

ANNUAL REPORT

2009



LETTER OF THE CHAIRMAN OF THE COMPANY

Dear Sirs and Madams,

It is my pleasure to present you with the Annual Report of the PZU Group for year 2009. This is an exceptional document, as the last year was exceptional for PZU. The crucial macroeconomic processes in the world and Polish economy were accompanied by dynamic transformations within PZU and key events both for the nearest and further future of our Company.

The economic slowdown in Poland, which, as the only country in the European Union managed to maintain the economic growth, considerably influenced the conditions of insurance business running. Still, the decrease of the economic development was accompanied by the improved situation in capital markets entailing better results in the investment activity of companies from the financial sector. Moreover, the weakening of Polish zloty against Euro led to the increase in damage compensation value. Against such a macroeconomic background, PZU reached the record financial result. In 2009 the net profit of PZU Group increased by 1,4 billion zlotys and was 3,8 billion zlotys. It was the best result in the history of the Polish insurance market.

The most crucial event for PZU in 2009 was undoubtedly reaching the agreement finalizing the long-term dispute among the main Shareholders. The agreement concluded with the active participation of the PZU representatives was a prelude to new development opportunities. One of them was a milestone decision on the PZU Initial Public Offering. The project was successful already in the first half of 2010. Entering into the agreement by the Shareholders was also connected with the payment of 12,75 billion as the highest interim dividend in the history of the Polish capital market. Despite paying out such a considerable amount, the Standard & Poor's agency kept the A grade (stable) for our company. It is worth adding that at present this is the highest rating grade possible to obtain by a Polish company.

In 2009 we also started crucial restructuring processes in the Company, which in future should allow for substantial savings and acting more effectively. We realize that without the cost reduction and the improvement of the customer service as good results as in 2009 will be difficult to repeat. Employment restructuring focused most of the attention. These actions were conducted not only with respect for all employment rights and in cooperation with trade unions, but also enabled the workers to receive better conditions of leaving than the ones envisaged by law, as well as help with gaining new qualifications.

In the name of the Managements of Companies belonging to the PZU Group and wish to thank all of you for your participation in the success, which for PZU was year 2009. I am positive that year 2010 will be for PZU the time of continuation of the positive changes and next success.

The President of the PZU SA Management Board

A handwritten signature in blue ink, appearing to read 'Andrzej Klesyk', written in a cursive style.

Andrzej Klesyk

THE LETTER OF THE CHAIRWOMAN OF THE SUPERVISORY BOARD

Dear Sirs and Madams,

This annual report summarizes the year of 2009, which was of a crucial importance for PZU. It was the time of significant changes in the Company. Despite unfavourable macroeconomic conditions in most cases, PZU gained a record breaking financial result. In 2009, the PZU Group recorded the net profit of 3 762,9 mln pln, which means the increase by over 61% as compared to the year of 2008, which stands for the best result in the Polish insurance market history.

The increase in the PZU Group was gained mainly due to the increase of income from investments (both in life and property segments) and the increase of premium written in group insurances (life segment). The net income from investment activity for the year of 2009 amounted to 3 469,0 mln pln, which was almost five times more than in 2008.

Both, the property and life companies maintained the Polish market leader positions measured with the premium written. The gross premium written of the PZU Group equalled to 14 362,7 mln pln in 2009 and was lower by 1,4% as compared to the previous year. This resulted from the decrease in the premium written in the property and personal insurance market. This drop was partially compensated with the increase in the gross premium written from group life insurances.

In 2009 the PZU Group also experienced events which significantly influence the company position and its prospects for the growth in future. Here, I think about the solution of the ownership dispute, conclusion of an agreement between the main shareholders, pay-out of a dividend, which is the biggest in the Polish capital market history, and commencement of employment restructuring process in PZU.

I believe that the crucial changes initiated in 2009 will constitute solid grounds for the development over next years. Still, the Company has to face hard work and single successes while implementing further initiatives in order to gain the ambitious goals presented in the Company's strategy.

PZU SA Supervisory Board President



Marzena Piszczek

PZU PATRONAGE OF CULTURE

PZU – CORPORATE CULTURAL RESPONSIBILITY – in agreement with brand values for the benefit of the society

During over two hundred years of its existence, the PZU brand became a symbol of the biggest insurance company in East- Central Europe, and its image is a synonym of security, trust, knowledge and experience. PZU pursues its activity in a way compliant with the image and history of the company where its values come from.

The financial success, the company's prestige and 200 years of rooting in the Polish history entitle PZU to the patronage over the most prestigious national Polish culture goods that are a part of the national heritage. The national heritage constitutes not only material and spiritual proof of identity and distinction of the nation, but also a confirmation of how much this legacy is a part of universal European values. PZU values rooted in the past for a building platform of a bridge towards the future. Similarly, the values of PZU company rooted in the past allow for building a bridge towards the future. Therefore, by extending its patronage over the most important museum institutions – Royal Castle in Warsaw and National Museum in Cracow with Art Gallery – Nowe Sukiennice, PZU together with the representatives of these institutions, looks for some innovative forms of reaching all generations of Poles, and especially the youngest generation.

Within the cooperation with Zamek Królewski (the Royal Castle), PZU took the constant patronage over the educational activities for children and youth. Every year over 5 thousand of museum lessons and other educational projects (e.g. The Night of Museums), in which participate about 110 thousand of pupils from primary schools, junior high schools and high schools, take place in the Castle. The company is also the Main Sponsor of Castle Concerts organized by the 3rd Channel of Polish Radio.

The patronage over the National Museum in Cracow means mainly the contribution to the constant development of this most modern and full of multimedia museum institution in Poland.

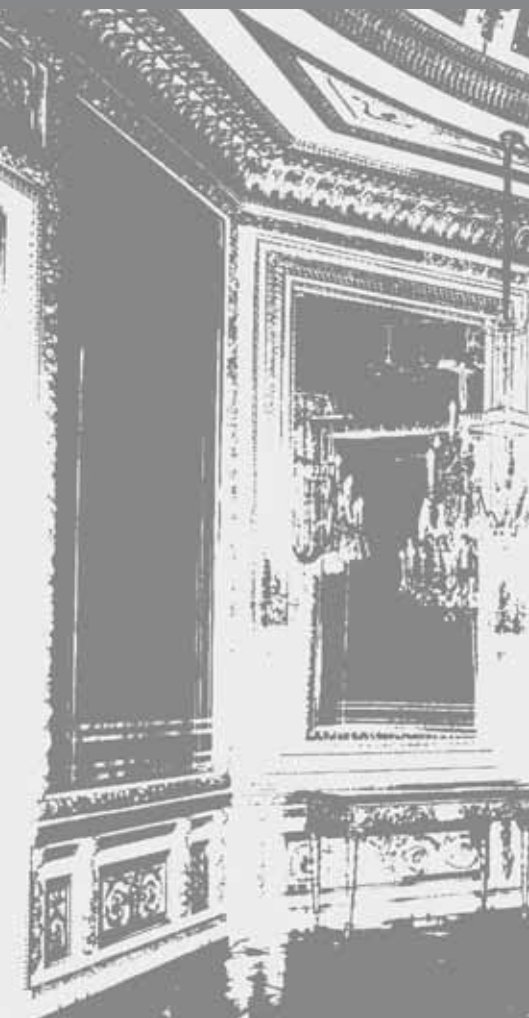
The National Museum in Cracow, thanks to its greatness and prestige, fulfills its duty very well – all actions undertaken in order to protect and popularize the Polish art are conducted in an innovative way, which ensures the Museum a special place on the map of the Polish cultural institutions. The ability to unite modernity and openness to the present with great respect for the national art goods finds great approval among the recipients. PZU supports the Museum in its actions not only in a financial way, but also tries to be a true patron and initiator of many ideas that may attract the younger generation's attention to the Museum, and, especially, to Nowe Sukiennice. PZU and the Museum engage themselves in numerous educational projects, as well as projects against social exclusions, such as: "Let's Open the Door" – dedicated to the disabled people, "Arm in arm with Art" – addressed to seniors, "118 cm over the Earth" – dedicated to recipients between 2,5 and 5 years, or "New Adventures with Knowledge" for youth. The patronage covers all establishments of this biggest Polish museum, i.e. 10 departments, 11 galleries, 2 libraries, 21 sections and 12 conservation workshops.

The quality and scope of cooperation – between PZU and these prestigious institutions that watch over the most important Polish art and material culture collections – shows new directions and the opportunity to support national culture goods setting at the same time a new common ground for culture and business. For its activity in this field PZU was honored with the prestigious titles of the Patron of Culture and the Benefactors of Polish Culture.



*The Royal Castle in Warsaw,
fot. M. Bronarski*

*PZU Group's sponsorship program is keen on supporting Polish culture
and art institutions.*





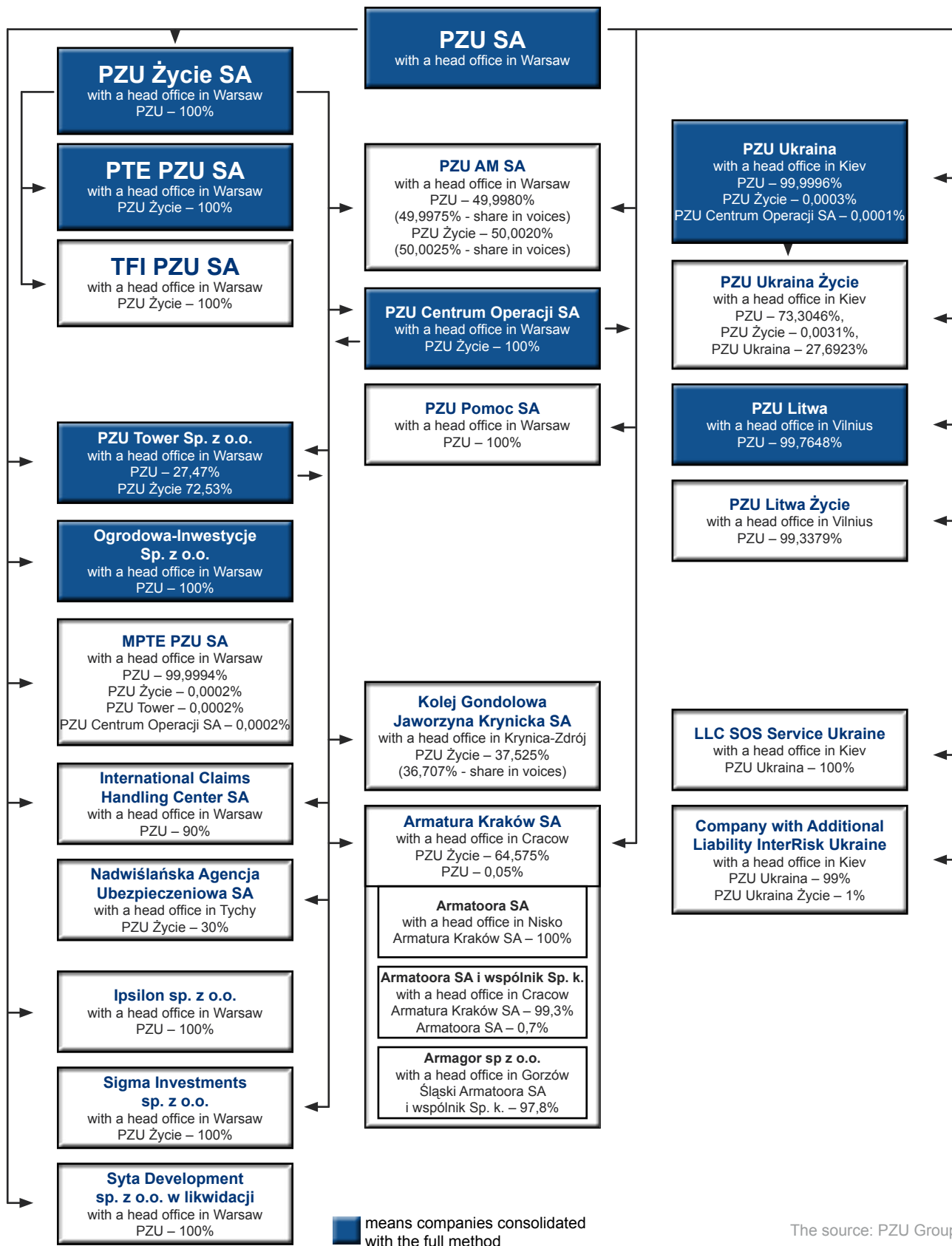
For promoting culture in Poland, PZU SA has been awarded by the Ministry of Culture and National Heritage the honorable title of "the Patron of Culture".

The Royal Castle in Warsaw, fot. B. Kuc



1. BASIC INFORMATION ABOUT PZU

STRUCTURE OF THE PZU GROUP AS AT 31ST DECEMBER 2009.



MANAGEMENTS OF SELECTED PZU GROUP COMPANIES

The following persons were in the composition of the main bodies of the PZU Group companies in 2009:

PZU SA MANAGEMENT BOARD

Andrzej Klesyk – The President of the Management Board t
Witold Jaworski – Management Board Member
Rafał Stankiewicz – Management Board Member

Magdalena Nawłoka – The Vice President of Management Board
(until October 1 2009)

PZU SA SUPERVISORY BOARD

Tomasz Gruszecki – The Chairman of the Supervisory Board
Marcin Majeranowski – The Vice Chairman of the Supervisory Board
Alfred Bieć – Supervisory Board Member
Marco Vet – Supervisory Board Member (since September 28, 2009)
Tomasz Przesławski – Supervisory Board Member
Marzena Piszczek – Supervisory Board Member
(since August 31, 2009)

Waldemar Maj – Supervisory Board Member (since December 30, 2009)

Joanna Karman – Supervisory Board Secretary (until August 31, 2009)
Ernst Jansen – Supervisory Board Member (until Sept. 28, 2009)
Maciej Bednarkiewicz – Supervisory Board Member (until Sept. 28, 2009
Michał Nastula – Supervisory Board Member (until Sept. 28, 2009
Richard Ippel – Supervisory Board Member (from September 28 until October 31, 2009)
Gerard Van Olphen – Supervisory Board Member (till 30 December 2009)

THE MANAGEMENT BOARD OF PZU ŻYCIE SA

Dariusz Krzewina – The President of the Management Board
Piotr Kuszewski – The Management Board Vice President
Rafał Grodzicki – The Management Board Vice President

THE SUPERVISORY BOARD OF PZU ŻYCIE SA

Andrzej Klesyk – Chairman of the Supervisory Board
Jarosław Myjak – The Secretary of the Supervisory Board, from 28 Oct, 2009 also the Vice Chairman of the
Supervisory Board
Igor Chalupec – Supervisory Board Member
Eugeniusz Kowalewski – Supervisory Board Member
Janusz Meder – Supervisory Board Member (from 23 Oct. 2009)

Joyce Deriga – The Vice Chairman of the Supervisory Board (until 1 Oct.2009)
Frederik Hoogerbrug – Supervisory Board Member (until 1 Oct. 2009)
Alan John Rae – Supervisory Board Member (until 1 Oct. 2009)

THE MANAGEMENT BOARD OF PTE PZU SA

- Andrzej Soldek – The President of the Management Board
- Marek Sojka – The Vice President of the Management Board from 20 November 2009, Management Board Member until 20 November 2009
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- Stanisław Rataj – The Vice President of the Management Board (until 13 October 2009)

SUPERVISORY BOARD OF PTE PZU SA

- Ludwik Florek – The Chairman of the Supervisory Board
- Witold Jaworski – The Vice-Chairman of the Supervisory Board
- Rafał Grodzicki – The Secretary of the Supervisory Board (from 18 December 2009), Supervisory Board Member (from 16 December 2009)
- Wiktor Askanas – Supervisory Board Member
- Krzyszyna Dziworska – Supervisory Board Member
- Dariusz Krzewina – Supervisory Board Member
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- Piotr Kowalczewski – The Secretary of Supervisory Board (until Oct. 8, 2009)

THE MANAGEMENT BOARD OF TFI PZU SA

- Piotr Góralewski – The President of the Management Board
- Piotr Broda – The Vice President of the Management Board (from 14 May 2009)
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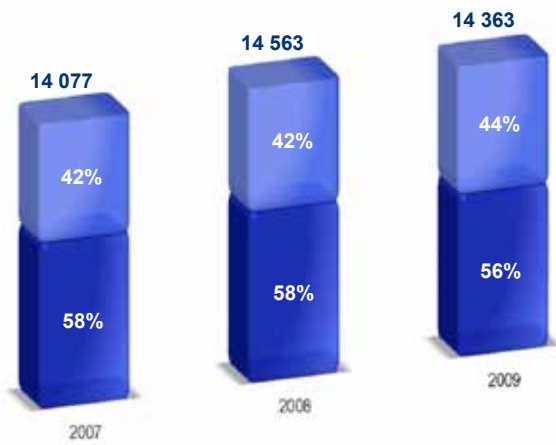
- Maciej Rapkiewicz – The Vice President of the Management Board (until 13 May 2009)

THE SUPERVISORY BOARD OF TFI PZU SA

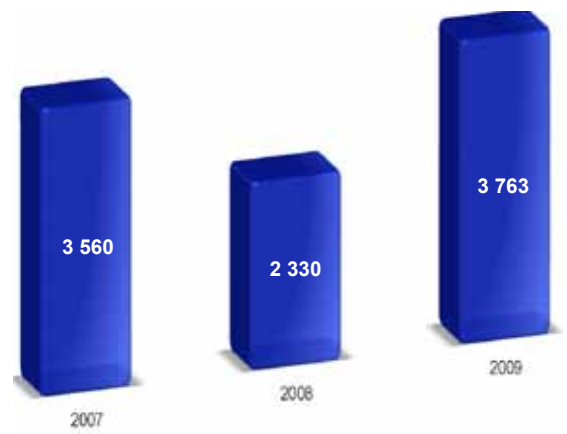
- Dariusz Krzewina – The Chairman of the Supervisory Board
- Witold Jaworski – The Vice Chairman of the Supervisory Board
- Rafał Grodzicki – The Secretary of the Supervisory Board

GROSS PREMIUMS WRITTEN (IN MLN ZL., %)

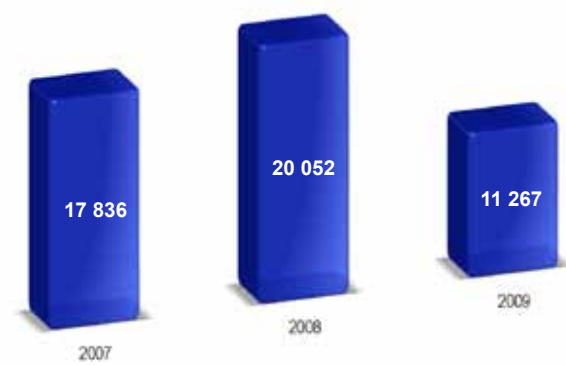
- Life insurance
- Property and personal insurance



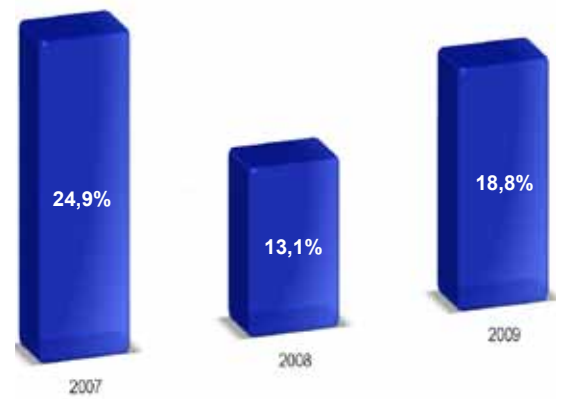
NET FINANCIAL RESULT (IN MLN ZL.)



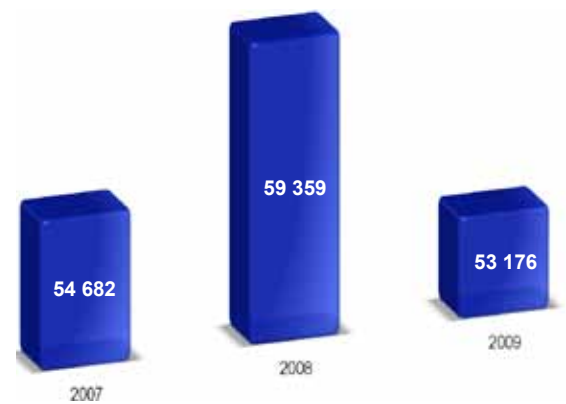
EQUITY (IN MLN ZL.)



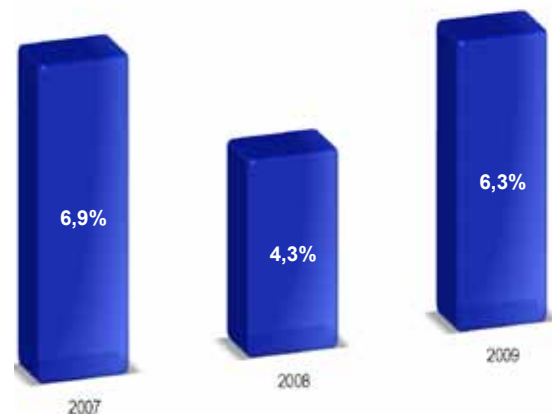
RETURN ON EQUITY – ROE (%)



TOTAL ASSETS (IN MLN ZL.)



RETURN ON ASSETS – ROA (%)



Source: PZU Group, based on MSSF

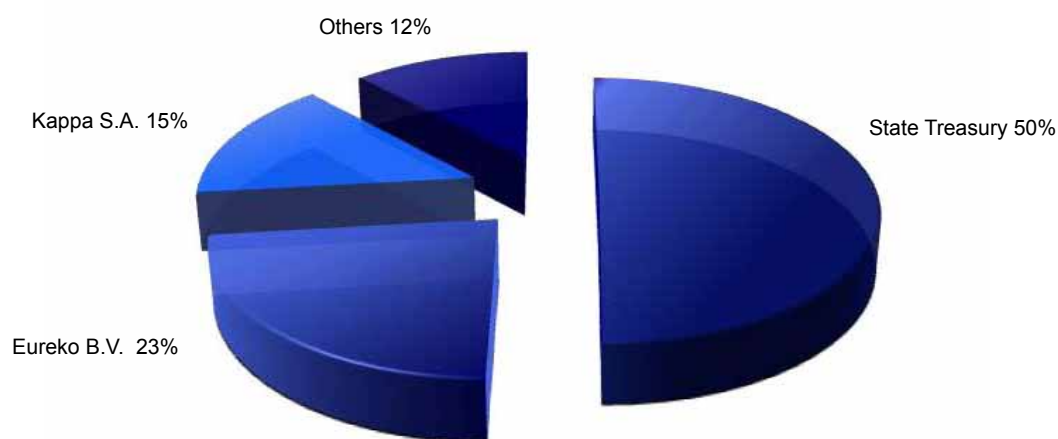
FINANCIAL STRENGTH RATING (FSR) AND CREDIT RATING (CR) OF PZU SA AND PZU ŻYCIE SA

	Standard&Poor's
Rating	A
Outlook	stable

The information about the updated rating is always available on: www.standardandpoors.com
 Ratings neither guarantee the financial strength of the insurer nor serve as the recommendation of an insurance company.

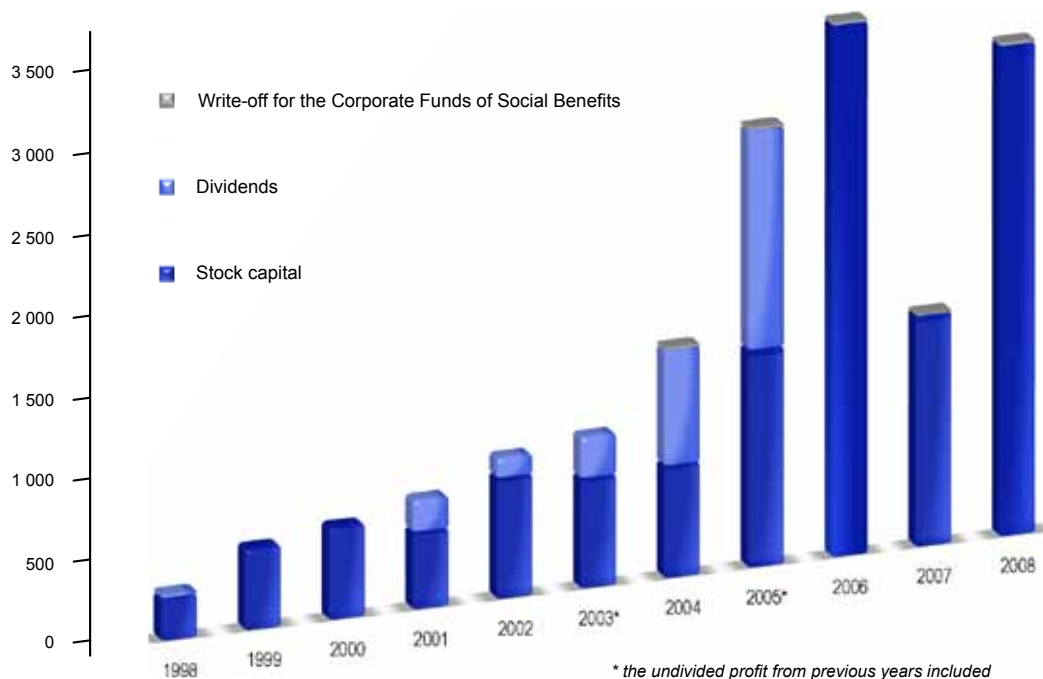
PZU SA SHAREHOLDING STRUCTURE AS OF 31 December 2009

The Initial Capital of PZU SA is 86 352 300 zł and it is divided into 86 352 300 „A” and „B” series registered shares of the nominal value 1 zł each.



Source: the Stockholders' ledger of PZU SA

HISTORY OF PZU SA NET PROFIT DIVISION IN THE YEARS 1998-2008 (IN MLN zł.)



Source: PZU SA

2009

FINANCIAL HIGHLIGHTS OF THE PZU GROUP IN 2009

PARTICULARS

PARTICULARS	PZU SA (based on PAS)		PZU Życie SA (based on PAS)	
	2009	2008	2009	2008
Gross premiums written (in PLN, thou)	7 791 169	8 217 789	9 918 240	13 082 075
Premium earned net of reinsurer's share (in PLN, thou)	7 938 984	8 028 557	9 917 296	13 040 247
Gross claims paid (in PLN, thou)	5 177 098	4 586 363	10 200 907	7 405 086
Claims paid net of reinsurer's share (in PLN, thou)	5 002 543	4 528 652	10 200 907	7 405 086
Loss ratio (in %)	69,0	63,1	103,6	57,4
Costs of insurance activities (in PLN, thou)	2 220 299	2 080 925	1 053 508	1 008 007
Acquisition expenses (in PLN, thou)	1 287 578	1 230 011	415 602	355 411
Administrative expenses (in PLN, thou)	979 365	939 278	640 158	652 596
Reinsurance commission and share in reinsurer's profits (in PLN, thou)	46 644	88 364	2 252	0
Ratio of costs of insurance activity (in %)	27,9	25,9	10,6	7,7
Combined ratio (in %)	96,9	89,0	x	x
Underwriting result (in PLN, thou)	166 308	718 263	2 987 965	2 302 963
Investment income (in PLN, thou)	2 837 383	2 794 899	2 120 529	207 458
Gross financial result (in PLN, thou)	2 698 739	3 283 138	3 363 483	1 751 346
Net financial result (in PLN, thou)	2 510 379	3 026 798	2 748 099	1 419 146
Assets (in PLN, thou)	28 936 978	32 725 514	30 467 809	31 346 243
Equity (in PLN, thou)	10 411 542	19 151 579	7 375 769	5 934 705
Investments (in PLN, thou)	26 765 773	30 451 371	29 732 014	30 577 236
Gross technical reserves (in PLN, thou)	12 789 415	12 659 941	22 105 558	24 744 157
Technical reserves coverage ratio (in %)	112,1	190,9	113,1	112,8
Solvency margin coverage ratio (in %)	617,1	1 241,3	440,8	322,6
ROE (in %)	17,0	16,7	41,3	22,5
ROA (in %)	8,1	9,6	8,9	4,7

* counted as ratio of financial result to the average condition of assets/capital at the beginning and at the end of the period.

CONSOLIDATED DATA

PARTICULARS	PZU Group (based on MSFF)	
	2009	2008
Gross premium written (in thousand zł.)	14 362 717	14 563 147
Premium earned of reinsurer's share (in thousand zł.)	14 485 214	14 285 612
Damages, benefits and a change of technical-insurance reserves level (in thousand zł.)	9 470 174	8 503 230
Gross claims paid and gross benefits paid (in thousand zł.)	9 436 281	8 592 057
Acquisition expenses (in thousand zł.)	1 839 605	1 668 023
Administrative expenses (in thousand zł.)	1 808 881	1 774 846
Investment income (in thousand zł.)	3 469 001	579 898
Gross financial result (in thousand zł.)	4 565 811	2 931 058
Net financial result (in thousand zł.)	3 762 911	2 329 718
Assets (in thousand zł.)	53 176 209	59 359 041
Equities (in thousand zł.)	11 266 879	20 052 390
Investment value (in thousand zł.)	48 237 593	54 220 993
Technical and insurance reserves, gross (in thousand zł.)	30 481 797	30 767 412
ROE (in %)* *	18,8	13,1
ROA (in %)* *	6,3	4,3

* counted as ratio of financial result to the average condition of assets/capital at the beginning and at the end of the period.

Source: PZU Group, financial reports, PZU Group based on MSSF, PZU SA and PZU Życie in accordance with PAS.

2. CRUCIAL EVENTS AND CIRCUMSTANCES INFLUENCING THE ACTIVITY AND RESULTS OF PZU GROUP IN 2009

The greatest impact on activities of the PZU Group in 2009 had the following factors:

- signing the Settlement Agreement and Disinvestment Agreements on 1 October 2009 among the State Treasury of the Republic of Poland, EUREKO B.V., PZU SA and Kappa SA., the Settlement Agreement closes the long lasting dispute among the major PZU SA shareholders.
- paying out of the interim dividend in the amount of 12.749,9 mln zł.
- keeping in October 2009 the rating of S&P at the „A” level (confirmation of the rating perspective on a stable level despite paying out a considerable dividend)
- conducting the restructuring program in the Headquarters of PZU Group Companies
- consistent realization of the PZU Group strategy for the years 2009-2011
- continuation of the conservative investment policy lowering of the MTPL and AC written premiums mainly due to the crisis in the motor industry
- slow down in the market of insurance with regular premiums (-1,4 % year to year), slump of the insurance market with the single premium (-36,3% year to year)
- improvement of the situation in capital markets entailing the improvement of the investment activity of the companies from the financial sector
- increase of payments from general communication insurance and property insurance, increase of the value of paid out considerations from bank insurance and group insurance

2.1 ACTIVITY OF THE MANAGEMENT BOARDS OF THE MAIN COMPANIES IN PZU GROUP IN 2009

One of the basic activities of the Management Boards in 2009 was the realization of the development strategy assumed in September 2008 (PZU Group strategy for years 2009-2011), which focuses on a stable growth and keeping the leading position in the insurance market. It is impossible without reversion of the negative trends such as: drop of the PZU share in the market and the decreasing profitability of the company within insurance activity. One of the measures to realize the strategy applied in 2009 were actions related with costs optimizing and creating the image of a modern and customer friendly image, which is necessary due to a strong price pressure of the growing competition.

Moreover more important activities in 2009 were as follows:

- preparation and payment of interim dividend,
- the process of employment optimization in the Headquarters of the PZU Group within group dismissals,
- unification of management structures in the PZU Group in order to assure better coordination of actions and using the synergy effects,
- improvement of corporation governance in the PZU Group, as an element of strengthening the transparency of the PZU Group, among others, in the scope of managerial and supervisory standards,

■ developmental activities:

- opening the pilot units of the PZU Group Agency on conditions based on the new visualization worked out in the project,
- implementation completion of the model of segmentation model and management of the agency network within the project New Era of Sales (NES),
- entering into the implementation phase of the project - New Organization of Considerations Liquidation, which shall allow obtaining big saving effects,
- continuation of the implementation of the IT tool Register of Group Insurance (eRU) – tool for operating group insurance at work places,
- works related with facilitating the process of damage liquidation and raising the level of customer service, including the formation of a new company supporting the operations in the scope of assistance (PZU Pomoc),
- updating the strategy directions for the next years and starting up works over projects focusing the back office functions (restructuring program).

In the activity of **PZU SA** the communication insurance covered 62,95% of the collected premium, which is 4,59 percentage point less than in 2008. A considerable growth, in relation to 2008, occurred in property insurance, which increased from 13,53% to 15,19% of the premium in total. Agricultural insurance was 6,47%,

and accidental and health insurance 6,7% of the total written premium.

Except the modification of existing products in PZU SA there were also new products launched on the market: PZU Auto Pomoc (the market biggest pack of communication assistance with services organized by an own company of the PZU Group - PZU Pomoc SA) and PZU AutoSzyba (insurance protecting windows in cars). Due to big price competition in the communication insurance for mass clients, there were also other product and sales related actions aiming at limiting the loss of clients going away to competitors and the increase of the new clients' flow.

In 2009 **PZU Życie SA** focused on keeping the share in the group insurance market sold at work places. The premium increase in this group of insurance grew by 5,4%. The Company continued a dynamic increase of individual insurance (increase by 10,3%) and the ones continued as individual (growth by 2,8%).

In 2009 the Management Board carried out a number of key initiatives and tasks, which shall influence a long lasting development of the Company. The key insurance type from the profitability point of view is the life insurance bought as group insurance, for which the adding is 39,1 % of the general gross written premium.

The tasks undertaken by the Management Board of **PTE PZU SA** aimed, among other things, at keeping the key market position of the Fund, both in respect of the number of members as well as the net asset

value and keeping the increase of calculation unit at least at the level of the average value change of all pension funds weighed by their assets. In 2009 the Management Board was particularly interested in further improvement of customer service standard and care about keeping good relations with them in order to enhance the position of the PZU brand in the market, as well as decreasing the costs of activity of the Company by strict obeying the established budget discipline. In the year that ended on December 31 2009 the PTE PZU activity generated 116,9 mln PLN and 3,1% annual profit of PZU Group.

In 2009 **Lithuanian Companies** started the implementation process for changes that aimed at increase of customer loyalty, sales solutions that entailed an interrelated sales based on owned databases and cooperating banks' client databases, modification of product offer and development of a Contact Center in the framework of a common project with the property company.

In effect of corrective actions undertaken in the years 2007-2008 in the area of management and finances, the **Ukrainian Companies** of PZU Group kept the positive dynamics of the gross written premium in the year 2009 in the shrinking market. In case of PZU Ukraine the increase of the value in the gross written premium in 2009 was 27,8%, and in case of PZU Ukraine Życie 86%, among other things thanks to reorganization of their sales network and the assistance sector development.

2.2 FINANCIAL RESULT IN 2009

The consolidated net profit of PZU Group for 2009 (based on MSSF) reached the value of 3.762,9 mln zł., which is 61,5% more than the previous year (2.329,7 mln zł.).

The increase of the net result of PZU Group was mostly generated by higher results from the investments of the major PZU Group insurance companies. The main reason of the improvement of income from deposits was the increase of share prices at the Warsaw Stock Exchange.

PZU SA

In 2009 PZU SA reached the net profit at the level of 2.510,4 mln zł. compared to 3.026,8 mln zł. in 2008. Without taking into account the dividend received from PZU Życie SA in the amount of 1.419,1 mln zł., the net result of PZU SA for 2009 was 1.091,3 mln

zł. and was better than the 2008 result by 27,0% (result 2008 was 859,5 mln zł.) – flow of very good results from the deposit activity (increase by 126,0%, without the dividend received from PZU Życie SA).

PZU ŻYCIE SA

In 2009 PZU Życie SA reached the net result at the level of 2.748,1 mln zł. compared to 1.419,1 mln zł. in 2008.

PTE PZU SA

In 2009 PTE PZU SA reached the net profit at the level of 116,9 mln zł. in compared to 107,7 mln zł. in 2008.

3. PZU GROUP MARKET POSITION

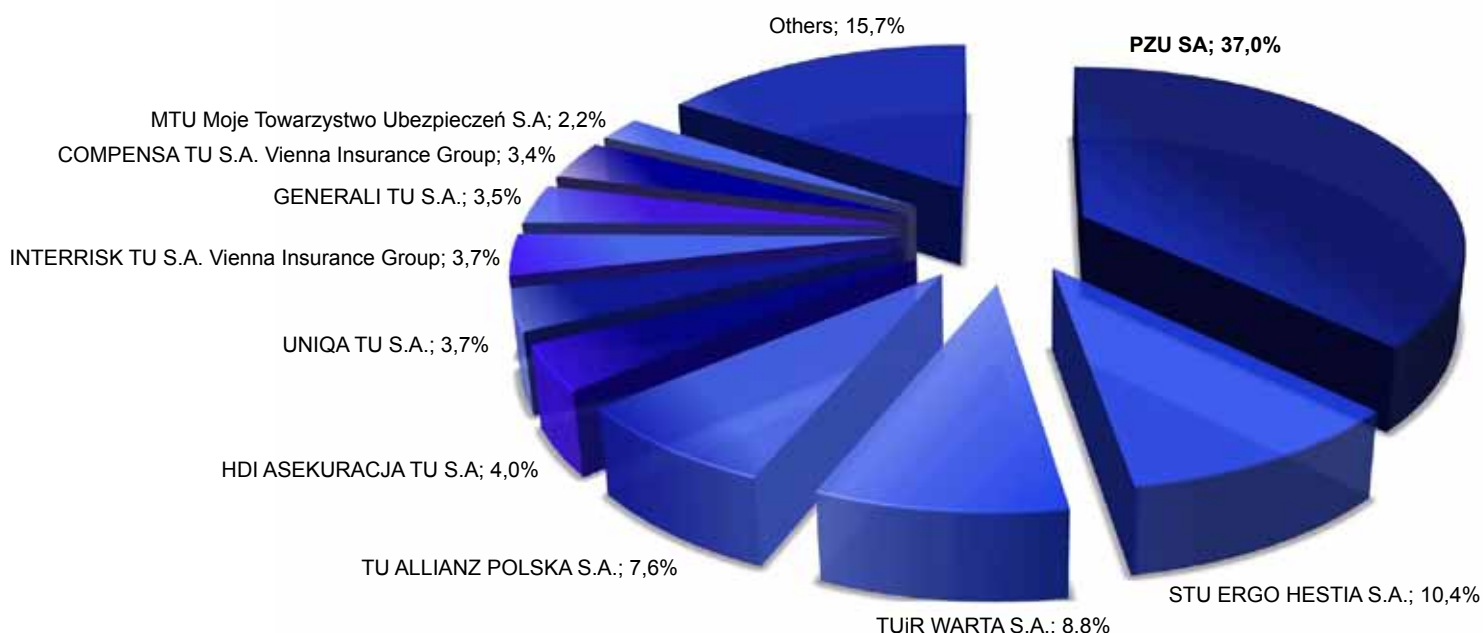
Insurance companies and reinsurance companies reached in 2009 the net profit at the level of 6,58 billion zł., which in relation to 2008 means an increase by 0,78 bn zł. (13,52%). The technical result of the insurance sector was also positive – it was 3,97 bn zł., which in relation to 2008 means a drop by 0,22 bn zł. (5,16 %).

In 2009 the **insurance sector** in Poland registered a total drop of gross premiums by 13,41% (compared to 2008) down to the amount of 51 342,5 bn zł. Both PZU SA and PZU Życie SA are leaders and the life and property insurance market. Still, the share of the PZU Group in the insurance market measured by the level of premium is continually decreasing.

In 2009 **the market of property insurance and other individual insurances noted** a positive financial result equal to 2,59 bn zł. As compared to 2008 it decreased by 0,70 bn zł. (21,28%). The technical result (technical loss) of property and other individual insurance was -0,27 bn zł. and in comparison to 2008 it decreased

by 1,00 bn zł., which is mainly a consequence of the technical loss on account of communication insurance in the joint value of 1,04 bn zł. In 2009 the gross premium of property insurance companies and other individual insurances was 21,12 bn zł., which means an increase in the annual period by 0,74 bn zł. (3,64%). The above is mainly the consequence of the increase of gross written premium from various financial risk insurances (group 16, increase by 0,32 bn zł., 59,36%) and insurance of damages made by fire and natural forces (group 8, increase by 0,29 bn zł., 15,21%). The share of PZU SA in the property insurance market was 36,99% at the end of 2009 (drop by 3,48 p.p. as compared to 2008); (3,64%). The above is mainly the consequence of the increase of gross premium from various financial risk insurance (group 16, increase by 0,32 bn zł., 59,36%) and insurance of damages made by elements (group 8, increase by 0,29 bn zł., 15,21%). The share of PZU SA in the property insurance market was 36,99% at the end of 2009 (drop by 3,48 p.p. to 2008);

PZU SA SHARE IN THE INSURANCE MARKET OF THE II DEGREE (AS OF DECEMBER 31, 2009)



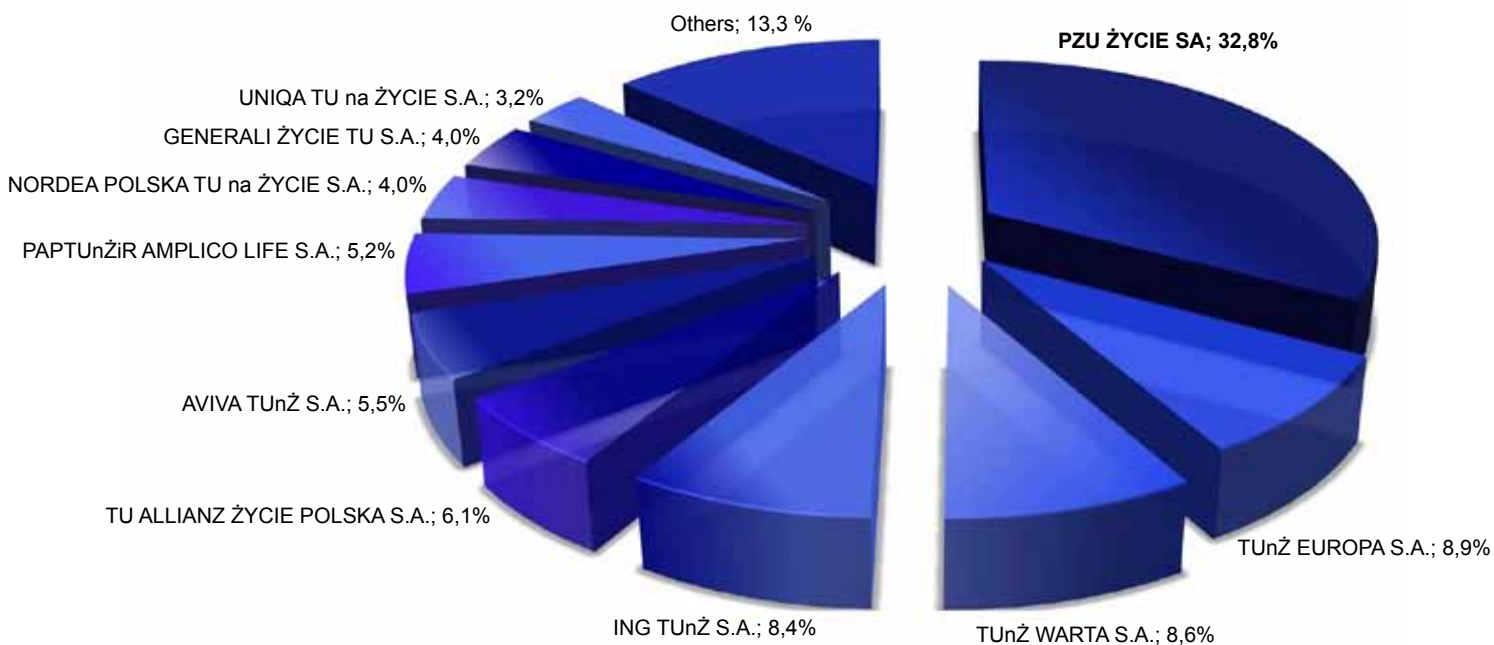
2009

In 2009 the net result in the life insurance market was the highest in the history of this sector. It was 3,99 bn zł. and in comparison to 2008 it increased by 1,48 bn zł. (59,18%). Also the value of the technical result of the life insurance sector was the best ever – it was 4,24 bn zł. and in comparison to 2008 it increased by 0,79 bn zł. (22,73%). The technical result of the life insurance for the first time exceeded the value of 4 bn zł., and in the very 4th quarter of 2009 its value increased by 21,03%, that is 0,74 bn zł. The biggest influence on the value of technical profit of the life insurance market is the technical result of 1st group of life insurance) in the amount of 2,26 bn zł., which annual increased by 0,76 bn zł. (50,79%). In 2009 the gross written premium of life insurance companies was 30,28 bn zł., which means an annual drop by 8,70 bn zł. (22,33%). The biggest gross written premium drop - by 9,16 bn zł. (32,28%) – was registered in 1st group insurances. The above results

from the decrease of income on account of insurance based on bank products (so called saving insurance policies – deposit or „antybelka”) and is a consequence of withdrawing from insurance companies, from offering this type of products, mainly due to credit risk, drop of interest rates, low profitability for insurance companies with simultaneous high capital requirements in the light of binding and future regulations on the concentration of deposits.

The share of PZU Życie SA in the market measured with a gross written premium at the end of 2009 was 32,75% and dropped in relation to 2008 by 0,8 p.p.

PZU ŻYCIE SA SHARE IN THE INSURANCE MARKET IN THE 1ST DEGREE (AS OF DECEMBER 31ST



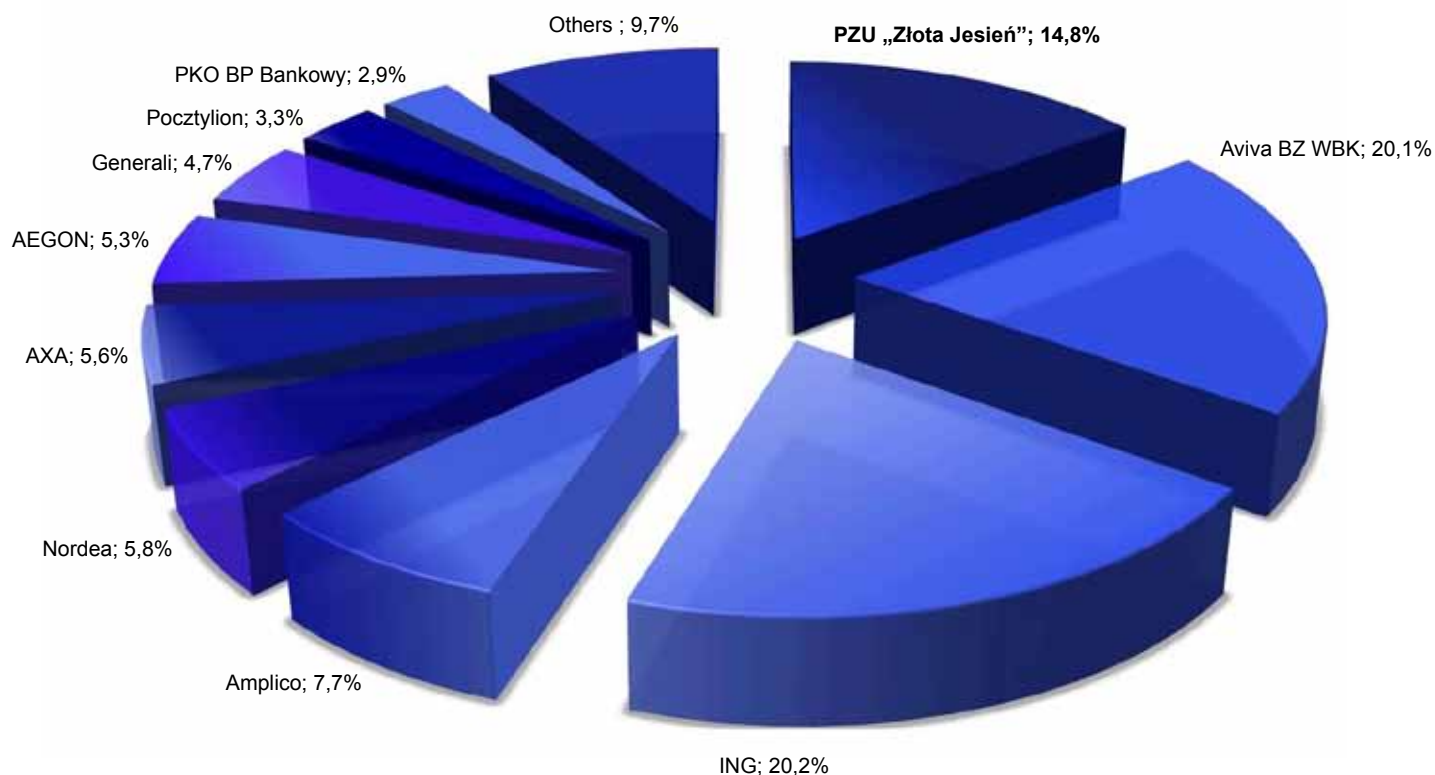
PTE PZU manages the **OFE PZU „Złota Jesień”**, which, based on KNF data, was at the end of 2009 the third open pension fund in the Polish market both in respect of the number of members and gathered net assets.

The assets of all pension funds increased in 2009 by 40,3 bn zł. to the amount of 178,6 bn zł. The assets of OFE PZU „Złota Jesień” at the end of December 2009 were 24.751,3 mln zł., which made 13,8% of the OFE (Open Pension Funds) market. The biggest influence on the assets value was, thanks to a favorable stock exchange situation, the result in management. On the average the calculation unit of the OFE PZU

„Złota Jesień” was 27,70 zł., with the weighed average value of the calculating unit for the OFE market at the level of 27,62 zł.

At the end of December the number of pension funds in the market of open pension funds in Poland was 14.360,7 thousand. The number of participants of OFE PZU „Złota Jesień” at the end of December was 2.119,1 thousand, and the share in the market in respect of the Fund members was 14,76% (third market position based on KNF data).

DIVISION OF PENSION FUNDS MARKET BASED ON THE NUMBER OF MEMBERS AT THE END OF 2009



Source: KNF „Biuletyn Kwartalny. Rynek OFE 4/2009”
KNF „Biuletyn Kwartalny. Rynek ubezpieczeń 4/2009”



The financial success, the company's prestige and 200 years of rooting in the Polish history entitle PZU to the patronage over the most prestigious national Polish culture goods that are a part of the national heritage.

*The Royal Castle in Warsaw,
fot. E. Tararuj*



4. PZU GROUP STRATEGY

The main objective of PZU Group is to keep the leading position in the market of Polish products and insurance services market and to gain satisfying returns for shareholders. Moreover, the Board plans to analyze the potential possibilities of sources of income diversification through the usage of existing business chances in Poland and possibilities of international expansion. The PZU Group intends to achieve the upgraded aims through concentrating on following activities:

Maintenance and growth of market share with simultaneous focusing on the basic activity – The PZU Group forms its product portfolio, distribution channels and rules of valuation and risk acceptance by methods that allow for profitable growth in the most important markets. The PZU Group differentiates its approach to individual segments of Polish insurance market on the basis of market share and profitability of individual products.

- In relation to segments in which the PZU Group has high market share and satisfactory profitability level, such as a corporate life insurance and a pursued individual insurance, an automotive individual insurance and an agricultural insurance, the PZU Group plans to develop its offer in order to maintain the leader position and profitability of products. In the framework of corporate life insurance and pursued individual insurance the strategy of the PZU Group assumes winning of new clients, especially from small and medium enterprises segment, as well as the increasing the number of products sold to actual clients. In the framework of automotive individual insurance the aim of the PZU Group is to stop the loss of market share as well as to maintain the profitability through active price policy in order to keep crucial client groups in chosen categories of products, introduction of new motivation systems for agents and development of attractive offer for car dealers. An important element of this strategy is assistance service “PZU Pomoc” (PZU Help). It enables the PZU Group to offer a distinguishing level of service and, thanks to it, to maintain the product advantage and loyalty of crucial client groups. “PZU Pomoc” is also a platform that enables the winning of new clients in spite of growing competition. In chosen market segments, such as agricultural insurance, in which the PZU Group has almost 80% market share and third party insurance of chosen professional groups, the aim of the PZU Group is to maintain the leader position and high level of profitability. PZU SA intends to maintain the contacts with professional groups (architects, engineers, lawyers, the police) and develop the professional third party insurance offer. The PZU Group took also many initiatives in order to maintain

its share in the market of products for small and medium enterprises, which constitutes a potentially fast growing group of clients, both in the framework of corporate life insurance and individual and property insurance.

- In relation to the segment of automotive insurance for corporate clients, in which in 2009 the PZU Group suffered an insurance loss of about 424 mln PLN, the aim of the PZU Group is restoring the profitability till 2012. In order to achieve this aim, the PZU Group plans to continue more rigorous price policy (already in 2009 the average prices of automotive insurance products for enterprises grew about 20%), to apply appropriate evaluation and risk acceptance policy, and launched a motivation system for employees, based on the profitability of an individual segment of activity. While concentrating on the restoring of the profitability, the PZU Group accepts that it may limit its market share, however it deems that this strategy ensures bigger returns for the shareholders. With reference to other property insurance for corporate clients, such as third party insurance of hospitals and property insurance, the PZU Group intends to concentrate on the profitability growth through more rigorous approach to the evaluation and risk acceptance.
- In relation to the segment of automotive insurance for corporate clients, in which in 2009 the PZU Group suffered an insurance loss of about 424 mln PLN, the aim of the PZU Group is to restore the profitability till 2012. In order to achieve this aim, the PZU Group plans to continue more rigorous price policy (already in 2009 the average prices of automotive insurance products for enterprises grew about 20%), to apply appropriate evaluation and risk acceptance policy, and launched a motivation system for employees, based on the profitability of an individual segment of activity. While concentrating on the restoring of the profitability, the PZU Group accepts that it may limit its market share, however it deems that this strategy ensures bigger returns for the shareholders. With reference to other property insurance for corporate clients, such as third party insurance of hospitals and property insurance, the PZU Group intends to concentrate on the profitability growth through more rigorous approach to the evaluation and risk acceptance.

Introduction of effective and client-oriented operational model.

The PZU Group intends to implement the so-called "Target Operational Model", which aims at the concentration of the organization on clients' needs and satisfaction, cost efficiency and high standard of service. The Board intends to lead to the cost reduction of the PZU Group with simultaneous improvement of service standards for clients. Moreover, the aim of the Board is the introduction of corporate culture oriented on the results and highest efficiency in the PZU Group. The Board assumes that it will achieve the above mentioned goals through the introduction of many initiatives, among others the centralization of processes in places where, till the present day, they have been realized in scattered way, unification of functions common for the whole Group, reduction of employment and making investments in new technologies, especially connected with the introduction of effective processes of client service. These initiatives will cover, among others, the centralization of loss settlement process in the scope of life insurance, centralization of financial and supporting sales functions, automation of accounting systems and innovative communication systems, transfer of client service within corporate life insurance and cooperation with working places on the internet platform, electronic service of data on concluded policies and electronic payment service.

In relation to the introduction of these initiatives the PZU Group plans to reduce the employment by about 4 thousand of posts till 2012. These reductions will concern mainly (about 70% of planned reductions of posts) the department of finance and accounting as well as loss settlement department, in which the average payment amounts to 3 - 4 thousands per month. The administration costs rate, calculated together for both basic PZU Group companies, i.e. PZU SA and PZU Życie SA, came to 11,4% and was about 40% higher than for the chosen international insurance groups. The Board expects that the planned introduction of new operational model of the company will cause a high growth of employee productivity and fall of the administrative costs rate. For example, the Board estimates that in the property insurance service area (excluding automotive) the improvement of effectiveness may reach about 28%, in finance and accounting area about 60%, and in loss settlement in life insurance area about 36%. The Board deems that all the abovementioned activities will cause a significant cost reduction, simultaneously with the improvement of client service process.

Optimization and increase of distribution network efficiency.

The existing internal distribution channels of the PZU Group need improvements in order to increase their efficiency. Since 2008 the PZU Group has been introducing many programs of sole agents' efficiency improvement, in order to implement the common sale models for PZU SA and PZU Życie SA. These programs enabled to restructure the disordered and non-drivable sole agents' network, characterized till the present day by vague, diverse motivational and support systems, as well as by the lack of defined ways of professional development of agents. These programs enabled to segment the agents on the basis of clear rules related to their results and standardize the motivational, support and training system, adapted to the level of professional development. Additionally, IT systems were introduced, which enhance the work of property agents as well as reporting on the sale reports of the whole network and sole salesmen.

During the next years, the PZU Group plans to improve the management of the agency network, intensify cross-sale and develop motivational systems, other than financial ones. Simultaneously with the reorganization of the operation model of its own agency network PZU Group aims to improve the effectiveness of

its agents by raising their qualifications and motivation and developing a new model of recruitment that would provide attractive conditions of implementation to work and an active and systematic development. PZU Group is also running a reorganisation of the network of institutions, which includes its modernization, optimization of location, standardization of the interior, as well as the integration and unification of the PZU SA and PZU Życie SA institutions (which currently in most cases sell exclusively products from one insurance department) and the optimization of the sales processes and customer service. Modernized institutions will be oriented to the sale and located according to the target model of the physical presence of PZU Group throughout the country. The functioning of a new type of agency institution, which will complete the network of physical presence of PZU Group, is being tested. In the rest of the distribution channels PZU Group will take up the following actions: (I) in the multiagency channel it develops motivation system and cooperation conditions together with keeping the proper priority for the channel of the exclusive agents; (II) in the relations with brokers, in the property insurances, it takes care of maintaining the balance between the sales volumes and the profitability of the portfolio received by their hand and in the sale of life

insurances it keeps partnership cooperation rules; (III) in the car dealers channel it intensifies the relations on the basis of central agreements with importers, that provide attractive commission system and the participation in the repair network of PZU Group; (IV) in the insurances sold by the leasing enterprises PZU Group aims at keeping balance between the size and profitability of the portfolio; (V) in the bank assurance channel PZU Group focuses on the profitability of the law margin savings products and stimulation of the development of the protective products; (VI) in the direct channel the Group has

built a channel that can be developed in case of change in the behaviour of the customers who may let increase the ale with its participation; (VII) in the channel of automatic resumption PZU Group focuses on maintaining a high level of keeping the customer. Besides, PZU Group takes actions intending to the further development and using the potential of attractive possibilities of strategic partnership in distribution of products of PZU Group with the subjects having the wide customer database (e.g. sales of tourist insurances in cooperation with the Polish Airlines LOT SA).

Using the business chances in Poland.

PZU Group observes the market and plans to use the possibilities of increase in the scope of products and groups of customers, in case of whom favourable demographic, market and regulation tendencies make significant potential of the development of the activity and can lead to the increase of profits. For example the market of the health insurances and voluntary pension

schemes in Poland constitute two potentially very attractive markets able to develop in the nearest years, unless any changes of the regulation surroundings happen. The Board thinks that thanks to its position on the market and strong financial position, the PZU Group is able to use its competitive advantages for gaining significant share in these products and services.

Using the possibilities of international expansion.

Regardless of the fulfillment of the basic growth strategy in Poland, PZU Group is considering the possibility of increasing and differentiating the sources of its income through taking over the chosen subjects running insurance activity in Central-Eastern Europe. The market position of PZU Group, its knowledge and experience in the analysis and valuation of risk of the insurance products and its strong financial position together with the experience of the Board, make a strong basis for possible engaging the capital into attractive growing markets. Assessing the potential aims of taking over the Board intends to act with the greatest considera-

tion, making a detailed financial analysis on the basis of clearly defined criteria of the capital return. It's PZU Group's particular preference to take over the subject or organized group of subjects running an activity in a few countries of Central-Eastern Europe managed under international standards by the experienced chief executives, which would let the management team of the PZU Group concentrate on the key for the PZU Group Polish market. Fulfillment of the potential take-overs will as well be dependent on the amount of the possible capital surplus and the possibility of financing the potential transactions.



foto National Museum

The patronage over National Museum in Cracow means mainly the contribution to the constant development of this most modern and full of multimedia museum unit in Poland.





Project Nowe Sukiennice in Karkow under the auspices of PZU is a skill of merging openness and innovation into contemporary style with respect for the value of national art.

fot Sukiennice



5. MAIN GOALS OF THE ACTIVITY OF COMPANIES FROM THE PZU GROUP IN 2010

The **PZU Group** will aim at reinforcing its position as a leading financial institution in Poland and Central-Eastern Europe by maintaining the dynamic increase of income from the basic activity, strong capital position and financial security. Assumptions to these activities were defined in the Strategy of the PZU Group, which determined the aspirations of the PZU Group and main directions of the activities for the nearest years.

One of the main activities of **the PZU Group** in 2010 is work connected with plans of making PZU SA public. Within the processes accompanying IPO activities related to requirements accompanying the stock exchange opening are planned and they will provide fast information flow and efficient communication with the investors.

Basic goals of the activity of PZU SA in 2010 that result first of all from the Strategy accepted in 2008, as well as from the current situation on the market, are:

- stopping the fall of the share in country's insurance market (long-term goal) realised by [no entry],
 - changing the tariffs in order to optimize the rates on the sales areas, where the greatest phenomenon of losing customers happen,
 - introduction of new insurance package for vehicles,
 - development of cooperation with dealer channel,
 - non-standard advertising campaigns,
 - (supplementary sales) of property insurances to the communication insurances,
- better access to potential of customers of PZU Group, i.e. using the customer database PZU Życie SA to sell products of PZU SA and developing the possibility of systematic supplementary sales of products (cross-sell, up-sell),
- continuing the restrictive policy of improvement of technical result within insurances for corporate customers and cleaning the portfolios of the damage risk,
- maintaining conservative policy of location and policy of technical reserves,
- maintaining strict cost discipline, which will allow to limit the increase of the fixed costs,
- fulfillment of projects that concentrate on the functions of support and improvement of the efficiency of Company functioning (reorganization program).

The main goals of the activity of **PZU Życie SA** in 2010 resulting first of all from the accepted Strategy and goals realized for the strategic programs, as well as the current market situation are:

- keeping the strong position on the group insurance market with maintaining the profitability,
- modernization of the product portfolio and the development of the product offer meant for all sales channels and oriented to the middle class average and mass customer, in group insurances, as well as in individual ones,
- widening the offer and keeping the portfolio for the corporate customer, using the database potential of the customers of the group insurances to sell complementarily property insurances,
- development of the offer within bancassurance on the basis of already existing and new insurances in cooperation with the present and new business partners, while continuing the policy related to the limiting of the risk of assets concentration,
- increase in health insurances sales and development of cooperation with the healthcare provider within medical services,
- improvement of sales network efficiency,
- development of the sales initiatives, e.g. within New Era projects sales the Życie PZU Group Agency,
- brand – running an internal and external refreshing of the brand simultaneously – Brand Refresh Day,
- maintaining cost discipline, i.e. thanks to the series of initiatives optimizing the processes, e.g. the centralization of processes of claims liquidation integrating the front-office processes of PZU Życie SA and PZU SA,
- maintaining conservative policy of location,
- maintaining conservative policy of technical reserves,
- maintaining the indicators of financial security on a high level.

All actions carried out by **PTE PZU SA** in 2010 will concentrate on maintaining and reinforcing present position on the market of OFE PZU "Złota Jesień". These goals are to be achieved by PTE PZU SA i.a. by realization of investment policy, aiming at further growth of the value of participation unit, in consequence contributing to increase the value of the financial means of the members of the Fund and the efficient communication with the members of the Fund using modern and widely accessible forms of communication (Internet, info line).

In the nearest years PTE PZU SA still intends to achieve good financial results that would reinforce the image of the company and its position on the market, which will mostly depend on paying insurance premium and regulating all the obligations towards the members of the

Fund on the basis of paying the overdue premium by Social Insurance Company and keeping accepted budget discipline by all organizational units of the Company.

In 2010 there will be continued works on the adjustment of the corporate acts of the Company to the requirements binding in the PZU Group, as well as on the implementation to the internal acts of the Company of the solutions and rules of corporate governance, which allow for the fulfillment of the highest market standards.

Besides the stock exchange debut of the PZU SA and resulting duties of the issuer will affect the keeping of the positive image and consolidation of the position of the Open Pension Fund PZU "Złota Jesień" managed by the PTE PZU SA on the market.

6. DESCRIPTION OF RISK FACTORS AND THREATS IN 2010

The main risk factors that may have influence on the results of the PZU Group companies in 2010 are as follows:

- predicted persistence of unemployment rate in 2009 that results in demand for insurance products,
- reduction of individual consumption dynamics,
- growth of insurance brokers importance,
- changes on the financial services market, setback of growth of independent financial services popularity and limitation of sale channels of the companies,
- changeability of securities profitability, dependent on the economic situation of Poland and other EU countries, reduction of securities profitability may cause the reduction of deposit profitability and potential need to change the level of engineering rates in the Company,
- behavior of capital market, especially Warsaw Stock Exchange – a part of profits from investment business of the Company is dependent on this market,
- growth of competition and progressing deconcentration of the market that results in growth of shares of smaller entities in property and individual insurance market at expense of PZU SA,
- growth of product competition in the area of structured insurance that are an alternative for traditional products, based on investment funds,
- still too small flexibility of many product applications already existing in companies, which hinders fast adjustment to the necessity of constant product palate changes and necessity to provide IT service for new products.



The national heritage means not only material and spiritual proof of identity and distinction of the nation, but also a confirmation of how much this legacy is a part of universal European values.

fot Sukiennice



7. MAIN CHARTS FROM CONSOLIDATED REPORT OF PZU GROUP IN ACCORDANCE WITH MSSF

CONSOLIDATED REPORT ON FINANCIAL SITUATION (in thousands PLN)

Assets	December 31st, 2009	December 31st, 2008
Intangible values	85 069	69 573
Company value	19 631	20 216
Tangible fixed assets	1 043 811	1 085 561
Investment properties	346 552	282 678
Entities priced with the method of property rights	-	-
Financial assets		
Financial instruments held till maturity date	23 327 568	24 567 510
Financial instruments for sale	10 027 845	11 570 255
Financial instruments priced at fair value by means of profit and loss account	10 213 631	9 744 200
Loans	4 668 549	8 339 028
Receivables, including the receivables on grounds of insurance contracts	1 383 978	1 412 184
Reinsurers' share in technical-insurance reserves	748 313	884 852
Estimated subrogation and recovery	82 330	56 649
Deferred income tax	24 913	9 869
Receivables from current income tax	87 599	334
Deferred acquisition expenses	481 139	454 198
Prepaid expenses	252 944	291 417
Other assets	15 781	11 723
Cash and cash equivalents	366 556	533 206
Assets connected with continued activity	53 176 209	59 333 453
Tangible assets for sale and assets in groups of alienation	-	25 588
Assets, together	53 176 209	59 359 041

(in thousand PLN)

Capital and liabilities	December 31st, 2009	December 31st, 2008
Capital		
Issued equity share capital and other equities of shareholders of the holding unit		
Tier capital	86 352	86 352
Reserve capital	5 802 568	14 594 582
Supplementary capital	5 485 014	14 478 547
Revaluation reserve	340 970	139 314
Currency translation differences from the translation of subordinated companies	(23 416)	(23 279)
Retained profit	5 377 826	5 371 288
Profit (loss) from the previous years	2 365 282	3 041 547
Net profit (loss)	3 762 945	2 329 741
Net profit write-offs during the financial year	(750 401)	-
Minority capital	133	168
Capital, together	11 266 879	20 052 390
Liabilities		
Technical-insurance reserves		
UPR and unexpired risk reserves	3 846 600	4 126 583
Life insurance reserve	14 582 590	15 289 073
Reserves for outstanding losses	4 456 464	4 322 352
Reserve for capitalized value of annuities	4 874 653	4 528 618
Reserves for bonuses and rebates	5 071	1 553
Other technical-insurance reserves	698 918	733 944
Technical-insurance reserves for life insurance, if the investment risk is taken by the insurer	2 017 501	1 765 289
Investment contracts		
– with guaranteed and fixed conditions	2 632 054	4 964 593
– on account and at the risk of the customer	1 094 475	1 026 528
Reserves for fringe benefits	260 946	261 911
Other reserves	314 595	236 476
Reserves from deferred income tax	444 053	205 273
Current income tax liability	3 056	81 992
Derivative instruments	3 533	27 732
Other liabilities	5 974 052	1 082 161
Deferred income and future income		
Deferred income	464 126	391 400
Future income	236 643	261 173
Liabilities connected with continued activity	41 909 330	39 306 651
Liabilities directly connected with fixed assets classified as held for sale	-	-
Liabilities, together	41 909 330	39 306 651
Capital and liabilities, together	53 176 209	59 359 041

CONSOLIDATED PROFIT-AND-LOSS ACCOUNT
(in thousand PLN)

Consolidated profit-and-loss account	January 1st – December 31st 2009	January 1st – December 31st 2008
Gross insurance premiums written	14 362 717	14 563 147
The reinsurers' share in the insurance premium written gross	(162 758)	(130 395)
Insurance contributions net	14 199 959	14 432 752
Change in net insurance premium reserves	285 255	(147 140)
Earned premiums net	14 485 214	14 285 612
Receipts on the ground of provisions and charges	340 876	338 022
Net receipts from investments	2 363 384	2 411 755
Net result from realization and write-offs on the grounds on investment value loss	261 310	(855 895)
Net changes of the assets' fair value and commitments valued in fair value	844 307	(975 962)
Other operational receipts	260 066	192 266
Compensations, provisions and change in technical-insurance reserves	(9 470 174)	(8 503 230)
Contribution of reinsurers in compensations, provisions and change in technical-insurance reserves	33 893	(88 827)
Compensations and insurance provisions net	(9 436 281)	(8 592 057)
Provisions and change in evaluation of investment contracts	(275 057)	245 505
Acquisition costs	(1 839 605)	(1 668 023)
Administrative costs	(1 808 881)	(1 774 846)
Other operational costs	(593 582)	(675 319)
Profit (loss) from operational activity	4 601 751	2 931 058
Finance costs	(35 940)	-
Net share in profits (losses) of entities priced on the ground of ownership title	-	-
Profit (loss) gross	4 565 811	2 931 058
Income tax		
- current part	(632 407)	(773 920)
- delayed part	(170 493)	172 580
Profit (loss) net, therein:	3 762 911	2 329 718
- profit (loss) from holders of own capital of holding unit	3 762 945	2 329 741
- profit (loss) of the minority (34) (23)	(34)	(23)
Net profit (loss) from continued activity	3 762 911	2 329 718
Net profit (loss) from abandoned activity--	-	-
Basic and diluted weighted average of ordinary shares	86 352 300	86 352 300
Basic and diluted profit (loss) from continued activity per one ordinary share (in PLN)	43,58	26,98
Basic and diluted profit (loss) from abandoned activity per one ordinary share (in PLN)	-	-
Basic and diluted profit (loss) per one ordinary share (in PLN)	43,58	26,98

CONSOLIDATED STATEMENT FROM CASH FLOWS
(in thousands PLN)

Cash flow from operational activity	January 1st – December 31st 2009	January 1st – December 31st 2008
Cash flow from operational activity		
Inflow	19 181 014	22 487 003
- inflow from insurance premiums gross	14 526 646	14 621 987
- inflow from investment contracts	3 576 627	6 952 972
- inflow from reinsurance commissions and shares in reinsurers' profits	11 781	9 073
- reinsurers payments on the grounds of participation in compensations	173 025	102 679
- other operational inflows	892 935	800 292
Outflows	(20 721 570)	(17 872 129)
- insurance premium on the grounds of reinsurance	(143 575)	(124 820)
- provisions paid and participation in profits from active reinsurance	(24 413)	(17 358)
- compensations and provisions paid gross	(8 871 634)	(8 567 232)
- provisions paid on the ground of investment contracts	(5 991 022)	(3 343 550)
- expenses on the grounds of acquisition	(1 322 888)	(1 218 617)
- administrative expenses	(2 142 752)	(2 187 420)
- expenses from interest	(170)	(46)
- expenses from income tax	(617 902)	(1 126 338)
- other operational expenses	(1 607 214)	(1 286 748)
Cash flow net from operational activity	(1 540 556)	4 614 874
Cash flow from investment activity		
Income	419 444 801	433 485 216
- income from investment properties	6 546	21 273
- alienation of intangible assets and material parts of tangible assets	2 712	4 552
- alienation of shares and stock	3 430 935	3 630 097
- realization of debt securities	34 672 090	20 237 927
- liquidation of fixed-term deposits in credit institutions	182 406 133	206 864 509
- realization of other deposits	197 472 475	201 421 476
- interest	1 393 811	1 189 603
- dividends	60 030	114 332
- other income from deposits	69	1 447
Expenses	(410 040 675)	(438 136 757)
- acquisition of investment properties	(283)	(1 420)
- expenses on maintenance of investment properties	(8 431)	(13 422)
- acquisition of intangible assets and material parts of tangible assets	(155 781)	(382 571)
- acquisition of shares and stock	(3 625 911)	(3 694 909)
- decrease in financial resources on account of resigning from investment funds consolidation	(43 784)	(89 638)
- acquisition of promissory notes	(30 645 717)	(22 159 974)
- acquisition of time deposits in credit institutions	(178 998 253)	(212 726 050)
- acquisition of other deposits	(196 505 813)	(198 979 612)
- other expenses for deposits	(56 702)	(89 161)

CONSOLIDATED STATEMENT FROM CASH FLOWS
(in thousands PLN)

Net cash flow from investment activity	9 404 126	(4 651 541)
Financial resources flow from financial activity		
Income	4 712 755	1 516
- credits, loans and issuing promissory notes	4 712 755	1 516
Expenses	(12 742 730)	(5 356)
- Dividends paid out to owners of own capital of the major entity	(12 742 237)	(3 851)
- Repayment of credits, loans and redemption of the own debt securities	(493)	(1 502)
- Interest rates from credits, loans and issued promissory notes	-	(3)
Net financial flow from financial activity	(8 029 975)	(3 840)
Net financial flow, total	(166 405)	(40 507)
Cash and cash equivalents at the beginning of the period	533 206	573 358
Change in the cash balance due to exchange rate differences	(245)	355
Financial resources and their equivalents at the end of period, including:	366 556	533 206
- with limited possibility to dispose	29 666	68 575



PZU operates in compliance with the image and history of the company, from which takes its value.

fot Sukiennice



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PTE PZU SA

al. Jana Pawła II 24

00-133 Warszawa

TFI PZU SA

al. Jana Pawła II 24

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