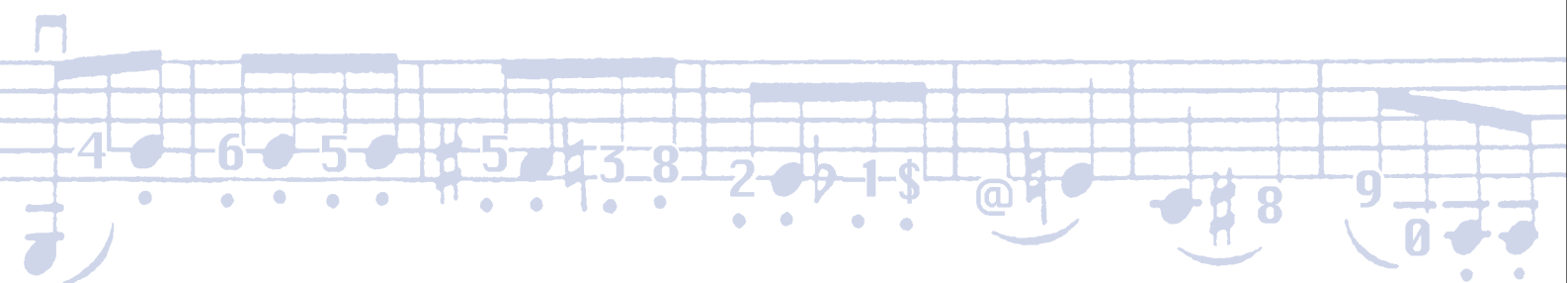


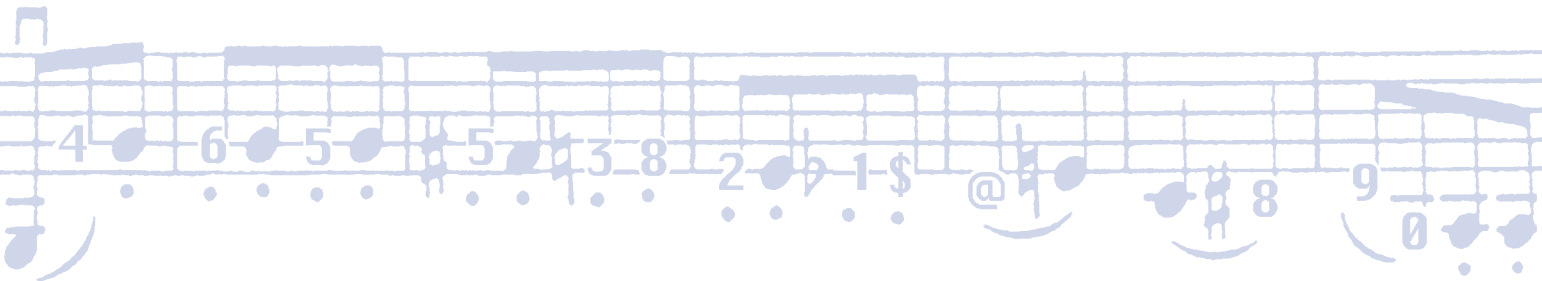
# 2001 ANNUAL REPORT







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Dear Readers,

It is with pleasure that we hereby present to you the first consolidated report of the PZU Group, the largest insurance group in Central and Eastern Europe.

Despite the Polish economy's weaker condition, the summer wave of flooding and the global economic crisis ensuing the tragic events of 11 September in the United States, 2001 was a very good year for the PZU Group. The Group's consolidated net income surpassed one billion Polish zloty for the first time in its history. Another first was the fact that PZU SA earmarked 30% of its earnings, in other words nearly PLN 203 million as a dividend for the shareholders.

The 2001 results confirm the correctness of the strategic decisions made in the most recent years; they are the effect of the great effort made by all PZU Group employees, both at the Head Office and in the branches in the field.

The PZU Group still faces serious challenges. The main ones are to maintain its dominant position on Poland's insurance and financial services market and to prepare the Group to meet the requirements of the European Union's insurance market. To achieve this goal we want to alter the PZU Group's operating philosophy. Its axis is customer orientation focused on enhancing the quality of the services rendered and customizing them to the expectations of various customer groups while also unifying the level of services in the Group's branches.

In presenting the PZU Group's report to you for the record-breaking year of 2001 we hope that the Polish insurance market will develop steadily and achieve stability in the upcoming years. We are convinced that the PZU Group will generate increasingly better financial performance by implementing its new strategy.

PZU is a guarantee of stability and solvency confirmed by the tradition inherent in Poland's oldest insurance brand.

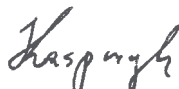
Respectfully,

Zdzisław Montkiewicz



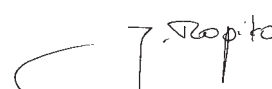
CEO of PZU SA

Bogusław Kasprzyk



CEO of PZU Życie SA

Jakub Tropiło



Prezes Zarządu PTE PZU SA





## PZU Group's consolidated financial performance in 2001

PZU Group's market position is a very important constituent element influencing the stability of the entire Polish insurance market, which is currently faced with an outlook of dynamic development in connection with Poland's ever-nearer accession to the European Union.

In 2001 the PZU Group companies generated record-breaking financial results at the consolidated level and at the level of the results generated by the most important PZU Group companies. The ability to utilize the effect of scale and the synergy effect in financing activity means that the PZU Group has the greatest potential on the Polish insurance market. This makes it possible to offer clients insurance coverage with solid financial guarantees.

The units subject to the PZU Capital Group's consolidated financial reporting are as follows: PZU SA as the parent company, PZU Życie SA - as a subsidiary subject to consolidation by the full method and PTE PZU SA, PZU Tower Sp. z o.o. and PZU-CL Agent Transferowy SA - as indirect subsidiaries subject to consolidation by the full method.

On account of the particular nature of the PZU Group member companies, the consolidated technical account was drawn up separately for life insurance and other property and casualty insurance. The consolidated technical life insurance account was positive at PLN 470.2 million, while the consolidated technical property and casualty insurance account was positive at PLN 276.2 million. The very good technical results are the result of not only a good tariff policy but also the utilization of the Group's competitive edge in its member firms' core business. The technical result of PLN 746.4 million was transferred to the consolidated non-technical profit and loss account.

The life and direct property and casualty insurance premium collected by the PZU Group companies amounted to PLN 12 230.8 million, which signifies 6% growth in real terms.

The gross claims and benefits paid on direct insurance and inward reinsurance amounted to PLN 6 954 million, whereby it grew by 8.5% over last year.

Net reserves grew by 19.2% to PLN 19 362.7 million, which corresponds to 176.4% of the net written premium. It guarantees the safety of PZU Group's customers and shareholders.

Administrative and acquisition expenses amounted to PLN 2 415.7 million, representing 19.8% of gross written premium. This signifies 1.3% growth in the share of the premium, which is, above all, the result of the restructuring projects being conducted.

PZU Group's balance of investments at the end of 2001 amounted to PLN 22 336.8 million, which means that it was 23.2% higher than at the end of 2000. The return on investment activity amounted to 11.4%.

PZU Group's net profit in 2001 amounted to PLN 1 063.2 million, whereby a record-breaking level was achieved in the history of the firm and the entire Polish insurance market.

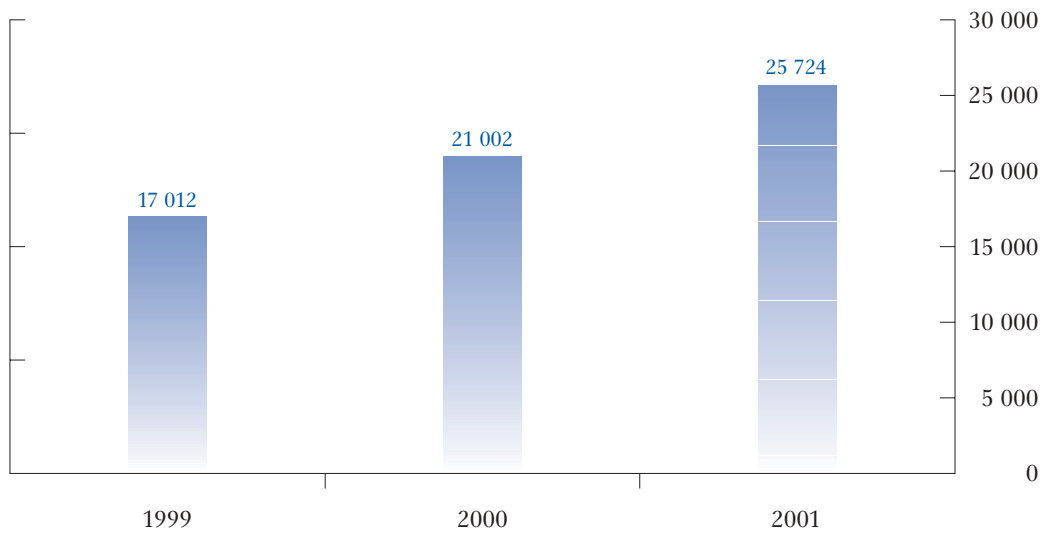
The consolidated balance sheet for 2001 closed at PLN 25 723.7 million, which is 22.5% higher than the balance sheet value at the end of 2000. Investments were the major line item in the asset composition and accounted for 86.8% of total assets. Technical reserves were the largest line item in the liability composition with 75.3% of total liabilities and equity.

At the end of 2001 the PZU Group managed PLN 25.2 billion in assets (including the assets of OFE PZU Złota Jesień) and was Poland's largest institutional investor.

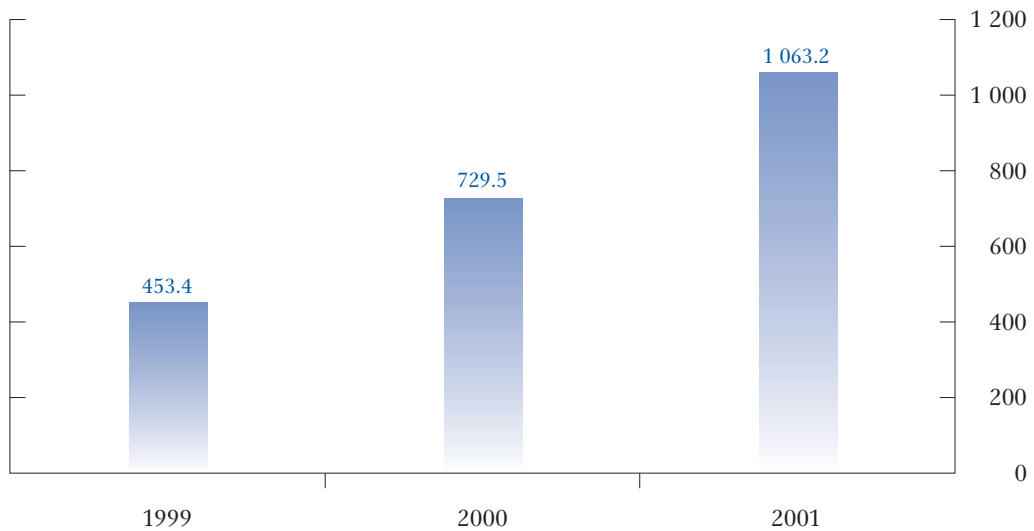
The return on equity (ROE) of 39% was 1 percentage point lower than last year.

The return on assets (ROA) amounted to 4.6% as opposed to 3.8% last year.

PZU Group's assets (in millions of PLN) in 1999-2001



PZU Group's net profits (in millions of PLN) in 1999-2001







## Poland's insurance market in 2001

The Polish insurance market developed less dynamically last year than in previous years.

A withdrawal from life insurance has been observed. The slowdown in economic growth, increased unemployment and a decline in real income have prompted Poles to lapse on their policies, especially savings policies. In 2001 customers cancelled 438 thousand individual life insurance policies, in other words, more than four times more than in 2000.

In turn, the stifling of the automobile market's development has precipitated a 2.45% decline in the real value of the premiums for motor TPL and motor own damage insurance.

Notwithstanding this trend, the financial results of the entire insurance sector in 2001 were considerably higher than the ones in the previous year. This was possible thanks to the high earnings generated by the PZU Group companies (PZU SA and PZU Życie SA). Presently, PZU Group's financial results compared with the entire market are of decisive importance for the profitability of Poland's insurance industry.

For the total profit earned by PZU Group amounted to PLN 1.06 billion while the profit earned by the entire property and life insurance sector amounted to PLN 1.09 billion after subtracting the negative performance of the loss generating firms.

In 2001 the number of insurers showing a net profit rose. This number represented 39% of the body of insurers as opposed to 33% last year. Every fourth life insurer showed a net profit while every other non-life insurer was in the black.

The asset value of all insurers as at 31 December 2001 amounted to PLN 47.3 billion, which signifies 24.7% growth over the balance at the end of 2000. Life insurance sector assets amounted to PLN 26.4 billion (29.4% growth) while property and casualty insurance sector assets amounted to PLN 20.9 billion (19.2% growth).

Investments were the largest line item in the asset composition of insurance companies. Their percentage of assets remained virtually unchanged at 81.5% (one year ago it stood at 81%). In life insurance this line item accounted for 82.4% of total assets, while in non-life insurance it accounted for 80.4% of total assets (83.3% and 78.3%, respectively, one year ago).

Technical reserves accounted for the largest percentage of the liability composition of insurance companies. These reserves accounted for 65% of the entire insurance sector's total liabilities (66.5% one year ago). Total reserves advanced in 2001 by 21.9%: by 25.8% in life insurance and by 16.4% in non-life insurance. These reserves accounted for 70.3% of the liability composition of life insurance companies (72.3% last year) and for 58.3% of the liability composition of property and casualty insurance companies (59.7% in 2000).

The equity of insurance companies in 2001 amounted to PLN 8.5 billion, representing 29.9% growth over last year. The equity of life insurers grew by 30% while the equity of non-life insurers grew by 29.8%.

The gross written premium collected by insurers in 2001 amounted to PLN 22.4 billion, which means that it was 7.4% higher than last year. The gross written premium in section 1 (life insurance) advanced by 11.1% while in section 2 (property and casualty insurance) it edged upwards by 4.9%.

The percentage of the gross written premium collected on life insurance policies in the life insurance structure composition fell from 52.3% last year to 49.7% in 2001. In turn, the percentage of gross written premium collected on unit-linked business (group 3) increased to 32.2% of the gross written premium in section 1 (30.4% one year ago). The other components of the life insurance premium portfolio in section 1 include juvenile insurance, annuities, accident and sickness insurance.

Motor policies (compulsory third party liability [TPL] and voluntary motor own damage [MOD]) dominated the structure of non-life insurance, accounting for 63.7% of the gross written premium (64.4% last year).

Gross claims and benefits paid in the insurance sector grew by 8.3% and amounted to PLN 11 billion. Claims paid in life insurance grew by 28.2% and in non-life insurance by 1.5%. The amount of benefits paid against unit-linked life insurance policies grew by 131.5% and amounted to PLN 587 million.

The total technical result shown by insurers was positive and amounted to PLN 58.5 million (2.54% growth), of which life insurance showed PLN 319.7 million (a 20.6% decline) and non-life insurance was in the red at PLN 261.2 million (as opposed to minus PLN 345.6 million one year ago).

The net financial result shown by all insurers increased by 125.2% over the result in 2000 and amounted to PLN 1 088.9 million. Life insurers

increased their net profit by 23.2% while simultaneously increasing net losses by 8.8%, while non-life insurers increased their profit by 28.7% and decreased their net loss by 70.2%.

The portfolio composition of non-life and life insurance underwent changes over last year. The number of group policies dominated in the structure of active life insurance policies (61.9% as opposed to 64.7% one year ago). The number of individual life insurance policies increased by 13.1% and the number of group insurance policies increased by 0.3%.

In property and casualty insurance the number of catastrophic risk policies increased by 21.4% while the number of policies taken out for other material damages increased by 9.2%, including, in particular, policies purchased by private persons (28.7% and 11.4%, respectively).

70 domestic insurers and two main branches of international insurers held a permit from the finance minister to conduct insurance activity in Poland in 2001, including:

- 36 life insurers (including one main branch of an international insurer),
- 36 property and casualty insurers (including one reinsurance company and one main branch of an international insurer).

64 joint-stock companies and six mutual insurance companies held a permit to conduct insurance activity among the domestic insurers.

## Total non-technical profit and loss account of insurance companies (in millions of PLN)

Polish insurance market in total	2000	2001
Technical result on non-life insurance	-345.6	-261.2
Technical result on life insurance	402.7	319.7
Investment income	1 532.0	2 029.7
Investment income brought forward from the revenue account	252.8	310.0
Insurance activity costs	372.6	512.8
Real estate maintenance expenses	40.3	51.9
Other investment activity expenses	67.0	101.0
Negative result on investment revaluation	232.1	181.8
Negative result on the sale of investments	33.2	178.1
Other operating income	639.2	790.4
Other operating expenses	1 026.1	872.6
Operating result	1 082.1	1 803.3
Extraordinary gains	5.8	1.6
Extraordinary losses	1.0	1.5
Gross financial result	1 086.8	1 803.4
Gross profit	1 929.8	2 354.0
Gross loss	843.0	550.6
Tax and other obligatory charges	603.3	714.5
Income tax	608.6	714.5
Other obligatory charges	-5.3	-
Net financial result	483.5	1 088.9
Net profit	1 315.4	1 657.9
Net loss	831.9	569.0

## Total financial results of insurance companies in sector 1 (life insurance) and in sector 2 (property and casualty insurance) in millions of PLN

Item	Insurance companies total		Life insurance		Non-life insurance	
	2000	2001	2000	2001	2000	2001
Technical result	57.1	58.5	402.7	319.7	-345.6	-261.2
Gross profit	1 929.8	2 354.0	965.2	1 121.5	964.6	1 232.5
Gross loss	843.0	550.6	427.0	422.0	416.0	128.6
Gross financial result	1 086.8	1 803.4	538.2	699.5	548.6	1 103.9
Tax and other obligatory charges	603.3	714.5	303.0	351.1	300.3	363.4
Net profit	1 315.4	1 657.9	641.6	790.7	673.8	867.2
Net loss	831.9	569.0	406.4	442.3	425.5	126.7
Net financial result	483.5	1 088.9	235.2	348.3	248.3	740.5

Concentration on the life and non-life insurance market  
in terms of gross written premium (%)

Five largest insurance companies	Market share	
	2000	2001
<b>Life insurance (section I)</b>	<b>93.52</b>	<b>91.93</b>
PZU Życie SA	52.79	50.88
Commercial Union Polska - TU na Życie SA	19.43	18.84
PAPTUnŻiR Amplico Life SA		10.41
TUnŻ ING Nationale-Nederlanden Polska SA	10.10	
TUnŻ ING Nationale-Nederlanden Polska SA		10.27
PAPTUnŻiR Amplico Life SA	10.06	
TU Allianz Życie Polska SA	1.14	1.53
<b>Non-life insurance (section II)</b>	<b>80.52</b>	<b>82.12</b>
PZU SA	57.08	57.34
TUiR Warta SA	11.71	13.00
STU Ergo Hestia SA	4.63	5.56
TU Allianz Polska SA	3.73	3.84
TU Samopomoc SA		2.38
Daewoo TU SA	3.37	

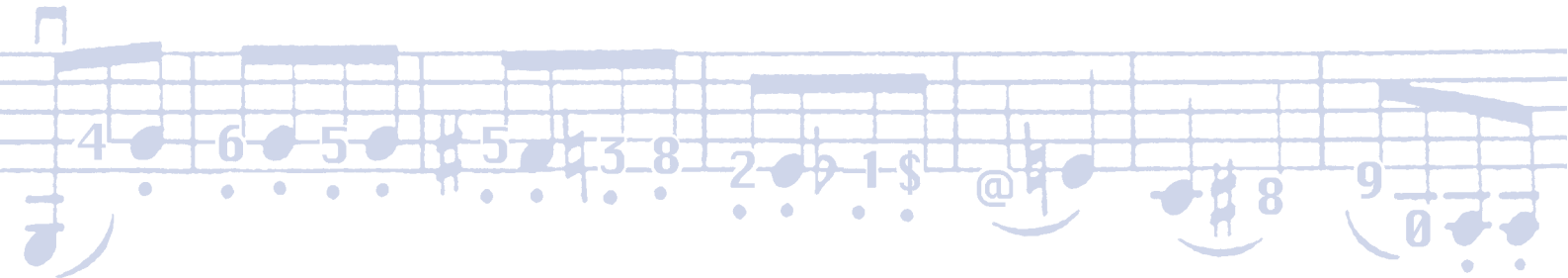
Source: PUNU







## PZU Group's activity and structure



The PZU trademark is one of the most recognizable trademarks in Poland; it is also the best known domestic brand of insurance.

PZU brand is a symbol of certainty and safety to its customers. PZU has accompanied many generations of Poles providing them with comprehensive insurance coverage in nearly all areas of private, economic and public life since 1803.

The PZU Capital Group has special significance for the Polish economy. As the largest and oldest domestic insurance company it ensures stable insurance coverage to a substantial part of industry, transportation, agriculture and other sectors

of the economy. The PZU Group is also Poland's largest institutional investor with great significance for the operation and development of the Polish financial market. A very considerable portion of the personal property of the Poles is protected with policies issued by the PZU Group companies. The firm insures automobiles, apartments, homes and the private wealth of more than 15 million people. PZU Życie SA, a member of the PZU Group, is the unquestioned leader on the life insurance market, while PTE PZU SA, which operates in the second pillar of insurance provides an opportunity for more than 1.7 million mostly young people, to save for their retirement.

## PZU Group's structure and equity ties

**Powszechny Zakład Ubezpieczeń SA (PZU SA)** is the parent company of the PZU Group. It has been operating as a joint-stock company since December 1991 after having been transformed from Państwowy Zakład Ubezpieczeń (State Insurance Company). PZU SA continues the activity of Poland's first insurance companies. Its tradition extends to 1803 when the Towarzystwo Ogniove dla Miast (Urban Fire Insurance Company) was established in Southern Prussia.

PZU SA's core business is property and casualty insurance. The company has more than 100 types of insurance products in its offer.

**Powszechny Zakład Ubezpieczeń na Życie SA (PZU Życie SA)** is a subsidiary of PZU SA established in 1991. The life insurance portfolio was transferred to this subsidiary at the time of the transformation of Państwowy Zakład Ubezpieczeń. PZU Życie SA offers protective, mixed, savings and investment life insurance concluded as group or individual insurance agreements.

**Powszechne Towarzystwo Emerytalne PZU SA (PTE PZU SA)** was established in 1998. This firm manages the Otwarty Fundusz Emerytalny PZU Złota Jesień (OFE PZU SA Złota Jesień - open-end pension fund) operating in the second pillar of the reformed social security system. OFE PZU Złota Jesień was established on the basis of the permit issued by the Pension Fund Supervisory Authority on 26 January 1999.

**Towarzystwo Funduszy Inwestycyjnych PZU SA (TFI PZU SA)** was established in 1999. It offers modern investment products and services to its individual and institutional customers to manage

financial surpluses effectively. This company manages three investment funds (Polonez, Mazurek and Krakowiak) and one closed-end fund (Kujawiak N+). It also offers additional savings programs.

**PZU Asset Management SA** joined the PZU Group in 2001. The establishment of an asset management company was a constituent element of carrying out the PZU Group's development program entailing the integration of the investment activity conducted by the Group companies.

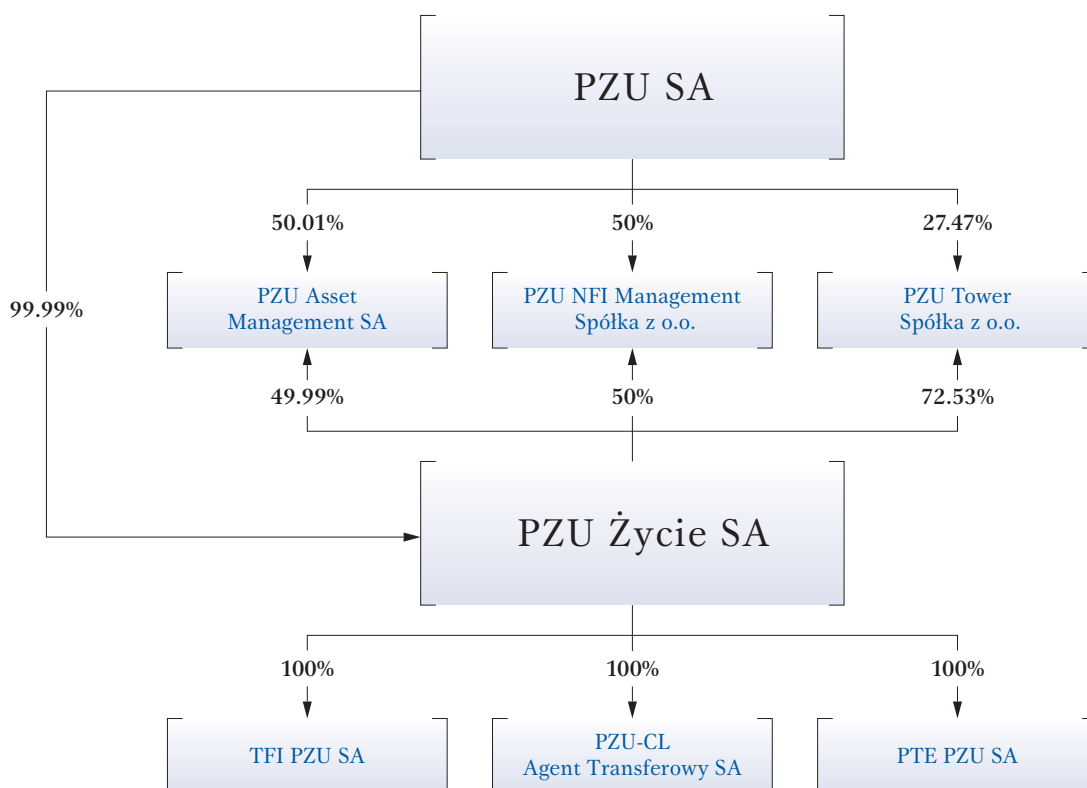
**PZU NFI Management Sp. z o.o.** was established in 1999. It renders services in the field of managing National Investment Funds: Drugi NFI SA, NFI Progress SA, NFI im. E. Kwiatkowskiego SA. It purchases or subscribes equities or ownership interests and other securities from entities registered and operating in Poland or abroad. It exercises the rights attached to equities, ownership interests and other securities. It also prepares programs and analyses to restructure economic entities.

**PZU-CL Agent Transferowy SA** was established in June 1998. It conducts auxiliary activity linked to insurance, pension and annuity funds. It keeps registries and makes settlements for investment funds and pension funds. It renders IT services, including advisory services in the field of hardware, software, data analysis, database construction and processing.

**PZU Tower Sp. z o.o.** was established in August 1998. The company's activity entails buying and selling real estate, rendering services to build, manage and administer real estate and leasing office space.

The most important equity ties among the PZU Group companies  
(as at 31 May 2002)

**PZU GROUP**



**Shareholders of the main PZU Group companies**

(as at 6 June 2002)

**Shareholding structure of PZU SA**

- State Treasury – 55.10%
- Eureko BV – 20%
- BIG BG Inwestycje SA (subsidiary of BIG Bank Gdański SA) – 10%
- Other shareholders (employee shares) – 14.90%

**Shareholding structure of PZU Życie SA**

- PZU SA – 99.9995%
- BIG BG Inwestycje SA (subsidiary of BIG Bank Gdański SA) – 0.0005%

## Authorities of the main PZU Grup Companies

### PZU SA

#### PZU SA Management Board Composition

(as at 7 August 2002)

Zdzisław Montkiewicz	CEO
Antonio Martins da Costa	Deputy CEO
Piotr Kowalczewski	Member
Leszek Moskwiak	Member
Włodzimierz Soiński	Member

#### PZU SA Management Board Composition

(as at 31 December 2001)

Zygmunt Kostkiewicz	CEO
Antonio Martins da Costa	Deputy CEO
Krzysztof Kluzek	Member
Piotr Kowalczewski	Member
Marcin Moskalewicz	Member

#### Supervisory Board Members

(as at 31 December 2001)

Jerzy Sablik	Supervisory Board Chairman
Maciej Bednarkiewicz	Supervisory Board Secretary
Wojciech Dąbrowski	Member
Ernst Jansen	Member
Jakub Kaliński	Member
Bogusław Kott	Member
Elżbieta Niebisz	Member
Jan Szczęsny	Member
Joao Talone	Member

### PZU Życie SA

#### PZU Życie SA Management Board Composition

(as at 7 August 2002)

Bogusław Kasprzyk	CEO
Frederik Hoogerbrug	Deputy CEO
Józef Piskorz	Deputy CEO

**PZU Życie SA Management Board Composition**

(as at 31 December 2001)

<b>Krzysztof Mastalerz</b>	CEO
<b>Michał Górski</b>	Deputy CEO
<b>Frederik Hoogerbrug</b>	Deputy CEO

**PZU Życie SA Supervisory Board Members**

(as at 31 December 2001)

<b>Paweł Witkowski</b>	Supervisory Board Chairman
<b>Joao Manso Neto</b>	Supervisory Board Deputy Chairman
<b>Zofia Jamińska</b>	Supervisory Board Secretary
<b>Joyce Deriga</b>	Member
<b>Katarzyna Domalewska</b>	Member
<b>Krystyna Pawłowicz</b>	Member
<b>Marek Szmelter</b>	Member

**PTE PZU SA**

**PTE PZU SA Management Board Composition**

(as at 7 August 2002)

<b>Jakub Tropiło</b>	CEO
<b>Dariusz Adamiuk</b>	Deputy CEO
<b>Manuel Duarte</b>	Deputy CEO

**PTE PZU SA Management Board Composition**

(as at 31 December 2001)

<b>Jakub Tropiło</b>	CEO
<b>Dariusz Adamiuk</b>	Deputy CEO
<b>Monica Santiago</b>	Deputy CEO

**PTE PZU SA Supervisory Board Members**

(as at 31 December 2001)

<b>Wojciech Topiński</b>	Supervisory Board Chairman
<b>Zygmunt Kostkiewicz</b>	Supervisory Board Deputy Chairman
<b>Michał Górski</b>	Supervisory Board Secretary
<b>Urszula Brochocka</b>	Member
<b>Piotr Kowalczewski</b>	Member
<b>Grzegorz Sawicki</b>	Member
<b>Jan Szomburg</b>	Member
<b>Janusz Zawila - Niedźwiecki</b>	Member

## PZU Group's network and sales channels

The PZU Group has the best developed customer service network in the area of acquisition and claims handling among Polish insurers. The PZU Group's outlets are outfitted with the indispensable technical infrastructure enabling them to administer tens of millions of insurance agreements efficiently. These outlets are prepared to handle mass claims caused by natural disasters rapidly.

PZU SA's insurance products are available in the network of 14 district branches and 383 inspectorates located across the nation. Moreover, PZU SA cooperates with 6 785 tied agents, 2 645 multi-agents, 931 permanent representatives and 1 323 brokers.

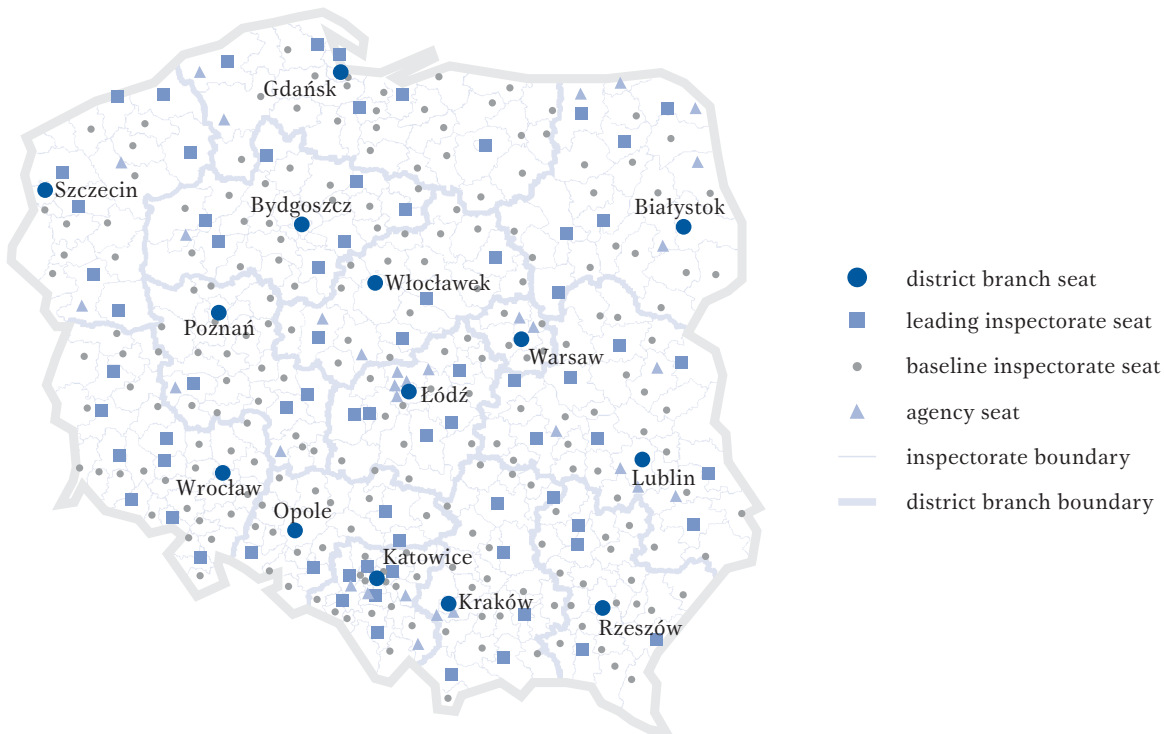
PZU Życie SA's products are available in 26 inspectorates and 350 representative offices and

agencies. Group life insurance is sold primarily by the company's employees while individual life insurance is sold by the network of 4 450 tied agents, 10 multi-agents and 136 brokers.

A membership agreement with OFE PZU Złota Jesień may be signed in all PZU SA and PZU Życie SA outlets in the nation. Customers calling the special information line may obtain the telephone number and address of the closest PZU outlet and contact a solicitor of OFE PZU Złota Jesień as well as set an appointment for a face-to-face meeting.

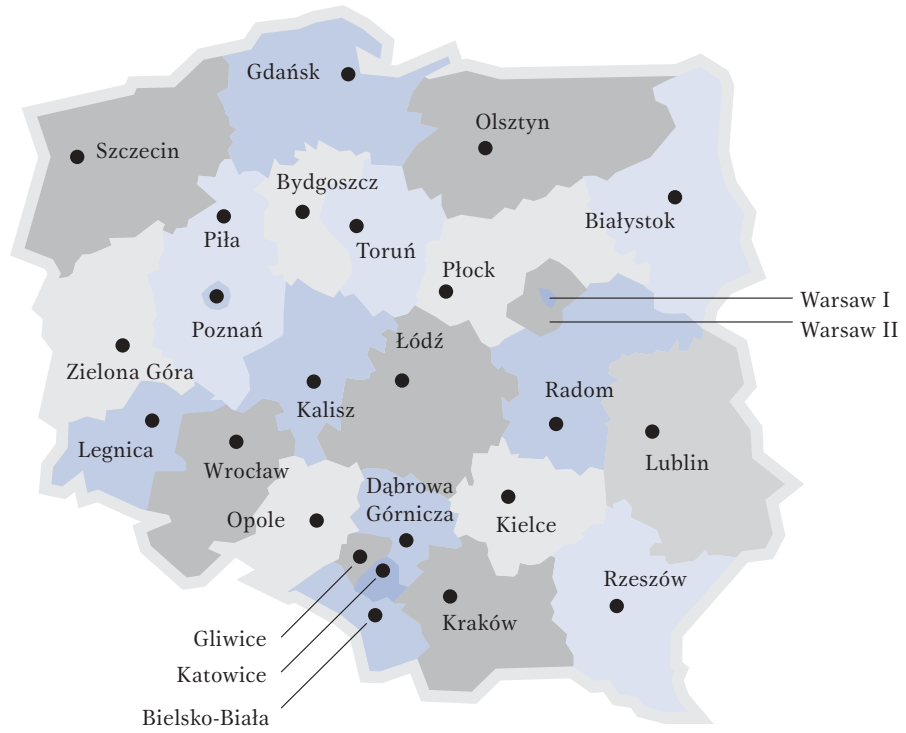
One may purchase the TFI PZU SA funds at its headquarters in Warsaw or in one of the branches of the Bank Handlowy, Penetrator or Polonia Net brokerages.

Organizational units of PZU SA (as at March 2002)





Boundaries of PZU Życie SA's inspectorates and their seats (as at March 2002)



## PZU Group's product portfolio

The PZU Group conducts activity in three basic sectors: property and casualty insurance, life insurance and open-end pension funds. The PZU Group's primary product groups are motor insurance, group life insurance and pension insurance.

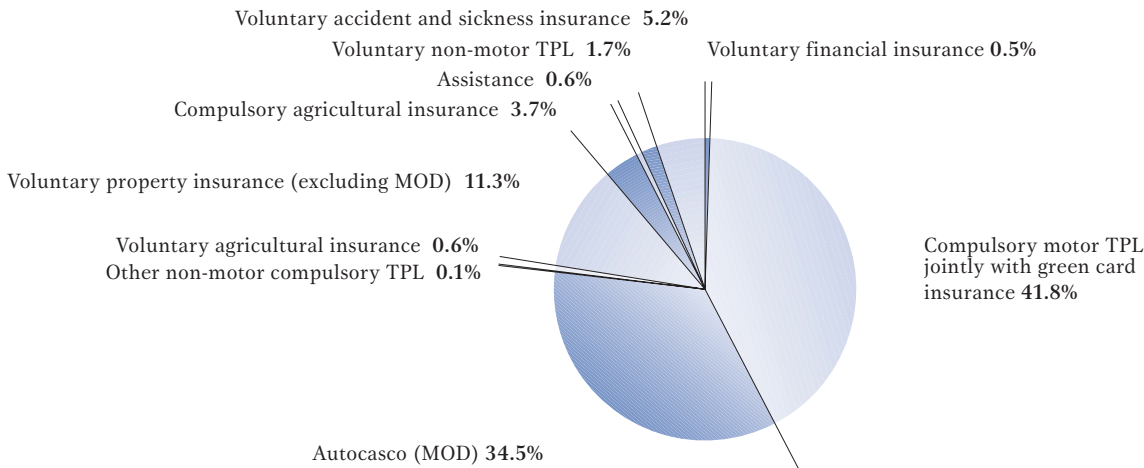
### PZU SA - property and casualty insurance

PZU SA's offer includes more than 100 insurance products in 16 groups of insurance. This offer includes a full range of property and casualty insurance products. Compulsory and voluntary motor insurance account for the highest percentage of PZU SA's gross written premium. PZU SA's offer also includes agricultural, property, third party liability, accident and sickness, tourist and financial insurance.

PZU SA offers insurance products as single insurance products such as motor third party liability (TPL), motor own damage (MOD) and apartment insurance as well as insurance products consisting of several types of insurance such as comprehensive insurance for the property of individual persons called "Bezpieczny Dom" (Safe Home), comprehensive insurance for the personal property of farms called "Bezpieczne Gospodarstwo" (Safe Farm) and comprehensive insurance for small business called "Bezpieczna Firma" (Safe Firm).

Motor insurance dominates PZU SA's insurance portfolio: motor TPL and MOD. Their share of the insurance portfolio in 2001 amounted to 76.3%. Property insurance accounted for 11.3% of the portfolio, voluntary accident and sickness insurance accounted for 5.2% and agricultural insurance accounted for 4.3% of the premium collected.

### PZU SA's gross written premium on direct insurance in 2001



### PZU Życie SA

PZU Życie SA offers a variety of insurance: protective, juvenile, investment, individual and group as well as special industrial programs customized to the risk associated with a given vocation such as being a teacher, a police officer, a fire fighter or an employee of the military or customs service. All these products are customized to the individual needs and expectations of the customers.

Group insurance has dominated PZU Życie SA's portfolio composition. It accounted for 80.2% of the gross written premium. The largest gross written premium was gained in life insurance (68.9%) and in accident and sickness insurance (23.5%).

### PTE PZU SA

PTE PZU SA manages OFE PZU Złota Jesień operating in the second pillar of the reformed social security system.

The pension fund company is the fund's body and it conducts activity according to the rules laid out in the Commercial Company Code and the Act on the Organization and Operation of Pension Funds of 28 August 1997.

The Fund's business is to collect the cash resources of the fund members and to invest them according to the principles of the fund's investment policy and the provisions of the Act on the Organization and Operation of Pension Funds for the purpose of distributing them to the fund members after they reach the age of retirement or in the other cases envisaged by the articles of association or the provisions of law.

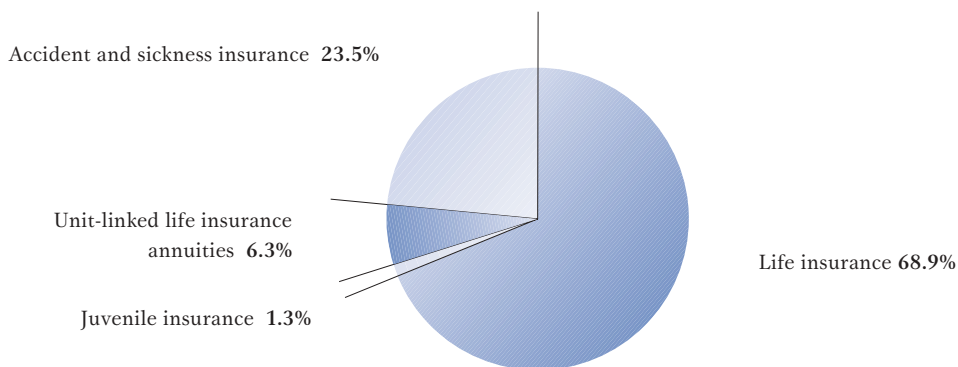
### TFI PZU SA

TFI PZU SA targets individual and institutional customers. In 2001 it managed four investment funds:

- PZU POLONEZ Debt Paper Open-end Investment Fund,
- PZU MAZUREK Stable Growth Specialized Open-end Investment Fund,
- PZU KRAKOWIAK Equity Open-end Investment Fund,
- PZU KUJAWIAK N+ Closed-end Investment Fund.

TFI PZU SA also offers additional long-term programs for retirement as well as other objectives. These programs are called Savings Programs and Employee Pension Programs and are based on open-end investment funds.

PZU Życie SA's direct gross written premium in 2001 (by accounting categories)





## Discussion of 2001 and the strategic projects carried out by the PZU Group

The overriding strategic objective undertaken by the PZU Group in 2001 was to maintain its dominant position on the insurance and financial services market and to enhance steadily efficiency.

The solid financial performance generated by the individual PZU Group companies reflects the positive effects of the restructuring actions taken in the area of sales, claims handling and operating activity.

The planned creation of joint infrastructure, which shall entail, inter alia, an integrated IT system and asset management in the PZU Group will ensure increased customer satisfaction and greater cost synergy.

### Integrated asset management in the Group

The PZU Group consists of entities for which asset management is a major part of their operating activity. The most important ones are PZU Życie SA, PZU SA, PTE PZU SA and TFI PZU SA.

In 2001 fundamental changes were launched to the method of managing the investment activity in the PZU Group. Their objective was to increase the return on the assets invested and to enhance the risk profile by introducing more effective investment processes, better organization and by taking advantage of the effects of scale.

In 2001 the PZU Group acquired BWE Asset Management, which is now called PZU Asset Management SA. It will integrate asset management across the Group (with the exception of PTE PZU SA, which for legal reasons will manage the pension fund's assets independently). To this end the PZU Group's Asset and Liability Management Committee and the Treasury Department were formed.

### Restructuring the motor claims handling system

Work was commenced last year to construct a new centralized motor claims handling system. Within the framework of this project, a pilot was commenced in September 2001 in the territory of the Warsaw District Branch of PZU SA to run the first call center for notifying motor claims under the marketing name of "Telepomoc" (Phone-based Assistance). Comprehensive motor claims administration was commenced for the Warsaw region in October.

At the same time, the Preferred Repair Network consisting of 83 body shops, a towing company and three spare parts' vendors was established. These entities had to meet austere selection criteria focused on the appropriate quality of service.

The objective of these changes is to enhance customer service by simplifying notification procedures and accelerating claims settlement.

Another change in the motor claims handling field will be the establishment of an assistance company serving the needs of injured parties. The size of the assistance portfolio at PZU SA justifies undertaking actions to establish a proprietary company called PZU Assistance, which could assume the services rendered currently by external companies. Giving consideration to PZU SA's market share in the motor insurance market, PZU Assistance may become a leader on the Polish market in this service sector and accrue material benefits to the PZU Group.

### Enhancing sales performance

Work was commenced on the projects to reorganize the PZU SA and PZU Życie SA sales networks within the framework of the project to enhance sales performance. Their integration is planned.

Work is currently underway on a new sales strategy, which, among other things, calls for reorganizing the sales networks and the motivation systems for agents conducting insurance intermediary activities exclusively in favor of the PZU Group as well as using alternative channels like the Internet or telephone-based sales.

### Integrated IT system

To manage the PZU Group it is necessary to have modern, closely integrated IT systems supporting sales processes and customer service as well as enabling the efficient flow of managerial information.

Last year PZU Życie SA implemented a WAN network whereby it is possible to work in an integrated financial and accounting system and to improve communication among organizational units.

In 2001 a tender was announced for a new centralized IT system for PZU SA.

### Expanding the offering

In 2001 the PZU Group's offering was expanded in the area of property and life insurance. PZU SA introduced, among other things, credit card insurance, directors' and officers' insurance and insurance for patent officers, insurance for machinery against damage, the costs of dental treatment and loss of earnings. PZU Życie SA expanded the scope of group insurance riders to include insurance for surgical operations.

### Bancassurance products

The PZU Group is also a precursor in introducing new financial and insurance products on the Polish market. Since August 2001 the PZU Group has been conducting bancassurance activity jointly with its strategic partner, i.e. BIG Bank Gdański SA. In November 2001 the sales of PZU Group products were launched in the BIG BG SA network (Millennium, Millennium Prestige and Millennium Business), including group personal accident insurance for bank account holders, mass merchandise insurance for mortgage borrowers, business insurance, group life insurance and pension insurance.

A further development to bancassurance will be the sale of bank products through PZU Group's distribution channels. In 2001 intense project work was underway to launch the sales of credit cards and mortgage loans through the PZU agent network.

### Health insurance

The Health Insurance Department was established last year in the PZU Życie SA structure. It is preparing a totally new health insuranceservice for the PZU Group. The private health insurance market in Poland is currently limited in scope but it will probably develop dynamically in the upcoming years. Penetrating the market at such an early stage of development will allow the PZU Group to secure a sustainable competitive edge. Long-term, the PZU Group intends to create a health insurance management system referred to as "managed care". The expansion of the group life insurance product portfolio and the gradual transformation of traditional group insurance into employee benefits programs will be of considerable significance in this area.

### Strategic cooperation with Eureko

By the power of the strategic cooperation agreement signed on 18 June 2001 by the PZU Group companies and Eureko BV, the investor has committed to support the PZU management boards in the execution of the strategic projects by transferring know how, training middle and senior level management and delegating employees to work on the performance of the strategic projects.

### Continuation of the privatization process

2001 was another year in the PZU SA privatization process underway since 1998. Work on the issue prospectus was continued. It was submitted to the Polish Securities and Exchange Commission on 21 August 2001 along with an application to permit the company's shares to be traded publicly. The updated version of the PZU SA Issue Prospectus was submitted to the State Treasury Minister on 23 November 2001.

As at 10 February 2001, there were 19 395 entitled employees who could have exercised their right to acquire PZU SA shares free of charge. The pool of shares set aside for this purpose amounts to 15% of the Company's share capital.

After 11 November 2001, the owners of the PZU employee shares may sell their shares in private trading\* since the two-year ban on selling employee shares governed by the State-owned Enterprise Commercialization and Privatization Act has elapsed (art. 38 section 3).

### Expansion onto international markets

Within the framework of carrying out the PZU Group's expansion strategy onto the Central and Eastern European markets negotiations were conducted in 2001 for PZU SA to purchase shares in the Lithuanian insurance company called Lindra. In October 2001, the Heads of Agreements

were signed while on 4 December of last year the PZU SA Management Board consented to purchase UAB Lindra shares granting the right to exercise 66.7% of the votes at Lindra's shareholders' meeting.

At present, by the power of the agreement of 25 February 2002, PZU SA is the owner of 75% of UAB Lindra's shares, and PZU SA shall become the sole owner of the company by 2006.

Lindra is Lithuania's fourth largest insurance company with a market share in excess of 5%. It holds licenses to sell property and life insurance.

The Lithuanian insurance market features a steady growth trend. The premium collected on property and life insurance accounted for 0.8% of Lithuania's gross domestic product. Only 0.07% of the gross domestic product is represented by life insurance. For the sake of comparison, in Poland, the property insurance premium represents 1.78% of the gross domestic product, while life insurance represents 1.25%. This testifies to the enormous potential held by this sector of the insurance market.

### Assumption of control over the Transfer Agent

By the power of the contract dated 3 September 2001, PZU Życie SA repurchased the shares of PZU CL Agent Transferowy (Transfer Agent) from Computerland SA. At present, PZU Życie SA has assumed total control over the company in which it holds all of the company's shares. This company is responsible, among other things, for servicing OFE PZU Żłota Jesień and renders IT-linked services in favor of the PZU Group.

### Provisions established by PZU Życie SA

As an expression of its care for the interests of its customers, the PZU Życie SA Management Board established provisions for the investment activity conducted in the past. These provisions protect

\*The trading of PZU's shares as a non-public company (not approved for full trading) is subject to the limitations of the act entitled *Public Securities Trading Law* of 21 August 1997.

the Company's customers against the effects of not generating the expected rate of return on some higher risk investments. These provisions have been established in keeping with the principle of prudence and fully protect the interests of the Company's customers.

Moreover, as a consequence of the review of the Company's activity conducted by Deloitte & Touche, the PZU Życie SA Management Board introduced numerous changes to its methods of management and control concerning in particular marketing, public relations and information technology, contributing to better control over the spending of funds in these areas.

#### Altering the reinsurance policy

The changes in the reinsurance program in 2001 applied especially to the protection of PZU's interests in the event of large mass claims caused by natural disasters like floods, hurricanes and single claims in industrial risks.

As a result of the windstorms and floods that occurred in Poland in July 2001, PZU SA paid claims worth more than PLN 127 million, of which the reinsurers paid PLN 57 million.

#### The PZU Academy

In November 2001, the project of educating and improving the skills of the PZU Group employees under the name of the PZU Academy was inaugurated. This a post-graduate course of study conducted by PZU SA jointly with the Małopolska School of Administration at the Cracow Academy of Economics. 100 employees selected from among 1 355 applicants are participating in this program. The firm is completely financing their studies. The classes are held in PZU's conference and training facility in Karłów. The graduates will in the future be earmarked to take independent and managerial positions within the PZU Group.

#### Preventive activity

The PZU Group, as the national insurer, has the obligation of conducting preventive actions to enhance the safety and insurance awareness of the Poles.

The preventive actions conducted in 2001 concentrated on enhancing motor traffic and fire prevention safety, eliminating threats and improving work and health safety conditions as well as counteracting the effects of flooding.

The PZU Group, among other things, sponsored the nationwide preventive campaign conducted under the slogan "reflective first graders". Thanks to the money designated for this campaign, all first graders participated in an educational program about how to get around safely on the roads. First grade pupils across Poland received reflectors to improve their visibility on the roads. The Chancellery of the President of the Republic of Poland, the National Education Ministry, the Ministry of Transportation and Marine Economy and the Police were patrons of this project.

#### At the top of the rankings

The PZU Group's accomplishments have been confirmed in many independent rankings published by the press. The PZU Group took third place on the list of Poland's top 500 companies as published by *Gazeta Bankowa*. The PZU Group took fourth place in the general classification and first place in the financial institution category in a similar ranking prepared by the editorial board of the *Rzeczpospolita* daily. PZU SA took first place in the ranking of the 100 largest financial institutions published by the *Prawo i Gospodarka* daily, while PZU Życie SA took third place and TFI PZU SA was ranked high in the number 12 spot.

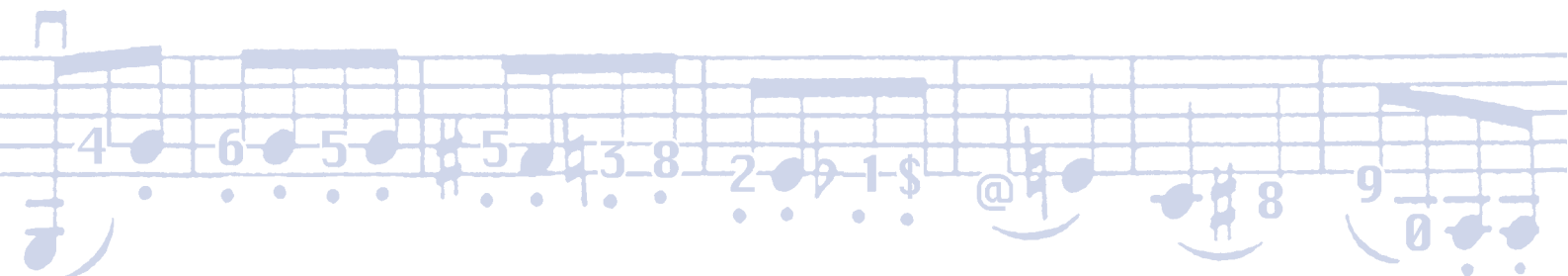
PZU Życie SA and PTE PZU SA received European Medals awarded by the Office of the European Integration Committee and the Business Centre Club. PTE PZU SA received an award for OFE PZU Żłota Jesień management while PZU Życie SA received an award for the Credo endowment insurance product.







## Discussion of PZU SA's financial performance



### PZU SA's share in the Polish insurance market

PZU SA's share of the gross written premium on property and casualty insurance in 2001 was higher than one-half (57.3%). The Company's share of the total gross written premium in the insurance sector amounted to 33.6%.

PZU SA's 91.4% share of the entire industry's net profit in property and casualty insurance merits attention.

PZU SA's share in the total insurance sector's net financial result in 2001 amounted to 62.2%.

### PZU SA's share in the Polish insurance market (%) in 2001

	PZU SA's share in total results of the insurance industry	PZU SA's share in results of the property and casualty insurance sector
Gross written premium	33.6	57.3
Claims and benefits paid*	40.3	57.6
Net technical reserves	26.1	65.7
Net financial result	62.2	91.4

\* Claims and benefits paid with claims handling costs.

## Gross written premium

The gross written premium on direct and indirect insurance collected in 2001 amounted to PLN 7 522.6 million and was 5.4% higher than in the previous year. This resulted from increased premiums in all major types of insurance except for motor TPL insurance (0.6% lower) and assistance (4.7% lower).

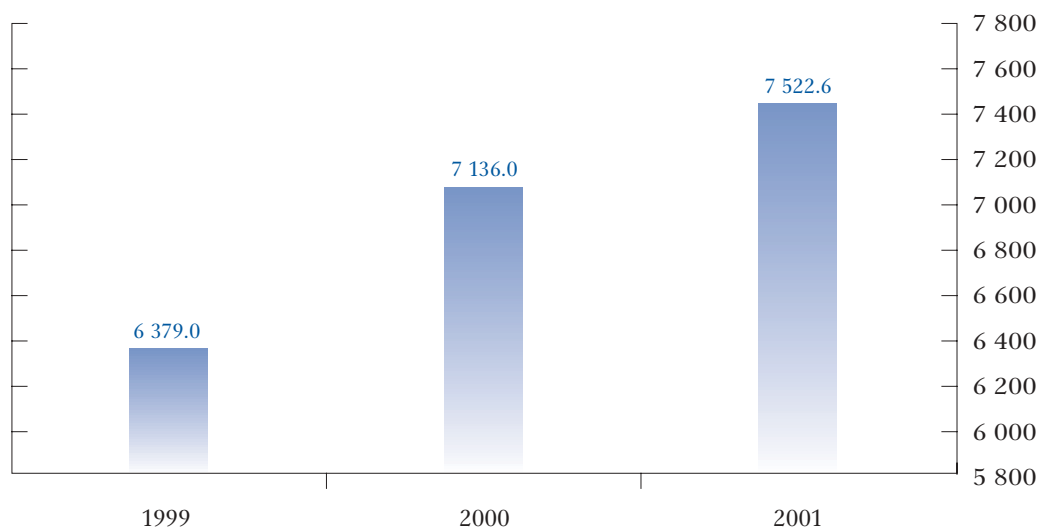
The highest growth rate of collected premium was recorded in financial insurance - 136.6%, motor own damage - 111.9%, compulsory agricultural insurance - 109.9% and voluntary property insurance - 109.9%.

The portfolio composition stated by type was dominated by motor insurance: motor TPL

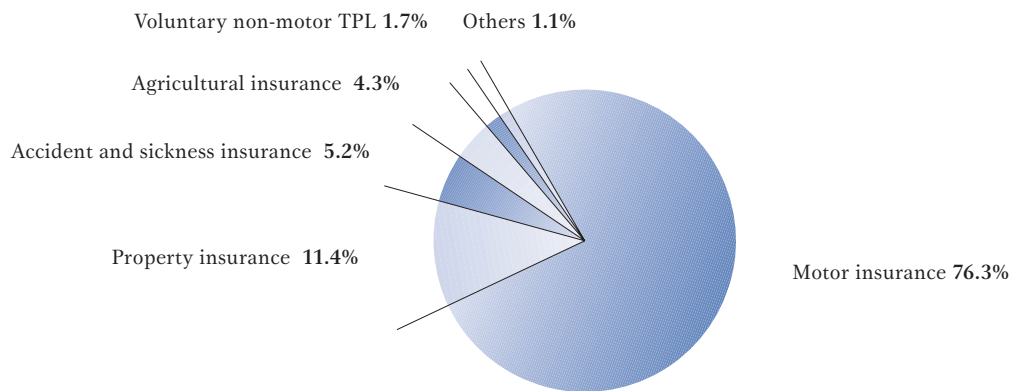
and motor own damage. Their share in the insurance portfolio amounted to 76.3% with a slight downward (0.5%). The waning demand for cars was the main reason underlying lower motor insurance premiums.

46 965.7 thousand insurance agreements were concluded in 2001. The average premium was PLN 160.1, which signifies 7.2% growth over the previous year. The average premium amount increased in all insurance groups except for voluntary third party liability insurance, assistance and Green Card.

PZU SA's gross written premium on direct and indirect insurance (in millions of PLN) in 1999-2001



PZU SA's portfolio composition by type of the gross written premium on direct and indirect insurance (%) in 2001



## Claims and benefits paid

In 2001, claims and benefits of PLN 4 241 million were paid under direct and indirect insurance (4.6% more than last year). The claims and benefits paid expressed as a percentage of gross written premium were 56.4%, i.e. 0.4 percentage points lower than last year.

The highest increase of the claims and benefits paid ratio was recorded for agricultural, property, motor own damage and third party liability insurance. Claims paid on assistance, motor TPL and financial insurance were lower than in the previous year.

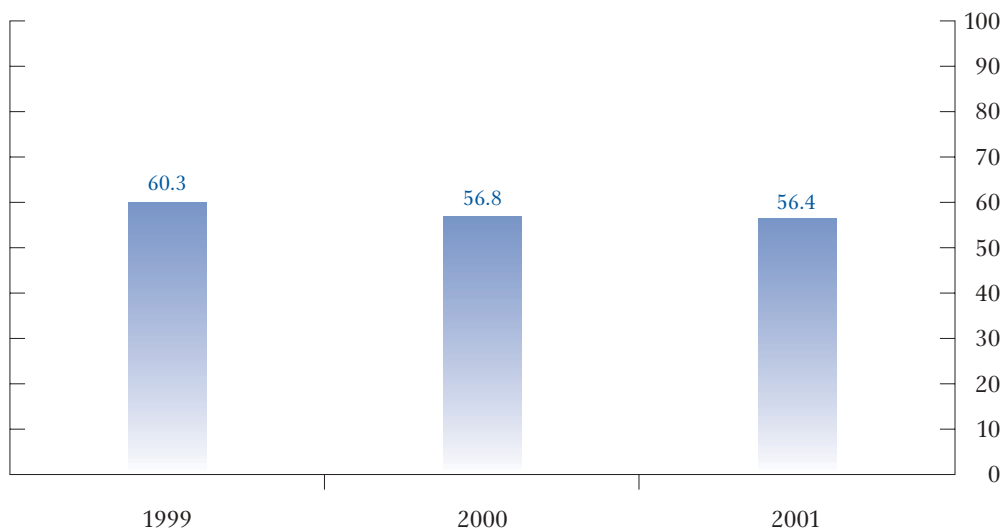
The structure of claims and benefits paid was dominated by payments under motor TPL (Green Card included) and motor own damage, which constituted 82.3% of the claims paid.

Claims paid for flood and hurricane-related damages amounting to about PLN 120 million constituted roughly 3% of the total claims paid. Flood losses constituted 35% of the total claims paid on agricultural insurance and 13% on property insurance. The reinsurers' share in the claims caused by natural disasters amounted to PLN 57 million.

In 2001, PZU SA paid out 1 390.2 thousand claims and annuities (4.2% more than last year). Due to improvements in the claims handling process, the average claim amount decreased by 5.1% in real terms as compared to last year's average claim amount, whereby it amounted to PLN 3 046.60. By introducing insurance rates better suited to the customer portfolio, the company has been achieving consistent improvement in the loss ratio – the ratio of claims and benefits paid as a percentage of net premium decreased by roughly 5.9% in real terms (including 7.6% for motor own damage insurance).

The gross loss ratio (calculated as the ratio of claims paid and the claims handling costs plus the increase (decrease) in the balance of reserves for gross unpaid claims to the gross earned premium) for direct and indirect insurance amounted to 75.1% while the net loss ratio was 74.5% (72.3% and 72.2%, respectively in 2000).

PZU SA's claims and benefits paid as a percentage of gross written premium under direct and indirect insurance (%) in 1999-2001

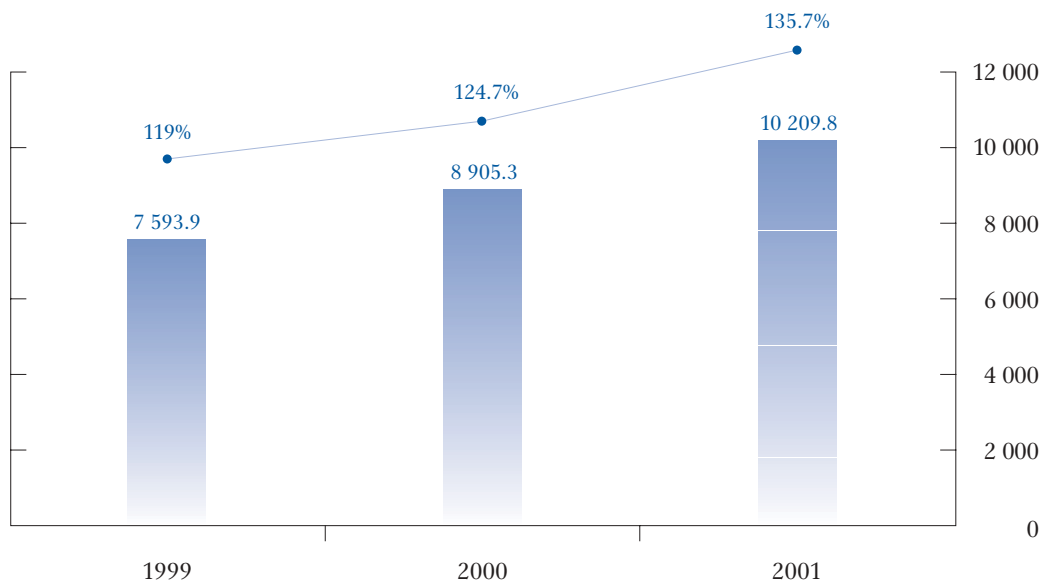


## Technical reserves

At the end of 2001 the balance of gross technical reserves was PLN 10 209.8 million. It exceeded the balance at the end of the previous year by PLN 1 304.5 million (in other words it was 14.7% higher and was equivalent to 135.7% of gross written premium).

At the end of 2001 the balance of net technical reserves increased by PLN 1 270.4 million (i.e. by 18.8%) and amounted to PLN 8 015.3 million and was equivalent to 127.8% of net premium written.

PZU SA's gross technical reserves (in millions of PLN) expressed as a percentage of gross written premium in 1999-2001



## Cost of servicing insurance

The cost of servicing direct insurance, including acquisition, administrative and claims handling costs amounted to PLN 1 938.4 million. The growth rate of costs stood at 116.7%.

Insurance acquisition costs constituted 7.55% of the gross written premium while administrative costs constituted 14%. When compared to PUNU's data for 2001, these numbers are much lower than the averages recorded for the entire property insurance industry, in which acquisition and administrative costs reached 11.04% and 17.09%. It is noteworthy that PZU SA managed to achieve such good results despite the commencement of costly restructuring processes and the company's IPO preparations.

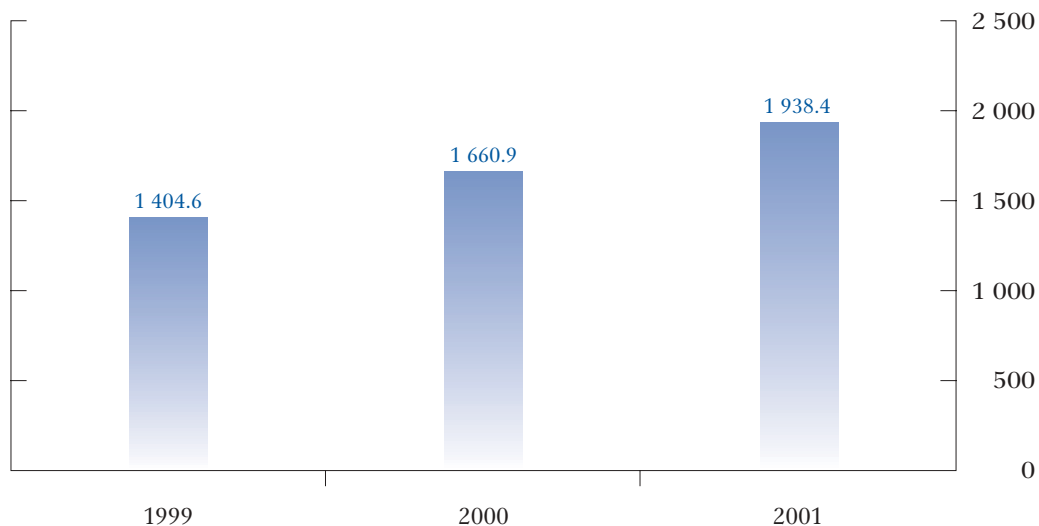
In 2001, the highest growth applied to claims handling costs, which increased by 18.7% and administrative costs, which grew by 17.8%

The considerable growth of claims handling costs in 2001 is associated with additional costs resulting from flood-related claims.

The increased administrative costs may be attributed mainly to the cost of restructuring activities. The high growth in acquisition costs observed for several years is related to the market necessity of expanding the scope of services performed by independent insurance intermediaries and increasing prices for these services.

Administrative costs accounted for 54.3% of the cost structure, direct acquisition costs accounted for 29.3% and claims handling costs accounted for 16.4%. Costs expressed as a percentage of gross written premium increased by 2.5 percentage points to 25.8%.

PZU SA's cost of servicing insurance (in millions of PLN) in 1999-2001



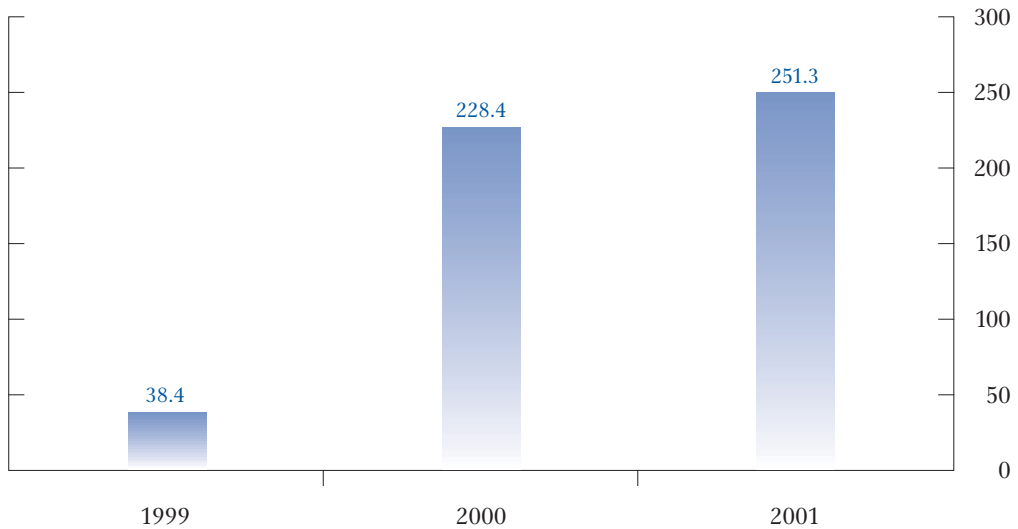


## Technical result

At the end of 2001, insurance activities closed with a positive technical result of PLN 251.3 million, which surpassed the result achieved in 2000 by 10%.

The result was composed of positive technical results on the following types of insurance: compulsory agricultural, motor TPL, compulsory non-motor TPL, voluntary property, assistance, accident and health and financial insurance.

PZU SA's technical result (in millions of PLN) in 1999-2001



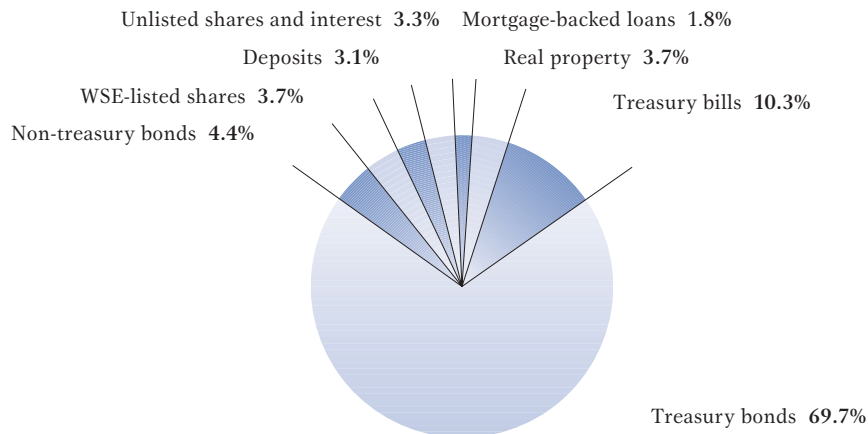
## Investment activities

At the end of 2001, the balance of investments increased by 23.9% over the previous year, reaching PLN 10 431.9 million. The investment portfolio composition changed considerably during 2001. Participation units in the Skarbiec Kasa 2 investment fund, which constituted roughly 16.4% of the portfolio at the end of 2000, were redeemed, and the share of risk-free instruments (treasuries and PLN deposits) in the portfolio was increased by nearly 3%.

Investment income (including the income corresponding to the capitalized value of annuities) amounted to PLN 1 284.4 million. This means it was 14% higher than in 2000. Investment expenses climbed by 16% and amounted to PLN 320.9 million.

Net investment income amounted to PLN 963.5 million, which means that it was 13.3% higher than in 2000. The investment yield was 10.2%.

### PZU SA's investment composition as at 31 December 2001



## Financial performance

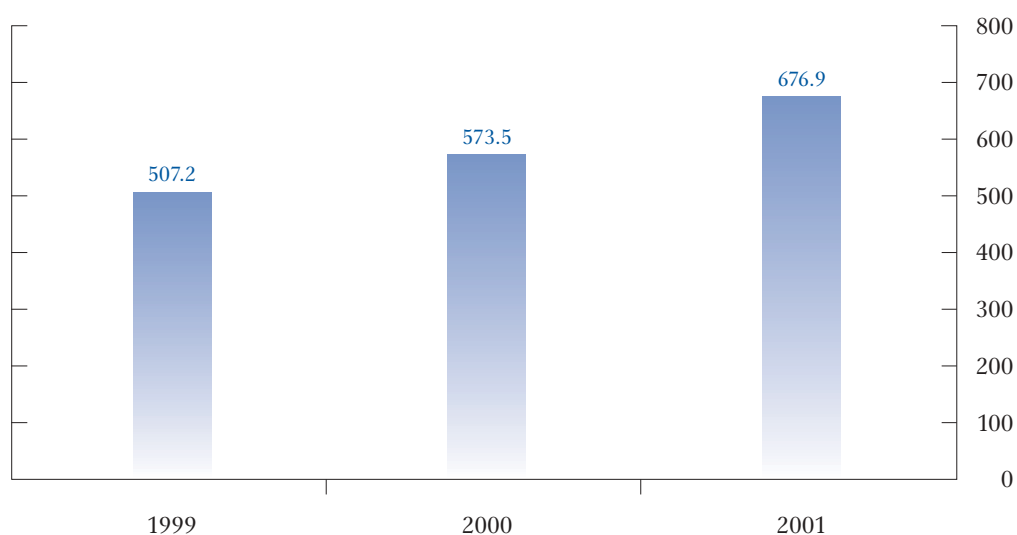
In 2001, PZU SA generated a gross profit of PLN 970.9 million and a net profit of PLN 676.9 million. The net profit generated exceeded the profit generated in the previous year by PLN 103.4 million (i.e. by 18%) and was 3.2% above plan.

PZU SA earmarked 30% of earnings as a dividend payment for the shareholders. The dividend amount was PLN 202 927 905. All the Company's shares participated in the dividend, whereby the dividend paid per share stood at PLN 2.35.

The following elements contributed to PZU SA's financial result (in millions of PLN):

	2001	2000
Technical result	251.3	228.4
Investment income (excluding PLN 170 million as the capitalized value of annuities)	793.5	711.6
Balance of other operating income and expenses	-73.9	-113.0
Taxes and other charges against the financial result	294.0	253.5

PZU SA's net financial result (in millions of PLN) in 1999-2001



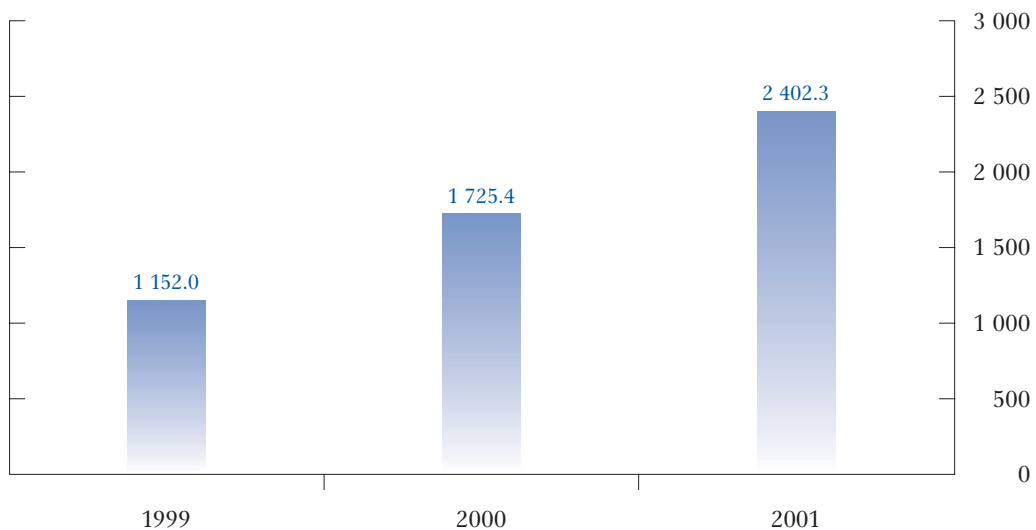
## Equity and solvency margin coverage

The company's equity amounted to PLN 2 402.3 million, whereby it was PLN 676.9 million higher than in 2000 (i.e. 39.2% higher).

With the achieved sales levels, the solvency margin and shareholder funds covering the solvency margin achieved the following levels at the end of 2000 and 2001 (taking into account the positive financial result and intangible assets, which reduced the value of shareholder funds):

	2001	2000
Solvency margin (in millions of PLN)	975.1	879.2
Guarantee capital (in millions of PLN)	325.0	293.1
Shareholder funds covering the solvency margin (in millions of PLN)	2 387.7	1 710.3
Coverage by shareholder funds (%):		
- Solvency margin	244.9	194.5
- Guarantee capital	734.6	583.5

PZU SA's equity (in millions of PLN) in 1999-2001







## Discussion of PZU Życie SA's financial performance

### PZU Życie SA's share of the Polish insurance market

PZU Życie SA acquired slightly more than one-half of the gross written premium in life insurance (50.9%). PZU Życie SA's percentage share of the total insurance sector's gross written premium amounted to 21.1%.

When analyzing the net financial results of the life insurance sector, PZU Życie SA's 108% share of this category of insurance merits attention. In fact, this testifies to the extraordinarily strong role played by the company in this part of the insurance industry.

In 2001 PZU Życie SA recorded a 36.4% share in the net financial result of the insurance sector in total.

#### PZU Życie SA's share of the Polish insurance market (%) in 2001

	PZU Życie SA's share in total results of the insurance industry	PZU Życie SA's share in results of the life insurance sector
Gross written premium	21.1	50.9
Gross claims and benefits paid*	22.7	75.6
Technical reserves**	22.6	58.0
Net financial result	36.4	108.0

\* Item V.1.a of the revenue account for a life insurance company

\*\* Sum of items C and D of an insurance company's balance sheet (together with reserves for insurance, for which the risk is carried by the policyholder)

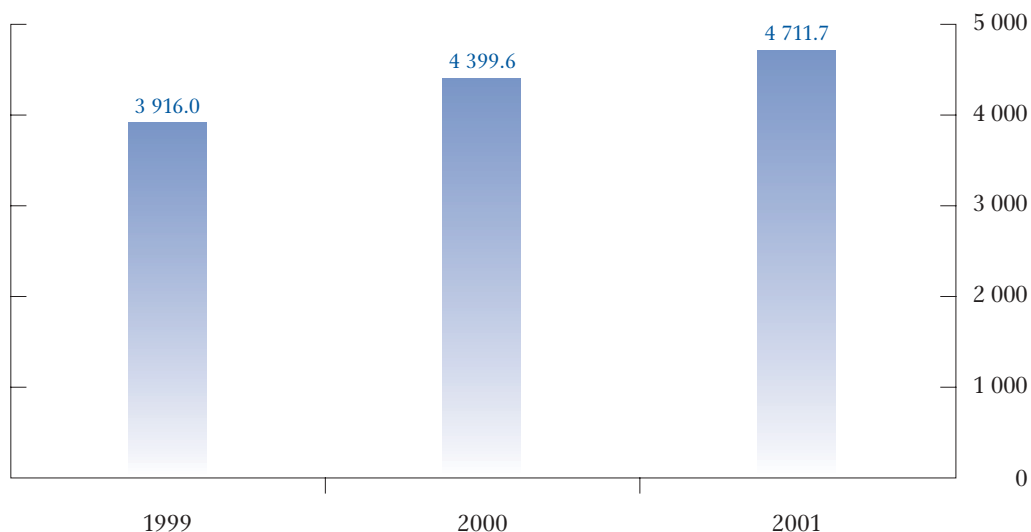
## Gross written premium

The gross written premium on life insurance collected in 2001 amounted to PLN 4 711.7 million, exceeding the previous year's numbers by 7.1%. The higher gross written premium was achieved despite the fact that the number of insureds continued to fall with 14 528 thousand insureds as of 31 December 2001 (2.2% fewer than the 14 861 thousand insureds at the end of 2000).

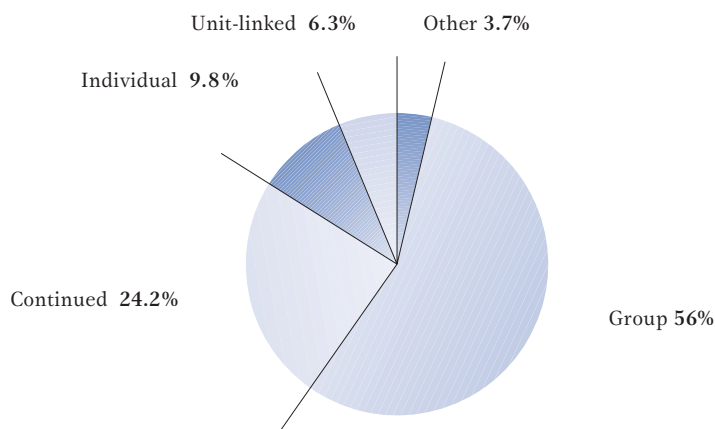
The average monthly gross written premium per insured was PLN 27 up 9.6% from PLN 24.7 in 2000.

Group and continued individual life insurance were prevalent in the portfolio composition. Their share in the insurance portfolio amounted to 80.2%

PZU Życie SA's gross written premium in life insurance (in millions of PLN) in 1999-2001



PZU Życie SA's structure of gross written premium in life insurance by type (%) in 2001



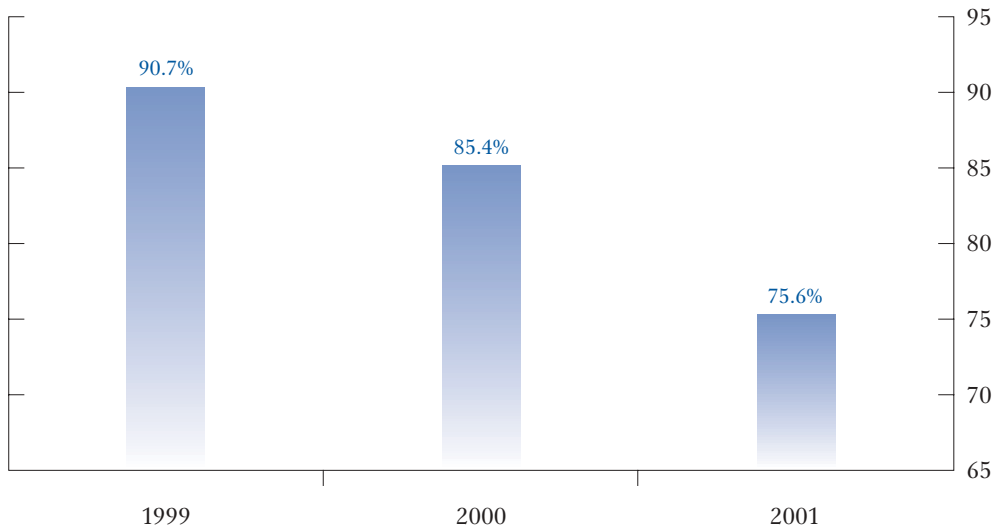


## Claims and benefits paid

In 2001, the company paid out benefits of PLN 2 504.2 million, up 13.5% from PLN 2 206.6 million in 2000. This increased the gross loss ratio to 53.9% in 2001 as compared to 50.7% in 2000 and 49.4% in 1999 (the ratio is calculated as the ratio of gross claims and benefits paid plus or minus the changes in the balance

of reserves to gross written premium). It should be taken into consideration, however, that insurance companies recorded significant growth in their loss ratios in 2001; consequently, PZU Life SA's share of total gross claims paid declined from 85.4% in 2000 to 75.6% in 2001.

PZU Życie SA's claims and benefits as a percentage of gross written premium in life insurance (%) in 1999-2001

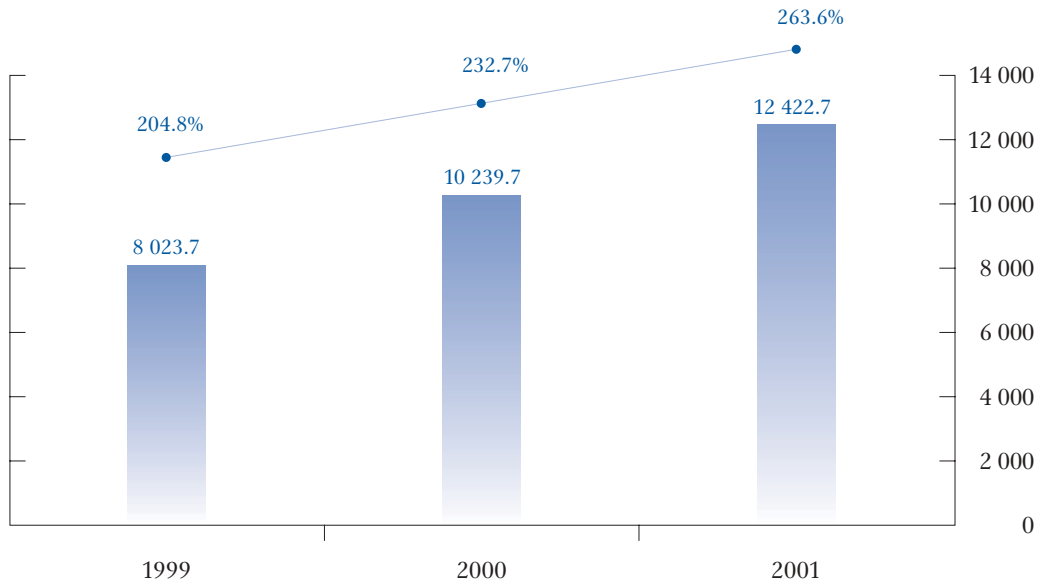


## Technical reserves

The balance of gross technical reserves at the end of 2001 was PLN 12 422.7 million (PLN 10 239.7 million at the end of 2000). This means that gross technical reserves increased in 2001 by PLN 2 183.1 million, which constitutes growth of 21.3%.

At the same time, at the end of 2001, the company had a surplus of PLN 278.5 million of assets covering the technical reserves, which means that at the end of 2001, the insurance fund coverage ratio (corresponding to the ratio of assets covering reserves to net technical reserves) amounted to 102.2%.

PZU Życie SA's gross technical reserves (in millions of PLN) expressed as a percentage of gross written premium in 1999-2001



## Cost of servicing insurance

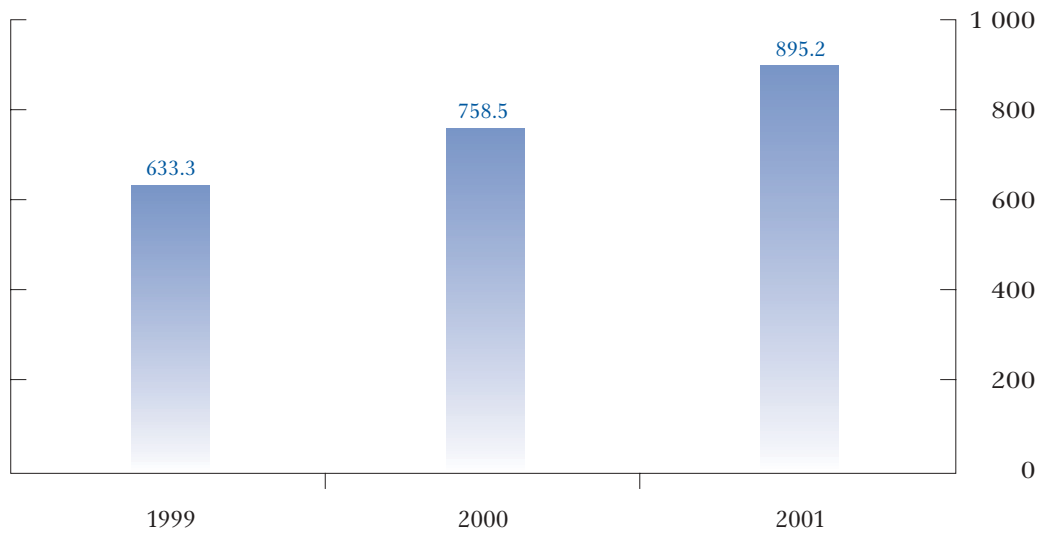
In 2001 the company's operating costs including acquisition, administrative and other operating costs amounted to PLN 895.2 million, signifying growth of 18% over the insurance activity costs incurred in 2000.

In 2001 administrative costs amounted to PLN 582.4 million, increasing by 20.3% over the previous year, while acquisition costs amounted to PLN 313 million, which constitutes 14% growth over the previous year. Growing administrative costs may be attributed mainly to pay raises (connected

with the execution of salary increase arrangements concluded with trade unions in which the company's employees are members), but also to higher depreciation on the capital expenditures incurred to develop the company both in recent years and currently.

Costs stated as a percentage of premiums reached 19% in 2001, of which 6.6% may be attributed to acquisition costs and 12.4% to administrative costs.

PZU Życie SA's cost of servicing insurance (in millions of PLN) in 1999-2001

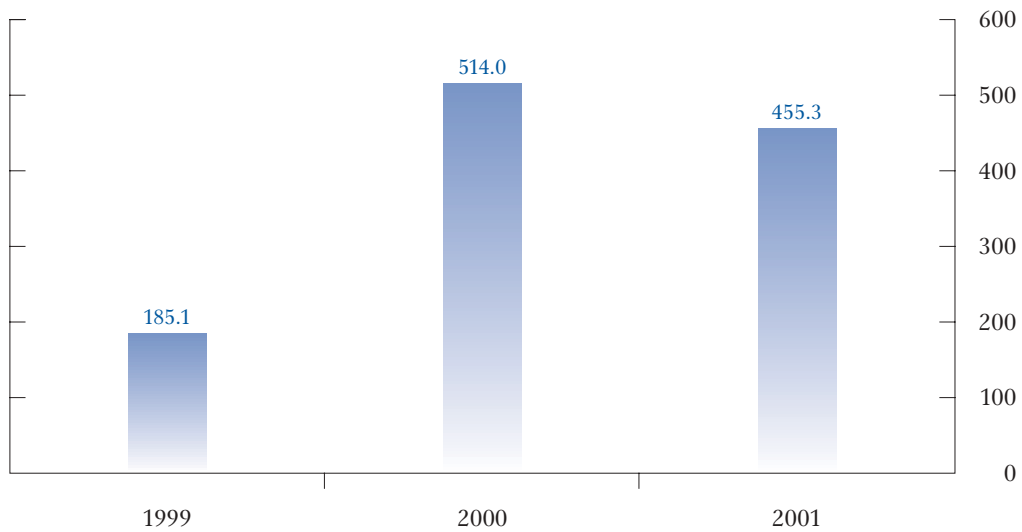


## Technical result

The 2001 technical account was closed in the black at PLN 455.3 million, marking a decrease of 11.4% as compared to the result in the previous year (PLN 514 million). The profitability of insurance activity measured as the ratio of the technical result to the net written premium increased in the three

most recent years from 4.7% in 1999 to 11.7% in 2000 and then fell to 9.7% in 2001. The considerable growth in profitability in 2000 over 1999 should be ascribed to the very good investment activity results, which are included in the technical result in life insurance companies.

PZU Życie SA's technical result (in millions of PLN) in 1999-2001

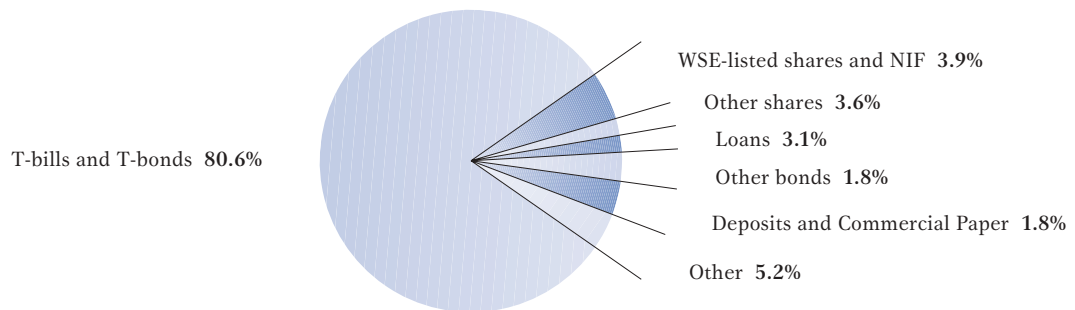


## Investment activity

At the end of 2001 the balance of investments amounted to PLN 13 638.4 million (PLN 11 078.4 million at the end of 2000). Therefore, during 2001 investments increased by 2 560 million, i.e. by 23.1%. The value of assets in the Pogodna Jesień fund exceeded PLN 1 billion in 2001.

The income on financial investments and real property reached PLN 1 431.1 million in 2001 as compared to PLN 1 439.4 recorded in the previous year. Therefore, there was a slight decrease in income (0.6%). The investment yield in 2001 amounted to 11.6% while in 2000 it stood at 14.2%.

PZU Życie SA's investment composition as of 31 December 2001 (%)



## Financial performance

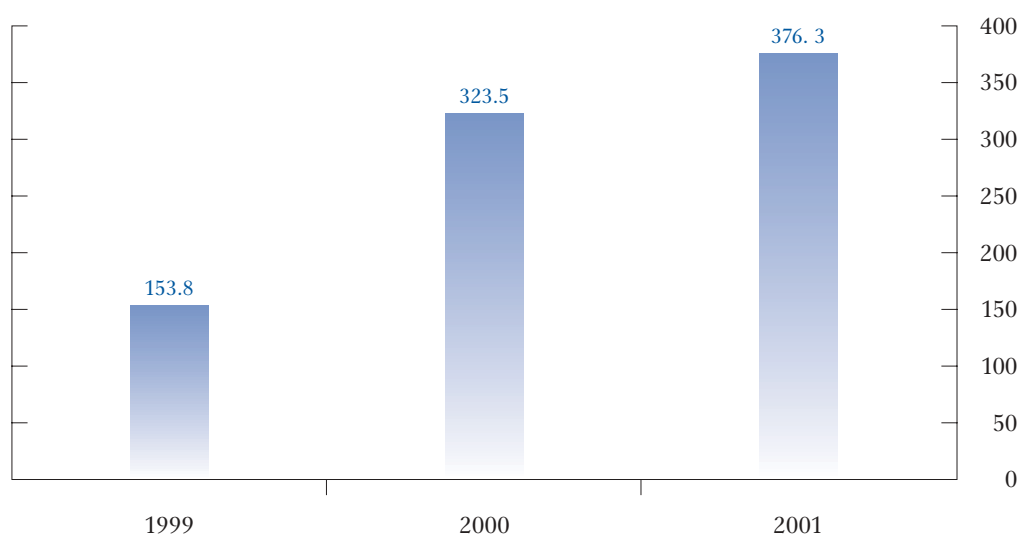
In 2001, PZU Życie SA achieved a gross financial result of PLN 543.6 million and a net profit of PLN 376.3 million. The net financial result generated exceeded the one generated in the previous

year by 16.3% thereby signifying further growth in the net sales margin, which reached 8.0% in 2001, as compared to 7.4% in 2000.

PZU Życie SA's financial result (in millions of PLN)

	2001	2000
Technical result	455.3	514.0
Investment income	1 431.1	1 439.4
Investment income brought forward from the technical account	60.6	85.9
Investment activity costs	11.6	30.8
Other operating income	66.2	50.1
Other operating costs	43.2	158.9
Extraordinary gains	0.5	0.5
Extraordinary losses	0.4	0.4
Tax and other obligatory charges on the financial result	167.3	167.6

PZU Życie SA's net financial result (in millions of PLN) in 1999-2001



## Equity and solvency margin coverage

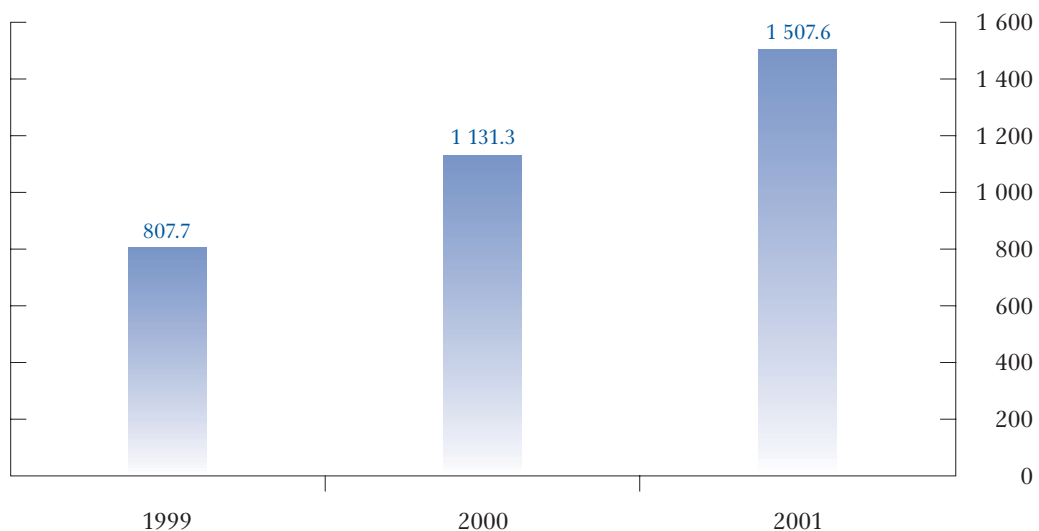
In 2001, PZU Życie SA's equity increased from PLN 1 131.3 million to PLN 1 507.6 million, as profit of PLN 376.3 million was generated in 2001.

At the end of 2001, the solvency margin was PLN 1 225.3 million and was covered with shareholder funds amounting to PLN 1 430.8 million. The surplus of shareholder funds covering the solvency margin is PLN 205.5 million. Thus the solvency margin coverage ratio reached 116.8% as of 31 December 2001.

### PZU Życie SA's shareholder funds and solvency margin coverage

	2001	2000
Solvency margin (in millions of PLN)	1 225.3	813.5
Guarantee capital (in millions of PLN)	408.4	271.2
Shareholder funds covering the solvency margin (in millions of PLN)	1 430.8	1 040.4
Shareholder funds coverage (%):		
- Solvency margin	116.8	127.9
- Guarantee capital	350.3	383.6

### PZU Życie SA's equity (in millions of PLN) in 1999-2001







## Discussion of the performance of PTE PZU SA and the OFE PZU Złota Jesień

### PTE PZU SA

PTE PZU SA manages OFE PZU Złota Jesień, one of the largest open-end pension funds on the Polish market.

The performance in 2001 has unambiguously demonstrated that PTE PZU SA is a stable and modern company, well-prepared to manage the fund and care for the interests of the clients of OFE PZU Złota Jesień.

The observance of the highest service standards in discharging the duties prescribed by the articles of association was confirmed in June 2001 when the Certificate of Quality was awarded, which confirms that the PN-ISO 9002:1996 standard of quality is followed in managing of OFE PZU Złota Jesień. The standardization of service provided to fund members made it possible not only to improve procedures but also to increase the quality of executing other tasks related to the company's operations.

The Company's activities in 2001 focused on obtaining the best possible investment performance on the assets under management, maintaining a leading position on the market in terms of the number of members and improving the quality of service. In 2001, the company bolstered the image of OFE PZU Złota Jesień as a reliable, modern and professionally managed entity.

As at 31 December 2001, PTE PZU SA's assets increased by 52% over the previous year reaching PLN 97.46 million (including deferred income tax assets amounting to PLN 41.98 million). The company's equity was PLN 86.53 million, which marked an increase of 113.4% over the previous year.

The company closed 2001 with a loss of PLN 4.02 million. The loss in the previous financial year reached PLN 85.52 million. The loss resulted inter alia from the initial cost of the company's development in the new market segment.

The loss compared to last year's loss was reduced by higher sales revenues, which reached PLN 112.15 million as at 31 December 2001. Their value was dependent on the amount of contributions transferred by the Social Security Company (ZUS).

As of 31 December 2001, the Company's founding capital was PLN 32 million and its reserve capital was PLN 288 million.

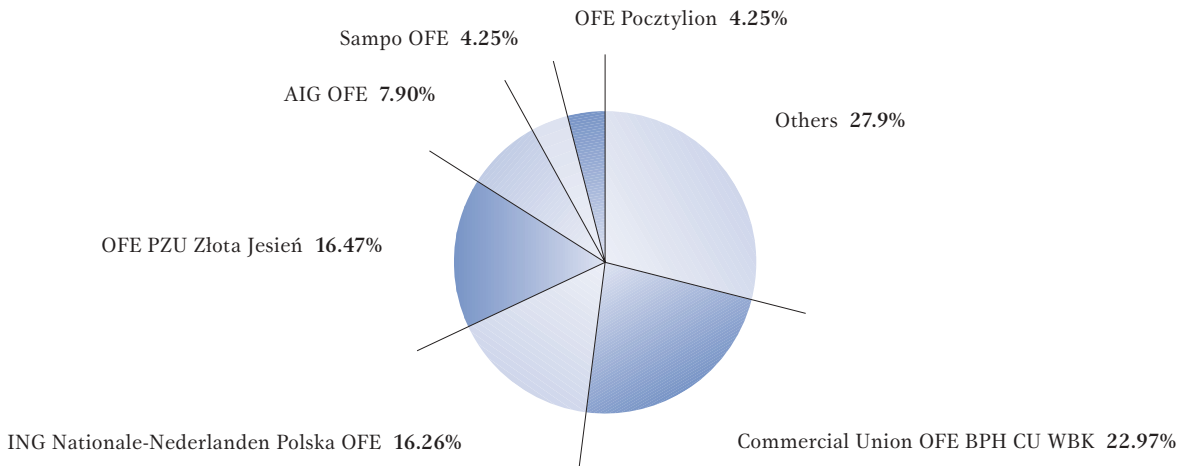
## OFE PZU Złota Jesień

Since the outset of its activities, OFE PZU Złota Jesień fund has been among the leading open-end pension funds in Poland. In 2001 the fund confirmed and consolidated its market position, ranked second in terms of the number of members and third in terms of assets.

As at 31 December 2001, OFE PZU Złota Jesień's net assets amounted to PLN 2 816.4 million.

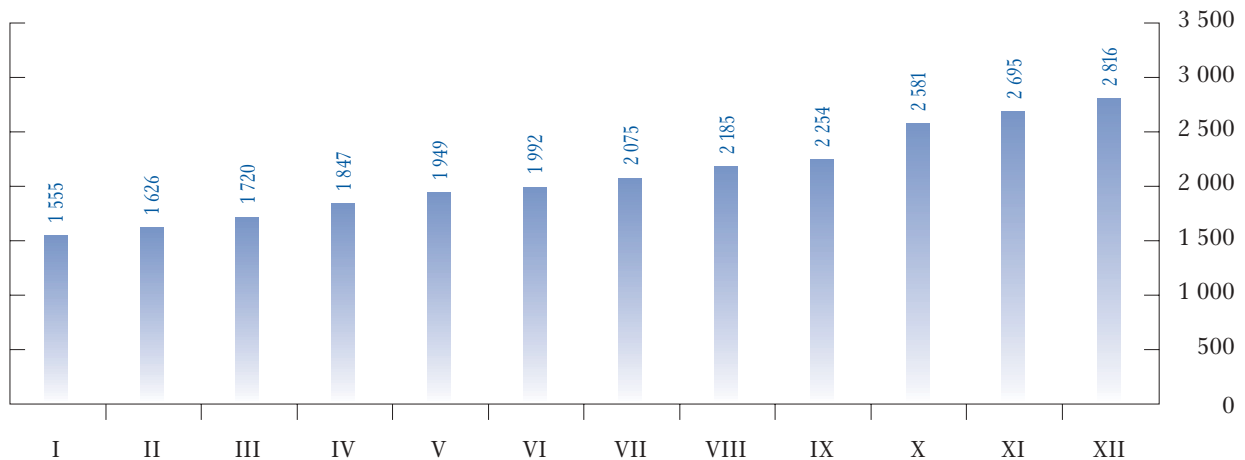
At the end of 2001, OFE PZU Złota Jesień held 1 765 414 accounts, yielding it a 16.4% market share.

Share of the open-end pension fund market in 2001 measured by the number of members



Source: UNFE

OFE PZU Złota Jesień's net assets in each month in 2001 (in millions of PLN)

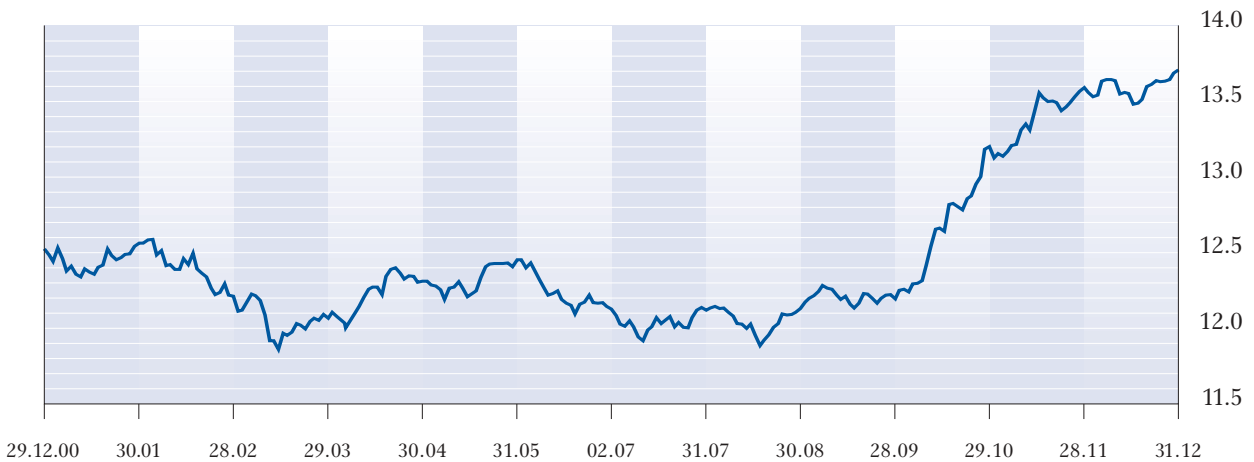


As at 31 December 2001 the financial result of OFE PZU Złota Jesień amounted to PLN 257.2 million. It was much higher than the result in 2000 (PLN 84.09 million).

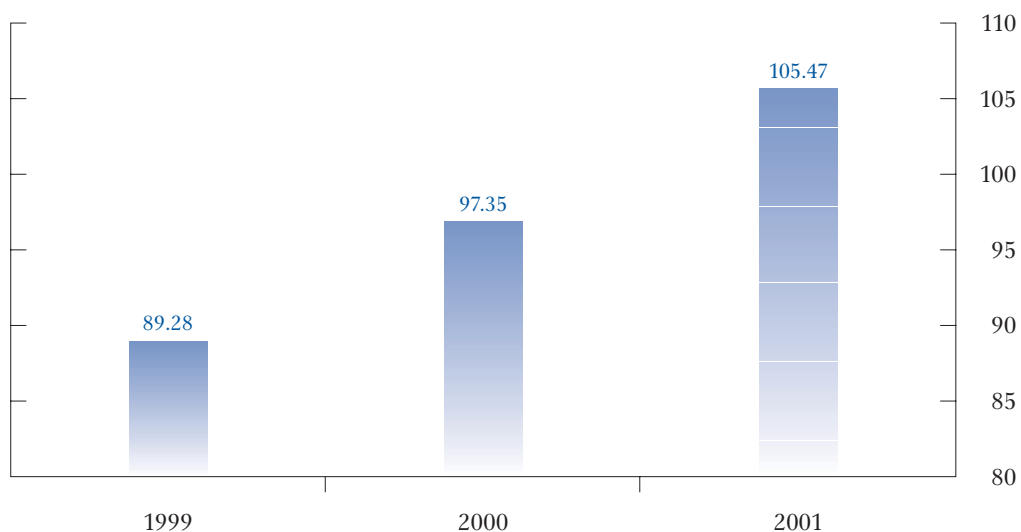
The average premium credited to the fund in 2001 grew more quickly (6.3%) than inflation. The average premium in 2001 amounted to PLN 105.65 (as at 31 December 2001).

The settlement unit value reached PLN 13.75 on the last valuation date in 2001. The investment yield measured by the change in the settlement value was 9.65%, which was the third highest yield on the market.

Settlement unit value in OFE PZU Złota Jesień in 2001 (PLN)



The average premium (in PLN) without interest transferred to OFE PZU Złota Jesień for the individual contribution periods in 1999-2001 (as at 31 December 2001)

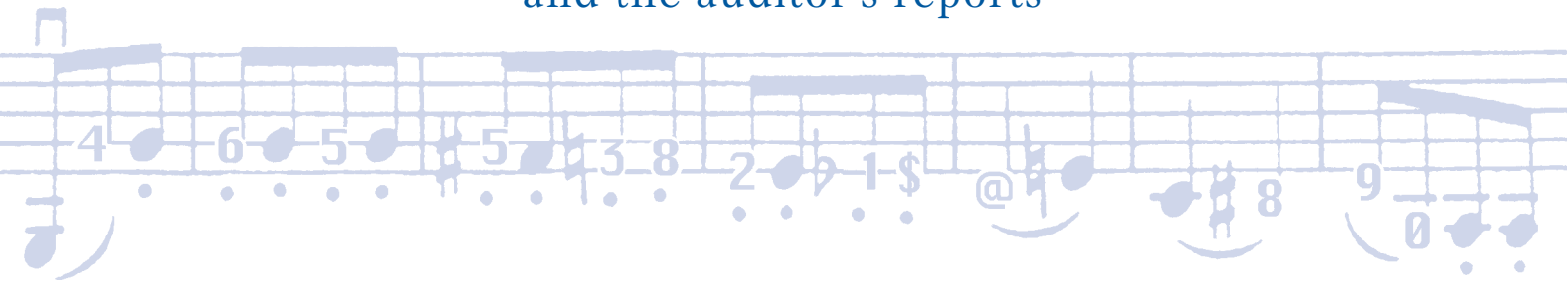


Handwritten musical score on the left page, featuring multiple staves of music with various notes and rests. The text "g. espress." is written above the first staff, and "f" is written below it. The notation includes treble clefs, key signatures, and various rhythmic values.

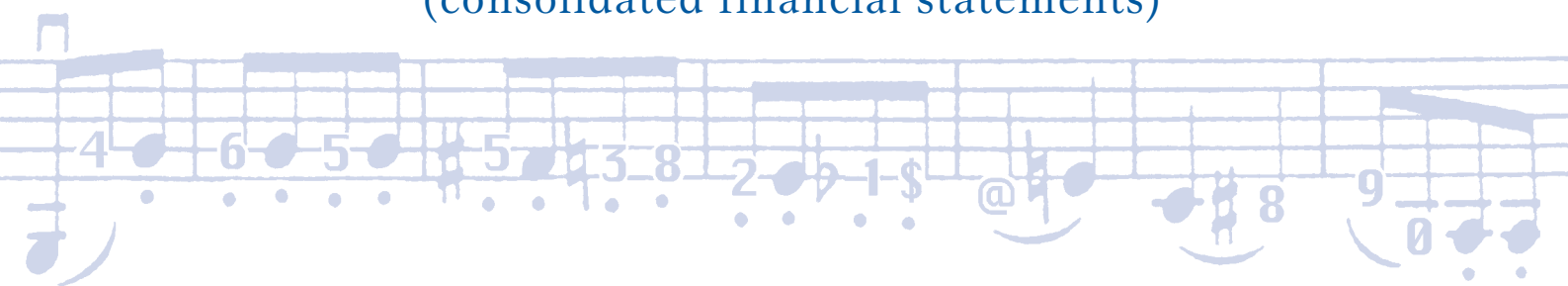
Handwritten musical score on the middle page, featuring multiple staves of music. The text "The last of" is written across the middle of the page. The notation includes treble clefs, key signatures, and various rhythmic values.

Handwritten musical score on the right page, featuring multiple staves of music. The text "The alla Giallino" is written across the middle of the page. The notation includes treble clefs, key signatures, and various rhythmic values.

# Financial statements and the auditor's reports



PZU Capital Group  
(consolidated financial statements)



## To the Shareholders of Powszechny Zakład Ubezpieczeń SA

1. We have audited the consolidated financial statements of Powszechny Zakład Ubezpieczeń Capital Group (the "Capital Group"), the parent company being Powszechny Zakład Ubezpieczeń SA ("the Parent Company", "PZU") registered in Warsaw, located at Jana Pawła II 24 Avenue, including:
  - the consolidated balance sheet as at 31 December 2001 with balance sheet totals, both on the assets and liabilities side, amounting to PLN 25 723 653 949.54,
  - the consolidated life revenue account for the period from 1 January 2001 to 31 December 2001, with an underwriting profit to be carried forward to the profit and loss account of PLN 470 176 295.30,
  - the consolidated property and casualty revenue account for the period from 1 January 2001 to 31 December 2001, with an underwriting profit to be carried forward to the profit and loss account of PLN 276 199 780.00,
  - the consolidated profit and loss account for the period from 1 January 2001 to 31 December 2001, with a net profit of PLN 1 063 232 491.47,
  - the consolidated cash flow statement with a net inflow for the period from 1 January 2001 to 31 December 2001 amounting to PLN 28 807 231.70,
  - statutory disclosures to the consolidated financial statements.
2. The parent company's management is responsible for the preparation of these consolidated financial statements. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.
3. We conducted our audit of the consolidated financial statements in accordance with regulations in force in Poland:
  - chapter 7 of the Accounting Act, dated 29 September 1994,
  - auditing standards issued by the National Chamber of Auditors, in order to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. In particular the audit included examining, mainly on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. The audit also included assessing the accounting principles used and significant estimates made by the Group, as well as evaluating the overall consolidated financial statement presentation.
4. On 27 February 2002 we issued an unqualified opinion on the abovementioned consolidated financial statements for the year ended 31 December 2001. In our opinion, the information presented in the condensed consolidated financial statements presented on pages from 64 to 69 of this annual report is in all material aspects consistent with the audited consolidated financial statements for the year ended 31 December 2001, from which they have been derived. The consolidated financial statements, that were audited by us, include explanatory notes, which have not been presented in the enclosed condensed financial statements.

## PZU Group's consolidated balance sheet

Assets	31 December 2001	31 December 2000
<b>A. Intangible assets</b>	<b>167 943 194.25</b>	<b>175 928 653.23</b>
1 Start up and organisation costs of a joint-stock company	-	-
2 Goodwill	-	-
3 Other intangible assets	163 832 912.74	170 508 232.12
4 Advances for purchases of intangible assets	4 110 281.51	5 420 421.11
<b>B. Goodwill on consolidation</b>	<b>9 127 046.78</b>	<b>-</b>
1 Goodwill – subsidiaries	9 127 046.78	-
2 Goodwill – affiliates	-	-
<b>C. Investments</b>	<b>22 336 800 850.67</b>	<b>18 124 588 687.49</b>
<b>I Real estate</b>	<b>1 154 022 912.85</b>	<b>1 044 203 906.46</b>
1. Land	106 090 012.18	32 490 815.30
2. Buildings and constructions	882 319 255.14	834 061 771.51
3. Construction in progress and advances for these constructions	165 613 645.53	177 651 319.65
<b>II Investments in subsidiaries and affiliates</b>	<b>191 217 122.47</b>	<b>196 357 032.29</b>
<b>III Other investments</b>	<b>20 987 342 827.48</b>	<b>16 880 675 502.21</b>
1. Shares and other securities with variable income, participation units in mutual funds	1 257 962 055.41	2 563 346 338.25
2. Debt securities and other securities with fixed income	19 147 397 016.67	13 777 883 752.99
3. Shares in joint investment ventures	4 550 000.00	50 000.00
4. Mortgage loans	53 815 290.00	127 691 607.11
5. Other loans	-	-
6. Deposits in financial institutions	523 618 465.40	411 703 803.86
7. Other investments	-	-
<b>IV Deposits due from cedents</b>	<b>4 217 987.87</b>	<b>3 352 246.53</b>
<b>D. Investments of the life insurance funds at the risk of policyholders</b>	<b>1 075 263 127.51</b>	<b>736 329 099.73</b>
<b>E. Receivables</b>	<b>1 272 847 610.95</b>	<b>1 210 512 034.29</b>
<b>I Insurance related receivables</b>	<b>1 030 255 858.68</b>	<b>971 960 503.19</b>
1. Receivables due from policyholders	1 012 480 476.42	959 268 236.88
2. Receivables due from insurance intermediaries (agents)	4 076 711.57	3 653 331.07
3. Other receivables	13 698 670.69	9 038 935.24
<b>II Reinsurance related receivables</b>	<b>48 352 513.25</b>	<b>54 183 606.42</b>
<b>III Other receivables</b>	<b>194 239 239.02</b>	<b>184 367 924.68</b>
1. State budget receivables	80 427 123.32	115 280 405.67
2. Other receivables	113 812 115.70	69 087 519.01



	31 December 2001	31 December 2000
<b>F. Other tangible and financial fixed assets</b>	<b>619 408 385.25</b>	<b>505 754 934.14</b>
I Tangible fixed assets	400 174 273.91	317 100 122.37
1. Machinery, technical equipment, vehicles and other fixed assets	368 157 260.58	301 580 380.70
2. Other constructions	23 155 268.24	10 341 907.54
3. Advances for these constructions	56 000.00	-
4. Inventory	8 805 745.09	5 177 834.13
II Cash and cash equivalents	208 786 361.24	179 977 199.44
1. Cash on hand	5 498 386.11	6 608 222.21
2. Cash at bank	134 406 864.82	105 132 368.12
3. Other cash equivalents (bills of exchange, cheques)	68 881 110.31	68 236 609.11
III Own shares for sale (treasury shares)	-	-
IV Other tangible and financial fixed assets	10 447 750.10	8 677 612.33
<b>G. Prepayments and accruals</b>	<b>242 263 734.13</b>	<b>249 099 097.67</b>
I Accrued interest and rent	1 362 726.52	9 008 316.49
II Other prepayments	240 901 007.61	240 090 781.18
<b>Total Assets</b>	<b>25 723 653 949.54</b>	<b>21 002 212 506.65</b>

Liabilities	31 December 2001	31 December 2000
<b>A. Equity</b>	<b>3 256 739 039.25</b>	<b>2 188 798 808.70</b>
I Share capital	86 352 300.00	86 352 300.00
II Unpaid share capital	-	-
III Reserve capital	2 304 119 600.79	1 450 076 387.58
1. Share premium reserve	538 138 886.01	538 138 886.01
2. Other	1 765 980 714.78	911 937 501.57
IV Revaluation reserve	22 704 548.84	23 708 927.32
V Foreign exchange differences on consolidation	-	-
VI Other reserve capital	-	-
VII Retained earnings (undistributed results from previous years)	(219 669 901.85)	(100 825 648.90)
1. Retained profit (positive number)	-	-
2. Retained loss (negative number)	(219 669 901.85)	(100 825 648.90)
VIII Financial result for the year	1 063 232 491.47	729 486 842.70
1. Net profit (positive number)	1 063 232 491.47	729 486 842.70
2. Net loss (negative number)	-	-
<b>B. Consolidation capital reserve</b>	<b>-</b>	<b>-</b>
I Consolidation capital reserve - subsidiaries	-	-
II Consolidation capital reserve - affiliates	-	-
<b>C. Minority interest</b>	<b>6 271.83</b>	<b>5 870.26</b>
<b>D. Subordinated debt</b>	<b>-</b>	<b>-</b>
<b>E. Technical reserves</b>	<b>19 362 667 217.26</b>	<b>16 248 225 258.22</b>
I Unearned premium reserves and unexpired risk reserves	2 602 781 043.93	2 388 330 645.75
1. Gross reserves	3 125 926 136.93	3 023 831 725.75
2. Reinsurers' share	523 145 093.00	635 501 080.00
II Life mathematical reserves	10 424 811 631.09	8 865 576 226.71
1. Gross reserves	10 424 967 672.85	8 865 743 656.64
2. Reinsurers' share	156 041.76	167 429.93
III Claims reserves	4 989 223 816.15	3 996 603 868.09
1. Gross reserves	6 660 608 930.15	5 521 507 892.09
2. Reinsurers' share	1 671 385 114.00	1 524 904 024.00
IV Dividends and profit shares reserve	4 586 908.67	4 823 162.22
1. Gross reserve	4 586 908.67	4 823 162.22
2. Reinsurers' share	-	-
V Risk equalisation reserve	514 101 491.00	475 001 182.00
VI Other technical reserves	827 162 326.42	517 890 173.45
1. Gross reserve	827 162 326.42	517 890 173.45
2. Reinsurers' share	-	-

	31 December 2001	31 December 2000
<b>F. Technical reserves for life insurance policies where the investment risk is borne by the policyholders</b>	<b>1 075 361 221.00</b>	<b>736 342 495.27</b>
1. Gross reserve	1 075 361 221.00	736 342 495.27
2. Reinsurers' share	-	-
<b>G. Other provisions</b>	<b>523 758 207.11</b>	<b>367 552 314.98</b>
1. Deferred tax liability	115 803 065.62	5 690 756.00
2. Other provisions	407 955 141.49	361 861 558.98
<b>H. Deposits due to reinsurers</b>	<b>106 331 449.90</b>	<b>151 807 181.05</b>
<b>I. Other liabilities and special funds</b>	<b>507 072 262.91</b>	<b>501 638 639.65</b>
<b>I Insurance related liabilities</b>	<b>156 419 588.07</b>	<b>159 143 279.46</b>
1. Liabilities due to policyholders	115 724 997.68	109 846 022.70
2. Liabilities due to insurance intermediaries (agents)	39 879 284.40	49 297 256.76
3. Other insurance related liabilities	815 305.99	-
<b>II Reinsurance related liabilities</b>	<b>23 832 599.92</b>	<b>79 905 085.16</b>
<b>III Liabilities due to own bonds issued</b>	<b>-</b>	<b>-</b>
<b>IV Liabilities due to financial institutions</b>	<b>14 928 249.27</b>	<b>9 833 870.63</b>
<b>V Other liabilities</b>	<b>234 459 737.86</b>	<b>186 725 859.67</b>
1. State budget liabilities	90 179 585.48	11 155 247.74
2. Other liabilities	144 280 152.38	175 570 611.93
<b>VI Special funds</b>	<b>77 432 087.79</b>	<b>66 030 544.73</b>
<b>J. Accruals and deferred income</b>	<b>891 718 280.28</b>	<b>807 841 938.42</b>
1. Accruals	581 393 297.22	559 160 987.68
2. Deferred income	310 324 983.06	248 680 950.74
<b>Total Liabilities</b>	<b>25 723 653 949.54</b>	<b>21 002 212 506.65</b>

## PZU Group's consolidated non-technical profit and loss account

Description	Year ended 31 December 2001	Year ended 31 December 2000
<b>I Underwriting result brought forward from the revenue account</b>	<b>746 376 075.30</b>	<b>755 807 121.80</b>
<b>II Investment income (1+2+3+4)</b>	<b>1 114 636 956.88</b>	<b>978 224 372.71</b>
1 Income from shares	4 476 114.46	8 301 287.84
2 Income from other investments:	449 002 981.28	547 713 887.74
a) income from real estate	42 983 490.78	43 202 507.29
b) income from subsidiaries and affiliates	406 019 490.50	504 511 380.45
3 Gain on revaluation of investments	462 165 206.02	203 004 760.71
4 Gain on sale of investments	198 992 655.12	219 204 436.42
<b>III Investment income brought forward from the revenue account</b>	<b>60 604 349.36</b>	<b>85 911 463.66</b>
<b>IV Costs of investment activities (1+2+3+4)</b>	<b>374 512 864.15</b>	<b>340 029 077.23</b>
1 Costs related to real estate	87 709 920.15	46 607 068.01
2 Other costs of investment activities	20 549 993.24	58 307 377.27
3 Loss on revaluation of investments	110 135 291.38	221 774 452.07
4 Loss from sales of investments	156 117 659.38	13 340 179.88
<b>V Other operating income</b>	<b>341 737 093.46</b>	<b>233 575 102.30</b>
<b>VI Other operating expenses</b>	<b>423 475 828.76</b>	<b>570 578 781.61</b>
<b>VII Income from shares in associates</b>	<b>-</b>	<b>-</b>
<b>VIII Operating result (I+II+III-IV+V-VI+VII)</b>	<b>1 465 365 782.09</b>	<b>1 142 910 201.63</b>
<b>IX Extraordinary gains</b>	<b>355 580.74</b>	<b>294 115.61</b>
<b>X Extraordinary losses</b>	<b>601 688.67</b>	<b>701 468.50</b>
<b>XI Amortisation of goodwill</b>	<b>154 695.71</b>	<b>-</b>
<b>XII Amortisation of negative goodwill</b>	<b>-</b>	<b>-</b>
<b>XIII Gross financial result (VIII+IX-X-XI+XII)</b>	<b>1 464 964 978.45</b>	<b>1 142 502 848.74</b>
1 Gross profit	1 464 964 978.45	1 142 502 848.74
2 Gross loss	-	-
<b>XIV Taxes and other obligatory charges</b>	<b>405 778 236.49</b>	<b>413 014 928.19</b>
1 Corporate income tax	405 778 236.49	413 014 928.19
2 Other obligatory charges	-	-
<b>XV Profit/loss from shares in subsidiaries</b>	<b>4 047 152.14</b>	<b>-</b>
<b>XVI Profit of minority shareholders</b>	<b>1 402.63</b>	<b>1 077.85</b>
<b>XVII Net profit/loss (XIII-XIV+/-XV+/-XVI)</b>	<b>1 063 232 491.47</b>	<b>729 486 842.70</b>

## PZU Group's consolidated cash flow statement

Description	Year ended 31 December 2001	Year ended 31 December 2000
<b>A. Net cash flows from operating activities (I-II-III+IV-V+VI-VII)</b>	<b>2 408 241 470.67</b>	<b>1 859 001 188.68</b>
I Net cash inflows from premiums	11 365 143 369.11	10 759 182 601.61
II Net premiums paid to reinsurers	863 808 457.95	1 305 132 805.22
III Claims paid, gross	6 722 910 323.65	6 187 196 803.81
IV Reinsurers' share in claims paid	653 795 323.59	1 155 920 185.26
V Corporate income tax paid	272 474 172.00	859 297 240.75
VI Other inflows from operating activities	393 641 419.88	255 754 652.99
VII Other outflows from operating activities	2 145 145 688.31	1 960 229 401.40
<b>B. Net cash flows from investing activities (I-II+III-IV+V-VI+VII+VIII-IX+X+XI-XII)</b>	<b>(2 379 434 271.99)</b>	<b>(1 860 187 401.53)</b>
I Term deposits withdrawn	63 388 705 210.29	56 003 850 885.08
II Term deposits placed	63 371 478 592.64	55 804 146 149.97
III Sale of shares in subsidiaries and affiliates	2 711 325.13	6 719 730.00
IV Purchase of shares in subsidiaries and affiliates	82 855 329.9	28 398 000.00
V Proceeds from other investments	52 918 909 410.92	58 892 581 946.58
VI Purchase of other investments	55 922 896 241.42	61 480 723 345.23
VII Interest received	900 195 041.03	916 695 552.92
VIII Dividends received	34 848 680.98	90 299 439.90
IX Purchase of fixed assets and intangibles	172 088 965.08	347 309 960.00
X Sale and liquidation of fixed assets and intangibles	951 204.67	27 126 748.26
XI Other inflows from investing activities	30 252 591.87	9 749 690.14
XII Other outflows from investing activities	106 688 607.84	146 633 939.21
<b>C. Net cash flows from financing activities (I-II+III+IV-V)</b>	<b>33.02</b>	<b>93.33</b>
I Issuance of shares	-	-
II Dividends paid	-	-
III Interest paid on credits and loans	176.88	-
IV Other inflows from financing activities	209.90	93.33
V Other outflows from financing activities	-	-
<b>D. Increase (decrease) of cash (A+B+C)</b>	<b>28 807 231.70</b>	<b>(1 186 119.52)</b>
I Cash and cash equivalents at the beginning of the year	179 977 199.44	198 945 999.21
II Unrealised foreign exchange gains at the end of the year	1 930.10	(17 782 680.25)
III Cash and cash equivalents at the end of the year	208 786 361.24	179 977 199.44



## To the Shareholders of Powszechny Zakład Ubezpieczeń SA

1. We have audited the financial statements of Powszechny Zakład Ubezpieczeń SA ("PZU", "the Company"), located at Al. Jana Pawła II 24, Warszawa, which include:
  - the balance sheet as at 31 December 2001 with balance sheet totals, both on the assets and liabilities side, amounting to PLN 11 994 134 601.15,
  - the revenue account for the period from 1 January 2001 to 31 December 2001, with an underwriting profit to be carried forward to the profit and loss account of PLN 251 279 850.56,
  - the profit and loss account for the period from 1 January 2001 to 31 December 2001, with a net profit of PLN 676 916 255.96,
  - the cash flow statement with a net inflow for the period from 1 January 2001 to 31 December 2001 amounting to PLN 19 742 634.22,
  - statutory disclosures to the financial statements, including:
    - the summary of technical reserves,
    - the summary of assets covering the technical reserves,
    - the capital adequacy ratio calculation,
    - the summary of own funds covering the capital adequacy ratio.
2. The preparation of these financial statements is the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
3. Our audit was conducted in accordance with:
  - Regulations of Chapter 7 of the Accounting Act,
  - Auditing Standards issued by the National Chamber of Auditors, in such a way as to obtain reasonable assurance as to whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.
4. On 14 February 2002 we issued an unqualified opinion on the abovementioned financial statements for the year ended 31 December 2001. In our opinion, the information presented in the condensed financial statements on pages from 72 to 78 of this annual report is in all material aspects consistent with the audited financial statements for the year ended 31 December 2001, from which they have been derived. The financial statements, that were audited by us, include explanatory notes, which have not been presented in the enclosed condensed financial statements.
5. The auditor's opinion issued on 14 February 2002 contained emphasis of matter relating to the fact that, that in accordance with the regulations of the Accounting Act, the Company presented in the attached financial statements shares in subsidiaries and associates at purchase price adjusted for any permanent diminution in value. In accordance to the Accounting Act the PZU Capital Group (the "Capital Group") of which the Company is a dominant entity will prepare consolidated financial statements. The Capital Group's net assets and financial results following the consolidation will be different from the Company's financial results for the year ended 31 December 2001 and its net assets as at that date.

## PZU SA's balance sheet

Assets	31 December 2001	31 December 2000
<b>A. Intangible assets</b>	<b>25 178 405.09</b>	<b>24 104 372.24</b>
1 Start up and organisation costs of a joint stock company	-	-
2 Goodwill	-	-
3 Other intangible assets	25 178 405.09	24 104 372.24
4 Advances for purchases of intangible assets	-	-
<b>B. Investments</b>	<b>10 431 858 910.66</b>	<b>8 421 451 997.74</b>
<b>I Real estate</b>	<b>384 293 119.99</b>	<b>371 460 599.56</b>
1. Land	25 274 639.36	28 121 942.48
2. Buildings and constructions	211 354 715.49	183 467 175.02
3. Construction in progress and advances for these constructions	147 663 765.14	159 871 482.06
<b>II Investments in subsidiaries and affiliates</b>	<b>548 113 138.97</b>	<b>556 560 276.42</b>
1. Shares in subsidiaries and affiliates	360 127 700.80	380 810 276.42
2. Loans to subsidiaries and affiliates and debt securities issued by these companies	187 985 438.17	175 750 000.00
3. Other shares	-	-
4. Loans to entities in which the insurer has shares and debt securities issued by these entities	-	-
<b>III Other investments</b>	<b>9 495 234 663.83</b>	<b>7 490 078 875.23</b>
1. Shares and other securities with variable income, participation units in mutual funds	361 767 392.51	1 868 147 838.00
2. Debt securities and other securities with fixed income	8 803 820 859.20	5 395 718 167.44
3. Shares in joint investment ventures	4 550 000.00	50 000.00
4. Mortgage loans	-	-
5. Other loans	-	-
6. Deposits in financial institutions	325 096 412.12	226 162 869.79
7. Other investments	-	-
<b>IV Deposits due from cedants</b>	<b>4 217 987.87</b>	<b>3 352 246.53</b>
<b>C. Investments of the life insurance funds at the risk of policyholders</b>	<b>-</b>	<b>-</b>
<b>D. Receivables</b>	<b>1 072 954 729.32</b>	<b>1 076 679 054.98</b>
<b>I Insurance related receivables</b>	<b>945 899 004.10</b>	<b>890 266 753.23</b>
1. Receivables due from policyholders	928 123 621.84	878 384 456.39
2. Receivables due from insurance intermediaries (agents)	4 076 711.57	2 843 361.60
3. Other receivables	13 698 670.69	9 038 935.24
<b>II Reinsurance related receivables</b>	<b>48 352 513.25</b>	<b>54 183 606.42</b>
<b>III Other receivables</b>	<b>78 703 211.97</b>	<b>132 228 695.33</b>
1. State budget receivables	254 494.36	79 928 418.69
2. Other receivables	78 448 717.61	52 300 276.64



	31 December 2001	31 December 2000
<b>E. Other tangible and financial fixed assets</b>	<b>312 290 661.92</b>	<b>240 038 105.79</b>
I Tangible fixed assets	165 646 701.30	114 129 007.78
1. Machinery, technical equipment, vehicles and other fixed assets	142 777 864.38	106 375 004.34
2. Other constructions	15 287 651.22	3 415 916.43
3. Advances for these constructions	-	-
4. Inventory	7 581 185.70	4 338 087.01
II Cash and cash equivalents	137 506 958.94	117 762 394.62
1. Cash on hand	2 959 630.67	4 323 493.22
2. Cash at bank	102 752 197.55	84 906 986.77
3. Other cash equivalents (bills of exchange, cheques)	31 795 130.72	28 531 914.63
III Own shares for sale (treasury shares)	-	-
IV Other tangible and financial fixed assets	9 137 001.68	8 146 703.39
<b>F. Prepayments and accruals</b>	<b>151 851 894.16</b>	<b>179 404 939.65</b>
I Accrued interest and rent	240 713.25	8 722 054.34
II Other prepayments	151 611 180.91	170 682 885.31
<b>Total assets</b>	<b>11 994 134 601.15</b>	<b>9 941 678 470.40</b>

Liabilities	31 December 2001	31 December 2000
<b>A. Equity</b>	<b>2 402 335 819.30</b>	<b>1 725 419 563.34</b>
I Share capital	86 352 300.00	86 352 300.00
II Unpaid share capital	-	-
III Reserve capital	1 619 476 277.51	1 045 864 868.70
1. Share premium reserve	538 138 886.01	538 138 886.01
2. Other	1 081 337 391.50	507 725 982.69
IV Revaluation reserve	19 590 985.83	19 745 160.55
V Other reserve capital	-	-
VI Retained earnings (undistributed results from previous years)	-	-
1. Retained profit (positive number)	-	-
2. Retained loss (negative number)	-	-
VII Financial result for the year	676 916 255.96	573 457 234.09
1. Net profit (positive number)	676 916 255.96	573 457 234.09
2. Net loss (negative number)	-	-
<b>B. Subordinated debt</b>	<b>-</b>	<b>-</b>
<b>C. Technical reserves</b>	<b>8 015 283 425.00</b>	<b>6 744 915 105.00</b>
I Unearned premium reserves and unexpired risk reserves	2 548 320 144.00	2 308 182 828.00
1. Gross reserves	3 071 465 237.00	2 943 683 908.00
2. Reinsurers' share	523 145 093.00	635 501 080.00
II Life mathematical reserves	-	-
1. Gross reserves	-	-
2. Reinsurers' share	-	-
III Claims reserves	4 661 293 295.00	3 704 546 633.00
1. Gross reserves	6 332 678 409.00	5 229 450 657.00
2. Reinsurers' share	1 671 385 114.00	1 524 904 024.00
IV Dividends and profit shares reserve	-	-
1. Gross reserve	-	-
2. Reinsurers' share	-	-
V Risk equalisation reserve	514 101 491.00	475 001 182.00
VI Other technical reserves	291 568 495.00	257 184 462.00
1. Gross reserve	291 568 495.00	257 184 462.00
2. Reinsurers' share	-	-

	31 December 2001	31 December 2000
<b>D. Technical reserves for life insurance with the investment risk of policy holders</b>	-	-
1. Gross reserve	-	-
2. Reinsurers' share	-	-
<b>E. Other provisions</b>	<b>283 374 434.81</b>	<b>224 675 099.35</b>
III 1. Deferred tax liability	11 644 604.00	-
2. Other provisions	271 729 830.81	224 675 099.35
<b>F. Deposits due to reinsurers</b>	<b>106 331 449.90</b>	<b>151 807 181.05</b>
<b>G. Other liabilities and special funds</b>	<b>312 725 412.92</b>	<b>310 437 337.80</b>
I Insurance related liabilities	41 946 028.96	47 304 579.41
1. Liabilities due to policyholders	6 030 783.48	10 152 384.15
2. Liabilities due to insurance intermediaries (agents)	35 915 245.48	37 152 195.26
3. Other insurance related liabilities	-	-
II Reinsurance related liabilities	23 487 480.93	79 905 085.16
III Liabilities due to own bonds issued	-	-
IV Liabilities due to financial institutions	-	-
V Other liabilities	180 054 131.94	124 140 101.92
1. State Budget liabilities	82 823 155.20	7 136 167.44
2. Other liabilities	97 230 976.74	117 003 934.48
VI Special funds	67 237 771.09	59 087 571.31
<b>H. Accruals and deferred income</b>	<b>874 084 059.22</b>	<b>784 424 183.86</b>
1. Accruals	568 610 833.70	553 536 347.58
2. Deferred income	305 473 225.52	230 887 836.28
<b>Total liabilities</b>	<b>11 994 134 601.15</b>	<b>9 941 678 470.40</b>

## PZU SA's non-technical profit and loss account

Description	Year ended 31 December 2001	Year ended 31 December 2000
<b>I Underwriting result brought forward from the revenue account</b>	<b>251 279 850.56</b>	<b>228 416 668.49</b>
<b>II Investment income (1+2+3+4)</b>	<b>1 114 367 160.31</b>	<b>988 145 742.72</b>
1 Income from shares:	4 476 114.46	8 301 287.84
a) income from subsidiaries and affiliates	574 753.98	2 312 763.26
b) other income	3 901 360.48	5 988 524.58
2 Income from other investments:	452 030 553.71	565 260 485.52
a) income from real estate	39 229 342.74	44 657 241.56
b) income from subsidiaries and affiliates	24 518 302.73	22 437 500.00
c) other income	388 282 908.24	498 165 743.96
3 Gain on revaluation of investments	462 164 806.02	198 514 379.61
4 Gain on sale of investments	195 695 686.12	216 069 589.75
<b>III Investment income brought forward from the revenue account</b>	<b>-</b>	<b>-</b>
<b>IV Costs of investment activities (1+2+3+4)</b>	<b>320 869 884.58</b>	<b>276 624 831.19</b>
1 Costs related to real estate	37 713 800.58	31 821 221.97
2 Other costs of investment activities	20 549 993.24	58 307 377.27
3 Loss on revaluation of investments	106 488 431.38	173 156 052.07
4 Loss from sales of investments	156 117 659.38	13 340 179.88
<b>V Other operating income</b>	<b>147 579 416.33</b>	<b>89 997 619.42</b>
<b>VI Other operating expenses</b>	<b>221 512 303.08</b>	<b>202 985 185.38</b>
<b>VII Operating result (+/-I+II+III-IV+V-VI)</b>	<b>970 844 239.54</b>	<b>826 950 014.06</b>
<b>VIII Extraordinary gains</b>	<b>260 270.87</b>	<b>230 197.77</b>
<b>IX Extraordinary losses</b>	<b>198 292.67</b>	<b>238 470.71</b>
<b>X Gross financial result (VII+VIII-IX)</b>	<b>970 906 217.74</b>	<b>826 941 741.12</b>
1 Gross profit	970 906 217.74	826 941 741.12
2 Gross loss	-	-
<b>XI Taxes and other obligatory charges</b>	<b>293 989 961.78</b>	<b>253 484 507.03</b>
1 Corporate income tax	293 989 961.78	253 484 507.03
2 Other obligatory charges	-	-
<b>XII Net financial result (X+/-XI)</b>	<b>676 916 255.96</b>	<b>573 457 234.09</b>
1 Net profit	676 916 255.96	573 457 234.09
2 Net loss	-	-

## PZU SA's technical account in property and casualty insurance

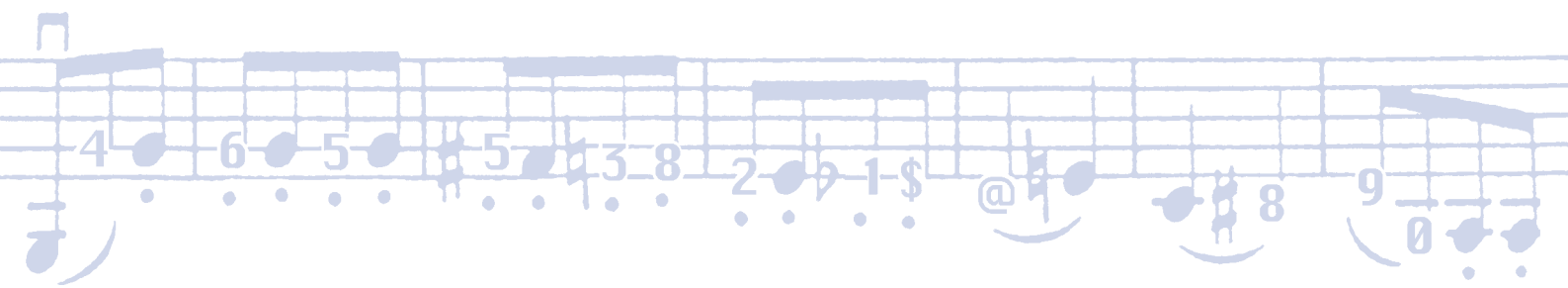
Description	Year ended 31 December 2001	Year ended 31 December 2000
<b>I Premiums written (1-2+/-3+/-4)</b>	<b>6 031 357 604.04</b>	<b>5 173 352 191.15</b>
1 Gross premiums written	7 522 558 957.60	7 136 028 467.35
2 Reinsurers' share in gross premiums	1 251 064 037.56	1 427 325 839.20
3 Movement in unearned premium reserves and unexpired risk reserves, gross	127 781 329.00	429 136 943.00
4 Reinsurers' share in movement in premium reserves	(112 355 987.00)	(106 213 494.00)
<b>II Other technical income, net</b>	<b>180 714 051.70</b>	<b>152 650 056.29</b>
<b>III Claims (1+/-2)</b>	<b>4 496 064 268.42</b>	<b>3 732 339 715.04</b>
1 Net claims paid (a-b):	3 539 317 606.42	3 088 050 330.04
a) gross claims paid	4 450 183 102.46	4 204 513 007.90
b) reinsurers' share in claims paid	910 865 496.04	1 116 462 677.86
2 Movement in claims reserves, net (a-b):	956 746 662.00	644 289 385.00
a) in gross reserves	1 103 227 752.00	645 756 394.00
b) in reinsurers' share in reserves	146 481 090.00	1 467 009.00
<b>IV Movement in other technical reserves, net of reinsurers' share</b>	<b>34 384 033.00</b>	<b>86 713 284.00</b>
<b>V Bonuses and rebates for policyholders net of reinsurers' share together with the movement in reserves</b>	<b>-</b>	<b>-</b>
<b>VI Costs of insurance activities (1+2-3)</b>	<b>1 285 362 391.37</b>	<b>1 030 189 890.35</b>
1 Acquisition costs	561 008 278.54	513 580 371.69
2 Administrative costs	1 011 148 449.89	884 654 715.36
3 Reinsurance commission received and share in reinsurers' profits	286 794 337.06	368 045 196.70
<b>VII Other technical expenses, net</b>	<b>105 880 803.39</b>	<b>98 490 284.56</b>
<b>VIII Movement in risk equalisation reserve</b>	<b>39 100 309.00</b>	<b>149 852 405.00</b>
<b>IX Underwriting result carried forward to the profit and loss account (I+II-III+/-IV+/-V-VI-VII+/-VIII)</b>	<b>251 279 850.56</b>	<b>228 416 668.49</b>

## PZU SA's cash flow statement

Description	Year ended 31 December 2001	Year ended 31 December 2000
<b>A Net cash flows from operating activities (I-II-III+IV-V+VI-VII)</b>	<b>1 241 048 364.16</b>	<b>709 075 589.22</b>
I Net cash inflows from premiums	6 996 461 664.19	6 636 543 058.84
II Net premiums paid to reinsurers	863 808 457.95	1 305 132 805.22
III Claims paid, gross	4 218 711 652.28	3 981 099 059.69
IV Reinsurers' share in claims paid	653 795 323.59	1 155 920 185.26
V Corporate income tax paid	131 636 318.00	615 377 569.75
VI Other inflows from operating activities	210 379 708.07	137 151 091.74
VII Other outflows from operating activities	1 405 431 903.46	1 318 929 311.96
<b>B Net cash flows from investing activities (I-II+III-IV+V-VI+VII+VIII-IX+X+XI-XII)</b>	<b>(1 221 305 729.94)</b>	<b>(733 946 745.23)</b>
I Term deposits withdrawn	27 067 688 727.65	35 723 926 404.62
II Term deposits made	27 057 923 577.56	35 579 345 036.43
III Sale of shares in subsidiaries and affiliates	2 692 325.13	6 669 730.00
IV Purchase of shares in subsidiaries and affiliates	13 770 262.90	-
V Proceeds from other investments	36 306 680 911.80	36 949 975 502.79
VI Purchase of other investments	37 415 989 470.15	37 795 900 088.49
VII Interest received	33 116 712.19	44 461 011.74
VIII Dividends received	24 881 307.54	86 379 729.03
IX Purchase of fixed assets and intangibles	101 836 773.13	59 963 049.09
X Sale and liquidation of fixed assets and intangibles	343 795.72	26 733 299.67
XI Other inflows from investing activities	7 477 258.61	9 749 690.14
XII Other outflows from investing activities	74 666 684.84	146 633 939.21
<b>C Net cash flows from financing activities (I-II+III+IV-V)</b>	<b>-</b>	<b>(22.42)</b>
I Issuance of shares	-	-
II Dividends paid	-	-
III Interest paid on credits and loans	-	23.08
IV Other inflows from financing activities	-	93.33
V Other outflows from financing activities	-	92.67
<b>D Increase (decrease) of cash (A+B+C)</b>	<b>19 742 634.22</b>	<b>(24 871 178.43)</b>
I Cash and cash equivalents at the beginning of the year	117 762 394.62	142 701 165.46
II Unrealised foreign exchange gains at the end of the year	1 930.10	(67 592.41)
III Cash and cash equivalents at the end of the year	137 506 958.94	117 762 394.62



PZU Życie SA





## To the Supervisory Board of Powszechny Zakład Ubezpieczeń na Życie SA

1. We have audited the financial statements of Powszechny Zakład Ubezpieczeń na Życie SA (the "Company") located at Al. Jana Pawła II 24, Warszawa, including:
  - the balance sheet as of 31 December 2001 with total assets and liabilities amounting to PLN 14 345 708 266.65,
  - the revenue account for the period from 1 January 2001 to 31 December 2001, with an underwriting profit of PLN 455 309 625.31,
  - the profit and loss account for the period from 1 January 2001 to 31 December 2001 with a net profit amounting to PLN 376 336 836.85,
  - the cash flow statement for the period from 1 January 2001 to 31 December 2001 with a net cash inflow amounting to PLN 13 501 634.18 and
  - statutory disclosures to the financial statements, including:
    - the summary of technical reserves,
    - the summary of assets covering the technical reserves,
    - the capital adequacy ratio calculation,
    - the summary of own funds covering the capital adequacy ratio.
2. The Company's management is responsible for preparation of these financial statements. Our responsibility is to express an opinion on these financial statements based on our audit.
3. We conducted our audit of the financial statements in accordance with regulations being in force in Poland:
  - chapter 7 of the Accounting Act, dated 29 September 1994,
  - auditing standards issued by the National Chamber of Auditors, in order to obtain reasonable assurance about whether the financial statements are free of material misstatement. In particular the audit included examining, mainly on a test basis, evidence supporting the amounts and disclosures in the financial statements. The audit also included assessing the accounting principles used and significant estimates made by the Company, as well as evaluating the overall financial statement presentation.
4. On 4 March 2002 we issued an unqualified opinion on the abovementioned financial statements for the year ended 31 December 2001. In our opinion, the information presented in the condensed financial statements presented on pages from 82 to 89 of this annual report is in all material aspects consistent with the audited financial statements for the year ended 31 December 2001, from which they have been derived. The financial statements, that were audited by us, include explanatory notes, which have not been presented in the enclosed condensed financial statements.

## PZU Życie SA's balance sheet

Assets	31 December 2001	31 December 2000
<b>A. Intangible fixed assets</b>	<b>90 541 539.04</b>	<b>105 097 276.35</b>
1 Setup and development costs	-	-
2 Goodwill	-	-
3 Other intangible fixed assets	89 938 246.66	99 676 855.24
4 Advances for purchases of intangible fixed assets	603 292.38	5 420 421.11
<b>B. Investments</b>	<b>12 563 179 821.58</b>	<b>10 342 104 517.19</b>
I Properties	247 758 198.86	174 760 637.30
1. Land	80 815 372.82	4 368 872.82
2. Buildings and structures	148 992 945.65	152 611 926.89
3. Construction in progress and advances for these constructions	17 949 880.39	17 779 837.59
II Investments in subsidiaries and associates	853 811 953.45	810 967 737.33
1. Shares in subsidiaries and associates	473 971 713.00	446 187 646.00
2. Loans to subsidiaries and associates and securities issued by these companies	379 840 240.45	364 780 091.33
3. Other shares	-	-
4. Loans to entities in which the company has shares and securities issued by these entities	-	-
III Other investments	11 461 609 669.27	9 356 376 142.56
1. Shares and other securities with variable income rates, participation units in the trust funds	938 707 036.60	739 600 695.22
2. Securities with fixed income rates	10 300 607 173.88	8 333 453 063.45
3. Shares in joint ventures	-	-
4. Mortgage loans	53 815 290.00	127 691 607.11
5. Other loans	-	-
6. Deposits in financial institutions	168 480 168.79	155 630 776.78
7. Other investments	-	-
IV Deposits due from cedents	-	-
<b>C. Investments of the life insurance fund at the risk of policyholders</b>	<b>1 075 263 127.51</b>	<b>736 329 099.73</b>
<b>D. Receivables</b>	<b>361 922 115.23</b>	<b>301 470 443.15</b>
I Insurance related receivables	84 375 144.58	81 820 777.96
1. Receivables due from policy holders	84 375 144.58	81 010 808.49
2. Receivables due from agents	-	809 969.47
3. Other receivables	-	-
II Reinsurance related receivables	-	-
III Other receivables	277 546 970.65	219 649 665.19
1. State budget receivables	79 396 665.96	35 312 123.98
2. Other receivables	198 150 304.69	184 337 541.21

	31 December 2001	31 December 2000
<b>E. Other assets</b>	<b>171 964 502.43</b>	<b>134 039 783.88</b>
I Tangible fixed assets	100 242 186.00	76 598 941.11
1. Computers, equipment, vehicles and other fixtures and fittings	91 360 177.43	68 833 202.88
2. Other investments	7 867 617.02	6 925 991.11
3. Advances for these investments	-	-
4. Stock	1 014 391.55	839 747.12
II Cash and cash equivalents	70 411 568.01	56 909 933.83
1. Cash on hand	2 524 187.70	2 283 028.45
2. Cash at bank	30 801 400.72	14 922 210.90
3. Other cash equivalents	37 085 979.59	39 704 694.48
III Own shares for sale	-	-
IV Other assets	1 310 748.42	530 908.94
<b>F. Prepayments and accrued costs</b>	<b>82 837 160.86</b>	<b>94 847 753.82</b>
I Accrued interest and rents	79 730.27	103 375.58
II Other prepayments	82 757 430.59	94 744 378.24
<b>Total assets</b>	<b>14 345 708 266.65</b>	<b>11 713 888 874.12</b>

Liabilities, capitals and reserves		31 December 2001	31 December 2000
<b>A.</b>	<b>Capital and reserves</b>	<b>1 507 617 729.49</b>	<b>1 131 280 892.64</b>
I	Share capital	295 000 000.00	295 000 000.00
II	Unpaid share capital	-	-
III	Capital reserve	833 167 314.06	508 786 137.89
	1. Share premium reserve	-	-
	2. Other	833 167 314.06	508 786 137.89
IV	Revaluation reserve	3 113 578.58	3 963 796.34
V	Other reserve capital	-	-
VI	Retained earnings	-	-
	1. Net profit	-	-
	2. Net loss	-	-
VII	Financial result for the year	376 336 836.85	323 530 958.41
	1. Net profit	376 336 836.85	323 530 958.41
	2. Net loss	-	-
<b>B.</b>	<b>Subordinated debt</b>	<b>-</b>	<b>-</b>
<b>C.</b>	<b>Technical reserves</b>	<b>11 347 383 792.26</b>	<b>9 503 310 153.22</b>
I	Unearned premium reserve and unexpired risk reserve	54 460 899.93	80 147 817.75
	1. Gross reserve	54 460 899.93	80 147 817.75
	2. Reinsurers' share	-	-
II	Life mathematical reserve	10 424 811 631.09	8 865 576 226.71
	1. Gross reserve	10 424 967 672.85	8 865 743 656.64
	2. Reinsurers' share	156 041.76	167 429.93
III	Unpaid claims and benefits reserve	327 930 521.15	292 057 235.09
	1. Gross reserve	327 930 521.15	292 057 235.09
	2. Reinsurers' share	-	-
IV	Reserve for bonuses and discounts for policy holders	4 586 908.67	4 823 162.22
	1. Gross reserve	4 586 908.67	4 823 162.22
	2. Reinsurers' share	-	-
V	Risk equalisation reserve	-	-
VI	Other technical reserves	535 593 831.42	260 705 711.45
	1. Gross reserve	535 593 831.42	260 705 711.45
	2. Reinsurers' share	-	-
<b>D.</b>	<b>Technical reserves for life insurance with the investment risk of policy holders</b>	<b>1 075 361 221.00</b>	<b>736 342 495.27</b>
	1. Gross reserve	1 075 361 221.00	736 342 495.27
	2. Reinsurers' share	-	-

	31 December 2001	31 December 2000
<b>E. Other reserves</b>	<b>234 174 881.59</b>	<b>112 867 813.94</b>
1. Deferred tax	104 120 374.00	5 690 756.00
2. Other reserves	130 054 507.59	107 177 057.94
<b>F. Deposits due to reinsurers</b>	<b>-</b>	<b>-</b>
<b>G. Other liabilities and special funds</b>	<b>172 363 881.46</b>	<b>181 075 543.18</b>
<b>I Insurance related liabilities</b>	<b>114 473 559.11</b>	<b>111 838 700.05</b>
1. Liabilities due to policy holders	109 694 214.20	99 693 638.55
2. Liabilities due to agents	3 964 038.92	12 145 061.50
3. Other insurance related liabilities	815 305.99	-
<b>II Reinsurance related liabilities</b>	<b>345 118.99</b>	<b>-</b>
<b>III Liabilities due to own bonds issued</b>	<b>-</b>	<b>-</b>
<b>IV Liabilities due to financial entities</b>	<b>25.57</b>	<b>9 336 350.42</b>
<b>V Other liabilities</b>	<b>47 991 754.19</b>	<b>53 025 878.15</b>
1. State budget liabilities	4 314 365.97	2 649 427.90
2. Other liabilities	43 677 388.22	50 376 450.25
<b>VI Special funds</b>	<b>9 553 423.60</b>	<b>6 874 614.56</b>
<b>H. Accruals and deferred income</b>	<b>8 806 760.85</b>	<b>49 011 975.87</b>
1. Accruals	4 209 182.31	31 220 729.82
2. Deferred income	4 597 578.54	17 791 246.05
<b>Total liabilities, capital and reserves</b>	<b>14 345 708 266.65</b>	<b>11 713 888 874.12</b>

## PZU Życie's non-technical profit and loss account

Specification	Year ended 31 December 2001	Year ended 31 December 2000
<b>I Underwriting profit / loss</b>	<b>455 309 625.31</b>	<b>513 954 257.78</b>
<b>II Investment income (1+2+3+4)*</b>	<b>7 054 142.03</b>	<b>-</b>
1 Income from shares	-	-
a) in subsidiaries and associates	-	-
b) other	-	-
2 Other investment income	6 629 242.03	-
a) income from real estate	-	-
b) income from subsidiaries and associates	-	-
c) other income	6 629 242.03	-
3 Gain on revaluation of investments	-	-
4 Gain on sale of investments	424 900.00	-
<b>III Investment income brought forward from the revenue account</b>	<b>60 604 349.36</b>	<b>85 911 463.66</b>
<b>IV Investment activity costs (1+2+3+4)*</b>	<b>2 472 860.00</b>	<b>-</b>
1 Property maintenance costs	-	-
2 Other investment activity costs	-	-
3 Losses on revaluation of investments	2 472 860.00	-
4 Losses from sales of investments	-	-
<b>V Other operating income</b>	<b>66 165 126.04</b>	<b>50 123 886.93</b>
<b>VI Other operating costs</b>	<b>43 169 021.95</b>	<b>158 906 563.74</b>
<b>VII Operating profit/loss (+/-I+II+III-IV+V-VI)</b>	<b>543 491 360.79</b>	<b>491 083 044.63</b>
<b>VIII Extraordinary gains</b>	<b>507 644.92</b>	<b>497 586.33</b>
<b>IX Extraordinary losses</b>	<b>366 140.86</b>	<b>420 945.55</b>
<b>X Gross profit/loss (VII+VIII-IX)</b>	<b>543 632 864.85</b>	<b>491 159 685.41</b>
1 Gross profit	543 632 864.85	491 159 685.41
2 Gross loss	-	-
<b>XI Tax and other obligatory charges</b>	<b>167 296 028.00</b>	<b>167 628 727.00</b>
1 1. Corporate income tax	167 296 028.00	167 628 727.00
2 2. Other obligatory charges	-	-
<b>XII Net profit/loss (X +/-XI)</b>	<b>376 336 836.85</b>	<b>323 530 958.41</b>
1 Net profit	376 336 836.85	323 530 958.41
2 Net loss	-	-

\* In 2000 the Company jointly invested the insurer's shareholder funds and the insurance fund's resources without separating the investments with the exception of the life insurance investments made for the account and at the risk of the policyholders. In 2001 investments made with the Company's shareholder funds were separated by capturing the income and the related expenses in the non-technical profit and loss account.

## PZU Życie SA's technical account in life insurance

Specification	Year ended 31 December 2001	Year ended 31 December 2000
<b>I Premiums (1-2+/-3)</b>	<b>4 736 851 553.15</b>	<b>4 351 827 165.96</b>
1 Gross premiums written	4 711 657 662.47	4 399 575 661.86
2 Share of reinsurers in premiums written	493 027.14	-
3 Change in unearned premium reserve, net	(25 686 917.82)	47 748 495.90
<b>II Investment income (1+2+3+4)</b>	<b>1 767 916 359.04</b>	<b>1 661 938 045.33</b>
1 Income from shares	11 726 100.44	8 072 910.00
a) in subsidiaries and associates	2 613 981.74	2 622 275.13
b) other	9 112 118.70	5 450 634.87
2 Other investment income	672 992 829.46	550 687 292.17
a) income from real estate	22 537 309.51	21 498 730.66
b) income from subsidiaries and associates	44 762 430.50	41 339 808.55
c) other income	605 693 089.45	487 848 752.96
3 Gain on revaluation of investments	979 397 451.16	630 275 713.05
4 Gain on sale of investments	103 799 977.98	472 902 130.11
<b>III Unrealised investment gains</b>	<b>35 995 127.83</b>	<b>22 851 110.47</b>
<b>IV Other net technical income</b>	<b>707 591.58</b>	<b>1 481 413.47</b>
<b>V Claims and benefits (1+/-2)</b>	<b>2 540 071 957.43</b>	<b>2 228 690 519.70</b>
1 Claims and benefits paid	2 504 198 671.37	2 206 574 912.61
a) gross	2 504 198 671.37	2 206 574 912.61
b) reinsurer's share	-	-
2 Change in unpaid claims and benefits reserve	35 873 286.06	22 115 607.09
a) gross reserves	35 873 286.06	22 115 607.09
b) reinsurer's share	-	-
<b>VI Change in other technical reserves (1+2)</b>	<b>2 173 142 250.08</b>	<b>2 145 340 180.15</b>
1 Life insurance reserves	1 898 254 130.11	2 145 805 488.34
a) gross	1 898 242 741.94	2 145 823 291.19
b) reinsurer's share	(11 388.17)	17 802.85
2 Other technical reserves	274 888 119.97	(465 308.19)
<b>VII Bonuses and discounts for policyholders including change in reserves</b>	<b>3 276 046.78</b>	<b>3 781 160.59</b>

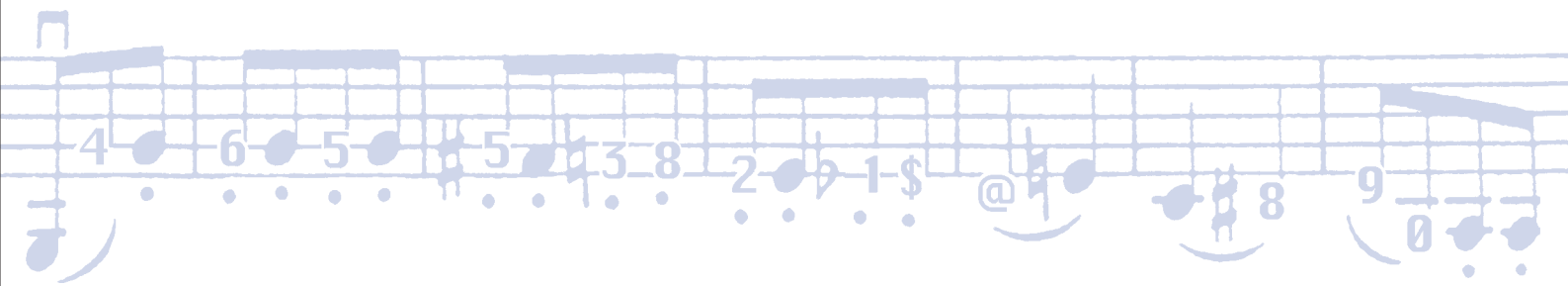
	Year ended 31 December 2001	Year ended 31 December 2000
<b>VIII Insurance activity costs (1+2+3)</b>	<b>895 224 752.63</b>	<b>758 489 090.70</b>
1 Acquisition costs	312 957 885.54	274 420 491.41
2 Administrative costs	582 414 775.24	484 068 599.29
3 Reinsurance commission and share in reinsurer's profits	147 908.15	-
<b>IX Investment activity costs (1+2+/-3+/-4)</b>	<b>388 972 292.14</b>	<b>276 155 051.18</b>
1 Property maintenance costs	8 545 008.90	9 471 376.13
2 Other investment activity costs	3 044 840.49	21 318 953.55
3 Losses on investment revaluation	211 303 828.28	203 857 899.06
4 Losses on sale of investments	166 078 614.47	41 506 822.44
<b>X Net unrealised investment losses</b>	<b>-</b>	<b>-</b>
<b>XI Other technical costs</b>	<b>24 869 357.87</b>	<b>25 776 011.47</b>
<b>XII Investment income carried forward to the profit and loss account</b>	<b>60 604 349.36</b>	<b>85 911 463.66</b>
<b>XIII Underwriting profit/loss (I+II+III+IV-V+/-VI+/-VII-VIII-IX-X-XI-XII)</b>	<b>455 309 625.31</b>	<b>513 954 257.78</b>



## PZU Życie SA's cash flow statement

Specification	Year ended 31 December 2001	Year ended 31 December 2000
<b>A. Net cash flow from operating activities (I-II-III+IV-V+VI-VII)</b>	<b>1 178 606 055.25</b>	<b>1 181 207 624.47</b>
I Net cash inflows from premiums	4 371 733 072.51	4 124 635 626.19
II Net reinsurance premiums paid	-	-
III Claims and benefits paid	2 504 198 671.37	2 206 574 912.61
IV Reinsurers share in claims and benefits paid	-	-
V Corporate income tax paid	140 049 754.00	240 776 597.00
VI Other inflows from operating activities	101 118 168.55	48 057 094.45
VII Other outflows from operating activities	649 996 760.44	544 133 586.56
<b>B. Net cash flows from investment activities (I-II+III-IV+V-VI+VII+VIII-IX+X+/-XI)</b>	<b>(1 165 104 421.07)</b>	<b>(1 158 950 687.11)</b>
I Cash inflows from term deposits	31 285 168 336.67	20 279 924 480.46
II Cash outflows on term deposits	31 289 766 147.97	20 224 801 113.54
III Sale of shares and stocks in subsidiaries and associates	19 000.00	50 000.00
IV Purchases of shares in subsidiaries and associates	119 085 067.00	98 398 000.00
V Inflows from other investments	16 532 550 805.40	20 381 369 534.35
VI Outflows on other investments	18 070 019 086.02	21 948 422 557.71
VII Interest received	554 020 727.01	529 490 150.38
VIII Dividends received	9 967 373.44	3 919 710.87
IX Purchase of intangible and tangible fixed assets	68 533 771.55	82 276 340.51
X Sale and liquidation of intangible and tangible fixed assets	573 408.95	193 448.59
XI Other inflows from investment activities	-	-
XII Other outflows from investment activities	-	-
<b>C. Net cash flow from financing activities (I-II+/-III)</b>	<b>-</b>	<b>-</b>
I Issue of shares	-	-
II Dividends paid	-	-
III Interest paid on loans	-	-
IV Other inflows from financing activities	-	-
V Other outflows from financing activities	-	-
<b>D. Increase (decrease) of cash (A+/-B+/-C)</b>	<b>13 501 634.18</b>	<b>22 256 937.36</b>
I Cash at the beginning of the year	56 909 933.83	44 708 187.44
II Unrealised foreign exchange gains and losses at the end of the year	-	(10 055 190.97)
III Cash at the end of the year	70 411 568.01	56 909 933.83

PTE PZU SA



## To the Supervisory Board of Powszechne Towarzystwo Emerytalne PZU SA

1. We have audited the financial statements of Powszechne Towarzystwo Emerytalne PZU SA (hereinafter referred to as the "Company") with its registered seat in Warsaw, at Al. Jana Pawła II 24, which included:
  - balance sheet as of 31 December 2001, with total assets of PLN 97 458 532.19 equal to total liabilities and equity,
  - profit and loss account for the period from 1 January 2001 to 31 December 2001, with a net loss of PLN 4 023 721.35,
  - cash flow statement, indicating the increase in net cash balance in the period from 1 January 2001 to 31 December 2001 by PLN 1 730 470.88,
  - additional information.
2. The Management Board of the Company is responsible for the preparation of financial statements. Our responsibility was to express an opinion on the financial statement on the basis of our audit.
3. We conducted our audit of the financial statements in accordance with regulations in force in Poland:
  - chapter 7 of the act on accounting dated 29 September 1994,
  - norms for the chartered accountant profession issued by the National Council of Chartered Accountants, in order to obtain reasonable assurance about whether the financial statements are free of material misstatement. In particular the audit included examining, mainly on a test basis, evidence supporting the amounts and disclosures in the financial statements. The audit also included assessing the accounting principles used and significant estimates made by the Company, as well as evaluating the overall financial statement presentation.
4. On 25 January 2002 we issued an unqualified opinion on the above-mentioned financial statements for the year ended 31 December 2001. In our opinion, the information presented in the condensed financial statements presented on pages from 92 to 97 of this annual report is in all material aspects consistent with the audited financial statements for the year ended 31 December 2001, from which they have been derived. The financial statements, that were audited by us, include explanatory notes, which have not been presented in the enclosed condensed financial statements.
5. The opinion issued on 25 January 2002 included a note that pursuant to the provisions of the articles of the OFE PZU Złota Jesień ("the Fund"), the Company shall charge a handling fee on premiums from the Fund members defined as a specific percentage of premiums paid in to the Fund. According to appropriate regulations, which provide accounting principles for pension funds, the Fund posts actually received contribution payments in the Fund's capital. The data regarding the Fund's transfer agent and generally available information on the entire pension fund market indicate that contributions for a certain number of the Fund's members have not been transferred by the Social Security Company or are transferred erratically. The Fund's financial statements for the year ended 31 December 2001 take into account contributions received until 31 December 2001 only.

## PTE PZU SA's balance sheet

Assets	31 December 2001	31 December 2000
<b>A. Fixed assets</b>	<b>3 303 501.89</b>	<b>3 625 704.20</b>
<b>I Intangible fixed assets</b>	<b>982 234.12</b>	<b>1 276 879.64</b>
1. Start-up costs	-	-
2. Research and development	-	-
3. Goodwill	-	-
4. Other intangible fixed assets	982 234.12	1 276 879.64
5. Prepayments for intangible fixed assets	-	-
<b>II Tangible fixed assets</b>	<b>2 030 660.46</b>	<b>2 072 423.51</b>
1. Land	-	-
2. Buildings and constructions	-	-
3. Machinery and equipment	448 688.59	817 116.57
4. Vehicles	739 191.73	574 154.79
5. Other fixed assets	842 780.14	681 152.15
6. Construction in progress	-	-
7. Prepayments for construction in progress	-	-
<b>III Financial fixed assets</b>	<b>-</b>	<b>-</b>
1. Shares in other entities	-	-
2. Long-term securities	-	-
3. Long-term loans granted	-	-
4. Other	-	-
<b>IV Long-term debtors</b>	<b>290 607.31</b>	<b>276 401.05</b>

	31 December 2001	31 December 2000
<b>B Current assets</b>	<b>51 920 018.31</b>	<b>60 239 785.55</b>
<b>I Inventory</b>	-	-
1. Raw materials	-	-
2. Work in progress	-	-
3. Finished products	-	-
4. Goods for sale	-	-
5. Advances for inventory	-	-
<b>II Debtors</b>	1 941 287.83	6 241 213.74
1. Trade debtors	1 927 799.43	6 165 325.72
2. Budget debtors	-	-
3. Intercompany debtors	-	-
4. Other debtors	13 488.40	75 888.02
5. Disputed debtors	-	-
<b>III Trade (short-term) securities</b>	42 962 209.89	48 712 522.10
1. Treasury shares	-	-
2. Other securities	42 962 209.89	48 712 522.10
<b>IV Cash</b>	7 016 520.59	5 286 049.71
1. Cash in hand	3 567.74	1 700.54
2. Cash in bank	7 012 952.85	5 284 349.17
3. Cash equivalents	-	-
<b>C Deferred costs</b>	42 235 011.99	183 056.12
1. Prepaid/ deferred expenses	257 258.70	-
2. Other	41 977 753.29	183 056.12
<b>Total assets</b>	<b>97 458 532.19</b>	<b>64 048 545.87</b>

Liabilities and capital		31 December 2001	31 December 2000
<b>A</b>	<b>Capital and reserves</b>	<b>86 529 120.35</b>	<b>40 552 841.70</b>
I	Share capital	32 000 000.00	27 000 000.00
II	Capital called but not paid in (a negative figure)	-	-
III	Reserve capital	288 000 000.00	243 000 000.00
	1. Share premium	288 000 000.00	243 000 000.00
	2. Statutory capital	-	-
	3. Reserves provided by articles or deed	-	-
	4. Capital from additional payments of shareholders	-	-
	5. Other	-	-
IV	Revaluation reserve	-	-
V	Other reserve capital	-	-
VI	Retained results from prior periods	(229 447 158.30)	(143 927 677.35)
	1. Profit	-	-
	2. Loss	(229 447 158.30)	(143 927 677.35)
VII	Net result for the current year	(4 023 721.35)	(85 519 480.95)
	1. Profit	-	-
	2. Loss	(4 023 721.35)	(85 519 480.95)
	3. Appropriation of the current year profit/loss	-	-
<b>B</b>	<b>Provisions</b>	<b>-</b>	<b>-</b>
	1. Deferred tax	-	-
	2. Other provisions	-	-
<b>C</b>	<b>Long-term creditors</b>	<b>-</b>	<b>-</b>
	1. Long-term loans, bonds and other securities	-	-
	2. Long-term bank loans	-	-
	3. Other long-term creditors	-	-
<b>D</b>	<b>Short-term creditors and special funds</b>	<b>7 253 251.80</b>	<b>18 375 273.56</b>
I	Short-term creditors	7 138 008.07	18 306 914.70
	1. Borrowings, bonds and securities	-	-
	2. Bank loans	-	-
	3. Prepayments received from customers	-	-
	4. Trade creditors	6 293 623.96	17 073 452.34
	5. Bills of exchange	-	-
	6. Budget creditors	758 392.62	492 981.54
	7. Payroll creditors	13 585.83	-
	8. Intercompany creditors	-	-
	9. Other short-term creditors	72 405.66	740 480.82
II	Special funds	115 243.73	68 358.86
<b>E</b>	<b>Accruals and deferred income</b>	<b>3 676 160.04</b>	<b>5 120 430.61</b>
	1. Accrued expenses	3 676 160.04	5 118 562.20
	2. Deferred income	-	1 868.41
	<b>Total liabilities</b>	<b>97 458 532.19</b>	<b>64 048 545.87</b>

## PTE PZU SA's profit and loss account

Specification	Year ended 31 December 2001	Year ended 31 December 2000
<b>A. Sales and sales equivalents</b>	<b>112 154 978.70</b>	<b>105 947 632.06</b>
I Revenues from sales of products and services	112 154 978.70	105 947 632.06
II Change in value of work in progress and finished goods	-	-
III Revenues from sales of goods for resale and raw materials	-	-
IV Internal costs capitalized	-	-
<b>B. Cost of operations</b>	<b>168 822 191.70</b>	<b>201 713 960.35</b>
I Cost of goods for resale and materials sold	-	-
II Usage of materials and energy	1 223 722.58	895 751.11
III External services	120 625 980.35	151 210 641.66
IV Taxes and charges	63 495.55	59 132.95
V Payroll	11 292 251.08	9 560 594.72
VI Payroll-related charges	1 799 005.35	1 214 667.05
VII Depreciation	1 254 485.90	1 094 706.38
VIII Other	32 563 250.89	37 678 466.48
<b>C. Profit/loss on sales</b>	<b>(56 667 213.00)</b>	<b>(95 766 328.29)</b>
<b>D. Other operating income</b>	<b>1 059 858.17</b>	<b>2 571 417.71</b>
I Proceeds from sale of fixed assets	-	200 000.00
II Donations	-	-
III Other operating income	1 059 858.17	2 371 417.71
<b>E. Other operating expenses</b>	<b>649 327.24</b>	<b>501 606.03</b>
I Cost of fixed assets sold	-	198 387.40
II Other operating expenses	649 327.24	303 218.63
<b>F. Operating profit/loss</b>	<b>(56 256 682.07)</b>	<b>(93 696 516.61)</b>
<b>G. Financial income</b>	<b>10 267 500.98</b>	<b>8 175 919.06</b>
I Dividends	-	-
II Interest received	3 758 443.83	550 691.29
III Other	6 509 057.15	7 625 227.77

	Year ended 31 December 2001	Year ended 31 December 2000
<b>H. Financial expenses</b>	<b>9 038.41</b>	<b>331.16</b>
I Write-downs of financial fixed assets and short-term securities	-	-
II Interest payable	-	61.91
III Other	9 038.41	269.25
<b>I. Gross profit/loss on operating activities</b>	<b>(45 998 219.50)</b>	<b>(85 520 928.71)</b>
<b>J. Extraordinary gains</b>	<b>34 000.00</b>	<b>43 500.00</b>
<b>K. Extraordinary losses</b>	<b>37 255.14</b>	<b>42 052.24</b>
<b>L. Gross profit/loss before taxation</b>	<b>(46 001 474.64)</b>	<b>(85 519 480.95)</b>
<b>M. Taxation</b>	<b>41 977 753.29</b>	<b>-</b>
1 Corporate income tax	41 977 753.29	-
2 Other compulsory deductions	-	-
<b>N. Net profit/loss</b>	<b>(4 023 721.35)</b>	<b>(85 519 480.95)</b>



## PTE PZU SA's cash flow statement

Specification	Year ended 31 December 2001	Year ended 31 December 2000
<b>A. Net cash flow from operating activities</b>	<b>(63 277 520.91)</b>	<b>(53 950 684.49)</b>
I Net profit/loss	(4 023 721.35)	(85 519 480.95)
II Adjustments for:	(59 253 799.56)	31 568 796.46
1. Depreciation	1 254 485.90	1 094 706.38
2. Foreign exchange (gains)/losses	-	-
3. Interest and dividends received and paid	(8 707 107.16)	-
4. Change in bad debt provision	-	-
5. Change in other provisions	-	-
6. Corporate income tax charge	(41 977 753.29)	-
7. Corporate income tax paid	-	-
8. (Gains)/losses on sale or liquidation of fixed assets and short-term securities	3 255.14	40 439.64
9. Increase/decrease in inventory	-	-
10. Increase/decrease in receivables	4 285 719.65	14 130 855.37
11. Increase/decrease in short-term creditors and special funds	(11 061 021.76)	10 543 013.24
12. Increase/decrease in deferred expenses and accruals	(1 516 604.74)	10 248 294.52
13. Increase/decrease in deferred income	(1 868.41)	1 868.41
14. Other items	(1 532 904.89)	(4 490 381.10)
<b>B. Net cash flow from investing activities</b>	<b>15 007 991.79</b>	<b>(12 444 023.36)</b>
I Purchases/ sale of intangible fixed assets	(182 724.65)	(780 503.15)
II Purchases/sales of tangible fixed assets	(799 607.82)	(878 000.84)
III Purchases/sales of shares in subsidiaries	-	-
IV Purchases/sales of shares in associated companies	-	-
V Purchases/sales of other shares and securities	12 248 456.78	(10 785 519.37)
VI Loans granted/repaid	-	-
VII Dividend received/paid	-	-
VIII Interest received/paid	3 741 867.48	-
IX Other items	-	-
<b>C. Net cash flow from financing activities</b>	<b>50 000 000.00</b>	<b>70 000 000.00</b>
I Proceeds from/repayment of long-term bank loans	-	-
II Proceeds from/repayment of long-term loans, issue/redemption of bonds or other securities	-	-
III Proceeds from/ repayment of short-term bank loans	-	-
IV Proceeds from/ repayment of short-term loans, issue/redemption of bonds or other securities	-	-
V Payment of dividend and other distributions to shareholders	-	-
VI Finance lease payments	-	-
VII Proceeds from issuance of shares and additional payments of shareholders	50 000 000.00	70 000 000.00
VIII Interest paid/received	-	-
IX Other items	-	-
<b>D. Net cash inflow/ outflow during the year</b>	<b>1 730 470.88</b>	<b>3 605 292.15</b>
<b>E. Cash and cash equivalents at the beginning of the year</b>	<b>5 286 049.71</b>	<b>1 680 757.56</b>
<b>F. Cash and cash equivalents at the end of the year</b>	<b>7 016 520.59</b>	<b>5 286 049.71</b>



## To the Supervisory Board of Powszechne Towarzystwo Emerytalne PZU SA

1. We have audited the financial statements of OFE PZU Złota Jesień (Open-end Pension Fund) (hereinafter referred to as the "Fund") with its registered seat in Warsaw, Al. Jana Pawła II 24, which included:
  - introduction,
  - balance sheet as at 31 December 2001, with total assets of PLN 2 816 422 480.38 equal to total liabilities and equity,
  - profit and loss account for the period from 1 January 2001 to 31 December 2001, with net profit of PLN 257 203 827.52,
  - investment portfolio table as of 31 December 2001, with investment portfolio value of PLN 2 724 016 856.43,
  - notes including the list of changes in net assets.
2. The Management Board of Powszechne Towarzystwo Emerytalne PZU SA (hereinafter referred to as the "Company") managing the Fund is responsible for the preparation of the financial statements. Our responsibility was to express an opinion on the financial statements on the basis of our audit.
3. We conducted our audit of the financial statements in accordance with regulations being in force in Poland :
  - chapter 7 of the act on accounting dated 29 September 1994,
  - norms for the chartered accountant profession issued by the National Council of Chartered Accountants, in order to obtain reasonable assurance about whether the financial statements are free of material misstatement. In particular the audit included examining, mainly on a test basis, evidence supporting the amounts and disclosures in the financial statements. The audit also included assessing the accounting principles used and significant estimates made by the Company, as well as evaluating the overall financial statement presentation.
4. On 21 January 2002, we issued an unqualified opinion on the abovementioned financial statements for the year ended 31 December 2001. In our opinion, the information presented in the condensed financial statements presented on pages from 100 to 103 of this annual report is in all material aspects consistent with the audited financial statements for the year ended 31 December 2001, from which they have been derived. The financial statements, that were audited by us, include explanatory notes, which were not presented in the enclosed condensed financial statement.
5. The opinion issued on 21 January 2002 included a note that according to appropriate regulations, which provide accounting principles for pension funds, the Fund posts actually received contribution payments in the Fund's capital. The data regarding the Fund's transfer agent and generally available information on the entire pension fund market indicate that contributions for a certain number of the Fund's members have not been transferred by the Social Security Company or are transferred erratically. The Fund's financial statements for the year ending on 31 December 2001 take into account contributions received until 31 December 2001 only.

## OFE PZU Złota Jesień's balance sheet

Fund's balance sheet (in PLN)		31 December 2001	31 December 2000
<b>I</b>	<b>Assets</b>	<b>2 826 374 760.77</b>	<b>1 470 216 680.91</b>
1	Investment portfolio	2 724 016 856.43	1 354 835 451.22
2	Cash	19 671 511.22	59 803 226.57
	2.1 on current accounts	5 078 768.13	566 256.21
	2.2 on the conversion account	14 592 743.09	59 236 970.36
	2.3 other cash	-	-
3	Receivables:	82 686 393.12	55 578 003.12
	3.1 on the sold components of the portfolio	2 758 932.80	8 159 465.16
	3.2 on dividends	-	-
	3.3 on interest	79 805 146.02	46 604 501.75
	3.4 on receivables from the pension fund company	122 314.30	814 036.21
	3.5 other	-	-
4	Repaid expenses and accruals	-	-
<b>II</b>	<b>Liabilities</b>	<b>9 952 280.39</b>	<b>19 353 990.54</b>
	1. on the purchased components of the portfolio	1 628 735.85	12 588 983.35
	2. on credits and loans	-	-
	3. towards members	6 087 160.15	11 362.74
	4. towards the pension fund company	549 293.00	4 915 920.05
	5. towards the custodian	-	-
	6. on unconverted settlement units on the reserve account	173 727.62	1 058 423.43
	7. other	20 219.80	5 556.60
	8. accruals and deferred income	1 493 143.97	773 744.37
<b>III</b>	<b>Net assets (I-II)</b>	<b>2 816 422 480.38</b>	<b>1 450 862 690.37</b>
<b>IV</b>	<b>Fund's equity</b>	<b>2 521 610 706.84</b>	<b>1 347 610 207.73</b>
<b>V</b>	<b>Reserve capital of the open-end pension fund (value of funds paid to the reserve account)</b>	<b>37 607 946.02</b>	<b>19 161 472.69</b>
<b>VI</b>	<b>Financial result</b>	<b>257 203 827.52</b>	<b>84 091 009.95</b>
<b>VII</b>	<b>Total equity (IV+V+VI)</b>	<b>2 816 422 480.38</b>	<b>1 450 862 690.37</b>

## OFE PZU Złota Jesień's profit and loss account

	Year ended 31 December 2001	Year ended 31 December 2000
<b>I Investment income</b>	<b>161 605 942.06</b>	<b>65 796 288.53</b>
1 Dividends	11 761 200.94	3 526 410.15
2 Depreciation of the discount on debt securities purchased below par value	25 155 125.12	1 970 243.97
3 Interest	124 689 616.00	60 299 634.41
4 FX gains	-	-
5 Other	-	-
<b>II Operating expenses</b>	<b>13 035 028.37</b>	<b>5 629 209.91</b>
1 Remuneration for the pension fund company	12 172 330.28	5 111 362.51
2 Fees to the custodian	861 230.75	517 847.40
3 Depreciation of the premium on the securities purchased above par value	1 467.34	-
4 Interest and commissions on drawn down credits and loans	-	-
5 FX losses	-	-
6 Other	-	-
<b>III Investment result (I-II)</b>	<b>148 570 913.69</b>	<b>60 167 078.62</b>
<b>IV Realized and unrealized profit/loss</b>	<b>108 632 913.83</b>	<b>23 923 931.33</b>
1 Realized profit/loss on investments	(55 812 207.43)	5 552 579.65
2 Unrealized profit/loss on the valuation of the components of the investment portfolio	164 445 121.26	18 371 351.68
<b>V Result on operations (III+IV)</b>	<b>257 203 827.52</b>	<b>84 091 009.95</b>
<b>VI Income by virtue of covering the deficit</b>	<b>-</b>	<b>-</b>
<b>VII Financial result (V+VI)</b>	<b>257 203 827.52</b>	<b>84 091 009.95</b>

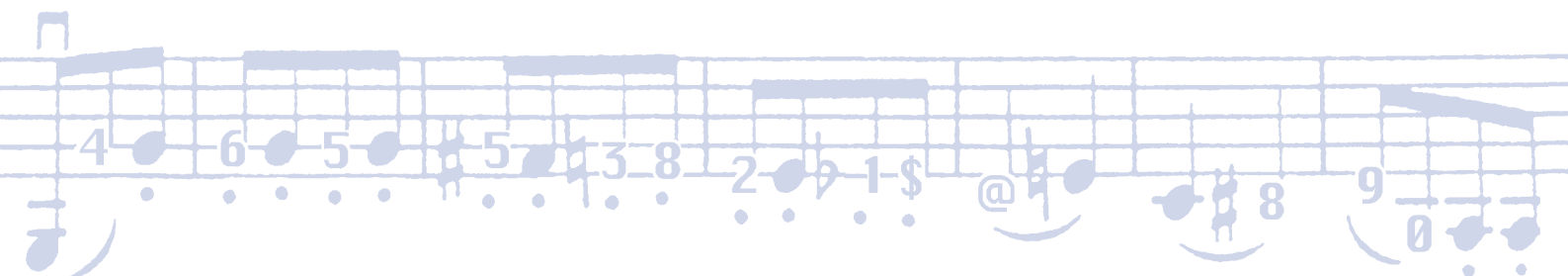
OFE PZU Złota Jesień's investment portfolio

Investment portfolio	Number of securities	Current value	Value at purchase price	% of assets
<b>I Securites approved for public trading</b>	<b>29 137 648</b>	<b>2 675 773 698.20</b>	<b>2 479 166 016.19</b>	<b>94.67%</b>
<b>1 Equities listed on exchange markets</b>	<b>26 909 179</b>	<b>732 232 227.90</b>	<b>692 439 034.14</b>	<b>25.91%*</b>
<b>1.1 On the main floor</b>	<b>26 424 610</b>	<b>724 206 710.30</b>	<b>682 640 563.34</b>	<b>25.62%*</b>
Agora SA	150 902	7 756 362.80	6 861 796.42	0.27%
Bank Pekao SA	996 026	79 582 477.40	59 349 785.80	2.82%
Bank Przemysłowo-Handlowy SA	36 197	8 325 310.00	6 046 933.72	0.29%
Bank Rozwoju Eksportu SA	98 251	11 593 618.00	9 184 677.31	0.41%
Bank Zachodni WBK SA	1 222 678	61 133 900.00	48 905 136.51	2.16%
Budimex SA	581 961	14 258 044.50	13 438 181.73	0.50%
Bydgoska Fabryka Kabli SA	315 742	1 610 284.20	1 926 985.45	0.06%
Cersanit SA	472 769	15 601 377.00	14 799 269.42	0.55%
ComputerLand SA	155 276	16 303 980.00	12 388 856.59	0.58%
Echo Investment SA	165 000	14 503 500.00	23 077 062.00	0.51%
Elektrim SA	1	8.95	17.14	0.00%
Farmacol SA	261 782	6 937 223.00	5 116 645.76	0.25%
Frantschasch Świecie SA	991 121	28 544 284.80	18 302 595.60	1.01%
Grupa Kęty SA	544 439	25 153 081.80	27 188 511.36	0.89%
KGHM Polska Miedź SA	701 259	9 116 367.00	10 258 067.24	0.32%
Kredyt Bank PBI SA	3 655 269	65 429 315.10	65 543 511.45	2.31%
Orbis SA	1 076 631	18 948 705.60	28 640 411.25	0.67%
PBK SA	453 229	51 441 491.50	40 235 791.34	1.82%
PKN Orlen SA	4 954 869	94 142 511.00	89 622 638.04	3.33%
Polska Grupa Farmaceutyczna SA	24 867	900 185.40	915 023.28	0.03%
Prokom Software SA	286 710	30 391 260.00	31 421 362.37	1.08%
Prosper SA	333 692	4 705 057.20	4 652 069.15	0.17%
Przedsiębiorstwo Farmaceutyczne Jelfa SA	104 520	5 936 736.00	4 453 463.33	0.21%
Softbank SA	421 628	9 528 792.80	9 048 345.50	0.34%
Stomil Olsztyn SA	1 407 066	42 915 513.00	36 699 821.28	1.52%
Telekomunikacja Polska SA	6 448 648	90 281 072.00	100 804 316.36	3.19%
Zakłady Lentex SA	564 077	9 166 251.25	13 719 287.94	0.32%
<b>1.2 On the parallel floor</b>	<b>484 569</b>	<b>8 025 517.60</b>	<b>9 798 470.80</b>	<b>0.28%</b>
Poligrafia SA	373 250	6 867 800.00	6 646 586.98	0.24%
Talex SA	111 319	1 157 717.60	3 151 883.82	0.04%
<b>2 Bonds listed on regulated markets</b>	<b>1 948 469</b>	<b>1 622 168 013.60</b>	<b>1 466 471 732.05</b>	<b>57.39%</b>
<b>2.1 Treasury bonds</b>	<b>1 948 469</b>	<b>1 622 168 013.60</b>	<b>1 466 471 732.05</b>	<b>57.39%</b>
DS1109	152 080	127 443 040.00	112 538 347.20	4.51%
DS1110	187 085	155 654 720.00	150 761 188.62	5.51%
DZ0109	52 990	54 632 690.00	51 787 100.73	1.93%
DZ0110	50 000	51 350 000.00	49 854 400.00	1.82%
DZ0709	25 800	26 857 800.00	25 090 340.00	0.95%
OK0402	50 000	48 450 000.00	37 248 000.00	1.71%
OK0403	40 000	35 340 000.00	31 129 000.00	1.25%
OK0802	90 000	84 375 000.00	66 901 250.00	2.99%
OK0803	70 000	59 955 000.00	56 528 300.00	2.12%
OK1202	25 000	22 700 000.00	19 765 000.00	0.80%
OK1203	30 000	25 005 000.00	24 705 300.00	0.88%

Investment portfolio	Number of securities	Current value	Value at purchase price	% of assets
OS0202	53 519	53 465 481.00	52 009 905.57	1.89%
OS0204	59 000	59 118 000.00	56 738 500.00	2.09%
OS0602	14 110	14 124 110.00	12 844 531.04	0.50%
OS0603	30 000	30 690 000.00	28 054 000.00	1.09%
OS0604	109 000	109 000 000.00	98 116 000.00	3.86%
OS1003	34 000	35 088 000.00	33 416 000.00	1.24%
PS0205	122 840	119 277 640.00	103 586 296.00	4.22%
PS0206	115 783	111 730 595.00	97 186 205.50	3.95%
PS0506	30 000	28 860 000.00	27 198 000.00	1.02%
PS0605	112 280	108 687 040.00	92 990 316.00	3.85%
PS1004	70 000	67 970 000.00	61 567 400.00	2.40%
PS1005	119 500	115 078 500.00	100 031 040.00	4.07%
PS1106	54 144	52 086 528.00	51 460 656.00	1.84%
TZ0202	2 438	244 287.60	242 254.73	0.01%
TZ0802	248 900	24 984 582.00	24 722 400.66	0.88%
<b>3 Unlisted bonds</b>	<b>270 000</b>	<b>227 684 635.18</b>	<b>227 190 000.00</b>	<b>8.06%</b>
<b>3.1 Treasury bonds</b>	<b>270 000</b>	<b>227 684 635.18</b>	<b>227 190 000.00</b>	<b>8.06%</b>
CK0403	20 000	19 735 524.88	19 720 000.00	0.70%
DK0809	250 000	207 949 110.30	207 470 000.00	7.36%
<b>4 Bills</b>	<b>10 000</b>	<b>93 688 821.52</b>	<b>93 065 250.00</b>	<b>3.31%*</b>
<b>4.1 Treasury bills</b>	<b>10 000</b>	<b>93 688 821.52</b>	<b>93 065 250.00</b>	<b>3.31%</b>
BS04122002	6 000	54 569 918.58	54 152 220.00	1.93%
BS130302	3 000	29 356 771.06	29 187 030.00	1.04%
BS20032002	1 000	9 762 131.88	9 726 000.00	0.35%
<b>II Securities not approved for public trading</b>	<b>480</b>	<b>4 810 532.66</b>	<b>4 812 000.00</b>	<b>0.17%</b>
<b>1 Bonds</b>	<b>480</b>	<b>4 810 532.66</b>	<b>4 812 000.00</b>	<b>0.17%</b>
<b>1.1 Unsecured bonds</b>	<b>480</b>	<b>4 810 532.66</b>	<b>4 812 000.00</b>	<b>0.17%</b>
ComputerLand SA/OBZCOMPL	480	4 810 532.66	4 812 000.00	0.17%
<b>III Securites in OECD countries</b>	<b>298 860</b>	<b>16 232 625.57</b>	<b>15 886 892.95</b>	<b>0.57%</b>
<b>1 Equities</b>	<b>298 860</b>	<b>16 232 625.57</b>	<b>15 886 892.95</b>	<b>0.57%*</b>
Nestle SA	1 370	1 152 312.48	1 155 284.83	0.04%
DeutscheBank AG	4 600	1 286 338.76	1 237 771.24	0.05%
TotalFinaElf	2 600	1 468 773.18	1 424 824.13	0.05%
Aventis SA	4 880	1 370 653.04	1 332 820.92	0.05%
Societe Gener	5 470	1 210 792.24	1 177 148.38	0.04%
Vodafone PLC	136 600	1 417 297.33	1 382 440.08	0.05%
BP PLC	46 810	1 442 850.28	1 410 434.36	0.05%
Glaxo PLC	16 290	1 620 122.05	1 627 997.77	0.06%
HBOS PLC	30 770	1 413 780.33	1 397 775.87	0.05%
HSBC PLC	24 640	1 146 349.68	1 137 729.97	0.04%
Philips NV	11 910	1 400 151.77	1 356 407.99	0.05%
ING NV	12 920	1 303 204.43	1 246 257.41	0.05%
<b>IV Bank securities and deposits</b>		<b>27 200 000.00</b>	<b>27 200 000.00</b>	<b>0.96%</b>
<b>1 Short-term deposits</b>		<b>27 200 000.00</b>	<b>27 200 000.00</b>	<b>0.96%</b>
Bank Handlowy w Warszawie SA		27 200 000.00	27 200 000.00	0.96%
<b>Total investment portfolio</b>		<b>2 724 016 856.43</b>	<b>2 527 064 909.14</b>	<b>96.38%*</b>

\*The differences result from rounding off.

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