

**POWSZECHNY ZAKŁAD UBEZPIECZEŃ  
SPÓŁKA AKCYJNA  
SUPERVISORY BOARD**



**PZU SA SUPERVISORY BOARD REPORT ON ASSESSMENT OF  
THE PZU SA FINANCIAL STATEMENTS FOR THE YEAR ENDED 31  
DECEMBER 2010, THE MANAGEMENT BOARD REPORT ON THE  
ACTIVITY OF PZU SA IN 2010, AND THE MANAGEMENT BOARD  
MOTION ON DISTRIBUTION OF PROFIT**

Warsaw, 7 June 2011

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This document constitutes the report of the PZU SA Supervisory Board and concerns the following:

- 1) assessment of the PZU SA financial statements for the year ended 31 December 2010;
- 2) assessment of the Management Board Report on the Activity of PZU SA in 2010;
- 3) assessment of the PZU SA Management Board motion on distribution of profit.

**I.**

**Assessment of the PZU SA financial statements for the year ended 31 December 2010 and assessment of the Management Board Report on the Activity of PZU SA in 2010.**

Pursuant to Article 382 §3 of the Commercial Company Code, the special duties of the Supervisory Board include assessment of the management board report on the company's activity and the financial statements for the previous financial year in respect of their compliance with the ledgers, documents and the factual status, and the management board motion on distribution of profit, and submission of a written annual report from this assessment to the shareholder meeting.

The PZU SA Supervisory Board, acting pursuant to the Company's Articles of Association and the Supervisory Board Bylaws, selected Deloitte Audyt Sp. z o.o. ("auditor"), as an entity authorized to audit financial statements, to audit the financial statements of PZU SA and the annual consolidated financial statements of the PZU Group for the year ended 31 December 2010.

Preparation of the PZU SA financial statements and the <sup>Management Board Report</sup> on PZU's activity compliant with prevailing regulations is the responsibility of the Company's Management Board. The Supervisory Board, together with the Management Board, are obligated to ensure that the aforementioned reports satisfy the requirements envisaged in Article 4 of the Accountancy Act of 29 September 1994 (Journal of Laws of 2002 no. 76, item 694, as amended) and the executive regulations issued on its basis.

The PZU SA financial statements for the year ended 31 December 2010 and the <sup>Management Board Report</sup> on PZU SA's activity in 2010 were discussed in detail with the Management Board and the Company's auditor and assessed by the PZU SA Supervisory Board Audit Committee at the meeting held on 15 March 2011.

In its opinion, the auditor represented that the audit of the financial statements was planned and conducted in such a manner as to obtain reasonable certainty to express an opinion on the financial statements. In particular, the audit encompassed a check of the correctness of the accounting principles applied by the Company and material estimates as well as a random check of the accounting evidence and records from which the numbers and information presented in the financial statements were derived, as well as overall assessment of the financial statements. The audit provided sufficient basis for expressing an opinion.

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

- accurately and clearly depict all information of material importance to assess the Company's assets and financial standing as at 31 December 2010, as well as its financial result for the financial year from 1 January to 31 December 2010
- were drawn up in accordance with the accounting principles prescribed by the Accountancy Act and the executive regulations issued on its basis, and on the basis of properly kept accounting ledgers
- comply with the provisions of law and the provisions of the Company's Articles of Association that affect the content of the financial statements.

Consequently, the auditor's opinion from the audit of PZU SA's standalone financial statements was issued without qualifications on 15 March 2011.

In addition, the auditor noted that:

- the financial statements have been drawn up under the assumption that PZU SA is a going concern in the foreseeable future, i.e. for at least 12 months after the balance sheet date, i.e. after 31 December 2010
- as at the date of signing the financial statements, there are no facts or circumstances that would indicate a threat to PZU SA's ability to continue its activity over the 12 months after the balance sheet date as a result of an intentional or an induced discontinuation or a material curtailment of its hitherto activity
- between the balance sheet date and the date of signing the financial statements, there were no material events impacting the assets and financial standing of PZU SA and its audited subsidiaries which were not reflected in the statements
- the level of technical reserves ensures appropriate coverage of current and future liabilities and satisfies the requirements imposed on insurance companies.

The auditor also represented that PZU's activity report for the 2010 financial year is complete as understood by Article 49 Section 2 of the Accountancy Act and attachment no. 6 to the Regulation issued by the Finance Minister on 28 December 2009 on Special Accounting Principles for Insurance Companies and Reinsurance Companies, while the information contained therein, originating from the audited financial statements, is consistent with them.

The PZU SA Management Board also represented that the PZU SA financial statements for 2010 have been prepared in a reliable manner and correctly reflect the business events taking place in the Company and are free of any irregularities resulting from intentional actions or errors.

The PZU SA Supervisory Board, upon analyzing the documents submitted by the Management Board:

- 1) the PZU SA financial statements for the year ended on 31 December 2010 encompassing:
  - a) balance sheet drawn up as at 31 December 2010 showing total assets and liabilities of PLN 26,213,094 thousand (say: twenty six billion two hundred thirteen million ninety four thousand Polish zloty)
  - b) technical non-life insurance account for the period from 1 January to 31 December 2010, showing a negative technical result to be transferred to the non-technical profit and loss account in the amount of PLN 252,014 thousand (say: two hundred fifty two million fourteen thousand Polish zloty)
  - c) non-technical profit and loss account for the period from 1 January to 31 December 2010 showing a net profit of PLN 3,516,709 thousand (say: three billion five hundred sixteen million seven hundred nine thousand Polish zloty)

- d) statement of changes in equity showing an increase in equity during the financial year ended 31 December 2010 by the amount of PLN 1,490,644 thousand (say: one billion four hundred ninety million six hundred forty four thousand Polish zloty)
  - e) cash flow statement showing an increase in cash balance during the financial year ended 31 December 2010 in the amount of PLN 38,489 thousand (say: thirty eight million four hundred eighty nine thousand Polish zloty)
  - f) notes to the financial statements for the financial year ended 31 December 2010;
- 2) auditor's opinion and report dated 15 March 2011;
  - 3) Management Board Report on PZU SA's Activity in 2010;

has positively assessed the aforementioned documents with respect to their consistency with the Company's ledgers and documents and with the factual status.

Consequently, the PZU SA Supervisory Board hereby resolves to submit this assessment to the PZU SA Ordinary Shareholder Meeting.

The Supervisory Board recommends that the PZU SA Shareholder Meeting approve:

- the PZU SA financial statements for the financial year ended 31 December 2010
- the Management Board report on PZU SA's activity in 2010

pursuant to § 18 Section 1 Item 1 of the PZU SA Articles of Association and Article 395 § 2 Item 1 of the Commercial Company Code.

## **II.**

### **Assessment of the PZU SA Management Board motion on distribution of profit.**

The PZU SA Supervisory Board has positively assessed the PZU Management Board motion on the proposal to distribute PZU SA's net profit for the year ended 31 December 2010 and recommends that the PZU SA Ordinary Shareholder Meeting distribute the Company's net profit in the amount of PLN 3,516,708,944.44 (say: three billion five hundred sixteen million seven hundred eight thousand nine hundred forty four and 44/100 Polish zloty) in the following manner:

- 1) the amount of PLN 2,245,159,800.00 (say: two billion two hundred forty five million one hundred fifty nine thousand eight hundred Polish zloty), i.e. PLN 26.00 per share, for dividend;
- 2) the amount of PLN 1,271,549,144.44 (say: one billion two hundred seventy one million five hundred forty nine thousand one hundred forty four and 44/100 Polish zloty) for reserve capital.

PZU SA Supervisory Board  
Chairperson

Marzena Piszczek