

**THE CAPITAL GROUP OF  
POWSZECHNY ZAKŁAD UBEZPIECZEŃ  
SPÓŁKA AKCYJNA  
WARSAW, AL. JANA PAWŁA II 24**

**CONSOLIDATED  
FINANCIAL STATEMENTS  
FOR THE 2013 FINANCIAL YEAR**

**WITH  
AUDITOR'S OPINION  
AND  
AUDIT REPORT**

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### **CONSOLIDATED FINANCIAL STATEMENTS OF THE CAPITAL GROUP OF POWSZECHNY ZAKŁAD UBEZPIECZEŃ SPÓŁKA AKCYJNA FOR THE 2013 FINANCIAL YEAR**

1. Consolidated Statement of Financial Position
2. Consolidated Income Statement
3. Consolidated Statement of Comprehensive Income
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### **MANAGEMENT REPORT OF THE CAPITAL GROUP OF POWSZECHNY ZAKŁAD UBEZPIECZEŃ SPÓŁKA AKCYJNA FOR THE 2013 FINANCIAL YEAR**

## **AUDITOR'S OPINION**

### **To the Shareholders and Supervisory Board of Powszechny Zakład Ubezpieczeń Spółka Akcyjna**

We have audited the attached consolidated financial statements of the Capital Group of Powszechny Zakład Ubezpieczeń Spółka Akcyjna ("Capital Group") with Powszechny Zakład Ubezpieczeń Spółka Akcyjna, with its registered office in Warsaw at , Al. Jana Pawła II 24, as the Parent Company, including consolidated statement of financial position prepared as of 31 December 2013, consolidated income statement and consolidated statement of comprehensive income, statement of changes in consolidated equity, consolidated statement of cash flows for the financial year from 1 January 2013 to 31 December 2013 and notes comprising a summary of significant accounting policies and other explanatory information.

Preparation of consolidated financial statements and the management's report of the Capital Group in line with the law is the responsibility of the Management Board of the Parent Company. The Management Board of the Parent Company and members of its Supervisory Board are obliged to ensure that the consolidated financial statements and the report on the activities of the Capital Group meet the requirements of the Accounting Act of 29 September 1994 (Journal of Laws of 2013, item 330, as amended), hereinafter referred to as the "Accounting Act". Our responsibility was to audit and express an opinion on compliance of the consolidated financial statements with the accounting principles (policy) adopted by the Capital Group and whether the financial statements present fairly and clearly, in all material respects, the financial and economic position as well as the financial result of the Capital Group.

Our audit of the financial statements has been planned and performed in accordance with:

- section 7 of the Accounting Act,
- national auditing standards, issued by the National Council of Statutory Auditors in Poland.

We have planned and performed our audit of the consolidated financial statements in such a way as to obtain reasonable assurance to express an opinion on the financial statements. Our audit included, in particular, verification of the correctness of the accounting principles (policy) applied by the Parent Company and the subsidiaries, verification – largely on a test basis – of the basis for the amounts and disclosures in the consolidated financial statements, as well as overall evaluation of the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion

In our opinion, the audited consolidated financial statements of the Capital Group of Powszechny Zakład Ubezpieczeń Spółka Akcyjna in all material respects:

- present fairly and clearly the information material to evaluate the economic and financial position of the Capital Group as of 31 December 2013 as well as its profit or loss in the financial year from 1 January 2013 to 31 December 2013,

- have been prepared in accordance with the International Accounting Standards, International Financial Reporting Standards and related interpretations published as European Commission regulations, and in all matters not regulated in the standards – in accordance with the provisions of the Accounting Act and secondary legislation to the Act,
- comply with the provisions of law applicable to the Capital Group which affect the contents of the consolidated financial statements.

The Report on the activities of the Capital Group for the 2013 financial year is complete within the meaning of Article 49.2 of the Accounting Act and the Ordinance of the Minister of Finance of 19 February 2009 on current and periodic information published by issuers of securities and the rules of equal treatment of the information required by the laws of non-member states (Journal of Laws of 2014, item 133) and consistent with underlying information disclosed in the audited consolidated financial statements.

.....  
 Jacek Marczak  
 Key certified auditor  
 conducting the audit  
 No. 9750

On behalf of Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp. k. – entity authorized to audit financial statements entered under number 73 on the list kept by the National Council of Statutory Auditors:

.....  
 Dariusz Szkaradek – Vice-President of the Management Board of Deloitte Polska Sp. z o.o. - which is the General Partner of Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp. k.

Warsaw, 11 March 2014

***The above audit opinion together with audit report is a translation from the original Polish version. In case of any discrepancies between the Polish and English version, the Polish version shall prevail.***

**REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL  
STATEMENTS OF THE CAPITAL GROUP OF POWSZECHNY ZAKŁAD  
UBEZPIECZEŃ SPÓŁKA AKCYJNA FOR THE 2013 FINANCIAL YEAR**

**I. GENERAL INFORMATION**

**1. Details of the audited Parent Company**

Powszechny Zakład Ubezpieczeń Spółka Akcyjna with its registered office in Warsaw at Al. Jana Pawła II 24, was established via transformation of Państwowy Zakład Ubezpieczeń into a state-owned joint-stock company, pursuant to Article 97 of the Act of 28 July 1990 on insurance activity (consolidated text, Journal of Law from 1996, No. 11, item 62, as amended).

The terms and procedures of transformation and assignment of liabilities of Państwowy Zakład Ubezpieczeń are governed by the Ordinance of the Minister of Finance of 18 December 1991 (Journal of Law from 1991, No. 119, item 522). Formal and actual transformation of Państwowy Zakład Ubezpieczeń into a state-owned joint-stock company took place on 23 December 1991 pursuant to a notarized deed Rep. A-III-21516/91. Currently, the Company is recorded in the register of entrepreneurs kept by the District Court for the capital city of Warsaw, XII Business-Registry Division in Warsaw under number KRS 0000009831.

The Company has the following tax identification number NIP: 526-025-10-49, assigned by the Second Tax Office Warszawa-Śródmieście on 4 June 1993.

The REGON number assigned by the Statistical Office on 5 July 1993 is: 010001345.

The Company operates based on the provisions of the Code of Commercial Companies.

According to the Statistical Classification of Economic Activities in the Polish Community the Company's core business involves other property and personal insurance (PKD 65.12) and according to European Community, the Company's core business involves property insurance (code 6603).

As of 31 December 2013, the Company's share capital amounted to PLN 86,352,300 thousand and was divided into 86,352,300 ordinary registered shares with a face value of PLN 1 each.

A series bearer shares and B series shares are publicly traded and listed on the Warsaw Stock Exchange. As of 31 December 2013 the Company's shareholders holding over 5% shares included:

– State Treasury – 35.1875% shares.

During the financial year there were no changes in the share capital of the Company.

In the period from the balance sheet date and until the date of this report there were no changes in the Company's share capital.

As of 31 December 2013, the Capital Group's equity amounted to PLN 13,127,787 thousand.

The Capital Group's financial year is the calendar year.

Composition of the Management Board as of the date of the opinion:

- |                        |                          |
|------------------------|--------------------------|
| – Andrzej Klesyk       | – Chairman of the Board, |
| – Przemysław Dąbrowski | – Member of the Board,   |
| – Dariusz Krzewina     | – Member of the Board,   |
| – Barbara Smalska      | – Member of the Board,   |
| – Tomasz Tarkowski     | – Member of the Board,   |
| – Ryszard Trepczyński  | – Member of the Board.   |

Changes in the composition of the Management Board during the audited period and till the date of the opinion:

- On 12 March 2013 the Supervisory Board appointed Dariusz Krzewina a Member of the Management Board, effective from 15 March 2013.
- On 12 March 2013 the Supervisory Board appointed Barbara Smalska a Member of the Management Board, effective from 15 March 2013.
- On 27 December 2013 Bogusław Skuza resigned from the Management Board effective from 31 December 2013.

The above changes have been reported and registered at a relevant court register.

In the financial year the composition of Capital Group has changed – the composition of the Capital Group and its changes has been presented in note 2.2 and 2.3 of consolidated financial statements. Subsidiaries which are subject of full consolidation have been presented in note 2.2 and changes in scope of consolidation in note 3.4 to consolidated financial statements.

The consolidated financial statements as of 31 December 2013 included the following entities:

- a) Parent – Powszechny Zakład Ubezpieczeń Spółka Akcyjna

We have audited the financial statements of the Parent Powszechny Zakład Ubezpieczeń Spółka Akcyjna for the period from 1 January to 31 December 2013. As a result of our audit, on 11 March 2014 we issued an unqualified opinion.

- b) Companies subject to full consolidation:

Name of the Company	Share in the capital (%)	Name of the entity that audited the financial statements and type of opinion issued	Balance sheet date of the consolidated entity	Opinion date <sup>1</sup>
Powszechny Zakład Ubezpieczeń SA	n/a	Deloitte Polska Sp. z o.o. sp.k. – unqualified opinion	31 December 2013	11 March 2014
Powszechny Zakład Ubezpieczeń na Życie SA („PZU Życie”)	100.00%	Deloitte Polska Sp. z o.o. sp.k. – unqualified opinion	31 December 2013	11 March 2014
Powszechne Towarzystwo Emerytalne PZU SA („PTE PZU”)	100.00%	Deloitte Polska Sp. z o.o. sp.k. – unqualified opinion	31 December 2013	11 March 2014
PZU Centrum Operacji SA („PZU CO”)	100.00%	Deloitte Polska Sp. z o.o. sp.k. – unqualified opinion	31 December 2013	6 March 2014
Towarzystwo Funduszy Inwestycyjnych PZU SA („TFI PZU”)	100.00%	Deloitte Polska Sp. z o.o. sp.k. – unqualified opinion	31 December 2013	10 March 2014
PZU Asset Management SA („PZU AM”)	100.00%	Deloitte Polska Sp. z o.o. sp.k. – unqualified opinion	31 December 2013	10 March 2014

<sup>1</sup> date of an audit opinion relates, unless otherwise indicated, to statutory audit of the financial statements prepared in accordance with the accounting policies specified in the Accounting Act and applicable to the entity relevant rules; restated financial statements of the entity prepared as consolidation package prepared in accordance with IAS/IFRS adopted by the PZU Capital Group was subject to consolidation.

Name of the Company	Share in the capital (%)	Name of the entity that audited the financial statements and type of opinion issued	Balance sheet date of the consolidated entity	Opinion date <sup>1</sup>
PZU Pomoc SA	100.00%	Deloitte Polska Sp. z o.o. sp.k. – statutory audit has not been completed	31 December 2013	11 March 2014*
Międzyzakładowe Pracownicze Towarzystwo Emerytalne PZU SA („MPTE PZU SA”)	100.00%	Deloitte Polska Sp. z o.o. sp.k. – unqualified opinion	31 December 2013	10 March 2014
PrJSC IC PZU Ukraine („PZU Ukraine”)	100.00%	PJSC "Deloitte & Touche USC" – statutory audit has not been completed	31 December 2013	10 March 2014*
PrJSC IC PZU Ukraine Life Insurance („PZU Ukraine Life”)	100.00%	PJSC "Deloitte & Touche USC" – statutory audit has not been completed	31 December 2013	10 March 2014*
UAB DK PZU Lietuva („PZU Lietuva”)	99.76%	UAB „Deloitte Lietuva” – statutory audit has not been completed	31 December 2013	10 March 2014*
UAB PZU Lietuva Gyvybes Draudimas	99.34%	UAB „Deloitte Lietuva” – statutory audit has not been completed	31 December 2013	10 March 2014*
PZU Finanse Sp. z o.o. <sup>2</sup>	100.00%	Not subject to audit	31 December 2013	-
Tower Inwestycje Sp. z o.o. („Tower Inwestycje”)	100.00%	Deloitte Polska Sp. z o.o. sp.k. – unqualified opinion	31 December 2013	10 March 2014
Ogrodowa-Inwestycje Sp. z o.o.	100.00%	Deloitte Polska Sp. z o.o. sp.k. – unqualified opinion	31 December 2013	10 March 2014
Armatura Capital Group	92.75%	Deloitte Polska Sp. z o.o. sp.k. – unqualified opinion	31 December 2013	11 March 2014
Ipsilon Sp. z o.o. <sup>2</sup>	100.00%	Not subject to audit	31 December 2013	-
Ipsilon Bis SA <sup>2</sup>	100.00%	Not subject to audit	31 December 2013	-
Omicron SA <sup>2</sup>	100.00%	Not subject to audit	31 December 2013	-
LLC SOS Services Ukraine <sup>2</sup>	100.00%	Not subject to audit	31 December 2013	-
PZU SFIO Universum (formerly PZU SFIO Dłużny)	nd.	Deloitte Polska Sp. z o.o. sp.k. – unqualified opinion	31 December 2013	11 March 2014
PZU FIZ Akcji	nd.	Deloitte Polska Sp. z o.o. sp.k. – unqualified opinion	31 December 2013	11 March 2014
PZU FIZ Dynamiczny	nd.	Deloitte Polska Sp. z o.o. sp.k. – unqualified opinion	31 December 2013	11 March 2014
PZU FIZ Sektora Nieruchomości	nd.	Deloitte Polska Sp. z o.o. sp.k. – unqualified opinion	31 December 2013	11 March 2014
PZU FIZ Sektora Nieruchomości 2	nd.	Deloitte Polska Sp. z o.o. sp.k. – unqualified opinion	31 December 2013	11 March 2014
PZU FIZ Sektora Nieruchomości 3	nd.	Deloitte Polska Sp. z o.o. sp.k. – unqualified opinion	31 December 2013	11 March 2014
PZU FIZ Aktywów Niepublicznych BIS 1	nd.	Deloitte Polska Sp. z o.o. sp.k. – unqualified opinion	31 December 2013	11 March 2014
PZU FIZ Aktywów Niepublicznych BIS 2	nd.	Deloitte Polska Sp. z o.o. sp.k. – unqualified opinion	31 December 2013	11 March 2014
PZU Dłużny Rynków Wschodzących	nd.	Deloitte Polska Sp. z o.o. sp.k. – unqualified opinion	31 December 2013	11 March 2014
PZU FIZ Aktywów Niepublicznych RE Income	nd.	Deloitte Polska Sp. z o.o. sp.k. – unqualified opinion	31 December 2013	11 March 2014
PZU FIO Gotówkowy	nd.	Deloitte Polska Sp. z o.o. sp.k. – unqualified opinion	31 December 2013	11 March 2014

<sup>2</sup> Statutory financial statements of companies were not subject to audit due to the lack of legal obligation to conduct such audits in accordance with the Accounting Act; verification of the consolidation packages made during the audit of the consolidation documentation.

Name of the Company	Share in the capital (%)	Name of the entity that audited the financial statements and type of opinion issued	Balance sheet date of the consolidated entity	Opinion date <sup>1</sup>
Subsidiary commercial companies having the character of special purpose entities that invest in various real estates which are in the portfolios of PZU FIZ Sektora Nieruchomości, PZU FIZ Sektora Nieruchomości 2, PZU FIZ Sektora Nieruchomości 3, PZU FIZ Aktywów Niepublicznych RE Income; number for each of the above mentioned funds amounted to 37, 8, 9 and 6 companies, respectively	100.00%	Deloitte Polska Sp. z o.o. sp.k. – statutory audits have not been completed at the date of the opinion on the consolidated financial statements	31 December 2013	11 March 2014*

\* the date of confirmation of the consolidation package prepared in accordance with IAS/IFRS as part of the audit of the consolidation documentation and audit procedures carried out in relation to the balance sheets of the units, taking into account the significance of these entities to the consolidated result of the PZU Capital Group.

The Parent Company preparing the consolidated financial statements did not simplify or alter consolidation principles in relation to the consolidated entities.

## 2. Information about the consolidated financial statements for the prior financial year

The activities of the Capital Group in 2012 resulted in a net profit of PLN 3,253,826 thousand. The consolidated financial statements of the Capital Group for 2012 were audited by a certified auditor. The audit was performed by authorized entity Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp. k. On 12 March 2013 the certified auditor issued an unqualified opinion on those financial statements.

The General Shareholders' Meeting which approved the consolidated financial statements for the 2012 financial year was held on 23 May 2013.

In accordance with applicable laws, the consolidated financial statements for the 2012 financial year were submitted to the National Court Register (KRS) on 29 May 2013.

## 3. Details of the authorized entity and the key certified auditor acting on its behalf

The audit of the consolidated financial statements was performed based on the agreement of 16 July 2012 concluded between Powszechny Zakład Ubezpieczeń Spółka Akcyjna and Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp. k. with its registered office in Warsaw, al. Jana Pawła II 19, recorded under number 73 on the list of entities authorized to provide audit services kept by the National Council of Statutory Auditors. On behalf of the authorized entity, the audit of the consolidated financial statements was conducted under the supervision of Jacek Marczak key certified auditor (No.9750) in the registered office of the Parent Company as well as outside the Parent Company's premises from 31 January 2014 until the date of this opinion.

The entity authorized to audit the consolidated financial statements was appointed by the resolution of the Supervisory Board of 8 May 2012 based on authorization included in Article 25, clause 2, point 10 of the Parent Company By-laws.

Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp. k. and Jacek Marczak, key certified auditor, confirm that they are authorized to carry out audits and meet the requirements of Article 56 of the Act on statutory auditors and their self-governing body, auditing firms and on public



oversight (Journal of Laws of 2009, No. 77, item 649, as amended) to express an unbiased and independent opinion on the consolidated financial statements of the Capital Group of Powszechny Zakład Ubezpieczeń Spółka Akcyjna.

#### **4. Availability of data and management's representations**

The scope of our audit was not limited.

During the audit, all necessary documents and data as well as detailed information and explanations, were provided to the authorized entity and the key certified auditor, as confirmed e.g. in the written representation of the Management Board of the Parent Company of 11 March 2014.

## II. ECONOMIC AND FINANCIAL POSITION OF THE CAPITAL GROUP

Presented below are the main items from the consolidated income statement as well as financial ratios describing the financial performance of the Capital Group and its economic and financial position compared to the prior year.

<u>Selected items from the statement of financial position</u> <u>(in PLN '000)</u>	<u>31.12.2013</u>	<u>31.12.2012</u>
Intangible assets	308,726	183,238
Property, plant and equipment	927,281	992,317
Investment property	1,474,770	564,404
Financial assets	54,688,714	50,423,076
Receivables	2,664,986	1,835,793
Reinsurers' share in technical provisions	526,605	749,334
Deferred acquisition costs	609,819	574,489
Cash and cash equivalents	548,266	136,586
Total assets	62,362,421	55,909,560
Equity	13,127,787	14,369,369
Technical provisions	37,324,416	35,400,778
Investment contracts	2,121,037	2,299,147
Other provisions	192,906	267,456
Deferred tax liability	255,399	357,557
Other liabilities	8,926,375	3,056,467
Total equity and liabilities	62,362,421	55,909,560
<u>Selected items from the consolidated income statement</u> <u>(in PLN '000)</u>	<u>01.01.2013- 31.12.2013</u>	<u>01.01.2012 - 31.12.2012</u>
Net earned premium	16,248,769	16,005,240
Revenue from commissions and fees	319,962	237,102
Net investment income	1,844,932	2,047,054
Net profit/loss on realization and impairment loss on investments	25,045	521,268
Net change in the fair value of assets and liabilities plus equity measured at fair value	618,091	1,136,407
Other operating revenue	491,109	588,028
Net insurance claims and benefits	(11,161,224)	(12,218,731)
Acquisition costs	(2,015,938)	(2,000,351)
Administrative expenses	(1,406,480)	(1,440,301)
Benefits and change in measurement of investment contracts	(77,715)	(176,780)
Income tax	(825,579)	(784,882)
Net profit	3,295,113	3,253,826
<u>Main items from the consolidated statement of other comprehensive income (in PLN '000)</u>	<u>01.01.2013- 31.12.2013</u>	<u>01.01.2012 - 31.12.2012</u>
Net profit	3,295,113	3,253,826
Other comprehensive income	(104,510)	88,660
Net comprehensive income total	3,190,603	3,342,486

<u>Profitability ratios</u>	<u>2013</u>	<u>2012</u>
– profitability ratio on the basis of gross premium written (net profit / gross written premium)	20.0%	20.0%
– profitability ratio on the basis of net premium earned (net profit / net written premium)	20.3%	20.3%
<u>Claims ratios</u>		
– gross claims ratio (claims and change in technical provisions/gross earned premium)	67.9%	76.2%
– net claims ratio (claims and net change in technical provisions/net earned premium)	68.7%	76.3%
<u>Total operating costs ratio</u>		
– administrative expenses ratio (administrative expenses/gross written premium)	8.5%	8.9%
– acquisition costs ratio (acquisition costs/gross written premium)	12.2%	12.3%
<u>Return on investment and equity ratios:</u>		
– investment level ratio (financial assets and investment property / equity and technical provisions less reinsurers' share as at the end of the reporting period)	112.5%	104.2%
– return on equity (net profit/average equity) <sup>3</sup>	24.1%	24.0%
<u>Solvency and funds security ratios</u>		
– provision allocation ratio (financial assets and investment property / technical provisions less reinsurers' share)	152.6%	147.1%

The analysis of the above figures and ratios identified the following trends in 2013:

- no change in profitability ratio on the basis of gross written premium in 2013 in comparison to 2012;
- no change in profitability ratio on the basis of net earned premium in 2013 in comparison to 2012;
- a decrease in gross claims ratio from 76.2% in 2012 to 67.9% in 2013;
- a decrease in net claims ratio from 76.3% in 2012 to 68.7% in 2013;
- an increase in investment level ratio from 104.2% at the end of 2012 to 112.5% at the end of 2013;
- an increase in return on equity from 24.0% in 2012 to 24.1% in 2013;
- an increase in provision allocation ratio from 147.1% at the end of 2012 to 152.6% at the end of 2013.

<sup>3</sup> The average calculated as an arithmetic average of the equity balance as at the beginning and the end of the reporting period.

### III. DETAILED INFORMATION

#### 1. Information about the audited consolidated financial statements

The audited consolidated financial statements were prepared as of 31 December 2013 and include:

- consolidated statement of financial position prepared as of 31 December 2013, with total assets and liabilities plus equity of PLN 62,362,421 thousand,
- consolidated income statement for the period from 1 January 2013 to 31 December 2013, with a net profit of PLN 3,295,113 thousand,
- consolidated statement of comprehensive income for the period from 1 January 2013 to 31 December 2013, with a total comprehensive income of PLN 3,190,603 thousand,
- statement of changes in consolidated equity for the period from 1 January 2013 to 31 December 2013, disclosing a decrease in equity of PLN 1.141.482 thousand,
- consolidated statement of cash flows for the period from 1 January 2013 to 31 December 2013, showing a cash inflow of PLN 411,680 thousand,
- notes, comprising a summary of significant accounting policies and other explanatory information.

The structure of assets and equity plus liabilities as well as items affecting the financial profit or loss has been presented in the consolidated financial statements.

The audit covered the period from 1 January 2013 to 31 December 2013 and focused mainly on:

- verification of the correctness and fairness of the consolidated financial statements prepared by the Management Board of the Parent Company,
- verification of the consolidation documentation,
- evaluation of the correctness of the consolidation methods and procedures applied during consolidation,
- review of opinions and reports on audits of financial statements of subsidiaries and associated companies included in consolidation, prepared by other certified auditors.

#### 2. Consolidation documentation

The Parent Company presented the consolidation documentation including:

- 1) financial statements of entities included in the consolidated financial statements,
- 2) consolidation packages of controlled entities included in the consolidated financial statements, adjusted to International Financial Reporting Standards (“IFRS”) and the Group accounting principles (policy) applied during consolidation,
- 3) consolidation packages of controlled entities translated into the Polish currency,
- 4) all consolidation adjustments and eliminations necessary for preparation of the consolidated financial statements,
- 5) calculation of the goodwill impairment,
- 6) calculation of non-controlling interest,
- 7) calculation of exchange differences arising from translation of the financial statements of controlled entities denominated in foreign currencies.

Basis for the preparation of the consolidated financial statements

The consolidated financial statements of the Capital Group for the 2013 financial year have been prepared in accordance with the International Financial Reporting Standards endorsed by European Union.

Entities in the Capital Group

The scope and method of consolidation as well as the relationship between entities have been determined based on the criteria specified in the International Financial Reporting Standards.

Financial period

The consolidated financial statements have been prepared as of the same balance sheet date and for the same financial year as the financial statements of the Parent Company – Powszechny Zakład Ubezpieczeń Spółka Akcyjna. Subsidiaries and associated companies measured using equity method included in consolidation prepared their financial statements as of the same balance sheet date as the Parent Company. The financial year of all subsidiaries and associated companies included in consolidation ended on 31 December 2013.

Consolidation method

The financial statements of the subsidiaries were consolidated using the full method, i.e. full amounts of all relevant items of the financial statements of the Parent Company and the subsidiaries included in consolidation were summed up.

Once the values had been summed up, consolidation adjustments and eliminations were applied to:

- the cost of shares held by the Parent Company in subsidiaries and the part of net assets of subsidiaries corresponding to the interest of the Parent Company in these companies,
- mutual receivables and liabilities of entities included in consolidation,
- material revenue and expenses related to transactions between entities included in consolidation.

**3. Completeness and correctness of drawing up notes and explanations and the management report of the Capital Group**

The Parent Company confirmed the validity of the going concern basis in preparation of the consolidated financial statements. The notes to the consolidated financial statements give a correct and complete description of measurement principles regarding assets, liabilities, profit or loss and principles of preparation of the consolidated financial statements.

The Parent Company prepared the additional information and explanations in the form of tabular notes to individual items in the consolidated statement of financial position, income statement and statement of comprehensive income as well as narrative descriptions in line with IFRS.

Explanatory notes describing: property, plant and equipment, intangible assets and provisions, including technical provisions correctly present increases and decreases as well as their basis during the financial year. Limited disposability was indicated for individual assets presented in the consolidated statement of financial position, as some of them constituted collateral of creditors.

Individual assets and equity and liabilities as well as revenue and expenses were correctly presented by the Parent Company in the consolidated financial statements. The consolidated statement of financial position, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows with additional notes,

information and explanations constituting an integral part thereof, contain all the items, whose disclosure in the financial statements is required by the provisions of IFRS.

The Management Board prepared and supplemented the consolidated financial statements with a management report of the Capital Group in the 2013 financial year. The report contains all information required under Article 49.2 of the Accounting Act and the Ordinance of the Minister of Finance Ordinance of 19 February 2009 on current and periodic information published by issuers of securities and the rules of equal treatment of the information required by the laws of non-member states (Journals of Law of 2014, item 133). We have audited the report with respect to the disclosed information derived directly from the audited consolidated financial statements.

#### **IV. CLOSING COMMENTS**

##### Management Board's Representation

Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp. k. and the key certified auditor received a representation letter from the Parent Company's Management Board, in which the Board stated that the Capital Group complied with the laws in force.

.....  
Jacek Marczak  
Key certified auditor  
conducting the audit  
No. 9750

On behalf of Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp. k. – entity authorized to audit financial statements entered under number 73 on the list kept by the National Council of Statutory Auditors:

.....  
Dariusz Szkaradek – Vice-President of the Management Board of Deloitte Polska Sp. z o.o. - which is the General Partner of Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp. k.

Warsaw, 11 March 2014