

**CONSOLIDATED ANNUAL REPORT
OF THE POWSZECHNY ZAKŁAD UBEZPIECZEŃ
SPÓŁKA AKCYJNA CAPITAL GROUP
FOR 2010**



Warsaw, March 2011

The Consolidated Annual Report of the Powszechny Zakład Ubezpieczeń Spółka Akcyjna Capital Group for 2010 contains:

1. Financial highlights, including:
 - Selected consolidated financial data of the Powszechny Zakład Ubezpieczeń Spółka Akcyjna Capital Group (based on IFRS requirements)
 - Selected standalone financial data of Powszechny Zakład Ubezpieczeń Spółka Akcyjna (based on PAS requirements)
 - Selected standalone financial data of Powszechny Zakład Ubezpieczeń na Życie Spółka Akcyjna (based on PAS requirements)
2. Letter from the CEO of Powszechny Zakład Ubezpieczeń Spółka Akcyjna.
3. Opinion of Deloitte Audyt Sp. z o.o. on the audit of the consolidated financial statements of the Powszechny Zakład Ubezpieczeń Spółka Akcyjna Capital Group for the financial year ended 31 December 2010.
4. Report of Deloitte Audyt Sp. z o.o. on the audit of the consolidated financial statements of the Powszechny Zakład Ubezpieczeń Spółka Akcyjna Capital Group for the financial year ended 31 December 2010.
5. Consolidated financial statements of the Powszechny Zakład Ubezpieczeń Spółka Akcyjna Capital Group for the year ended 31 December 2010 (based on IFRS requirements).
6. Management Board Report on the activity of the Powszechny Zakład Ubezpieczeń Spółka Akcyjna Capital Group in 2010.
7. European Embedded Value at 31 December 2010 - PZU Group.

FINANCIAL HIGHLIGHTS

1. Selected consolidated financial data of the Powszechny Zakład Ubezpieczeń Spółka Akcyjna Capital Group (based on IFRS requirements)

Data from the consolidated balance sheet	PLN thous. 31 Dec 2010	PLN thous. 31 Dec 2009	EUR thous. 31 Dec 2010	EUR thous. 31 Dec 2009
Assets	50,533,832	53,176,209	12,760,102	12,943,919
Share capital	86,352	86,352	21,804	21,019
Capital and reserves attributed to holders of the parent's equity	12,799,800	11,266,746	3,232,028	2,742,502
Minority interest	126	133	32	32
Capital, total	12,799,926	11,266,879	3,232,060	2,742,534
Main and diluted weighted average number of common shares	86,352,300	86,352,300	86,352,300	86,352,300
Book value per common share (PLN/EUR)	148.23	130.47	37.43	31.76

Data from the consolidated profit and loss account	PLN thous. 1 Jan – 31 Dec 2010	PLN thous. 1 Jan – 31 Dec 2009	EUR thous. 1 Jan – 31 Dec 2010	EUR thous. 1 Jan – 31 Dec 2009
Gross written premium	14,544,457	14,362,717	3,632,119	3,308,924
Net earned premium	14,213,013	14,485,214	3,549,349	3,337,146
Fee and commission income	288,037	340,876	71,930	78,532
Net result on investment activity	2,781,840	3,469,001	694,696	799,198
Net insurance claims	10,299,235	9,436,281	2,571,980	2,173,958
Gross profit (loss)	3,029,431	4,565,811	756,526	1,051,885
Net profit (loss) attributed to holders of parent's equity	2,439,231	3,762,945	609,138	866,918
Minority profit (loss)	(2)	(34)	-	(8)
Main and diluted weighted average number of common shares	86,352,300	86,352,300	86,352,300	86,352,300
Main and diluted profit per common share (PLN/EUR)	28.25	43.58	7.05	10.04

Data from the consolidated cash flow statement	PLN thous. 1 Jan – 31 Dec 2010	PLN thous. 1 Jan – 31 Dec 2009	EUR thous. 1 Jan – 31 Dec 2010	EUR thous. 1 Jan – 31 Dec 2009
Net cash flow on operating activity	469,423	(1,540,556)	117,227	(354,918)
Net cash flow on investing activity	5,329,478	9,404,126	1,330,906	2,166,550
Net cash flow on financing activity	(5,727,985)	(8,029,975)	(1,430,423)	(1,849,969)
Total net cash flow	70,916	(166,405)	17,710	(38,337)

2. Selected standalone financial data of Powszechny Zakład Ubezpieczeń Spółka Akcyjna (based on PAS requirements)

Data from the balance sheet	PLN thous. 31 Dec 2010	PLN thous. 31 Dec 2009	EUR thous. 31 Dec 2010	EUR thous. 31 Dec 2009
Assets	26,213,094	28,936,978	6,618,967	7,043,712
Capital, total	11,902,186	10,411,542	3,005,375	2,534,332
Main and diluted weighted average number of common shares	86,352,300	86,352,300	86,352,300	86,352,300
Book value per common share (PLN/EUR)	137.83	120.57	34.80	29.35

Data from the technical non-life insurance account and the non-technical profit and loss account	PLN thous. 1 Jan – 31 Dec 2010	PLN thous. 1 Jan – 31 Dec 2009	EUR thous. 1 Jan – 31 Dec 2010	EUR thous. 1 Jan – 31 Dec 2009
Gross written premium	7,783,936	7,791,169	1,943,846	1,794,952
Technical result on non-life insurance	(252,014)	166,308	(62,934)	38,315
Net result on investment activity*	4,241,350	2,837,383	1,059,172	653,685
Net profit (loss)	3,516,709	2,510,379	878,211	578,348
Main and diluted weighted average number of common shares	86,352,300	86,352,300	86,352,300	86,352,300
Main and diluted profit per common share (PLN/EUR)	40.73	29.07	10.17	6.70

* Including the item "Share of the net profit (loss) of subsidiaries valued by the equity method"

3. Selected non-consolidated financial data of Powszechny Zakład Ubezpieczeń na Życie Spółka Akcyjna (PAS)

Data from the balance sheet	PLN thous. 31 Dec 2010	PLN thous. 31 Dec 2009	EUR thous. 31 Dec 2010	EUR thous. 31 Dec 2009
Assets	29,761,380	30,467,809	7,514,931	7,416,340
Capital, total	6,414,677	7,375,769	1,619,745	1,795,377

Data from the technical life insurance account and the non-technical profit and loss account	PLN thous. 1 Jan – 31 Dec 2010	PLN thous. 1 Jan – 31 Dec 2009	EUR thous. 1 Jan – 31 Dec 2010	EUR thous. 1 Jan – 31 Dec 2009
Gross written premium	9,300,199	9,918,240	2,322,495	2,284,993
Technical life insurance result	2,139,759	2,987,965	534,352	688,376
Net result on investment activity	1,919,233	2,120,529	479,281	488,534
Net profit (loss)	2,130,255	2,748,099	531,979	633,115

The following currency exchange rates were used to convert financial data of foreign subordinated entities and to present financial highlights:

Currency	1 Jan – 31 Dec 2010	31 Dec 2010	1 Jan – 31 Dec 2009	31 Dec 2009
LTL	1.1597	1.1469	1.2571	1.1898
UAH	0.3830	0.3722	0.3897	0.3558
EUR	4.0044	3.9603	4.3406	4.1082

These FX rates are:

- for balance sheet items – NBP average exchange rates on the balance sheet date;
- for profit and loss account, statement of comprehensive income and cash flow statement items – exchange rates calculated as mean NBP rates for the last day of each month of the given period.