriorated.

10.2. Commentary

Gross written premium in the 3 quarters of 2011 was PLN 11,425.8 million as compared to PLN 10,800.9 million in the same period of the previous year (pro-forma, since the premium recognition methodology changed in PZU on 1 January 2011). The increase of PLN 624.9 million (+5.8%) was caused mainly by a higher level of premiums written in the property insurance segment of the Mass Client division and in the life insurance segment in group insurance and to a lesser extent in individual insurance.

Investment income for the 3 quarters of 2011 and 3 quarters of 2010 was PLN 1,040.1 million and PLN 2,185.9 million, respectively.

The increase of net investment income by PLN 86.1 million was caused among others by the effect of FX differences on interest income on financial instruments denominated in Euro; in the 3 first quarters of 2011, the PLN rate depreciated against EUR by 11.4%, as compared to the 3.0% appreciation of the PLN/EUR rate during the 3 first quarters of 2010.

The decrease of the "Net change in the fair value of assets and liabilities carried at fair value" line item by PLN 956.9 million was caused mainly by the drop in stock exchange prices – in the 3 first quarters of 2011, the WIG index fell 19.4%, while increasing by 13.1% in the 3 first quarters of 2010.

Net result on realization of investments was PLN 275.1 million lower, which was caused essentially by stock exchange price drops in the 3 first quarters of 2011.

Financial assets as at 30 September 2011 and 30 September 2010 were PLN 48,400.4 million and PLN 43,706.0 million, respectively. The increase in this line item resulted, among others, from an increase in the volume of policy-deposits and the investment of funds obtained on the interbank market using repo transactions with treasury securities.

The decrease of net claims by PLN 279.5 million (-3.5%) compared to the corresponding period of the previous year results in particular from the absence of claims caused by catastrophic events in the non-life insurance segment, which occurred in 2010. Lower loss ratio in property, non-motor and agricultural insurance was partially compensated by the expected increase in loss ratio in life insurance.

In the first three quarters of 2011, acquisition costs increased by PLN 66.9 million (3.0%) compared to the same period of 2010. The increase was mainly due to higher sales and greater use of more expensive distribution channels (such as agents and multiagencies).

The PLN 163.8 million decrease in administrative expenses (-14.8%) was largely a consequence of the restructuring activities conducted in PZU Group companies, including the headcount restructuring program implemented in PZU and PZU Life in 2010 and the fixed cost reduction program. In addition to payroll expenses, the PZU Group reduced its IT costs, costs of administrative materials and services and real property maintenance costs.

The balance of other operating income and expenses in the first 3 quarters of 2011 was PLN -17.8 million, which marks an improvement of PLN 80.3 million from the corresponding period of the previous year. The change was caused mainly by the consolidation of the Armatura Group using the full method in PZU Group's consolidated financial statements. This fact resulted in a non-recurring income of PLN 118.9 million.

In the 3 first quarters of 2011, operating profit was PLN 2,331.5 million that is PLN 46.6 million (-6.5%) less than in the same period of the previous year, which was primarily due to lower income on PZU Group's investment activity. Compared to the 3 quarters of 2010, net profit fell PLN 17.1 million (-0.9%), down to PLN 1,857.0 million.

As at 30 September 2011, consolidated equity according to IFRS was PLN 12,419.3 million, compared to PLN 12,192.0 million as at 30 September 2010. As at 30 September 2011, return on equity (ROE) was 19.6%, down by 1.7 pp compared to the corresponding period in 2010. Vis-a-vis 31 December 2010, consolidated equity fell by PLN 380.6 million (-3.0%), while ROE decreased from 20.3% by 0.7 p.p.

Financial assets as at 30 September 2011 and 30 September 2010 were PLN 48,440.5 million and PLN 43,706.0 million, respectively. Compared to 31 December 2010, financial assets increased by PLN 3,095.5 million from PLN 45,345.0 million. This change was caused mainly by the increase in the value of reverse repo transactions in the portfolio and of term deposits in credit institutions.

Other liabilities (other than technical provisions) were PLN 9,181.5 million and PLN 4,984.4 million, respectively, as at the end of September 2011 and at the end of September 2010. The increase by PLN 4,197.1 million resulted from the distribution of profit, PLN 2,245.2 million of which was paid out as a dividend (on 21 October 2011) and from the increased balance of endowment investment contracts sold through the bancassurance channel (+ PLN 1,119.5 million).

11. Solvency

The rules for calculating the solvency margin and the minimum amount of the indemnity capital are defined in the Regulation of 28 November 2003 on the method of calculating the solvency margin and the minimum amount of the indemnity capital for insurance sections and groups (Journal of Laws of 2003, No. 211, Item 2060, "Solvency Margin Regulation").

Detailed information on the method for calculating solvency have been presented in the consolidated financial statements of the PZU Group for 2010.

Financial data included in the calculation of shareholder funds and solvency margin have been determined based on the PAS.

Calculation of shareholder funds to cover PZU's solvency margin are presented below.

Calculation of shareholder funds to cover the solvency margin	30 Sep 2011	30 Jun 2011	31 Dec 2010	30 Sep 2010	31 Dec 2009
PZU equity	11,409,847	11,191,406	11,902,186	11,035,562	10,411,542
Intangible assets	(79,699)	(67,408)	(63,526)	(54,205)	(49,560)
Value of shares in insurance companies held by the PZU insurance capital group	(5,728,279)	(5,552,482)	(6,599,272)	(5,872,369)	(7,463,664)
Deferred income tax assets	(325,186)	(295,927)	(276,036)	(265,189)	(213,126)
Contribution of other insurance companies in the PZU insurance capital group to PZU's shareholder funds:	3,632,464	3,565,444	4,630,089	4,252,038	5,576,452
PZU Życie SA 100.00%	3,624,697	3,559,580	4,534,446	4,143,865	5,584,807
Shareholder funds	5,323,373	5,268,971	6,232,554	5,756,882	7,223,775
Solvency margin	1,698,676	1,709,391	1,698,108	1,613,017	1,638,968
Surplus of shareholder funds to cover the solvency margin	3,624,697	3,559,580	4,534,446	4,143,865	5,584,807
UAB DK PZU Lietuva 99.76%	15,287	13,818	12,313	9,967	6,792
Shareholder funds	44,682	40,976	40,117	39,563	39,638
Solvency margin	29,358	27,125	27,774	29,572	32,830
Surplus of shareholder funds to cover the solvency margin	15,324	13,851	12,343	9,991	6,808
PrJSC PZU Ukraine 100.00%	(12,352)	(11,047)	76,701	89,537	(11,654)
Shareholder funds	6,568	4,522	93,131	104,773	1,697
Solvency margin	18,920	15,569	16,430	15,236	13,351
Surplus/shortage of equity to cover the solvency margin	(12,352)	(11,047)	76,701	89,537	(11,654)
Other insurance companies	4,832	3,093	6,629	8,669	(3,493)
PZU shareholder funds	8,909,147	8,841,033	9,593,441	9,095,837	8,261,644
PZU solvency margin	1,337,542	1,336,216	1,338,798	1,337,542	1,338,798
PZU indemnity capital	445,847	445,405	446,266	445,847	446,266
Surplus of shareholder funds to cover the solvency margin	7,571,605	7,504,817	8,254,643	7,758,295	6,922,846
Surplus of shareholder funds to cover the indemnity capital	8,463,300	8,395,628	9,147,175	8,649,990	7,815,378

12. Segment Reporting

IFRS 8 requires that operating segments be identified based on internal reports, which are regularly reviewed by the bodies responsible for the allocation of resources to individual segments and for evaluating their performance.

By using the criterion of products and services offered by the consolidated PZU Group companies, the following operating segments were identified:

- non-life insurance;
- life insurance;
- pension insurance.

Considering the unique nature of the individual segments, no segments were combined.

The accounting principles used for segment reporting purposes are the same as those described in item 3.

Financial data of the pension insurance segment did not reach the limits defined in item 13 of IFRS 8, but due to their separate nature and the internal financial reporting system used in the PZU Group, they were presented separately.

The PZU Group applies additional segmentation by geographic location, according to which the following segments were identified:

- Poland;
- Lithuania;
- Ukraine.

All economic transactions concluded between both operating and geographic segments are concluded at arm's length.

Profit and loss account by operating segments 1 July – 30 September 2011	Non-life insurance	Life insurance	Pension insurance	Not allocated (consolidation adjustments and other)	Consolidated value
Gross externally written insurance premium	2,074,208	1,678,326	-	-	3,752,534
Gross insurance premium written between segments	665	-	-	(665)	-
Reinsurers' share in gross written insurance premium	(19,376)	(124)	-	-	(19,500)
Net written premium, including:	2,055,497	1,678,202	-	(665)	3,733,034
Net externally written insurance premium	2,054,832	1,678,202	-	-	3,733,034
Net insurance premium written between segments	665	-	-	(665)	-
Change in the balance of the net unearned premium reserve	48,251	3,159	-	346	51,756
Net earned premium	2,103,748	1,681,361	-	(319)	3,784,790
Fee and commission income	-	-	50,436	12,329	62,765
Net investment income (external operations)	304,878	222,151	2,880	50,273	580,182
Net investment income (operations between segments)	376	74	-	(450)	-
Net investment realization result and investments impairment charges	27,784	20,586	-	(60,911)	(12,541)
Net change in the fair value of assets and liabilities carried at fair value	(167,231)	(352,601)	-	(86,797)	(606,629)
Other operating income	7,025	13,067	538	76,513	97,143
	-	-	-	-	-
Claims and movements in technical reserves	(1,602,183)	(1,064,819)	-	(453)	(2,667,455)
Claims and movements in insurance liabilities ceded to re-insurers	61,563	-	-	-	61,563
Net insurance claims	(1,540,620)	(1,064,819)	-	(453)	(2,605,892)
Claims and changes in valuation of investment contracts	-	-	-	81,379	81,379
Acquisition costs	(389,504)	(81,229)	(16,925)	(3,807)	(491,465)
Administrative costs	(149,208)	(143,495)	(14,618)	546	(306,775)
Other operating expenses	(49,687)	(29,879)	(26)	(74,236)	(153,828)
Operating profit (loss)	147,561	265,216	22,285	(5,933)	429,129
Financial costs	(22,123)	(8,550)	-	(2,106)	(32,779)
Gross profit (loss)	125,438	256,666	22,285	(8,039)	396,350
Income tax	(33,078)	(49,366)	(4,143)	(5,152)	(91,739)
Net profit (loss)	92,360	207,300	18,142	(13,191)	304,611

Profit and loss account by operating segments 1 January – 30 September 2011	Non-life insurance	Life insurance	Pension insurance	Not allocated (consolidation adjustments and other)	Consolidated value
Gross externally written insurance premium	6,414,059	5,011,737	-	-	11,425,796
Gross insurance premium written between segments	1,370	-	-	(1,370)	-
Reinsurers' share in gross written insurance premium	(168,026)	(2,108)	-	-	(170,134)
Net written premium, including:	6,247,403	5,009,629	-	(1,370)	11,255,662
Net externally written insurance premium	6,246,033	5,009,629	-	-	11,255,662
Net insurance premium written between segments	1,370	-	-	(1,370)	-
Change in the balance of the net unearned premium reserve	(208,287)	6,925	-	189	(201,173)
Net earned premium	6,039,116	5,016,554	-	(1,181)	11,054,489
Fee and commission income	-	-	179,413	39,579	218,992
Net investment income (external operations)	726,686	619,706	9,401	119,211	1,475,004
Net investment income (operations between segments)	1,988,392*	105,021**	-	(2,093,413)	-
Net investment realization result and investments impairment charges	(156,768)	35,429	-	41,047	(80,292)
Net change in the fair value of assets and liabilities carried at fair value	(160,208)	(101,209)	-	(93,224)	(354,641)
Other operating income	58,509	44,471	845	286,559	390,384
Claims and movements in technical reserves	(4,278,817)	(3,466,617)	-	2,147	(7,743,287)
Claims and movements in insurance liabilities ceded to re-insurers	119,101	(3)	-	-	119,098
Net insurance claims	(4,159,716)	(3,466,620)	-	2,147	(7,624,189)
Claims and changes in valuation of investment contracts	-	-	-	44,439	44,439
Acquisition costs	(1,135,484)	(238,369)	(53,271)	(17,382)	(1,444,506)
Administrative costs	(441,057)	(439,865)	(53,590)	(5,459)	(939,971)
Other operating expenses	(141,117)	(88,736)	(897)	(177,466)	(408,216)
Operating profit (loss)	2,618,353*	1,486,382**	81,901	(1,855,143)	2,331,493
Financial costs	(24,678)	(10,429)	-	(3,448)	(38,555)
Gross profit (loss)	2,593,675*	1,475,953**	81,901	(1,858,591)	2,292,938
Income tax	(157,798)	(255,862)	(15,217)	(7,046)	(435,923)
Net profit (loss)	2,435,877*	1,220,091**	66,684	(1,865,637)	1,857,015

* including dividend income from PZU Życie in the amount of PLN 1,987,282 thousand.

* including dividend income from PTE Życie in the amount of PLN 99,571 thousand.

Profit and loss account by operating segments 1 July – 30 September 2010	Non-life insurance	Life insurance	Pension insurance	Not allocated (consolidation adjustments and other)	Consolidated value
Gross externally written insurance premium	1,891,296	1,617,767	-	-	3,509,063
Gross insurance premium written between segments	83	-	-	(83)	-
Reinsurers' share in gross written insurance premium	(28,189)	(896)	-	-	(29,085)
Net written premium, including:	1,863,190	1,616,871	-	(83)	3,479,978
Net externally written insurance premium	1,863,107	1,616,871	-	-	3,479,978
Net insurance premium written between segments	83	-	-	(83)	-
	-	-	-	-	-
Change in the balance of the net unearned premium reserve	91,736	6,566	-	(65)	98,237
Net earned premium	1,954,926	1,623,437	-	(148)	3,578,215
Fee and commission income	-	-	67,434	12,224	79,658
Net investment income (external operations)	178,482	197,908	3,427	14,665	394,482
Net investment income (operations between segments)	22	105	-	(127)	-
Net investment realization result and investments impairment charges	3,187	10,852	-	19,970	34,009
Net change in the fair value of assets and liabilities carried at fair value	95,139	360,125	-	40,024	495,288
Other operating income	1,139	26,509	199	(25,964)	1,883
Claims and movements in technical reserves	(1,549,945)	(1,254,165)	-	23	(2,804,087)
Claims and movements in insurance liabilities ceded to re-insurers	21,281	14	-	-	21,295
Net insurance claims	(1,528,664)	(1,254,151)	-	23	(2,782,792)
Claims and changes in valuation of investment contracts	-	-	-	(60,554)	(60,554)
Acquisition costs	(381,187)	(75,869)	(12,754)	(11,321)	(481,131)
Administrative costs	(169,398)	(144,713)	(20,922)	(1,073)	(336,106)
Other operating expenses	(24,793)	(37,317)	(72)	17,180	(45,002)
Operating profit (loss)	128,853	706,886	37,312	4,899	877,950
Financial costs	-	-	-	-	-
Gross profit (loss)	128,853	706,886	37,312	4,899	877,950
Income tax	(30,254)	(135,967)	(8,580)	1,181	(173,620)
Net profit (loss)	98,599	570,919	28,732	6,080	704,330

Profit and loss account by operating segments 1 January – 30 September 2010	Non-life insurance	Life insurance	Pension insurance	Not allocated (consolidation adjustments and other)	Consolidated value
Gross externally written insurance premium	5,955,136	4,845,781	-	-	10,800,917
Gross insurance premium written between segments	723	-	-	(723)	-
Reinsurers' share in gross written insurance premium	(142,313)	(2,501)	-	-	(144,814)
Net written premium, including:	5,813,546	4,843,280	-	(723)	10,656,103
Net externally written insurance premium	5,812,823	4,843,280	-	-	10,656,103
Net insurance premium written between segments	723	-	-	(723)	-
Change in the balance of the net unearned premium reserve	(82,871)	8,337	-	(436)	(74,970)
Net earned premium	5,730,675	4,851,617	-	(1,159)	10,581,133
Fee and commission income	-	-	183,381	26,367	209,748
Net investment income (external operations)	656,239	665,148	12,708	54,854	1,388,949
Net investment income (operations between segments)	3,120,735*	116,291**	-	(3,237,026)	-
Net investment realization result and investments impairment charges	44,919	83,298	-	66,546	194,763
Net change in the fair value of assets and liabilities carried at fair value	84,378	453,061	-	64,768	602,207
Other operating income	60,804	70,751	1,342	(51,765)	81,132
Claims and movements in technical reserves	(4,910,183)	(3,418,103)	-	(33)	(8,328,319)
Claims and movements in insurance liabilities ceded to re-insurers	424,601	14	-	-	424,615
Net insurance claims	(4,485,582)	(3,418,089)	-	(33)	(7,903,704)
Claims and changes in valuation of investment contracts	-	-	-	(115,558)	(115,558)
Acquisition costs	(1,081,620)	(219,808)	(37,878)	(38,335)	(1,377,641)
Administrative costs	(562,580)	(469,998)	(61,626)	(9,586)	(1,103,790)
Other operating expenses	(123,197)	(89,214)	(169)	33,386	(179,194)
Operating profit (loss)	3,444,771	2,043,057	97,758	(3,207,541)	2,378,045
Financial costs	(58,654)	-	-	-	(58,654)
Gross profit (loss)	3,386,117	2,043,057	97,758	(3,207,541)	2,319,391
Income tax	(63,644)	(362,573)	(18,788)	(222)	(445,227)
Net profit (loss)	3,322,473	1,680,484	78,970	(3,207,763)	1,874,164

* including dividend income from PZU Życie in the amount of PLN 3.120.000 thousand.

* including dividend income from PTE Życie in the amount of PLN 116.809 thousand.

1 January – 30 September 2011 and as at 30 September 2011	Non-life insurance	Life insurance	Pension insurance	Not allocated (consolidation adjustments and other)	Consolidated value
Segment assets, including:	24,741,649	25,189,894	301,987	4,001,290	54,234,820
Deferred income tax assets	1,029	-	2,753	10,684	14,466
Entities carried by the equity method	-	-	-	-	-
Liabilities	18,100,974	19,189,917	31,882	4,492,717	41,815,490
Capital expenditures during the period*	52,355	29,697	35	10,787	92,874
Depreciation in the period*	(61,016)	(43,566)	(306)	(17,471)	(122,359)
Asset impairment charges*	(314)	(16)	-	-	(330)
Reversals of asset impairment charges*	1,870	68	-	-	1,938

* applies to intangible assets and property, plant and equipment

1 January – 30 September 2011 and as at 30 June 2011	Non-life insurance	Life insurance	Pension insurance	Not allocated (consolidation adjustments and other)	Consolidated value
Segment assets, including:	25,803,893	28,635,879	289,453	2,572,053	57,301,278
Deferred income tax assets	870	-	2,632	12,603	16,105
Entities carried by the equity method	-	-	-	-	-
Liabilities	19,209,146	22,812,929	37,678	3,010,827	45,070,580
Capital expenditures during the period*	24,983	17,319	19	4,243	46,564
Depreciation in the period*	(40,867)	(27,819)	(212)	(11,186)	(80,084)
Asset impairment charges*	(314)	-	-	-	(314)
Reversals of asset impairment charges*	1,424	-	-	-	1,424

* applies to intangible assets and property, plant and equipment

1 January – 31 December 2010 and as at 31 December 2010	Non-life insurance	Life insurance	Pension insurance	Not allocated (consolidation adjustments and other)	Consolidated value
Segment assets, including:	21,333,554	26,191,364	347,159	2,798,480	50,670,557
Deferred income tax assets	940	-	3,320	12,385	16,645
Entities carried by the equity method	-	-	-	-	-
Liabilities	14,963,924	19,385,748	43,443	3,477,516	37,870,631
Capital expenditures during the period*	102,566	97,788	326	10,156	210,836
Depreciation in the period*	(90,114)	(61,118)	(532)	(18,607)	(170,371)
Asset impairment charges*	(2,137)	(915)	-	-	(3,052)

Reversals of asset impairment charges*	3,623	8,073	-	-	11,696
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* applies to intangible assets and property, plant and equipment

1 January – 30 September 2010 and as at 30 September 2010	Non-life insurance	Life insurance	Pension insurance	Not allocated (consolidation adjustments and other)	Consolidated value
Segment assets, including:	21,508,002	25,448,248	324,570	1,959,600	49,240,420
Deferred income tax assets	761	-	3,317	14,843	18,921
Entities carried by the equity method	-	-	-	-	-
Liabilities	15,272,979	19,165,520	41,502	2,568,440	37,048,441
Capital expenditures during the period*	69,725	63,118	317	11,328	144,488
Depreciation in the period*	(65,191)	(46,878)	(402)	(15,524)	(127,995)
Asset impairment charges*	(826)	-	-	-	(826)
Reversals of asset impairment charges*	725	7,929	-	-	8,654

* applies to intangible assets and property, plant and equipment

1 January – 30 September 2011 and as at 30 September 2011	Poland	Lithuania	Ukraine	Not allocated (consolidation adjustments and other)	Consolidated value
Gross externally written insurance premium	11,225,457	115,359	84,980	-	11,425,796
Gross insurance premium written between segments	2,212	-	-	(2,212)	-
Fee and commission income	218,992	-	-	-	218,992
Net investment income	1,464,415	5,097	5,491	-	1,475,004
Net investment realization result and investments impairment charges	(80,934)	960	(318)	-	(80,292)
Net change in the fair value of assets and liabilities carried at fair value	(351,021)	(3,620)	-	-	(354,641)
Other non-current assets other than financial instruments*	1,208,071	10,391	7,453	(1,890)	1,224,025
Deferred income tax assets	13,437	-	1,029	-	14,466
Assets	54,149,615	268,320	140,366	(323,480)	54,234,820

* applies to intangible assets and property, plant and equipment

As at 31.12.2010	Poland	Lithuania	Ukraine	Not allocated (consolidation adjustments and other)	Consolidated value
Other non-current assets other than financial instruments*	1,084,751	9,533	7,043	(1,849)	1,099,478
Deferred income tax assets	15,705	-	940	-	16,645
Assets	50,726,758	228,924	187,409	(472,534)	50,670,557

* applies to intangible assets and property, plant and equipment

1 January – 30 September 2010 and as at 30 September 2010	Poland	Lithuania	Ukraine	Not allocated (consolidation adjustments and other)	Consolidated value
Gross externally written insurance premium	10,611,856	111,057	78,004	-	10,800,917
Gross insurance premium written between segments	2,302	-	-	(2,302)	-
Fee and commission income	209,748	-	-	-	209,748
Net investment income	1,376,458	7,056	5,435	-	1,388,949
Net investment realization result and investments impairment charges	194,359	409	(5)	-	194,763
Net change in the fair value of assets and liabilities carried at fair value	600,392	1,815	-	-	602,207
Other non-current assets other than financial instruments*	1,095,686	9,292	7,215	(1,884)	1,110,309
Deferred income tax assets	18,160	-	761	-	18,921
Assets	49,275,092	235,825	190,989	(461,486)	49,240,420

* applies to intangible assets and property, plant and equipment

13. Commentary to Segment Reporting

13.1. Non-life insurance

Data from the profit and loss account – non-life insurance	1 Jan – 30 Sep 2011	1 Jan – 30 Sep 2010	% change
Gross written premium	6,415,429	5,955,859	7.7%
Net earned premium	6,039,116	5,730,675	5.4%
Net result on investment activity*	2,398,102	3,906,271	(38.6%)
Net insurance claims	(4,159,716)	(4,485,582)	(7.3%)
Acquisition costs	(1,135,484)	(1,081,620)	5.0%
Administrative costs	(441,057)	(562,580)	(21.6%)
Operating profit (loss) *	2,618,353	3,444,771	(24.0%)

* including dividend income from PZU Życie in the amount of PLN 1,987,282 thousand in 2011 and PLN 3,120,000 thousand in 2010.

A change came into effect on 1 January 2011: income from written premium is now recognized on the date of the insurance agreement rather than, according to the method applicable until 31 December 2010, on the insurance liability commencement date under concluded insurance agreements, as described in item 4.1.

This change did not affect the consolidated financial result or consolidated net assets of the PZU Group.

The tables below present gross written premium recognized accordingly by the agreement date and by the insurance commencement date, in the non-life insurance segment, in the 3 quarters of 2011 and 3 quarters of 2010.

Premium recognized according to the policy date:

Gross written premium by product group	1 Jan – 30 Sep 2011	1 Jan – 30 Sep 2010	% change
TPL motor insurance, including:	2,140,909	1,892,400	13.1%
- individual*	1,841,220	1,613,719	14.1%
- corporate	299,689	278,681	7.5%
MOD insurance, including:	1,701,168	1,618,437	5.1%
- individual*	1,226,210	1,147,458	6.9%
- corporate	474,958	470,979	0.8%
Total motor insurance	3,842,076	3,510,837	9.4%
Insurance against fire and other damage to property	1,320,339	1,244,033	6.1%
Other liability insurance (groups 11, 12, 13)	393,663	372,139	5.8%
ADD and other insurance **	661,225	642,091	3.0%
Total non-life insurance without motor insurance	2,375,226	2,258,263	5.2%
Total PZU	6,217,302	5,769,100	7.8%
Foreign companies and exclusions from consolidation	198,127	186,759	6.1%
Total non-life segment	6,415,429	5,955,859	7.7%

* including SME.

** this line item includes loan guarantees and other financial insurance, assistance, travel, marine, railway and air insurance.

Premium recognized according to the insurance liability date:

Gross written premium by product group	1 Jan – 30 Sep 2011	1 Jan – 30 Sep 2010	% change
TPL motor insurance, including:	2,212,227	1,951,831	13.3%
- individual*	1,897,831	1,667,845	13.8%
- corporate	314,396	283,986	10.7%
MOD insurance, including:	1,729,390	1,639,690	5.5%
- individual*	1,240,694	1,145,069	8.4%
- corporate	488,696	494,621	(1.2%)
Total motor insurance	3,941,617	3,591,521	9.7%
Insurance against fire and other damage to property	1,346,828	1,274,514	5.7%
Other liability insurance (groups 11, 12, 13)	431,712	404,332	6.8%
ADD and other insurance **	612,123	644,322	(5.0%)
Total non-life insurance without motor insurance	2,390,663	2,323,168	2.9%
Total PZU	6,332,280	5,914,689	7.1%
Foreign companies and exclusions from consolidation	198,127	186,759	6.1%
Total non-life segment	6,530,407	6,101,448	7.0%

* including SME.

** this line item includes loan guarantees and other financial insurance, assistance, travel, marine, railway and air insurance.

The increase in gross written premium (by agreement date) by PLN 459.6 million (+7.7%) in the non-life insurance as compared to the 3 quarters of 2010, resulted from higher motor insurance sales (+ PLN 331.2 million), mainly in the mass client division. The high sales resulted in particular from price hikes in motor insurance, which translated in higher average premiums, but also from the situation on the insurance markets (most of the competitors increased their prices more than PZU did, which contributed to the better pricing position of PZU).

In addition to motor insurance, the increase in premiums as compared to the corresponding period of the previous year occurred also in property insurance, in particular in apartment insurance (+ PLN 25.6 million, + 6.5%), building insurance (+ PLN 7.8 million, + 121%) and property insurance of underground mine assets concluded on special terms (+ PLN 16.6 million, + 137%).

The higher premium earned in accident and other insurance as compared to the corresponding period of the previous year results mainly from the growth in the auto szyba (auto-glass) insurance (increase of PLN 6.3 million, + 30% yoy), casco insurance of rail vehicles (increase of PLN 4.9 million, + 126% yoy) and loss of profit insurance (increase of PLN 5.6 million, + 33.3% yoy).

Net claims paid in the property insurance segment during the 3 quarters of 2011 were 4,159.7 million, down by PLN 325.9 million (-7.3%) from the first 3 quarters of 2010. A visible reduction of disbursements was recorded in MOD and motor TPL insurance for corporate clients as a result of a smaller portfolio and changes in the underwriting policy (abandoning a less profitable portfolio). In motor insurance for mass clients, an increase in claims paid in motor TPL (OC) and own damage (AC) insurance was observed. The increased claim payments resulted from expansion of the portfolio and its age reduction process. The lower claim payments in property, agricultural and other liability insurance, as compared to the corresponding period of the previous year were affected in particular by the effect of catastrophic losses which occurred in 2010 only. At the same time, the 3 quarters of 2011 witnessed losses under agricultural insurance pertaining to the effects of wintering, for which claims were paid and provisions established in the overall amount of PLN 75.0 million as at 30 September 2011.

Investment income for the 3 quarters of 2011 and 3 quarters of 2010 (adjusted by the dividend from PZU Życie SA) was PLN 410.8 million and PLN 786.3 million, respectively.

The increase of net investment income by PLN 70.8 million was caused among others by the effect of FX differences on interest income on financial instruments denominated in Euro; in the 3 first quarters of 2011, the PLN rate depreciated against EUR by 11.4%, as compared to the 3.0% appreciation of the PLN/EUR rate during the 3 first quarters of 2010.

The decrease of the "Net change in the fair value of assets and liabilities carried at fair value" line item by PLN 244.6 million was essentially caused the drop in stock exchange prices – in the 3 first quarters of 2011, the WIG index fell 19.4%, while increasing by 13.1% in the 3 first quarters of 2010.

Net investment realization result was PLN 201.7 million lower, which was caused essentially by stock exchange price drops in the 3 first quarters of 2011.

Acquisition cost in the non-life insurance segment in the 3 quarters of 2011 and of 2010 was PLN 1,135.5 million and PLN 1,081.6 million, respectively. The recorded increase in acquisition costs was related to:

- higher sales;
- changes in the management of the sales network;
- growing contribution of more expensive distribution channels (such as agents and multiagencies) at the expense of automatic renewals.

In the 3 quarters of 2011, administrative costs decreased by PLN 121.5 million (-21.6%), mainly due to the continuation of the restructuring processes implemented in the PZU Group. In addition to the staff reduction process completed in the years 2010-2011, the Company is implementing the fixed cost optimization program, which has contributed to the reduction of expenses associated with, among others, maintenance of IT systems, administrative materials and services and maintenance of properties.

Starting from the beginning of 2011, PZU introduced a new methodology for allocating indirect costs, activity-based costing (ABC), which is based on the company's organizational structure and its internal processes. The ABC costing methodology results in shifts between accounting categories (including acquisition costs, administrative costs) and insurance products, but does not affect the financial result in any way. The ABC methodology facilitates a more precise recognition of product costs and as a result provides more accurate information on the technical profitability of individual products. In particular, introduction of this methodology will reduce administrative costs, increase indirect acquisition cost and slightly raise the claims handling costs. The comparable data for 2010 were calculated using the new allocation method.

Operating profit in the non-life insurance segment for the 3 quarters of 2011 and the 3 quarters of 2010 was PLN 2,618.4 million and PLN 3,444.8 million, respectively. The decrease of PLN 826.4 million (-24.0%) resulted mainly from the declining net investment income (PLN -1,508.2 million), which was partially offset by the higher balance of net earned premium (+ PLN 308.4 million) and the lower balance of net claims (- PLN 325.9 million).

13.1.1. Impact of non-recurring events on operating results

No non-recurring events took place in the property insurance segment during the 3 quarters of 2011. In 2010, there were catastrophic claims (associated with high snowfall and flooding claims); at that time, net claims of approximately PLN 369.4 million were paid or provisioned.

13.1.2. New products

In June 2011, a PZU Ochrona Zniżek (Discount Protection) insurance was launched, which may apply to the current TPL insurance of motor vehicles (OC) or to the motor own damage insurance (autocasco) for individual clients and for small and medium enterprises (AC)

In property insurance, as of 1 February 2011, a new version of PZU DOM and PZU DOM Plus residential insurance was launched, which includes, among others, the PZU Pomoc w domu (assistance at home) insurance. Additionally, since the beginning of 2011, the "Bądź z Nami 2011" (Be With Us 2011) promotion campaign is conducted to support the sale of new residential insurance, in particular apartment and house insurance. In July 2011, changes were made to the property insurance offer for individual customers, which were related to the principles for insuring against flooding. PZU DOM and PZU DOM Plus insurance prices were adjusted in individual areas, depending on their flooding threat levels.

In casualty insurance, as of 1 March 2011, PZU launched the Wojażer - PZU Pomoc w Podróży insurance (Voyager – PZU Travel Assistance) which comprises medical treatment insurance and assistance for people traveling in Poland and abroad. The insurance may be extended as needed to include additional assistance services and additional riders. At the same time, 5 products were withdrawn from the offer, since their coverage has now been included in the Wojażer insurance – PZU Pomoc w Podróży product.

In the compulsory subsidized insurance for agricultural crops, new rules were introduced for concluding this insurance in the Spring 2011 season. In Q3 2011, PZU launched its fall sale campaign for farming insurance which is subsidized by the state budget. Special tariff solutions have been prepared for the campaign.

In July 2011, a new version of the major product dedicated to SME clients – comprehensive insurance PZU DORADCA – was launched. Changes in the general terms and conditions of insurance and in the tariff were aimed at expanding availability of the product to all the clients from the SME segment (the limit of the sum insured in insurance against fire and other elements from PLN 4 million to PLN 10 million and the turnover limit from PLN 6 million to PLN 15 million) while improving the product's profitability. According to the client's needs, the insurance may be expanded to include assistance services and insurance of risks unique to the business activity, which are offered based on additional clauses, such as e.g. the PZU HOTEL clause targeted at hotel and catering industry customers. The amendment consisted in the preparation of an offer addressed at all the SME sub-segments, which allowed PZU to withdraw the PZU PARTNER comprehensive insurance and the PZU HOTEL insurance.

In August 2011, the amended general terms and conditions of insurance of the insurance against financial losses of entities serving as payers of public liabilities came into effect. This product supplements the offer for notaries public and court executive officers who purchased their mandatory liability insurance from PZU.

No new products for corporate clients were launched in the period from January to September 2011.

In the area of bancassurance and strategic partnership programs, in 2011, PZU introduced mobile phone insurance and notebook and laptop insurance into its offer. This product has been designed to expand cooperation with existing business partners or initiate it with new ones.

13.2. Life insurance

Data from the profit and loss account – life insurance	1 Jan – 30 Sep 2011	1 Jan – 30 Sep 2010	% change
Gross written premium	5,011,737	4,845,781	3.4%
Net earned premium	5,016,554	4,851,617	3.4%
Net result on investment activity*	658,947	1,317,798	(50.0%)
Net insurance claims	(3,466,620)	(3,418,089)	1.4%
Acquisition costs	(238,369)	(219,808)	8.4%
Administrative costs	(439,865)	(469,998)	(6.4%)
Operating profit (loss) *	1,486,382	2,043,057	(27.2%)

* including dividend income from PTE PZU in the amount of PLN 99,571 thousand in 2011 and PLN 116,809 thousand in 2010.

Gross written premium by product group – life insurance	1 Jan – 30 Sep 2011	1 Jan – 30 Sep 2010	% change
Group insurance	3,241,177	3,122,873	3.8%
Individual insurance, including:	1,770,560	1,722,908	2.8%
- insurance continued individually	1,366,594	1,345,638	1.6%
- other individual insurance	403,966	377,270	7.1%
Total	5,011,737	4,845,781	3.4%

Gross written premium by payment type - life insurance	1 Jan – 30 Sep 2011	1 Jan – 30 Sep 2010	% change
Regular premium	4,876,251	4,750,244	2.7%
Single premium	135,486	95,537	41.8%
Total	5,011,737	4,845,781	3.4%

The PLN 166.0 million (+3.4%) increase in gross written premium vis-a-vis the 3 quarters of 2010 was caused mainly by increases in group insurance (+ PLN 118.3 million, + 3.8%) and, to a lesser extent, in individual insurance (+ PLN 47.7 million, +2.8%). In group insurance, the growth was determined by the 3.5% growth (+ PLN 98.0 million) in type P protection insurance (insurance of employees by their work establishment). This resulted from a growing number of insureds (+1.1%) and higher average premiums (+2.4%). In individually continued insurance, premium growth was achieved mainly by up-

selling additional insurance (+14.6%). In the remaining individual insurance products, premium increased as a result of high sales of investment products: the Plan na Życie regular premium savings and investment product with a protection element, structured products sold through PZU's own network, through the bancassurance channel and Individual Retirement Accounts (IKE). A new product, PZU Ochrona Rodziny (PZU Family Protection) insurance, was also launched in the current period. The increase was partially offset by the gradual phasing-out of the portfolio of endowment insurance agreements concluded in the 1990s.

After the 3 quarters of 2011, net claims paid and change in technical provisions amounted to PLN 3,466.6 million, up by PLN 48.5 million compared to the same period of 2010. The change resulted from an increase in benefit payments and a simultaneous reduction of provisions in unit-linked insurance. Key factors contributing to the level of this item include:

- controlled loss ratio consistent with expectations in protective group insurance resulting mainly from the higher frequency of events resulting from portfolio growth (especially riders);
- a decrease of technical reserves in unit-linked insurance, as compared to an increase in 2010, resulting from losses incurred on investment activity in Q3 2011;
- faster growth of technical reserves in type P continued insurance (by PLN 39.5 million) caused by the increase and the change of the age structure of the insureds' portfolio;
- a slower rate of conversion of long-term agreements into annual renewable agreements in group protection insurance (the effect of releasing the reserves during the 3 quarters of 2011 was PLN 354.1 million, compared to PLN 396.1 million in the same period of 2010).

Investment income in the life insurance segment adjusted by dividends received from PTE PZU in the first 3 quarters of 2011 and the first 3 quarters of 2010 were PLN 559.4 million and PLN 1,201.0 million, respectively.

The PLN 39.5 million decrease of net investment income was caused mainly by lower interest income. Another contributing factor was the lower average value of the debt securities portfolio resulting from dividend payments by PZU Życie SA.

The decrease of the "Net change in the fair value of assets and liabilities carried at fair value" line item by PLN 554.3 million was essentially caused the drop in stock exchange prices – in the first 3 quarters of 2011, the WIG index fell 19.4%, while increasing by 13.1% in the first 3 quarters of 2010.

Net investment realization result was PLN 47.9 million lower, which was caused mainly by the declining stock exchange prices in the first 3 quarters of 2011.

Acquisition costs in the life insurance segment in the first three quarters of 2011 and 2010 were PLN 238.4 million and PLN 219.8 million, respectively. The change of PLN 18.6 million (-8.4%) results primarily from the hike in commissions paid for protection group insurance (including bancassurance) and individual investment insurance (with a high first-year commission) caused by a higher volume of sales (Plan na Życie). The increase was partially offset by the declining commission on the portfolio of endowment insurance agreements concluded in the 1990s, which is being phased out.

During the 3 first quarters of 2011, the life insurance segment recorded a decrease of administrative expenses by PLN 30.1 million (-6.4%), which resulted from cost-saving measures (inter alia reduction of headcount in PZU Życie in 2010 and 2011) and optimization of fixed costs.

Operating profit in the life insurance segment after Q3 2011 decreased by PLN 556.7 million (-27.2%) compared to the corresponding period of 2010, primarily as a result of lower investment income posted in Q3 2011.

13.2.1. Impact of non-recurring events on operating results

In the life insurance segment, in the first 3 quarters of 2011 and 2010, there were no non-recurring events which could significantly impact the segment's operating result.

13.2.2. New products

The main activity carried out during the first 3 quarters of 2011 in the area of individual products was the launch of the new protection product, i.e. PZU Ochrona Rodziny (PZU Family Protection). The product is dedicated to the existing clients holding certain insurance agreements. It provides a

comprehensive coverage for the insured and its closest family. Thanks to its bundled structure, the product will adjust the coverage flexibly to meet the insured's unique needs.

Sales of the Plan na Życie product introduced in early 2010 are continued. After the 3 quarters of 2011, the number of policies in the portfolio was 15.1 thousand agreements and premium written as at the end of the period reached PLN 28.7 million. Plan na Życie is a long-term product which requires regular premium payments and supports development of a long-term high-yield portfolio.

During the first 3 quarters of 2011, 5 subscriptions of the Świat Zysków (World of Profits) structured insurance product were carried out; the insurance attracts clients seeking safe investment products with a potential yield greater than offered by bank deposits. Świat Zysków is an alternative to or complements other investment products. PLN 47.4 of written premium was obtained as part of subscriptions conducted in that period.

13.3. Investment contracts

Investment contracts executed by PZU Life are presented in the "Not allocated (consolidation adjustments and other)" segment. Investment contract accounting is conducted by applying the deposit method, as a consequence of which investment contract volumes do not constitute income according to IFRS.

Volumes under investment contracts by product group	1 Jan – 30 Sep 2011	1 Jan – 30 Sep 2010	% change
Group insurance	2,280,628	1,136,217	100.7%
Individual insurance, including:	625,746	650,648	(3.8%)
- insurance continued individually	-	-	X
- other individual insurance	625,746	650,648	(3.8%)
Total	2,906,374	1,786,865	62.7%

Volumes obtained on investment contracts by payment type	1 Jan – 30 Sep 2011	1 Jan – 30 Sep 2010	% change
Regular premium	5,757	4,862	18.4%
Single premium	2,900,617	1,782,003	62.8%
Total	2,906,374	1,786,865	62.7%

Volumes obtained on investment contracts in the first three quarters of 2011 and 2010 were PLN 2,906.4 million and PLN 1,786.9 million, respectively. The increase of PLN 1,119.5 million (62.7%) resulted primarily from higher sales of endowment investment contracts through the bancassurance channel (+ PLN 1,145.2 million in the current period).

13.4. Activity in the area of Open-End Pension Funds

Revenues from fees and commissions in the pension insurance segment for 3 quarters of 2011 and of 2010 reached PLN 179.4 million and PLN 183.4 million, respectively. The decrease of PLN 4 million (-2.2%) resulted mainly from the PLN 19.5 million decrease in revenues on the premium fee caused by the statutory reduction of premiums transferred by the Social Security Company (ZUS) to the Fund from 7.3% down to 2.3%, while the management fee increased by PLN 15.5 million in connection with a higher level of the Fund's assets and PLN 2.5 million worth of funds were returned from the fundamental part of the Indemnity Fund managed by KDPW.

The increase in acquisition costs of PLN 15.4 million (+40.6%) resulted in particular from writing off a fraction of acquisition commissions settled over time, since the related asset suffered impairment as a result of changes made in the applicable law.

Net profit for Q3 2011 decreased by 15.6% as compared to Q3 2010, down to PLN 66.7 million from PLN 79.0 million.

As at the end of September 2011, approx. 2.208,8 thousand persons were members of the PZU Open-End Pension Fund (OFE PZU), which constitutes 14.3% of the total number of members of all

existing open-end pension funds and gives OFE PZU third place on the market in this respect. Compared to the balance as at the end of September of the previous year, the number of OFE PZU members increased by 25.7 thousand persons, i.e. 1.2% (while the total number of members of all open-end pension funds increased by 4.1%).

At the end of September 2011, the total value of net assets of all OFEs on the market reached PLN 222,035.8 million, growing 6.0% in relation to the end of Q3 2010. OFE PZU's assets grew in this period by 4.2% to PLN 30,224.3 million. The amount of assets was affected by premiums received from ZUS and by investment results. In the period from January to September 2011, ZUS transferred PLN 1,754.51 million worth of 4premiums to OFE PZU, which was over 24.2% less than in the corresponding period of 2010 (such a significant drop was caused by the statutory reduction of premiums transmitted by ZUS from May 2011 from 7.3% to 2.3%) and the rate of return was -5.7%.

14. Macroeconomic environment

According to the Central Statistical Office's (GUS) preliminary data, the pace of GDP growth in Q2 2011 was 4.3% y/y and was approximately the same as the level in the three previous quarters. Higher domestic demand contributed in its entirety to maintaining the relatively high rate of GDP. Individual consumption was the most significant (the extent of its impact on GDP growth was 2.2 percentage points), although its growth rate slowed slightly in comparison with the previous two quarters. The pace of investment growth in fixed assets accelerated (their contribution to GDP growth was 1.4 percentage points and was at its highest since the end of 2008), coupled with the ongoing influence exerted by accumulating inventories for economic growth (1.0 percentage point). The most important driver of economic growth on the side of production in Q2 2011 consisted of market services – the growth rate of added value in this sector was at its highest since the end of 2008. The very high growth rate in added value in the construction sector achieved thanks to public infrastructure investments prompted this sector to exert a greater influence on economic growth in Q2 2011, despite its relatively slight weighting, than industry, which experienced a slowdown in its rate of growth of added value.

On the basis of the monthly data concerning economic activity it may be concluded that the GDP growth rate in Q3 2011 may be as high as even 4.0% y/y. The slowdown in the pace of GDP growth would therefore be lower than one could fear having in mind the deterioration in indicators of economic conditions in the Eurozone and in Poland. The growth rate of production sold in industry edged upwards in Q3 (to 6.2% y/y) while slightly falling in comparison with Q2 of this year, the growth rate of construction and assembly production remains very high (on average on a monthly basis to 15.1% y/y). The pace of retail sales growth in Q3 of this year stayed at a fairly high level (6.3% y/y on average per month in constant prices) and consumer sentiment improved slightly. Domestic demand continued to be decisive for economic growth in Q3, probably coupled with a slightly lower growth rate of individual consumption. In recent months the indicators of economic conditions, including the assessments of future demand started to deteriorate. The adverse impact exerted by protracted uncertainty regarding the consequences of the debt crisis in the Eurozone on corporates is visible. Corporate interest in undertaking new investments remains low. At the same time, their current economic position is still very good.

The uncertainty surrounding the economic outlook stemming from the circumstances in the Eurozone has contributed to deceleration in the growth of headcount in corporates. In Q3 2011 the number of employees in this sector dropped by 11.8 thousand compared to a growth of 17.9 thousand in Q2 2011 and a surge of 27.7 thousand in Q3 2010. In parallel, the downward trend in the registered unemployment rate (11.8%) has been stopped. The pace of growth in average wages in corporates in Q3 of this year was similar to the growth in Q2 (5.3% y/y), at the same time the decline in inflation made it possible to increase slightly the still relatively low growth rate in real pay in this sector. The average monthly pace of growth in the real salary fund in corporates stayed at a level similar to the previous quarter (4.3% y/y). The mean CPI in Q3 2011 fell to 4.1% y/y compared to 4.6% y/y in Q2 2011 – food market trends contributed with particular strength to this decline. The Monetary Policy Council (RPP) did not modify the parameters of monetary policy in Q3 2011. The reference interest rate in September of this year stayed at 4.5% as set in June 2011.

In Q3 2011 the average yield on Polish treasuries clearly fell in comparison with Q2 2011, especially on in the 2 to 5 year segment. The Polish bond market became more attractive in the face of the debt problems encountered by the Eurozone countries (state budget in a good position, Poland's economic „fundamentals” are robust). In September of this year however the sharp growth in aversion to risk also led to higher yields on Polish bonds. Nevertheless only the yield on 10 year bonds at the end of September (5.92%) was slightly higher than at the end of June of this year (5.84%) among the benchmark instruments. Expectations of cutting interest rates have contributed to the maintenance of relatively low yields on the „short end” of the yield curve. Price volatility has remained very high on the equity market in Q3 2011, especially from the sharp decline in the first days of August. From the end of June to the end of September of this year, the WIG index slumped by 21%, while the WiG20 index fell by 21.9%. The sharp increase in aversion to risk on the global financial markets and the deterioration of global economic perspectives have also led to the Polish zloty's clear weakening. The EUR/PLN and USD/PLN exchange rates grew by 10.7% and 18.4%, respectively between the end of September and the end of June 2011.

15. Management Board's position on previously published result forecasts

PZU did not publish any standalone or consolidated result forecasts.

16. Specification of factors which may affect the financial results in the subsequent quarters

16.1. Non-life insurance

The most significant risk factors which may affect PZU's performance in the next quarters include:

- financial crisis in the Euro zone which may lead to an economic slowdown and reduction of demand for insurance products;
- situation of capital markets, particularly of the Warsaw Stock Exchange – part of the Company's investment activity income depends on the trends on those markets;
- volatile yield on treasury securities depending on the economic situation in Poland and in the European Union; a decrease in yield on such securities may bring about a decrease in the profitability of investments and result in a need to change the Company's level of technical rates;
- possible change (amendment of legal regulations) of the rules for valuating capitalized annuity reserves – this may necessitate an increase of the level of prudence and an increase in those reserves;
- increased risk of court judgments that are negative for the insurance segment (e.g. Resolution adopted by the Supreme Court on 13 July 2011, file ref. III CZP 31/11)¹;
- lack of a precise definition of the scope of exemptions pertaining to e.g. insurance services, medical services, in the amended VAT Act.

¹ Resolution of 13 July 2011 (file ref. III CZP 31/11) - the perpetrator of a motor accident, against whom a criminal measure involving the obligation to remedy the damages was used (Article 46 § 1, in connection with Article 39 item 5 of the Criminal Code) may pursue from the insurer, based on the third party liability insurance agreement for motor vehicle owners against losses relating to traffic of such motor vehicles, a claim for a refund of the benefit paid to the injured party.

16.2. Life insurance

The most significant risk factors which may affect PZU Życie's results in the next quarters include:

- financial crisis in the Euro zone which may lead to an economic slowdown and reduction of demand for insurance products;
- situation of capital markets, particularly of the Warsaw Stock Exchange – part of the Company's investment activity income depends on the trends on those markets;
- Volatile yield on treasury securities depending on the economic situation in Poland and in the European Union; a decrease in yield on such securities may bring about a decrease in the profitability of investments and result in a need to change the Company's level of technical rates and the European Embedded Value level;
- changes in the financial intermediation market, stopped growth of popularity of independent financial consulting and resulting reduction in the number of sales channels for the Company's products;
- changes in the current mortality, longevity and morbidity levels.

16.3. Pension funds

The most significant factors which may affect PTE PZU's results in the next quarters include:

- further legislative changes, if any, impairing revenues and, to a lesser extent, decreasing costs,
- active acquisition activity in the transfer market conducted by competitors in Q4 2011 (until the statutory ban on acquisition comes into effect) may adversely affect the value of the Fund's assets;
- behavior of the treasury securities market (changes in yields) and behavior of the capital market, in particular any significant changes of shares listed on the Warsaw Stock Exchange may affect valuation of the Fund's assets and management fees charged by PTE PZU.

17. Significant events after the end of the reporting period

17.1. Resignation of a PZU Management Board Member

On 6 October 2011, Marcin Halbersztadt resigned from the function of a PZU Management Board Member and his mandate expired on the same date. All the changes to the composition of the PZU Management Board are described in detail in item 23.5.1.

17.2. Further restructuring of employment in the PZU Group

This issue is described in item 23.6.

18. Issues, redemptions and repayments of debt securities and equity securities

In the 9-month period ended 30 September 2011, PZU did not issue, redeem or repay any debt securities or equity securities.

19. Granting of loan sureties or guarantees by PZU or its subsidiaries

In the 9-month period ended 30 September 2011, neither PZU nor its subsidiaries granted any loan sureties or guarantees to any single entity or any subsidiary of such an entity the total amount of which sureties or guarantees would be the equivalent of at least 10% of PZU's equity.

20. Dividends

With respect to profit for 2010 and the previous years, subject to distribution is only the profit indicated in the standalone financial statements of the parent company prepared in accordance with PAS.

On 11 May 2011, the PZU Management Board adopted a resolution on PZU's dividend policy. The following assumptions for the dividend policy were made:

- the basis for determining the dividend to be paid by PZU SA for the relevant financial year will be the PZU SA Capital Group's consolidated financial result consistent with IFRS;
- the dividend amount:
 - may not be lower than 50% or higher than 100% of the consolidated net profit presented in the consolidated financial statements consistent with IFRS;
 - may not be higher than PZU's unconsolidated net profit presented in the standalone financial statements consistent with PAS;
 - may not cause a decrease in PZU's shareholder funds below 250% of the solvency margin;
 - may not cause a decrease in the PZU Group's financial strength below a level equivalent to the AA rating under Standard & Poor's methodology;
 - should take into account additional capital needs of PZU over a 12-month time horizon following the adoption of the PZU Group's consolidated financial statements for the relevant year by the PZU Management Board.
- the shareholder funds and the solvency margin must be calculated in compliance with the prudential requirements established for the Polish insurance market.

Also on 11 May 2011, the PZU Management Board adopted a resolution on proposed distribution of the 2010 net profit of PLN 3,516,709 thousand by proposing that:

- PLN 2,245,160 thousand be disbursed as a dividend for the shareholders;
- PLN 1,271,549 thousand be allocated to reserve capital.

On 30 June 2011, the PZU Shareholder Meeting adopted a resolution on the distribution of the 2010 net profit consistent with the above proposal and assuming payment of a dividend of PLN 26.00 per share and setting the dividend rights date at 30 September 2011 and the dividend payment date at 21 October 2011.

21. Information on PZU shareholders

21.1. List of PZU shareholders holding at least 5% of votes at the Shareholder Meeting

As at the delivery date of this interim report, PZU's shareholders holding at least 5% of votes at the Shareholder Meeting include:

No.	Shareholder's name	Number of shares and votes	% of share capital and votes at the Shareholder Meeting
1	State Treasury	30,385,253	35.1875 %
2	ING Otwarty Fundusz Emerytalny	4,339,308	5.0251 %
3	Other shareholders	51,627,739	59.7874 %
Total		86,352,300	100.0000%

21.2. Changes in the ownership structure of material blocks of issuer's shares

In the period from the publication date of the PZU Group's consolidated interim report for H1 2011 on 25 August 2011 to the delivery date of this interim report, no material changes occurred in the ownership structure of material blocks of the issuer's shares.

21.3. Shares or rights to shares held by persons managing and supervising PZU

No.	Body / Full Name	Number of shares / rights to shares as at the date of delivery of this interim report (i.e. 8 November 2011)	Number of shares / rights to shares as at the date of delivery of the previous interim report (i.e. 25 August 2011)	Resulting change in the period between those dates
Management Board				
1	Andrzej Klesyk	-	-	-
2	Witold Jaworski	-	-	-
3	Przemysław Dąbrowski	-	-	-
4	Tomasz Tarkowski	80	80	-
5	Bogusław Skuza	500	500	-
6	Ryszard Trepczyński	-	-	-
Group Directors				
1	Dariusz Krzewina	-	-	-
2	Rafał Grodzicki	-	-	-
Supervisory Board				
1	Marzena Piszczek	-	-	-
2	Zbigniew Cwiąkański, Ph.D.	-	-	-
3	Krzysztof Dresler	-	-	-
4	Waldemar Maj	30	30	-
5	Dariusz Filar	-	-	-
6	Zbigniew Derdziuk	-	-	-
7	Dariusz Daniluk	-	-	-
Total		610	610	-

22. Dispute-related financial settlements

The PZU Group entities participate in a number of litigations, arbitration disputes and administrative proceedings. Typical litigations involving the PZU Group companies include disputes pertaining to concluded insurance agreements, disputes concerning labor relationships and disputes relating to contractual obligations. Typical administrative proceedings involving the PZU Group companies include proceedings before the President of the Office for Competition and Consumer Protection (UOKiK), proceedings before the Financial Supervision Commission (KNF) and proceedings related to the possession of real properties. Such proceedings and litigations are of a typical and repetitive nature and usually no particular one of them is of material importance to the PZU Group. The majority of disputes involving the PZU Group companies concerned two companies: PZU and PZU Life.

PZU and PZU Life take disputed claims into account in the process of establishing their technical reserves for known losses, considering the probability of an unfavorable outcome of the dispute and estimating the probable awarded amount. In the case of disputed claims pertaining to restatement of annuities in PZU Life, the claims are carried in other technical reserves at the annual value of annuities above the corresponding amount of reserve set within the framework of mathematical life reserves.

During the 9 months ended 30 September 2011 and until the date of submission of this interim report, the PZU Group was not involved in any proceedings conducted before a court, an arbitration body or a public administration authority which concerned any liabilities or receivables of PZU or any of its direct or indirect subsidiaries, the unit value of which was at least 10% of PZU's equity.

As at 30 September 2011, the aggregated value of all the 23,339 cases pending before courts, arbitration bodies or public administration authorities in which PZU Group entities take part, was PLN 1,634,160 thousand. Out of this amount, PLN 1,249,968 relates to liabilities and PLN 384,192 to receivables of PZU Group companies, which represented respectively 10.96% and 3.37% of PZU's equity according to PAS.

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

On 9 April 2010, the Court of Arbitration served PZU Life with a statement of claim filed by CSC Computer Sciences Polska Sp. z o.o. ("CSC") against PZU Life to pay a total of EUR 8,437 thousand in connection with the implementation of the GraphTalk system in PZU Life. As a result of subsequent amendments to the statement of claim, CSC currently pursues payment of a total of PLN 36.823 thousand.

The amount pursued by the statement of claim encompasses CSC's claims on account of license fees, remuneration for the performance of implementation works, remuneration for computer system maintenance services, remuneration for repair services, fee for computer systems, liquidated damages and capitalized interest.

On 31 May 2010, in the rejoinder to the statement of claim, PZU Life petitioned the Court of Arbitration to assert its temporary lack of jurisdiction to examine some of the claims and dismiss the statement of claim in its entirety. In PZU Life's opinion, CSC's claims are either groundless or have never been proven.

Together with the rejoinder to the statement of claim, PZU Life filed a counterclaim against CSC in which PZU Life demanded payment of PLN 71,890 thousand as a refund of the remuneration collected by CSC under the agreement entered into with PZU Life or as compensation for the improper performance of CSC's obligations arising out of that agreement. In its rejoinder to the counterclaim dated 31 August 2010, CSC petitioned the Court of Arbitration to dismiss PZU Life's claim in its entirety, indicating the absence of grounds to accept PZU Life's claim.

Furthermore, on 21 December 2010, PZU Life filed a petition with the District Court for the Capital City of Warsaw to call for a settlement attempt against CSC to pay indemnification of PLN 123,326 thousand for the damage caused by improper performance of the agreement or, alternatively, to return the remuneration of PLN 71,890 thousand paid to CSC under the agreement. During the court session held on 8 February 2011, no settlement was reached. The court resolved to discontinue the proceedings to call for a settlement attempt. The court's decision on this issue is legally binding.

22.2. Procedure conducted by the Office for Competition and Consumer Protection (“UOKiK”) against PZU Life

On 1 June 2005, the President of the Office for Competition and Consumer Protection started, at the request of a few applicants, an anti-monopoly procedure in the matter of a suspicion of PZU Life's abuse of its dominating position in the group employee insurance market, which may constitute a breach of Article 8 of the Competition and Consumer Protection Act and Article 82 of the Treaty establishing the European Community. As a result of the procedure, on 25 October 2007 the President of UOKiK imposed a fine on PZU Life in the amount of PLN 50,384 thousand for hindering clients from taking advantage of the offers of the company's competitors.

The PZU Life Management Board does not agree with the factual findings or with the legal arguments presented in the decision. The PZU Life Management Board is of the opinion that in rendering the decision UOKiK did not take into consideration the entire evidentiary material and made an incorrect legal qualification, and, as a consequence, groundlessly assumed that PZU Life has a dominating position on the market.

PZU Life appealed against that decision to the Competition and Consumer Protection Court. A total of 38 material law and formal law allegations against the decision of the President of UOKiK were formulated in the appeal. On 31 May 2010, the Court rejected PZU Life's appeal based on the circumstance that the decision issued by the President of UOKiK on 25 October 2007 was improperly delivered to PZU Life and thus the prescription period for the submission of PZU Life's appeal against the decision did not start yet. Both parties appealed against the Court's decision. After examining the claimant's and the respondent's complaints, on 26 October 2010 the court of second instance resolved to quash the appealed decision.

On 17 February 2011, the Regional Court in Warsaw – the Court for Competition and Consumer Protection issued a judgment partially changing the appealed decision but at the same time dismissing PZU Life's appeal against the amount of the imposed penalty. On 6 May 2011, PZU Life filed an appeal against this judgment.

23. Other information

23.1. Evaluation of the PZU Group companies' standing by rating agencies

PZU and PZU Life are subject to regular evaluations by rating agencies. Ratings awarded to PZU and PZU Life result from analysis of financial data, competitive position, management and corporate strategy. They also contain a rating outlook, i.e. an evaluation of the company's future situation in the event of the occurrence of certain specific circumstances.

As of the date of this interim report, PZU and PZU Life had a long-term credit rating and a financial strength rating (awarded by Standard & Poor's Ratings Services on 16 July 2009) of A with a stable rating outlook. Then, Standard & Poor's Ratings Services confirmed this rating and outlook (on 22 July 2011 and 5 July 2010).

The following table presents ratings awarded to the PZU Group companies by Standard & Poor's together with the previous year's ratings.

Company name	Rating and outlook	Date awarded / updated	Previous rating and outlook	Date awarded / updated
PZU				
Financial strength rating	A (stable)	22 July 2011	A (stable)	5 July 2010
Credit rating	A (stable)	22 July 2011	A (stable)	5 July 2010
PZU Życie				
Financial strength rating	A (stable)	22 July 2011	A (stable)	5 July 2010
Credit rating	A (stable)	22 July 2011	A (stable)	5 July 2010

23.2. Amendment of PZU's articles of association

On 1 June 2011, upon request of the State Treasury, the Extraordinary Shareholder Meeting of PZU adopted a resolution to amend the PZU Articles of Association, accepting all the amendments included in the request submitted by the shareholders.

The amendments to the Company's Articles of Association referred to the following:

- editorial changes, pertaining to the removal of transitory regulations from the period when PZU operated before and after its floating on the regulated market, aimed at increasing transparency of PZU's Articles of Association by removing some of the regulations which became redundant as the factual statuses there specified have become true.
- restriction of the shareholders' voting right and adoption of the principles for aggregating and reducing votes;
- The shareholders' voting right was restricted in a way that no shareholder may exercise at the Shareholder Meeting more than 10% of the overall number of votes in PZU on the date of the Shareholder Meeting, with a reservation that, for the purposes of determining the obligations of the buyers of large blocks of shares according to the Act of 29 July 2005 on Public Offerings and the Conditions for Offering Financial Instruments in an Organized Trading System and on Public Companies (Journal of Laws of 2005 No. 185 Item 1539, as amended) and the Insurance Activity Act of 22 May 2003 (Journal of Laws of 2010, No. 11 Item 66, as amended) (the "Insurance Activity Act"), such restriction of the voting right will be deemed non-existent. For the purposes of restricting the voting right, the votes of the shareholders connected by a parent or subsidiary relationship are added up.
- Those restrictions do not apply to the State Treasury and to the shareholders acting with the State Treasury based on agreements on joint exercise of voting rights ensuing from the shares. The restrictions on the voting rights will expire when the State Treasury's share in PZU's share capital falls below 5%.
- manner of appointing the Supervisory Board.
- Members of the PZU Supervisory Board are appointed and dismissed by the Shareholder Meeting.
- Until the State Treasury's share in the share capital of PZU falls below 20%, the half of the Supervisory Board members appointed by the Shareholder Meeting will be selected from among of the persons named by the State Treasury.
- Upon expiration of the right vested in the State Treasury, another shareholder representing the highest share in the PZU share capital, provided that it holds at least 20% of the share capital.
- Additionally, until the moment the State Treasury ceases to be the Company's shareholder, it shall have the right, in line with Article 354 § 1 of the Commercial Company Code, to appoint and dismiss one Supervisory Board Member by way of a written statement submitted to the Company's Management Board. Such an appointment or dismissal shall be effective from the moment of delivering the pertinent representation to the Management Board and shall not require a Shareholder Meeting resolution.

On 6 June 2011, pursuant to Article 32 sec. 2 items 4 and 7 of the Insurance Activity Act, PZU addressed the KNF with a request to approve the amendments made to the PZU Articles of Association. On 28 June 2011, KNF issued a decision to approve the changes.

Amendments to the Articles of Association came into force on the date they were registered by the court of registration. Until receipt of the court's decision on changing the data in KRS, the PZU Articles of Association registered in KRS on 9 September 2010 remained in effect. On 17 October 2011, PZU received a court decision on entering amendments to the PZU Articles of Association in the KRS as at 6 October 2011.

The above amendments to the Articles of Association were dictated by the need to ensure stabilization of PZU's position. The proposed changes ensure the stability of exercise of the voting rights under the shares, which in turn discourage any actions leading to speculative trading in PZU shares, especially

those that could lead to temporary investment decisions. The changes relating to the rules for appointing the Supervisory Board are to ensure a long-term stability of PZU's management and consistent implementation of the assumed goals.

The changes do not prevent a strategic investor entering PZU.

23.3. Expansion of the PZU Tax Capital Group

On 27 September 2011, PZU Group companies signed a new Tax Capital Group agreement ("TCG" comprised of 9 companies: PZU, PZU Życie, TFI PZU, PZU AM, PZU CO, PZU Pomoc SA, Ipsilon BIS SA, Ogrodowa-Inwestycje Sp. z o.o., Ipsilon Sp. z o.o. The TCG was established for a period of 3 years - from 2012 to 2014.

The TCG agreement in place as at the date of this interim report is in effect in the years 2009-2011 and consists of only two leading PZU Group companies, i.e. PZU and PZU Życie.

In both TCG agreements, PZU is the parent company that represents PGK. Pursuant to Art. 25 sec. 1 of the CIT Act of 15 February 1992 (Journal of Laws of 2011, No. 74, Item 397), the TCG conducts settlements with the Tax Authority on a monthly basis.

23.4. Capital shortage in PZU Ukraine Life

PZU Ukraine Life, due to the decrease in its share capital and a subsequent significant increase in the EUR/UAH exchange rate, ceased to satisfy the requirement of a minimum share capital set by the Ukrainian Insurance Act for life insurance companies at EUR 1,500 thousand (equivalent to UAH 16,823 thousand at the EUR/UAH exchange rate of 31 March 2011, which meant a capital shortage of UAH 622 thousand as at that date).

On 18 April 2011, during a meeting of the PZU Ukraine and PZU Ukraine Life Supervisory Boards, a plan was presented for mutual recapitalization of both companies by an amount of approx. UAH 8,000 thousand, i.e. PZU Ukraine will subscribe for PZU Ukraine Life shares and vice versa. The deal will allow the fulfillment of license requirements without any additional commitment of PZU funds.

On 30 June 2011, the Extraordinary Shareholder Meetings of PZU Ukraine and PZU Ukraine Life, following the recommendations of both companies' Supervisory Boards, adopted resolutions to:

- increase the share capital of PZU Ukraine Life by UAH 2,500 thousand and equity by UAH 7,872 thousand by issuing 25,000 shares with a par value of UAH 100 per share and an issue price of UAH 314.88 per share,
- increase the share capital of PZU Ukraine by UAH 1,800 thousand and equity by UAH 7,517 thousand by issuing 180,000 shares with a par value of UAH 10 per share and an issue price of UAH 41.76 per share.

On 16 September 2011, the Ukrainian companies concluded share purchase agreements on the terms described above. The articles of association which incorporated the capital increases of both companies were registered on 26 September 2011 and the share registration certificate was issued on 13 October 2011. The increased share capital of PZU Ukraine is UAH 17,954 thousand, and PZU Ukraine Life: UAH 18,701 thousand.

23.5. Changes in the composition of PZU's management and supervisory bodies

23.5.1. PZU Management Board

As at 31 December 2010, the PZU Management Board was composed of:

- Andrzej Klesyk – President of the PZU Management Board;
- Witold Jaworski – Member of the PZU Management Board;

- Przemysław Dąbrowski - Member of the PZU Management Board.

In connection with the elapse, on 27 June 2011, of the three-year term of office of the current PZU Management Board, the PZU Supervisory Board adopted a resolution on 2 February 2011 to commence a qualification procedure for the position of CEO of PZU and six Members of the PZU Management Board for the new term of office. The Members of the PZU Management Board to be selected were to be responsible for the following task areas: retail business, corporate business, investments, finances, operations, claims handling and IT.

On 15 March 2011, the PZU Supervisory Board appointed Andrzej Klesyk to the PZU Management Board for the new term of office and entrusted him with the further discharge of the function of CEO of PZU.

On 21 April 2011, the PZU Supervisory Board made another decision on the composition of the PZU Management Board for the new term of office.

The Supervisory Board decided to appoint the following persons to the PZU Management Board:

- Tomasz Tarkowski – as the PZU Management Board Member overseeing the claims handling area (with additional appointment for the then current term of office as of 21 April 2011);
- Bogusław Skuza – as the PZU Management Board Member overseeing the corporate business area;
- Ryszard Trepczyński – as the PZU Management Board Member overseeing the investments area;
- Marcin Halbersztadt – as the PZU Management Board Member overseeing the IT area (with additional appointment for the then current term of office as of 15 May 2011).

Moreover, the mandate for the following two current PZU Management Board Members was confirmed for the new term of office:

- Przemysław Dąbrowski – overseeing the finance area;
- Witold Jaworski – overseeing the retail business area.

In accordance with the decision of the PZU Supervisory Board, Bogusław Skuza and Ryszard Trepczyński were appointed to the PZU Management Board for the new term of office from 1 July 2011.

In connection with PZU's Annual Shareholder Meeting held on 30 June 2011 at which the standalone and consolidated financial statements of PZU for 2010 were approved, the new term of office of the PZU Management Board began on the day following the PZU's Annual Shareholder Meeting, i.e. on 1 July 2011. The term of office is joint and covers full three consecutive financial years. The first full financial year will be 2012.

On 6 October 2011, Marcin Halbersztadt resigned from the function of a PZU Management Board Member and his mandate expired on the same date. From 6 October 2011 to the delivery date of this interim report, the composition of the PZU Management Board was as follows:

- Andrzej Klesyk – President of the PZU Management Board;
- Witold Jaworski – Member of the PZU Management Board;
- Przemysław Dąbrowski – Member of the PZU Management Board;
- Tomasz Tarkowski – Member of the PZU Management Board;
- Bogusław Skuza – Member of the PZU Management Board;
- Ryszard Trepczyński – Member of the PZU Management Board.

23.5.2. PZU Supervisory Board

As at 31 December 2010, the PZU Supervisory Board composition was as follows:

- Marzena Piszczek – Supervisory Board Chairwoman;
- Zbigniew Ćwiąkański – Supervisory Board Deputy Chairman;
- Grażyna Piotrowska-Oliwa – Supervisory Board Secretary;
- Waldemar Maj – Supervisory Board Member;
- Piotr Kamiński – Supervisory Board Member;

- Krzysztof Dresler – Supervisory Board Member;
- Dariusz Filar – Supervisory Board Member.

According to the PZU Articles of Association, the number of Supervisory Board members is determined by a resolution adopted by the PZU Shareholder Meeting. Supervisory Board members are appointed for a joint term of office, which encompasses three consecutive full financial years. The Supervisory Board elects the Supervisory Board Chairman and Deputy Chairman from among its members.

By resolutions adopted on 30 June 2011, the Annual Shareholder Meeting set the number of PZU Supervisory Board Members at 7 and appointed such a number of persons to the Supervisory Board for the new term of office. Also on 30 June 2011, the newly-appointed Supervisory Board constituted itself and is currently composed of:

- Marzena Piszczek – Supervisory Board Chairwoman;
- Zbigniew Cwiąkański – Supervisory Board Deputy Chairman;
- Krzysztof Dresler – Supervisory Board Secretary;
- Waldemar Maj – Supervisory Board Member;
- Dariusz Filar – Supervisory Board Member;
- Zbigniew Derdziuk – Supervisory Board Member;
- Dariusz Daniluk – Supervisory Board Member.

2012 will be the first full financial year for the newly-appointed Supervisory Board. There were no other changes in the composition of the PZU Supervisory Board by the delivery date of this interim report.

23.5.3. PZU Group Directors

As at 31 December 2010, the following persons were the PZU Group Directors:

- Dariusz Krzewina;
- Rafał Grodzicki;
- Przemysław Dąbrowski;
- Mariusz Sarnowski;
- Krzysztof Branny.

On 2 January 2011, Przemysław Dąbrowski submitted his resignation from the position of PZU Group Director. On 24 January 2011, the PZU Management Board dismissed him from this position and appointed Tomasz Tarkowski as PZU Group Director starting from 1 February 2011.

On 21 April 2011, due to his appointment to the PZU Management Board, Tomasz Tarkowski ceased to discharge the duties of PZU Group Director.

On 7 July 2011, in connection with his resignation from the function of the Vice-President of the PZU Życie Management Board, the PZU Management Board dismissed Mariusz Sarnowski from the function of a PZU Group Director.

On 16 August 2011, Krzysztof Branny resigned from his positions as a: Member of the PZU Życie Management Board and a PZU Group Director.

From 17 August 2011 to the delivery date of this interim report, PZU Group Directors included:

- Dariusz Krzewina;
- Rafał Grodzicki;

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

23.6. Employment restructuring in PZU and PZU Life

On 26 December 2009, the PZU and PZU Life Management Boards announced a plan to implement a restructuring program for the years 2010-2012.

The employment restructuring process involves, among other issues, centralization of previously dispersed functions in several centers located in several big cities across Poland and increased

specialization of newly hired employees, focusing primarily on the following areas: operations, finance, claims handling and the PZU Group network.

In 2010, the change process in PZU and PZU Życie within the framework of group layoffs covered 6,045 employees, of whom 2,439 were handed documents terminating their employment agreements.

Due to the planned scale of layoffs in the upcoming months of 2011, on 11 May 2011 the PZU and PZU Life Management Boards announced their intention to effect new group layoffs.

As at that date, it was estimated that the change will affect up to 3,316 persons, of which layoffs, i.e. decreases in the headcount at PZU and PZU Życie, were assumed to reach 1,212 persons in 2011.

The employment restructuring process in 2011 is associated with continuation of activities commenced in 2010 and involves, among other things, further integration of distinct teams fulfilling similar tasks in PZU and PZU Life, implementation of IT tools and optimization of processes allowing the achievement of higher work performance norms (measures) as well as further centralization of certain functions in the central units. The employment restructuring process in 2011 will affect mostly the following areas: operations, finance, administration, HR and payroll, claims and benefits handling and networks in all the areas, in the field and in central units and Head Offices of PZU and PZU Życie.

In accordance with the regulations of the Act of 13 March 2003 on the Special Rules for Terminating Employment Relations with Employees for Reasons Not Attributable to the Employees (Journal of Laws, No. 90, Item 844 as amended, „Act on the Special Rules for Terminating Employment Relations”) the extent of the group layoffs and the rules for conducting them were subject to consultation with the trade unions operating in PZU and PZU Życie, which was brought to a conclusion on 26 May 2011 by agreeing on the wording of a memorandum of agreement specifying the terms and conditions of headcount restructuring in 2011, signed on 30 May 2011 („Memorandum of Agreement”).

The Memorandum of Agreement contains among others information concerning the number of persons covered by restructuring, the selection criteria for layoffs, the financial package, the rules for protecting selected employee groups and the group layoff execution schedule.

In accordance with the clauses of the Memorandum of Agreement:

- the process of group layoffs under headcount restructuring was launched on 13 June and concluded on 10 October 2011;
- in PZU restructuring entailing a change of conditions of employment or – if the employees fail to accept these changes – layoff will affect 1,706 employees, while up to 1,041 employees will receive final terminations;
- in PZU Życie restructuring entailing a change of conditions of employment or – if the employees fail to accept these changes – layoff will affect 1,317 employees, while up to 637 employees will receive final terminations;
- since some employees are partially employed by PZU and PZU Życie, the total number of employees affected by these changes (change of conditions of employment and layoffs) will not exceed 3,303. Up to 1,199 persons in the two companies are subject to the intention of terminating employment contracts.

Persons who were laid off or who did not accept the proposed change of conditions of employment during the previous stage of restructuring (covering 2010 and Q1 2011), as well as the persons involved in the current stage of restructuring currently in progress receive and have received more favorable terms and conditions of severance than the ones contemplated by the law in similar circumstances („Act on the Special Rules for Terminating Employment Relations”). The amounts of additional severance pays was and is dependent on the amount of remuneration of the respective employees and their years in service in the PZU Group.

The table below presents the scale of the employment restructuring process in PZU and PZU Życie, by quarter:

Term	Total number of employees affected by the change in PZU and PZU Życie	Number of PZU and PZU Życie employees who received employment termination documents
1 January – 31 March 2011 *	approx. 90	33
1 April – 30 September 2011	2,032	1,366 **

* the layoffs in PZU and PZU Życie were effected, due to their small scale, using the individual termination procedure, rather than group layoffs.

** this figure includes employees with respect to which the termination of employment was initiated as a result of a termination arrangement or by delivering employment agreement termination statements or as a result of the employees' non-acceptance of new terms and conditions of employment or remuneration, notwithstanding the employer's will.

The total restructuring expenses in the period from 1 January to 30 September 2011 were PLN 39,848 thousand (in the whole of 2010: PLN 147,750 thousand and from 1 January to 30 September 2010: PLN 71,382 thousand).

As at 30 September 2011, the provision for restructuring costs (presented in item 8.8) was PLN 59,871 thousand, which meant a change of PLN 15,382 thousand in the balance of that reserve during the 9 months ended 30 September 2011 (in the whole of 2010: PLN 83,510 thousand, and during the 9 months ended 30 September 2010: PLN 69,185 thousand).

23.7. KNF's inspections in PZU

On 12 January 2011, KNF commenced an inspection in PZU which lasted until 22 February 2011. The scope of the inspection covered the following matters: organization & management and accounting. On 30 March 2011, PZU received an inspection report and, on 13 April 2011, provided KNF with its reservations and explanations to the inspection report. On 30 June 2011, PZU received a recommendation with an implementation deadline of 30 September 2011. On 1 July 2011, PZU informed KNF that the recommendation had been implemented.

On 8 April 2011, PZU received 7 post-inspection recommendations concerning the KNF inspection conducted between June and August 2009 and covering the following areas: technical reserves and claims handling. KNF set the time limit for the implementation of the recommendations at 30 September 2011. In the letter of 30 September 2011, PZU provided KNF with information on how the recommendations had been implemented.

24. Transactions with affiliated entities

24.1. Execution, by PZU or its subsidiaries, of material transactions with related entities on terms other than based on an arm's length principle

In the period of 9 months ended 30 September 2011, neither PZU nor its subsidiaries executed any single or multiple transactions with their related entities which were of material significance individually or collectively and were executed on terms other than based on an arm's length principle.

24.2. Turnovers and balances of transactions executed with related entities

Balances and turnovers resulting from commercial transactions between the PZU Group and affiliated entities in the period of 1 January – 30 September 2011 and as at 30 September 2011	Gross written premium				Receivables						
	in non-life insurance	in life insurance (including volumes under investment contracts)	Other income	Costs	- including charges for receivables established in the current period	gross value	revaluation charges	value net	Liabilities	Contingent assets	Contingent liabilities
Key management staff of key entities 1/	-	-	-	-	-	-	-	-	-	-	-
Other affiliated entities 2/	655	-	30,007	17,153	-	12,314	(10,306)	2,008	1,714	-	-

Balances and turnovers resulting from trading transactions between the PZU Group and affiliated entities in 2010 and as at 31 December 2010	Gross written premium				Receivables						
	in non-life insurance	in life insurance (including volumes under investment contracts)	Other income	Costs	- including charges for receivables established in the current period	gross value	revaluation charges	value net	Liabilities	Contingent assets	Contingent liabilities
Significant investor (Eureko B.V.) 3/	-	-	21	-	-	-	-	-	-	-	-
Key management staff of key entities 1/	-	-	-	-	-	-	-	-	-	-	-
Other affiliated entities 2/	784	-	31,377	25,012	-	11,575	(10,306)	1,269	3,498	-	-

Balances and turnovers resulting from commercial transactions between the PZU Group and affiliated entities in the period of 1 January – 30 September 2010 and as at 30 September 2010	Gross written premium				Costs	Receivables						
	in non-life insurance	in life insurance (including volumes under investment contracts)	Other income			including charges for receivables established in the current period	gross value	revaluation charges	value net	Liabilities	Contingent assets	Contingent liabilities
Significant investor (Eureko B.V.) 3/	-	-	21	-	-	-	-	-	-	-	-	-
Key management staff of key entities 1/	-	-	-	-	-	-	-	-	-	-	-	-
Other affiliated entities	732	-	25,128	16,970	-	12,954	(11,291)	1,663	2,417	-	-	-

1/ Management board members of the consolidated PZU Group companies and PZU Group Directors.

2/ PZU's unconsolidated direct or indirect subsidiaries and associates, the complete list of which is presented in item 1.2.

3/ Income and receivables from Eureko refer to remuneration due to PZU for the provision of selected data and financial reports to Eureko.

As at 30 September 2011 and 31 December 2010, the main line item under the balance of receivables from other related entities included amounts due, including interest, from Syta Development Sp. z o.o. in liquidation ("Syta Development") for the performance of agreements related to the construction of the Claims Handling and Underwriting Center for the total gross value of PLN 10,306 thousand (30 September 2010: PLN 11,291 thousand) which, due to non-performance of the agreements, were fully covered by a revaluation charge as at all balance sheet dates.

24.3. Transactions with subsidiaries of the State Treasury

IAS 24 requires presentation of transactions with related entities. Until 11 May 2010, the State Treasury held a majority stake in PZU's share capital. On 11 May 2010, under the IPO process, shares sold by the State Treasury were transferred to and registered in the accounts of their buyers, as a result of which the State Treasury's stake in PZU's share capital fell below the 50% threshold.

Despite this, however, for the purposes of presenting the turnovers and balances of transactions executed with related entities it is assumed that after 11 May 2010 the State Treasury retained control over PZU within the meaning of IAS 27, and, as a consequence, PZU is still a subsidiary of the State Treasury and is required to keep presenting in its financial statements transactions executed with entities related to the State Treasury.

For the purposes of this item, "subsidiaries, co-subsidiaries and affiliates of the State Treasury" should be construed only as commercial law companies and state-owned companies which are subsidiaries, co-subsidiaries or affiliates of the State Treasury and listed as such on the State Treasury Ministry's website. In particular, as part of their business operations prescribed by the respective articles of association, the PZU Group entities executed transactions with subsidiaries, co-subsidiaries or affiliates of the State Treasury other than the commercial law companies or state-owned companies listed on the State Treasury Ministry's website. Due to a very large number of such entities and transactions, limitations of the PZU Group's reporting system and insignificance of such transactions on the PZU Group's result, presentation of such transactions is, in PZU's opinion, immaterial for the presentation of the PZU Group's financial situation.

The PZU Group applied the exemption referred to in item 25 of IAS 24 and decided not to disclose certain information related to transactions with entities related by virtue of remaining under the control, shared control or significant influence of the same government.

Transactions with subsidiaries, co-subsidiaries and affiliates of the State Treasury were predominantly non-life insurance agreements, life insurance agreements and unit-linked contracts.

The table below presents written premium and volumes from unit-linked contracts resulting from transactions with subsidiaries, co-subsidiaries and affiliates of the State Treasury executed and settled on terms and conditions available to unrelated clients.

Subsidiaries, co-subsidiaries and associated entities with the State Treasury	1 July – 30 Sep 2011	1 Jan – 30 Sep 2011	1 July – 30 Sep 2010	1 Jan – 30 Sep 2010
Gross written premium in non-life insurance	51,080	103,045	49,786	95,702
Gross written premiums in life insurance	3,857	10,916	4,800	20,236
Volumes under PZU Life's investment contracts	507,481	1,484,415	1,091,405	1,091,405
Total	562,418	1,598,376	1,145,991	1,207,343

The following tables contain data regarding written premium and volumes under investment contracts in bancassurance transactions with banks controlled by and associated with the State Treasury.

Bank Powszechna Kasa Oszczędności BP SA	1 July – 30 Sep 2011	1 Jan – 30 Sep 2011	1 July – 30 Sep 2010	1 Jan – 30 Sep 2010
Gross written premium of PZU	8,599	20,581	3,094	13,694
Gross written premium of PZU Life	3,857	10,916	4,800	20,236
Volumes under PZU Life's investment contracts	507,481	1,484,415	1,091,405	1,091,405
Total	519,937	1,515,912	1,099,299	1,125,335

Bank Ochrony Środowiska SA	1 July – 30 Sep 2011	1 Jan – 30 Sep 2011	1 July – 30 Sep 2010	1 Jan – 30 Sep 2010
Gross written premium of PZU	699	735	(31)	72
Gross written premium of PZU Life	-	-	-	-
Volumes under PZU Life's investment contracts	-	-	-	-
Total	699	735	(31)	72

Bank Gospodarstwa Krajowego SA	1 July – 30 Sep 2011	1 Jan – 30 Sep 2011	1 July – 30 Sep 2010	1 Jan – 30 Sep 2010
Gross written premium of PZU	138	195	44	76
Gross written premium of PZU Life	-	-	-	-
Volumes under PZU Life's investment contracts	-	-	-	-
Total	138	195	44	76

BANK GOSPODARKI ŻYWNOSCIOWEJ SA	1 July – 30 Sep 2011	1 Jan – 30 Sep 2011	1 July – 30 Sep 2010	1 Jan – 30 Sep 2010
Gross written premium of PZU	678	1,693	1,062	2,876
Gross written premium of PZU Life	-	-	-	-
Volumes under PZU Life's investment contracts	-	-	-	-
Total	678	1,693	1,062	2,876

QUARTERLY STANDALONE FINANCIAL INFORMATION OF PZU (according to PAS)**1. Interim Balance Sheet**

PLN thous.

Assets	30 Sep 2011	30 Jun 2011	31 Dec 2010	30 Sep 2010	31 Dec 2009
I. Intangible assets, including:	79,699	67,408	63,526	54,205	49,560
- goodwill	-	-	-	-	-
II. Investments	26,239,021	25,071,092	23,832,035	22,946,372	26,765,773
1. Real estate	586,779	591,566	599,551	599,503	600,110
2. Investments in subsidiaries, including:	6,081,854	5,817,751	6,860,409	6,126,008	7,710,649
- investments in subsidiaries carried using the equity method	6,049,735	5,791,415	6,834,051	6,107,261	7,691,903
3. Other financial investments	19,563,418	18,655,241	16,363,674	16,209,467	18,442,095
4. Deposit receivables from ceding companies	6,970	6,534	8,401	11,394	12,919
III. Net assets of a life insurance company where the policyholder bears the investment risk	-	-	-	-	-
IV. Receivables	1,889,618	3,871,584	1,543,565	1,800,316	1,355,331
1. Receivables on direct insurance	1,381,282	1,286,977	1,190,674	1,187,578	1,083,279
1.1. From subsidiaries	283	101	246	529	322
1.2. From other entities	1,380,999	1,286,876	1,190,428	1,187,049	1,082,957
2. Reinsurance receivables	74,352	78,668	121,352	168,087	26,174
1.1. From subsidiaries	13,625	6,663	100	100	-
1.2. From other entities	60,727	72,005	121,252	167,987	26,174
3. Other receivables	433,984	2,505,939	231,539	444,651	245,878
1.1. Receivables from the state budget	483	9,500	9,268	172	81,704
1.2. Other receivables	433,501	2,496,439	222,271	444,479	164,174
a) from subsidiaries	49,052	2,025,153	5,607	98,700	2,923
b) from other entities	384,449	471,286	216,664	345,779	161,251
V. Other assets	192,775	282,032	280,422	271,651	245,572
1. Tangible asset components	96,921	96,861	114,133	110,362	117,772
2. Cash	95,854	185,171	166,289	161,289	127,800
3. Other asset components	-	-	-	-	-
VI. Prepayments and accruals	663,571	638,920	630,271	630,727	631,971
1. Deferred income tax assets	32,836	690	-	-	-
2. Capitalized acquisition expenses	479,621	489,629	462,058	453,275	432,102
3. Posted interest and rents	-	-	-	64	-
4. Other prepayments and accruals	151,114	148,601	168,213	177,388	199,869
Total assets	29,064,684	29,931,036	26,349,819	25,703,271	29,048,207

Interim balance sheet (cont.)

PLN thous.

Liabilities and equity	30 Sep 2011	30 Jun 2011	31 Dec 2010	30 Sep 2010	31 Dec 2009
I. Equity	11,409,847	11,191,406	11,902,186	11,035,562	10,411,542
1. Share capital	86,352	86,352	86,352	86,352	86,352
2. Contributions due to share capital (negative figure)	-	-	-	-	-
3. Treasury stock (negative figure)	-	-	-	-	-
4. Reserve capital	3,331,834	3,331,831	2,060,272	2,060,354	1,252,214
5. Revaluation reserve	5,422,220	5,309,159	6,238,853	5,532,792	7,312,998
6. Other reserve capital	-	-	-	-	-
7. Profit (loss) brought forward	-	-	-	-	-
8. Net profit (loss)	2,569,441	2,464,064	3,516,709	3,356,064	2,510,379
9. Charges to net profit during the financial year (negative figure)	-	-	-	-	(750,401)
II. Subordinated debt	-	-	-	-	-
III. Technical reserves	14,422,932	14,163,921	13,963,010	13,831,910	13,132,664
IV. Reinsurers' share in technical reserves (negative figure)	(701,002)	(748,134)	(786,825)	(900,702)	(754,456)
V. Estimated recoveries and salvage (negative figure)	(45,497)	(47,403)	(74,577)	(66,676)	(78,996)
1. Gross estimated recoveries and salvage	(47,248)	(49,087)	(76,834)	(68,529)	(81,416)
2. Reinsurer's share in estimated recoveries and salvage	1,751	1,684	2,257	1,853	2,420
VI. Other reserves	319,172	317,872	328,726	418,052	542,531
1. Reserves for pension benefits and other compulsory employee benefits	213,557	218,778	214,018	235,956	229,550
2. Deferred income tax reserve	-	-	4,057	34,672	117,652
3. Other reserves	105,615	99,094	110,651	147,424	195,329
VII. Liabilities for reinsurers' deposits	-	-	-	-	-
VIII. Other liabilities and special-purpose funds	3,350,210	4,754,004	674,552	1,098,249	5,478,601
1. Liabilities on direct insurance	291,079	264,685	259,626	182,895	154,698
1.1. To subsidiaries	418	746	2,358	748	819
1.2. To other entities	290,661	263,939	257,268	182,147	153,879
2. Reinsurance liabilities	51,163	71,721	27,969	29,157	17,667
2.1. To subsidiaries	13,015	6,206	2	-	-
2.2. To other entities	38,148	65,515	27,967	29,157	17,667
3. Liabilities on the issue of own debt securities and drawn loans	-	-	-	-	-
4. Liabilities to credit institutions	331,311	1,313,668	122	94	4,748,213
5. Other liabilities	2,557,814	2,960,633	245,071	734,145	432,169
5.1. Liabilities to the state budget	60,994	67,082	10,930	122,952	15,435
5.2. Other liabilities	2,496,820	2,893,551	234,141	611,193	416,734
a) to subsidiaries	4,959	15,026	36,270	4,463	11,279
b) to other entities	2,491,861	2,878,525	197,871	606,730	405,455
6. Special-purpose funds	118,843	143,297	141,764	151,958	125,854
IX. Accruals and deferred income	309,022	299,370	342,747	286,876	316,321
1. Accrued expenses	293,588	284,302	327,663	273,724	303,209
2. Negative goodwill	-	-	-	-	-
3. Deferred income	15,434	15,068	15,084	13,152	13,112
Total liabilities and equity	29,064,684	29,931,036	26,349,819	25,703,271	29,048,207

Interim balance sheet (cont.)

PLN thous.

Book value	11,409,847	11,191,406	11,902,186	11,035,562	10,411,542
Number of shares	86,352,300	86,352,300	86,352,300	86,352,300	86,352,300
Book value per share (in PLN)	132.13	129.60	137.83	127.80	120.57
Diluted number of shares	86,352,300	86,352,300	86,352,300	86,352,300	86,352,300
Diluted book value per share (in PLN)	132.13	129.60	137.83	127.80	120.57

2. Interim statement of off-balance sheet items

PLN thous.

Off-balance sheet items	30 Sep 2011	30 Jun 2011	31 Dec 2010	30 Sep 2010	31 Dec 2009
1. Conditional receivables, including:	9,102,594	8,764,268	8,155,430	7,991,073	6,895,117
1.1. Guarantees and sureties received	6,746	5,000	4,528	3,728	3,699
1.2. Others	9,095,848	8,759,268	8,150,902	7,987,345	6,891,418
2. Contingent liabilities, including:	52,879	60,441	81,229	75,650	46,239
2.1. Guarantees and sureties given	6,261	6,469	8,543	7,807	7,714
2.2. Accepted and endorsed bills of exchange	-	-	-	-	-
2.3. Assets subject to the obligation of resale	-	-	-	-	-
2.4. Other liabilities secured on assets or income	-	-	-	-	-
2.5. Disputed claims not accepted by the insurance company and pursued by debtors by litigation	45,721	53,075	71,660	66,772	37,443
3. Reinsurance collateral instituted in favor of the insurance company	-	-	-	-	-
4. Reinsurance collateral instituted by the insurance company in favor of ceding companies	-	-	-	-	-
5. Third party asset components not captured in the assets	222,709	222,709	227,978	227,995	231,158
6. Other off-balance sheet line items	-	-	-	-	-
Shareholder funds	8,909,147	8,841,033	9,593,441	9,095,837	8,261,644
Equity Solvency margin	1,337,542	1,336,216	1,338,798	1,337,542	1,338,798
Surplus (deficiency) of shareholder funds to cover the solvency margin	7,571,605	7,504,817	8,254,643	7,758,295	6,922,846
Technical reserves	14,375,684	14,114,834	13,886,176	13,763,381	13,051,248
Assets covering the technical reserves	20,612,485	18,790,497	17,687,287	17,695,015	14,245,034
Surplus (deficiency) assets covering the technical reserves	6,236,801	4,675,663	3,801,111	3,931,634	1,193,786

3. Interim technical account of non-life insurance

PLN thous.

Technical account of non-life insurance	1 July – 30 Sep 2011	1 Jan – 30 Sep 2011	1 July – 30 Sep 2010	1 Jan – 30 Sep 2010
I. Premiums (1-2-3+4)	2,041,597	5,873,777	1,900,971	5,569,076
1. Gross written premium	2,003,783	6,217,302	1,827,249	5,769,100
2. Reinsurers' share in the gross written premium	13,407	142,916	22,950	118,577
3. Change in the balance of the unearned premium reserve and gross unexpired risk reserve	(66,799)	219,988	(109,806)	81,656
4. Reinsurers' share in the change to the unearned premium reserve balance	(15,578)	19,379	(13,134)	209
II. Net investment income after considering costs, transferred from the non-technical profit and loss account	65,430	197,922	69,234	197,112
III. Other net technical income	20,646	62,235	3,003	46,192
IV. Claims (1+2)	1,504,185	4,062,932	1,486,589	4,371,562
1. Net claims paid	1,144,961	3,688,542	1,286,846	3,888,145
1.1. Gross claims paid	1,239,453	3,898,910	1,518,096	4,171,264
1.2. Reinsurers' share in claims paid	94,492	210,368	231,250	283,119
2. Change in the balance of the net claims reserve	359,224	374,390	199,743	483,417
2.1. Change in the balance of the gross claims reserve	327,603	269,694	(8,761)	630,021
2.2. Reinsurers' share in the change in the balance of the claims reserve	(31,621)	(104,696)	(208,504)	146,604
V. Movements in other net technical reserves	-	-	-	-
1. Movements in other gross technical reserves	-	-	-	-
2. Reinsurers' share in the change in the balance of other gross technical reserves	-	-	-	-
VI. Net premiums and rebates jointly with the change in the balance of the reserves	726	2,276	2,763	1,885
VII. Insurance activity expenses	513,598	1,481,098	539,007	1,542,564
1. Acquisition expenses, including: - movements in capitalized acquisition expenses	370,449	1,084,173	364,746	1,036,344
2. Administrative costs	132,601	397,233	154,040	507,976
3. Reinsurance commissions and sharing in the reinsurers' profits	(10,548)	308	(20,221)	1,756
VIII. Other net technical expenses	66,709	257,686	60,599	225,140
IX. Changes in the balance of loss ratio (risk) equalization reserves	-	-	-	-
X. Technical result of non-life insurance	42,455	329,942	(115,750)	(328,771)

4. Interim non-technical profit and loss account

PLN thous.

Non-technical profit and loss account	1 July – 30 Sep 2011	1 Jan – 30 Sep 2011	1 July – 30 Sep 2010	1 Jan – 30 Sep 2010
I. Technical result of non-life insurance or life insurance	42,455	329,942	(115,750)	(328,771)
II. Investment income	445,381	3,042,803	250,095	4,076,285
1. Investment income on real estate	1,666	4,665	1,624	5,013
2. Investment income from subsidiaries	4	1,987,286	-	3,120,000
2.1. on ownership interests or shares	4	1,987,286	-	3,120,000
2.2. On loans and debt securities	-	-	-	-
2.3. on other investments	-	-	-	-
3. Other financial investment income	282,990	712,035	185,423	659,142
3.1. on ownership interests, shares, other variable-income securities, participation units and investment certificates in investment funds	22,969	36,223	5,217	17,029
3.2. on debt securities and other fixed income securities	236,179	641,415	179,651	627,536
3.3. on term deposits in credit institutions	8,963	13,717	(850)	5,287
3.4. on other investments	14,879	20,680	1,405	9,290
4. Gain on investment revaluation	-	2,282	-	60,666
5. Gain on investment realization	160,721	336,535	63,048	231,464
III. Unrealized investment gains	(30,460)	41,124	69,278	101,367
IV. Net investment income after including costs transferred from the technical life insurance account	-	-	-	-
V. Investment activity expenses	90,153	268,268	35,187	112,342
1. Real estate maintenance expenses	1,222	3,785	1,115	3,355
2. Other investment activity expenses	8,280	18,874	4,078	10,205
3. Loss on investment revaluation	4,201	4,526	306	10,875
4. Loss on investment realization	76,450	241,083	29,688	87,907
VI. Unrealized investment losses	145,401	196,222	(22,258)	27,716
VII. Net investment income after including costs transferred to the technical non-life insurance account	65,430	197,922	69,234	197,112
VIII. Other operating income	16,707	46,610	15,829	39,664
IX. Other operating expenses	47,472	75,551	9,919	102,411
X. Operating profit (loss)	125,627	2,722,516	127,370	3,448,964

Interim Non-technical Profit And Loss Account (cont.)

PLN thous.

Non-technical profit and loss account	1 July – 30 Sep 2011	1 Jan – 30 Sep 2011	1 July – 30 Sep 2010	1 Jan – 30 Sep 2010
XI. Extraordinary gains	-	-	-	-
XII. Extraordinary losses	-	-	-	-
XIII. Gross profit (loss)	125,627	2,722,516	127,370	3,448,964
XIV. Income tax	32,447	155,331	27,363	69,588
a) current part	51,927	185,356	41,590	134,870
b) deferred part	(19,480)	(30,025)	(14,227)	(65,282)
XV. Other compulsory reductions in profit (increase in losses)	-	-	-	-
XVI. Share of the net profit (loss) of subsidiaries valued by the equity method	12,197	2,256	(20,350)	(23,312)
XVII. Net profit (loss)	105,377	2,569,441	79,657	3,356,064
Net profit (loss)	105,377	2,569,441	79,657	3,356,064
Weighted average number of common shares	86,352,300	86,352,300	86,352,300	86,352,300
Profit (loss) per common share (PLN)	1.22	29.76	0.92	38.86
Weighted average diluted number of common shares	86,352,300	86,352,300	86,352,300	86,352,300
Diluted profit (loss) per common share (PLN)	1.22	29.76	0.92	38.86

5. Interim Statement of Changes in Equity

PLN thous.

Statement of changes in equity	1 Jan – 30 Sep 2011	1 Jan - 31 Dec 2010	1 Jan – 30 Sep 2010
I. Equity at the beginning of the period (OB)	11,902,186	10,411,542	10,411,542
a) changes in the accepted accounting policies	-	-	-
b) corrections of errors	-	-	-
I.a. Equity at the beginning of the period (Opening Balance), after reconciliation with comparable data	11,902,186	10,411,542	10,411,542
1. Share capital at the beginning of the period	86,352	86,352	86,352
1.1. Movements in share capital	-	-	-
a) increases	-	-	-
b) decreases	-	-	-
1.2. Share capital at the end of the period	86,352	86,352	86,352
2. Contributions due to the share capital at the beginning of the period	-	-	-
2.1. Movements in contributions due to the share capital	-	-	-
a) increases	-	-	-
b) decreases	-	-	-
2.2. Contributions due to the share capital at the end of the period	-	-	-
3. Treasury stock at the beginning of the period	-	-	-
3.1. Changes in treasury stock	-	-	-
a) increases	-	-	-
b) decreases	-	-	-
3.2. Treasury stock at the end of the period	-	-	-
4. Reserve capital at the beginning of the period	2,060,272	1,252,214	1,252,214
4.1. Movement in reserve capital	1,271,562	808,058	808,140
a) increases (by virtue of):	1,271,562	808,058	808,140
- distribution of profit (above minimum amount statutorily required)	1,271,549	807,874	807,874
- from revaluation reserve – by sale and liquidation of fixed assets	13	184	266
b) decreases	-	-	-
4.2. Reserve capital at the end of the period	3,331,834	2,060,272	2,060,354
5. Revaluation reserve at the beginning of the period	6,238,853	7,312,998	7,312,998
-changes in the accepted accounting policies	-	-	-
5.1. Movements in the revaluation reserve	(816,633)	(1,074,145)	(1,780,206)
a) increases (by virtue of):	446,811	305,314	137,424
- valuation of financial investments	446,811	305,314	137,424
b) decreases (by virtue of)	1,263,444	1,379,459	1,917,630
- valuation of financial investments	1,263,431	1,379,275	1,917,364
- sale of fixed assets	13	184	266
5.2. Revaluation reserve at the end of the period	5,422,220	6,238,853	5,532,792
6. Other reserve capital at the beginning of the period	-	-	-
6.1. Movements in other reserve capital	-	-	-
a) increases	-	-	-
b) decreases	-	-	-
6.2. Other reserve capital at the end of the period	-	-	-

Interim Statement of Changes in Equity (cont.)

PLN thous.

Statement of changes in equity	1 Jan – 30 Sep 2011	1 Jan - 31 Dec 2010	1 Jan – 30 Sep 2010
7. Profit (loss) brought forward at the beginning of the period	3,516,709	1,759,978	1,759,978
7.1. Profit carried forward at the beginning of the period	3,516,709	1,759,978	1,759,978
a) changes in the accepted accounting policies	-	-	-
b) corrections of errors	-	-	-
7.2. Profit brought forward at the beginning of the period, after reconciliation with comparable data	3,516,709	1,759,978	1,759,978
a) increases	-	-	-
b) decreases	3,516,709	1,759,978	1,759,978
- transfers to reserve capital	1,271,549	807,874	807,874
- disbursement of dividends	2,245,160	942,104	942,104
- transfers to / charges for the Company Employee Benefit		10,000	10,000
Fund			
7.3. Profit brought forward at the end of the period	-	-	-
7.4. Loss brought forward at the beginning of the period	-	-	-
a) changes in the accepted accounting policies	-	-	-
b) corrections of errors	-	-	-
7.5. Losses brought forward at the beginning of the period, after reconciliation with comparable data	-	-	-
a) increases	-	-	-
b) decreases	-	-	-
7.6. Losses brought forward at the end of the period	-	-	-
7.7. Profit (loss) brought forward at the end of the period	-	-	-
8. Net result	2,569,441	3,516,709	3,356,064
a) net profit	2,569,441	3,516,709	3,356,064
b) net loss	-	-	-
c) charges to profits	-	-	-
II. Equity at the end of the period (Closing Balance)	11,409,847	11,902,186	11,035,562

6. Interim Cash Flow Statement

PLN thous.

Cash Flow Statement	1 Jan – 30 Sep 2011	1 Jan - 31 Dec 2010	1 Jan – 30 Sep 2010
A. Cash flow on operating activity			
I. Proceeds	7,119,458	9,123,042	6,420,464
1. Proceeds on direct activity and inward reinsurance	6,203,090	7,927,693	5,852,867
1.1. Proceeds on gross premiums	6,084,976	7,761,844	5,741,314
1.2. Proceeds on recovery, salvage and claim refunds	102,809	103,774	71,584
1.3. Other proceeds on direct activity	15,305	62,075	39,969
2. Proceeds on outward reinsurance	285,878	479,197	200,424
2.1. Payments received from reinsurers for their share of claims paid	270,426	463,291	188,385
2.2. Proceeds on reinsurance commissions and profit-sharing	9,953	10,779	6,633
2.3. Other proceeds from outward reinsurance	5,499	5,127	5,406
3. Proceeds on other operating activity	630,490	716,152	367,173
3.1. Proceeds for acting as an emergency adjuster	167,522	142,646	101,148
3.2. Sale of other intangible assets and tangible components of non-current assets besides investments	447	5,980	5,219
3.3. Other proceeds	462,521	567,526	260,806
II. Expenditures	6,645,760	9,265,109	6,775,364
1. Expenditures on direct activity and inward reinsurance	5,527,350	7,799,913	5,884,995
1.1. Returns of gross premiums	111,498	133,248	97,745
1.2. Gross claims paid	3,463,785	4,711,020	3,572,480
1.3. Acquisition expenditures	745,289	965,572	703,371
1.4. Administrative expenditures	1,028,308	1,645,509	1,232,539
1.5. Expenditures for claims handling and pursuit of recoveries	87,104	189,296	155,384
1.6. Commissions paid and profit-sharing on inward reinsurance	2,907	4,152	2,261
1.7. Other expenditures on direct activity and inward reinsurance	88,459	151,116	121,215
2. Expenditures on outward reinsurance	167,754	198,306	145,204
2.1. Premiums paid for reinsurance	138,676	126,216	102,332
2.2. Other expenditures on outward reinsurance	29,078	72,090	42,872
3. Expenditures on other operating activity	950,656	1,266,890	745,165
3.1. Expenditures for acting as an emergency adjuster	330,735	438,963	309,968
3.2. Purchase of other intangible assets and tangible components of non-current assets besides investments	57,006	88,136	64,813
3.3. Other operating expenditures	562,915	739,791	370,384
III. Net cash flow on operating activity (I-II)	473,698	(142,067)	(354,900)

Interim Cash Flow Statement (cont.)

PLN thous.

Cash Flow Statement	1 Jan – 30 Sep 2011	1 Jan - 31 Dec 2010	1 Jan – 30 Sep 2010
B. Cash flow on investing activity			
I. Proceeds	82,698,625	101,368,721	78,903,331
1. Sale of real estate	-	-	-
2. Sale of ownership interests and shares in subsidiaries	76,457	34	34
3. Sale of ownership interests and shares in other entities and participation units and investment certificates in investment funds	872,377	1,113,968	837,698
4. Realization of debt securities issued by subsidiaries and amortization of the loans granted to these entities	-	375	-
5. Realization of debt securities issued by other entities	29,941,244	21,797,796	15,266,705
6. Liquidation of term deposits in credit institutions	39,831,545	47,165,846	35,688,799
7. Realization of other investments	9,938,091	28,097,237	23,955,680
8. Proceeds from real estate	5,773	6,862	5,488
9. Interest received	20,354	49,664	18,846
10. Dividends received	2,012,784	3,136,939	3,130,081
11. 11.Other investment proceeds	-	-	-
II. Expenditures	82,909,658	95,459,778	72,788,198
1. Purchase of real estate	-	-	-
2. Purchase of ownership interests and shares in subsidiaries	84,871	155,578	147,963
3. Purchase of ownership interests and shares in other entities, participation units and investment certificates in investment funds	920,754	980,257	780,025
4. Purchase of debt securities issued by subsidiaries and extension of loans to these entities	-	-	-
5. Purchase of debt securities issued by other entities	28,592,413	18,835,440	11,985,545
6. Purchase of term deposits in credit institutions	40,931,244	46,784,138	35,323,071
7. Purchase of other investments	12,363,074	28,686,793	24,538,902
8. Expenditures to maintain real estate	7,480	7,860	6,783
9. Other expenditures for investments	9,822	9,712	5,909
III. Net cash flow on investing activity (I-II)	(211,033)	5,908,943	6,115,133
C. Cash flow on financing activity			
I. Proceeds	16,799,317	578	322
1. Net proceeds from issuing shares and additional capital contributions	-	-	-
2. Credits, loans and issues of debt securities	16,799,317	578	322
3. Other financial proceeds	-	-	-
II. Expenditures	17,131,440	5,728,563	5,728,013
1. Dividends	140	921,239	920,917
2. Other expenditures for distribution of profits besides disbursement of dividends	-	-	-
3. Purchase of treasury stock	-	-	-
4. Amortization of credits and loans and redemption of own debt securities	17,131,300	4,807,324	4,807,096
5. Interest on credits and loans and issued debt securities	-	-	-
6. Other financial expenditures	-	-	-
III. Net cash flow on financing activity (I-II)	(332,123)	(5,727,985)	(5,727,691)
D. Total net cash flow (A.III±B.III±C.III)	(69,458)	38,891	32,542
E. Balance sheet change in cash balance, including:	(70,435)	38,489	33,489
- movement in cash on account of FX gains	977	402	947
F. Cash at the beginning of the period	166,289	127,800	127,800
G. Cash at the end of the period (F±D), including:	95,854	166,289	161,289
- restricted cash	71,798	69,595	80,999

7. Introduction

This quarterly standalone financial information of PZU was prepared in accordance with the Polish Accounting Standards for reasons described in the part entitled Introduction, in which PAS were also defined.

8. Key accounting principles (policies)

Detailed accounting principles (accounting policy) are presented in the annual standalone financial statements of Powszechny Zakład Ubezpieczeń Spółka Akcyjna for 2010 prepared according to the PAS, signed by the PZU Management Board on 15 March 2011 for which the auditor issued an unqualified opinion on the same date ("standalone financial statements of PZU for 2010").

The standalone financial statements of PZU for 2010 are available on the PZU website at www.pzu.pl in the "PZU Group / Investor Relations / Current and periodic reports / Periodic reports" tab.

9. Changes in accounting policies

In the period of 9 months ended 30 September 2011, the following changes were made to the accounting policies and to the presentation of financial data in standalone financial statements of PZU, as compared to the standalone financial statements of PZU for 2010.

9.1. Change of the principles for recognition of gross written premium

In accordance with the recommendations issued by the Financial Supervision Commission, a change was introduced starting on 1 January 2011 and resulting from the interpretation of Art. 2 sec. 1 item 15 of the Finance Minister's Regulation of 28 December 2009 on the special accounting principles for insurance companies and reinsurance companies (Journal of Laws 2009 No. 226 Item 1825), involving recognition of income from written premium on the date of the insurance agreement rather than on the commencement date of insurance liability under the concluded insurance contracts (deferred on the other side through the premium reserve). In addition, recognition of the costs of commissions on the concluded agreements in the technical non-life insurance account was changed in a similar manner (without affecting the financial result by using the mechanism of deferring these costs over time on the other side).

This change did not affect the financial result or net assets of PZU.

9.2. ABC allocation

The change was described in item 4.2.1 of the supplementary information to the consolidated interim financial statements.

9.3. Impact of the changes on comparable data

The following tables present the impact of the aforementioned changes on the financial data for comparable periods. In the case of the profit and loss account, these are:

- the period of 6 months from 1 January to 30 September 2010;
- the period of 3 months from 1 July to 30 September 2010.

In the case of the balance sheet, the balances as at the following dates were presented: 31 December 2010, 30 September 2010 and 31 December 2009.

All the changes relating to comparable data in the balance sheet resulted from the modified principles of recognition of gross written premium.

Specification of balance sheet items	31 Dec 2010 historical data	Change	31 Dec 2010 comparable data	30 Sep 2010 historical data	Change	30 Sep 2010 comparable data	31 Dec 2009 historical data	Change	31 Dec 2009 comparable data
ASSETS									
IV.1.2. Receivables – Receivables on direct insurance – from other entities	1,053,703	136,725	1,190,428	1,118,347	68,702	1,187,049	971,728	111,229	1,082,957
VI.2. Prepayments and accruals – Capitalized acquisition expenses	424,144	37,914	462,058	425,201	28,074	453,275	394,962	37,140	432,102
VI.4. Prepayments and accruals – Other prepayments and accruals	206,127	(37,914)	168,213	205,462	(28,074)	177,388	237,009	(37,140)	199,869
LIABILITIES AND EQUITY									
III. Technical reserves	13,623,196	339,814	13,963,010	13,634,250	197,660	13,831,910	12,789,415	343,249	13,132,664
IX.3. Accruals and deferred income – Deferred income	218,173	(203,089)	15,084	142,110	(128,958)	13,152	245,132	(232,020)	13,112

The changes relating to comparable data in the technical non-life insurance account and in the non-technical profit and loss account were marked in the tables accordingly, as:

- "premium" – pertaining to the changed recognition principles of gross written premium;
- "ABC" – pertaining to the ABC allocation.

Selected items of an analysis of the technical account of non-life insurance	1 July - 30 Sep 2010 historical data	Change	1 July - 30 Sep 2010 comparable data	1 Jan - 30 Sep 2010 historical data	Change	1 Jan - 30 Sep 2010 comparable data
I.1. Premium - Gross written premium (premium)	1,870,987	(43,738)	1,827,249	5,914,689	(145,589)	5,769,100
I.3. Premium - Change in the balance of unearned premium reserves and the gross unexpired risk reserve (premium)	(66,068)	(43,738)	(109,806)	227,245	(145,589)	81,656
IV.1.1. Gross claims paid (ABC)	1,497,242	20,854	1,518,096	4,117,524	53,740	4,171,264
VII.1. Acquisition costs (ABC) (*)	332,745	32,001	364,746	957,971	78,373	1,036,344
VII.2. Administrative costs (ABC)	208,317	(54,277)	154,040	645,160	(137,184)	507,976
X. Technical result of non-life insurance	(117,172)	1,422	(115,750)	(333,842)	5,071	(328,771)

(*) Change of capitalized acquisition costs captured in this line item during the 9 months ended 30 September 2010 was minus PLN 30,239 thousand (previously reported data) and minus PLN 21,173 thousand (comparable data in these financial statements).

Specification of non-technical profit and loss account items	1 July - 30 Sep 2010 historical data	<i>Change</i>	1 July - 30 Sep 2010 comparable data	1 Jan - 30 Sep 2010 historical data	<i>Change</i>	1 Jan - 30 Sep 2010 comparable data
I. Technical result of non-life insurance or technical result of life insurance	(117,172)	1,422	(115,750)	(333,842)	5,071	(328,771)
V.1. Property maintenance expenses (ABC)	209	906	1,115	649	2,706	3,355
V.2. Other investment activity expenses	3,562	516	4,078	7,840	2,365	10,205

The standalone interim financial statements of PZU for the period of 9 months ended 30 September 2011 has been signed by:

Date	Full name	Position / Function	
8 November 2011	Andrzej Klesyk	President of the PZU Management Board (signed)
8 November 2011	Przemysław Dąbrowski	PZU Management Board Member (signed)
8 November 2011	Witold Jaworski	PZU Management Board Member (signed)
8 November 2011	Tomasz Tarkowski	PZU Management Board Member (signed)
8 November 2011	Bogusław Skuza	PZU Management Board Member (signed)
8 November 2011	Ryszard Trepczyński	PZU Management Board Member (signed)
8 November 2011	Piotr Marczyk	Director of the Accounting Department (signed)