"Mr. Andrzej Klesyk, CEO, who is presiding over today's meeting and Mr. Przemysław Dąbrowski, a PZU Management Board member and the Group's CFO will be participating in today's conference. My name is Piotr Wiśniewski and I am responsible for investor relations. Our meeting will last roughly 90 minutes. For the first 45 minutes we will present our results followed by a question and answer session. This meeting is being broadcast live in the web. On-line participants may pose questions directly via the webcast site or by sending an e-mail to my e-mail address. The CEO will accompany us for the first 45 minutes; unfortunately, he will have to leave us after that. Mr. Dąbrowski and I will remain with you. I would now like to turn over the floor to Mr. Klesyk, the CEO."

"Good day ladies and gentlemen. I would like to welcome you very cordially. Since you have already had the opportunity to review our results on our website, I will endeavor to walk through the presentation relatively quickly – perhaps even more quickly than our IR Director indicated previously. The first thing that I would like to convey to you, the first item we ordinarily discuss, i.e. changes in the PZU Group's Management Board – well we do not have anything new to say – as the Management Boards of both our life and non-life company are stable and no changes have occurred since our most recent meeting. The Supervisory Board has changed but any question on that subject should be addressed to the Supervisory Board and the Shareholder Meeting.

Let's move on to our presentation. As usual, we will start with the market, then we will show you the major trends, financial results and of course the Q&A session.

I will show you two things about the market. On the left side you have the gross written premium, the growth in the gross written premium on the market at the end of the quarters and as you can see the trends are fairly interesting. The first trend is that when examining long-term growth the compound annual growth rate is 7.5% and it has accelerated in the most recent 2-3 years as a result of the fact, as you will remember, that the loss ratio was gigantic while the sector's profitability was fairly awful. So prices were raised. We do not know what will happen next, immediately responding to your potential questions. On the right side, you have the life premium which is much more stable. The most important factor changing our gross written premium, not just ours but of the entire sector is the impact exerted on individual investment insurance and combined investment and protection insurance, in which market conditions exert a very strong influence on the potential gross written premium, while it has virtually no influence whatsoever on our group business. Our market share, of which we are boasting, I mean you remember these figures in red next to PZU – several years ago they ranged from 6% to 7%, sometimes we forfeited market share. We will convey to you that our market share will be stable at this level in 2011 – 2012. One year ago, sorry, one quarter ago we even had slight growth in life business – we had numbers in the green, so you can expect that if there are going to be any changes now, they will not be measured in percentage points, but in tens of basis points, as that is something that always happens. I will not walk you through that as you already have that.

And now – the operating results after H1. I'll address several factors of a qualitative nature. First, the sales target was achieved, gross written premium is up by more than 7% - we are very, very happy because of that. Sales growth was very strong in individual life insurance. We have delivered on what we promised to you some time ago, namely that in this piece of the pie in which we are underrepresented our growth must be must faster than the market's and it is considerably faster than the overall market pace. We also promised you sales growth in commercial lines and we do have double digit growth in this area. After a period of sanitization we will endeavor to grow in those places which are profitable and here we will show very nice gross written premium expansion. We are happy with that. We will continue to put relentless pressure on profitability. I will begin with our profitability in life insurance. As you remember one year ago, several of you inquired whether our profitability of approximately 20% can be maintained or not – we are talking about group and individually continued business – it turned out that our statements of achieving that level have been proven and we hope that we will uphold this trend at this level in the long-run. In non-life business – which has performed phenomenally, i.e. the combined ratio is below 90% or close to 90%, by line of business and I will put it this way, I would like to say that we achieved this with Mr. Dąbrowski and the entire Management Board. Naturally, it is our joint achievement with Mr. Dąbrowski and the entire Management Board, but speaking openly, the entire market has very positive results, thus there is a lower loss ratio and fortunately knocking on unpainted wood (I am knocking here the whole time), we have not encountered any circumstances or any gigantic catastrophic claims. In this half year catastrophic claims practically didn't occur, nor did we have any gigantic corporate claims that would spread across the entire market. Something did burn in Wólka, and we do wish good luck to the insurers from Bermuda as this site was not insured in Poland, thus we are glad that they are entering the Polish market. Thus when speaking of profitability.

Investment result – two things have happened: obviously, a better WIG performance year-on-year and a certain devaluation of bonds, and thus a change of yield, had a positive impact on the result. However, we are not a market-taker at this point. To a certain extent, we are starting to manage in a way that we told you at our previous meetings, more with our assets to ensure that the result is more predictable; therefore several things have happened. First of all, we wanted to tell you that we exited from some of our shares in the equity item – we will not give you the exposure figures at mid-year, because this shows very strongly, would show a trend. However, we can say that from the year-end to the end of the first quarter, we went down by more than 25%, which is I believe around 700 million. Part of our equity exposure was also hedged, so we are limiting volatility of the result at the equity side. The second thing you might have noticed in the media is that we are entering into debt instruments that for large transactions are secured. For example, part of the Tarnów takeover bid is funded with our funds – this hugely improves, well, hugely may be an exaggeration, but it improves our result on that part of our exposure as compared to the alternative, that is Treasury bonds. We are still very conservative, with over 70% of our balance sheet in Treasury bonds and for the time being we do not anticipate huge changes – we just grow our balance sheet, contract some positions and move towards slightly different assets. One last thing – dividend per share. Those of you who happily bought shares a few days ago and have them registered as at yesterday I believe, will receive a dividend of PLN 22.43 on September 20, so the total shareholder return, I would suggest that you include dividend payments in the calculation of this parameter.

Key results. For the first time, we are very happy to have written premiums of over 8 billion zloty as at mid-year. Just as happy as having annual written premium of 15 billion for the first time last year. Please do not extrapolate by doubling this result, however we hope to beat last year's results quite decently. Net profit: 10, almost 11% up. Equity, ROE – well, this is somewhat of an old story: we are still sitting on a very decent capital cushion and return on equity is very decent. And now: group premiums – sometimes I'm just sad to say that it is boring here, the same 3.5% plus or minus 20 or 30 basis points and right now this will not change. As you can see, there is our profitability on the right side, when it comes to insurance, group insurance returned to the neighborhood of 20%. You may remember that one year ago when I talked you had many questions, because it was around 15% after the first quarter – now we are back, just as promised. What I said earlier – annualized premium, individual life insurance – a very dynamic growth of almost 50%, obviously from a much lower base. By default, the base is smaller, our market share is smaller, so we are happy here, especially since the market is not favorable for this type of product. Oops, this is interesting – I wanted to talk about property insurance here. I'm pressing and pressing. Listen, a few slides disappeared. Well, very nice then, I will use this layout – you can test me. When it comes to insurance in the mass client segment – growth is not as dynamic as for the whole group, which means that it is in the area of 4%, as far as I remember. In any case, there are many [no, it's not here, exactly, I did remember this correctly] mass clients so we are happy with this result, that we defend our market share, because let me once again remind you that our goal is to defend the market share when it comes to the profit pool over the next five years, so we defend our profit share for the next 5 years. This is still very decent profitability. In mass clients, our combined ratio is significantly below 90%. The only problem that we have is mandatory agricultural insurance, about which we have said a lot already – we have to change our approach to agricultural insurance this year, namely to change the pricing. Unfortunately, we were unable to convince our legislator, which is the Ministry of Agriculture, in time. We were unable to convince them to change the approach to agricultural insurance, when it comes to co-funding.

As far as corporate insurance is concerned, I can say I'm satisfied with that business since we have increased our premiums by about 13% as far as I remember, while maintaining profitability. Do you remember one year ago we talked about the fact that after the first quarter there was I believe 117 million zloty of technical result on corporate insurance – I told you a year ago that I do not expect very high positive results in the corporate business, I was expecting a very bad second half of the year. It turned out that the 'corporates' carried on that positive result for the full year, making me really happy. And this year, because we have the technical result of around 90 million, from what I remember, it gives me quite high confidence that we can deliver what we told you about, namely to maintain profitability in the corporate business and growth in 2012. We have growth; we have a profitable business – this growth comes primarily from the increasing share in the premium written in the property business – not motor, but property business – and this growth – we can say it openly – comes, among other things [thank you] from voluntary hospital insurance. One more thing that you should know – when discussing the accounting and financial results, Przemysław will tell you about it – there are one-off items. As for the corporate business, creation of a provision in the amount of PLN 132 million was such a one-off item (we hope it’s going to be one-off) – it was charged, if I remember correctly, to the result for the first half of 2012 in connection with the so-called construction business. We have quite big guarantee business – most of this business comes from contract guarantees or post-contract guarantees, bid deposit guarantees and this kind of guarantees for the construction sector. For your information, this business is quite big and strongly concentrated; we can say that its structure is approx. 90/10 – not 80/20 but 90/10 – i.e. 10% customers bring

approx. 90% of the exposure in our portfolio. Also, I'd like to tell you that we are very heavily reinsured in this business, so preparing simulations we don't expect any gigantic catastrophe or any catastrophe at all (…). It will not make us capsize, so please don't worry about it in any way.
The costs. Ladies and gentlemen, there's always a moment when something is happening for the first time. For a few years, on the left hand side, we have been showing that our costs were nominally decreasing; in the first half of this year, our costs went up 8.5%. But they are presented according to IAS and the costs here include two things. First, the PLN 20-million Company Social Benefit Fund charge – normally it is charged to profit but in IAS it goes into P&L. So we have 20 million zloty here, which wasn't there last year. Additionally, in this difference we still have 30 left – these are project costs, which were as follows: the first thing was rebranding, i.e. refreshing the logo; something which we announced already in our prospectus. Total expenditures in this area are much, much lower than at any of our competitors. Second, as you read in the press, especially those of you who cover the IT industry, we made a decision to change the product system and the costs of this project, which were incurred primarily by the end of the last year and in the first half of this year, are included here. The third project also included in the costs is the third and the last wave of restructuring, actually the fourth and the last, in this restructuring plan that we talked about with you during the IPO. We made a decision about it in 2010, saying then that 4 thousand people from our company would lose their jobs. This is the last restructuring wave in this project. You should also know that the substantial majority of the people knew that they would lose their jobs already a dozen or so months ago. These people work in back office centers. In several locations, we are consolidating jobs after introducing new accounting systems last year, together with some new procedures, so these people are leaving us and nothing else changes. And now on the right, you can see that recurring administrative expenses are practically at the same level nominally. I would like to emphasize only that these are nominal costs and I think that Mr. Dąbrowski will show you the nominal costs 4 years ago. Is was a gigantic fall year-on-year and at the same time our business grew to very significantly, so the ratio we use, i.e. the administrative expenses ratio, from a relatively high two-digit figure, in some years even as high as 13-14%, has fallen below 8% to around 7%. We are happy about it and we would like to keep it like this.
We've discussed it extensively whether we should tell you anything about administrative expenses or not at the very end of the year. So let me tell you something that we've agreed with Mr. Dąbrowski. Administrative expenses will be between these two figures: 0 and 8.5. We hope that they will be closer to the lower limit. Simply, the costs are under control. This is good, isn't it?
And now, one of the greatest events of last quarter, or actually of this quarter. Last quarter, on 28 or 29 June, we decided to choose Guidewire, which is, contrary to what the press has been writing about them, a well-known insurance company. They are a world leader providing policy solutions and non-life claims handling solutions. We signed an agreement with them on 9 July, they were selected, and the entire team knows that from 1 January 2014 all new policies or renewed motor insurance policies and some non-life insurance policies in the mass client segment must be in the new system. And this team, which by now has had about 150 people, knows that they are to create PZU 2.0, because without it we will not be able to create PZU 2.0. So much about it for now.
As for the review of financial results – you can find it after the quarterly results. You can have a look at very detailed breakdowns, both into product lines and client segments as well as other aspects, for which we are grateful to the team modestly sitting over there in the corner, working under the leadership of two directors, Mr. Kulik... oh, when did you join us, Director Kulik, please?"
"At the end of last year."
"Well, exactly, so it has been for you one of the first experiences with our analysts, we are very happy. And the team headed by you, Mr. Kulik, has helped us understand many things, such as where profitability or the combined ratio change year-on-year, so that you can see a breakdown into distinct business lines, which means that the team did some work for you to some extent. That would be it or is there anything more?
Oh, yes, there is one more thing… If you could take a look at page 19, please. We usually try to have some standardization or large one-off results. First, much to our regret, nothing, or hardly anything, is left of our stack of money that was called mathematical reserves for the group of group insurance and individual continuation products. It was PLN 7.5 billion, and what is now left of it is about PLN 500 million. Unfortunately, we cannot take any more from this stack, so it practically does not exist. The dissolution of insurance-specific reserves in this half of the year brought merely PLN 131 million as compared to PLN 303 million last year. Also, last year, we consolidated, on a one-off basis, the Armatura Group, thus turning from an insurance group into an insurance and plumbing fixtures group. Let me say right now that this was not our ambition, but the regulator, the Polish Financial Supervision Authority, forced us to do it.
And the last thing this year, as already mentioned, we decided to establish a reserve of PLN 132 million, to be

posted in this quarter, for financial insurance, especially in the construction sector. Without such a reserve, we would have to report a net profit of over one billion zloty, but then we thought that you would extrapolate and expect a profit of PLN 4 billion for the whole year, so, being very conservative managers, we said that we had to create such a reserve for political and legal reasons.

So much from me. I still have about 10 minutes for you and then, naturally, the CEO and all of his team, will be at your disposal. Thank you.

As you do not have any questions, let me read one: Are you considering a bit for LUX MED, broadly do you think that PZU needs to on medical services companies in order to participate fully in Polish health insurance in the future, if so, how do you expect that model to work?

This is a question about LUX MED. We will look into such transactions, especially in the area of companies providing medical services, for two reasons. The first reason is a strategic one. In fact, we are discussing at the moment the question of whether we should have any connections with such companies as LUX MED, and if we should, whether we should have any links at the equity level with them. This is what we are discussing now. We do not have any answer to these questions yet. We are observing such companies as, for example, Bupa. On the other hand, there is another perspective. We will carefully look into any transaction of this type, considering its large amount, in Poland, especially if there is a financial investor, because such an investor normally needs debt financing. For us, appropriately guaranteed debt financing gives us a higher yield, a higher return on our assets, which we are happy about. So this is a transaction of this type and we will look into it for the two reasons mentioned above.

The second question: Your combined ratio was exceptionally strong in 2012, quarter II – can you please take us through step by step all the large one-offs factor in the ratio, so that we can understand the underlying rate? What is the normal rate for second quarter?

The combined ratio is really very strong, but this is not because we are so brilliant (though we are, naturally), but, as already mentioned, because the whole market has a very good combined ratio. All our major competitors have a combined ratio below 100%. We have always said that our ambition is to have a combined ratio about 4-5 percentage points below the market average. In other words, if the market has the ratio of about 100, we would like to have it close to 95. Now the combined ratio in the market is about 95-96 or even 97%, while ours is about 90%. Are we able to maintain it? In my opinion, it will be difficult to maintain in the long run, but it all depends on whether there is someone idiotic enough to start a price war. For now, we do not see any such situations in the market and we hope that nothing like that will happen.

As far as one-offs are concerned, one such a big one-off is the reserve that we talked about before, the one concerning financial insurance in the Financial Insurance Department. [Well, even worse and worse, that’s correct.]

The third question: A few of your competitors have began saying that they will move aggressively chase group-like business. Has PZU noticed any increasing competitive pressure in group life?

Every year some people try to convince us that they will enter very aggressively the group life business. We wish them good luck. Because of what they did several years ago, by changing multi-year contracts to one-year contracts, they did some harm to themselves, because when they enter a company and dump insurance products at low prices, they suffer gigantic losses in the first year and lose their business in the following years. We can see it from time to time how someone comes in, especially if supported by consultants, who say that this is a great, gigantic business, and that PZU has a 75% share in the market, which is abnormal, etc. At the moment, we cannot see anyone who would be able to threaten us very much in this segment. They might try, though, and we wish them good luck. We hope, as we said before, that they have plenty of money to be able to cover their losses for a long time.

OK, it’s right here: The reverse repo and loan segment of your investment allocation seems to have increased. Can you explain what these are and why they are increasing? Przemek, would you? It’s an accounting operation.”

“This question is related to some of the subsequent questions asked by another analyst. Ladies and gentlemen, indeed, you can see in the reports an increased involvement in reverse repo transactions or in deposits, and these are the main two reasons. One of them is that we are involved in certain commercial transactions, also through long-term deposits, and this shows in the report. Secondly, we greatly reduced our exposure to equities in the second quarter and part of these funds is currently invested in money market transactions, because they yield a higher return. The third thing or the third important element is that having a fairly sizeable capital position PZU sometimes uses reverse repo transactions to either leverage its investment activity or to improve its liquidity efficiency, that is, we have reduced our liquidity limits, because we are able, for instance by providing our bonds as collateral, which we did for the first time with the dividend, to borrow money fairly

cheaply from banks, which is cheaper than keeping it in our accounts.
Here's another question: please comment on your acquisitions – this is mostly about media reports concerning LUX MED. I think the CEO has already explained this issue.
Here's the third question: Excluding the extra reserves in the second quarter, what is the normal quarterly level of premiums and losses on construction contract insurance?
It's hard to say what the normal level of premiums and losses on construction contract insurance is, because this whole line, all financial insurance, is more than just guarantees for construction contracts. This whole line is not significant in our profit and loss account and, so far, it does not have a significant share in our losses despite the creation of a conservative reserve. There are no standard levels in terms of specific quarters. This is not mass-insurance, and what we can comment on is that in the second quarter we created reserves to cover all potential damages that we are aware of and also we created an additional reserve to cover clients who have our construction guarantee policies and whom we suspect of being exposed to certain risks. So this simply shows how these risks are quantified in the opinion of the Management Board and it in fact fully exhausts the existing and potential threats."
"I would like to add something to what has just been said. Thinking about guarantees or about these contracts in quarterly terms just doesn't make sense, because most of these agreements, the vast majority of these agreements, are long-term agreements or guarantees that can't be terminated, that is, for instance, I have a guarantee, let's say a guarantee of good performance, covering a term of 5 years. To a certain extent it doesn't matter how much we collect in premiums in any single year – the most important thing is that we don't lose money over the life of the contract, so this looks more like reinsurance business than pure insurance similar to motor business."
"Why do reinsurers have such a large share in damages in the second quarter? Przemek, please."
"The answer to this question refers in a way to the previous topic. The reserve we created and reported is a net reserve. The gross reserve is significantly greater. Our reinsurance program, when it comes to financial insurance, is designed very conservatively with respect to all major risks and this is the main reason why in the second quarter you can see a large share of the reinsurer. So along with the creation of the reserve, the reinsurer's share on the reserve is created. And the reserve is created in both gross and net terms."
"Marcin Łucz, Deutsche Bank. I suppose my question concerns the construction sector in the non-life corporate segment. Certain costs were incurred that were neither acquisition costs nor administrative expenses – they were some other type of costs in an amount of PLN 60 million. Were they related to the costs of these reserves for construction contracts or not? This item had previously not appeared in the segment report."
"This item is not associated with construction contracts. These are costs associated with the settlement of certain old reserves unrelated to administrative expenses."
"If I may? Iza Rokicka, DI BRE. I would like to continue for a moment our discussion on the construction segment. Would you be able to tell us the value of gross reserves and possibly the portfolio or the nominal value of your contracts in the construction sector?"
"As regards the gross amount of the reserve, I'm sorry but I see no need to disclose this number, because it PZU's profit and loss account is in fact affected by the net reserve. I can only say that the level of reinsurance for large accounts exceeds 50%. This is not only proportional reinsurance, there is a certain proportion of excess of loss, above certain levels of damage the reinsurer comes in 100%, so obviously this gross margin is significantly higher. For instance, the gross reserve for natural disasters – you may remember how in 2010 we were affected by natural disasters that cost us some PLN 350 million – almost reached PLN 1 billion, perhaps slightly less, but this is more or less the level we are talking about. I would like you to give you an impression of its size, but I honestly don't think it's that important. As regards the second question, as a rule we were against disclosing such information, but at the previous meeting the CEO disclosed more or less the gross exposure level in this case. This level of gross exposure to the construction sector, to construction guarantees, is PLN 2.5 billion, but like I said, PZU potential net exposure is less than 50% of this amount. And now it's also the case that more or less the large contracts or actually the big guarantees are approximately half of the total exposure. The rest are small guarantees for minor construction projects. Now, from PZU's point of view, because of course you all look at this issue from the perspective of estimates of the costs that would have to be incurred in the event of serious problems of the sector. Our opinion is that PZU's market share in this segment is underweight, that is our share in this market is smaller than that of some of our competitors. Also, to calm you down, before we created the reserve, an audit firm, of course not our current auditor, conducted an analysis of our whole portfolio and in the most pessimistic scenario, I can reveal that in the most pessimistic scenario actually all these big businesses fail, which is a bit of a disclaimer, because for instance in the case of PBG where we have quite a large reserve we are convinced that there will be no problem with the performance of their RAFAKO

contracts, because they have nothing to do with the road construction contracts. But back to the topic, an independent audit firm conducted an analysis of our portfolio, and in the most pessimistic scenario where everything crashes, including the said RAFAKO, which I assume is almost impossible, because it's a very good contract, we're talking about PZU's net loss for the complete commitment of less than PLN 300 million, including the PLN 130 million, because we created this reserve based on the report we received. I mean given the current level of all payments and reserves where we know that something is wrong, this would be below PLN 30 million. So we ordered the analysis, because we wanted to be absolutely sure what our position would be in the pessimistic scenario materializes. But this 100% unfavorable scenario is hard to assume, because it will probably not materialize, because its likelihood is minimal. Here, of course, I can see that some people doubt whether this scenario will materialize or not and whether we adopted the right pessimistic scenario assumptions for the stress test, but when you look at the history of the establishment of our reserves I don't think it our reserves have ever been too small. In the end, we always have rather positive run-offs, not the reserve."

"I would have another question regarding slide 18. In terms of operating profit in non-life insurance and the so-called other products. There you will see the result of PLN 128 million for the first half of the year, whereas after the first quarter the result was almost minus PLN 40 million. My question is: was this improvement on a quarter-on-quarter basis is only the effect of agricultural insurance or was there anything else in it?"

"This was the impact of losses on agricultural insurance in the first quarter."

So is this high result achieved in the second quarter possible to maintain on, say, an average quarterly basis? Because this would give for the second quarter some PLN 150-160 million."

"When it comes to the combined ratio, I would say that it should be possible to maintain it. Of course, these premiums have their seasonality, so I would relate them to revenues. As regards non-motor insurance, there is no such great seasonality of the combined ratio, excluding agricultural insurance in the mass segment. Now, let's switch over to questions from the Internet."

"Question 1: What makes for a very low combined ratio?"

"It's retail, primarily a very low incidence of motor insurance claims this year plus, in a sense, also the passing effect of increases in premiums which we implemented in late 2010 and then in 2011, which means that the average premiums are still higher, comparing especially the first half of this year to the first half of last year."

"Question 2: You said that the construction sector is reinsured. Does that mean that the risk is reduced above PLN 132 million in the second quarter?"

"In a sense, I commented on this limited risk, I said that the estimated potential loss in the most pessimistic scenario would be below PLN 300 million. And this is in principle all I can say about it. But like I said, it is the PLN 300 million or even less, because this includes the PLN 132 million."

"Question 3: Please explain what determines the very strong margin of the technical result in life insurance?"

"This question can be asked at any quarterly results. Of course, as Andrzej commented at the beginning, this, as you noticed, has some seasonality. This margin in group insurance and individual continued insurance deteriorates slightly in the first quarter, but during the year is balanced to a level above 20%. Well, of course, as regards the margin, I can comment on its improvement, yes. We noticed in the second quarter an improved loss ratio. This is partly due to the fact that we keep changing our tariffs all the time and that we are changing the commission system for our sales where we promote a high profitability of products. A little bit because we modified one of our products. We introduced a new product in the continuation of individual insurance. But in general, the margin is due to the fact that we have a high-margin product that has a very strong barrier to entry. Which relates to one of the previous questions which was whether our competitors announcing their intention of a stronger presence in this area are successful. Well, for the time being they are not, because the barriers to entry are so high that they are unable to threaten our position."

"Are there any additional questions? Please."

"Kamil Stolarski of Espirito Santo. Could you give us an update on acquisitions other than LUX MED? Something, for instance, in Central Europe or the Balkans. By the way, is something is happening with PZU International?"

"Certain – what would be the appropriate expression here? – very, very quiet discussions are underway regarding Croatia. However, it can't be described as any transaction process, because one of the policies adopted by PZU is that if there is an acquisition, PZU must absolutely be in control. At the moment, the situation in Slovenia and Croatia is such that is that discussions are underway concerning the Slovenian company Triglav and the Croatian company Croatia Osiguranje. In both cases, these are companies controlled by the state and as long as we don't have certainty that the state is ready to give up control or dispose of the majority of its shareholding, PZU will not enter any such process. Like I said, some discussions are underway, but we are far away from any transaction process where we would start a due diligence or something like that. As for other acquisitions, well, we have nothing on the horizon."

“One more short question perhaps regarding administrative expenses. From what I remember, in the first quarter you said that you wanted to flatten out expenses to avoid such a big effect in the fourth quarter and some additional reserve was established the first quarter for these expenses in the fourth quarter. And another question is...”

“In general, like Andrzej said, our intention was to have not only recurring costs but also capital expenditure projects closer to zero than eight. Certainly, they will not be below. This eight is surely a result of the seasonality of the second quarter. We’ll see how well we manage to be close to zero, that is the recurring costs, but it’s still our objective for this year. Generally, when it comes to this year’s costs, administrative expenses and projects, we assumed that they will not decrease this year, because we have certain investments, such as the Collective Bargaining Agreement which Andrzej talked about. It’s also part of our negotiations with the trade unions, including the termination of the Collective Bargaining Agreement. Sorry, I mean the contribution to the Company Social Benefit Fund, the PLN 20 million, because this money, in a sense, then goes to the employees, also via the trade unions. So we knew that the nominal costs this year will not decrease and we said that. We would like them to flatten out, but this may not work, this may be 1-2% up somewhere, yes. I do not think it will be eight. And here we uphold our forecast from the beginning of the year.”

“May I have a question about the new ‘groupwire’ system? I will be introduced in 2014.”

“Guidewire.”

“Yes, that’s right. I will be operational from 2014.”

“But only in part.”

“But what will it look like from the point of view of this system’s entry into depreciation and your total capital expenditures?”

“Well, you see, this question is about the system and how it will show in the results and in the balance sheet. Unfortunately, I can’t disclose any details of our contract. I'm not even talking about amounts but also about the licensing system – all this is covered by commercial secrecy. In general, we are unlikely to see a significant single increase in expenses. The implementation will take approximately three years. In early January, I think 1 January 2014, or maybe let’s be more careful and say: in the first quarter of 2014, registration of the largest group of policies in the system will begin. These are motor insurance policies for the mass segment. Then again, that is, we are talking about the years 2013, 2014, at least another year or even two years will be needed to implement the system to the other lines of business, so the implementation process could take 3-4 years. In 2013, you can see some of these costs, but if you go back to the slide with the 8% increase, you will see a minimum increase of PLN 50 million. Of these PLN 50 million, PLN 20 million is only the Company Social Benefit Fund. You remember that around or a little above PLN 20 million was earmarked for rebranding. In fact, it is not yet a significant element. It may be slightly more significant in 2013 and 2014, but looking from this perspective, from 2012 to 2016-2017, there will be an increase in IT expenses, but it will not be a large increase, and in the subsequent years this should result in a decrease compared to 2012. However, I do not think at the moment that in the following years, taking into consideration the other things that are currently underway, this expense will cause a significant increase in costs or expenses.”

“And will anything have to be depreciated out on a one-off basis, for instance Insurer or the things that will be phased out?”

“We don’t own Insurer, so it doesn’t show as an asset in our books and therefore no such situation will happen. As regards Guidewire expenditures, they will probably not be incurred as one large purchase but are more likely to be a series of purchases. A series of purchases – this applies to both the system and the implementation services. This, of course, will be depreciated. We are still discussing what the depreciation period should be, probably 5 years, but like I said, it will be extended over time and we will certainly not make one sudden big purchase or expense.”

“Do you have any other questions? Ladies and gentlemen, if there are no more questions, thank you very much for this meeting and a very interesting discussion.”