

**INTERIM CONSOLIDATED FINANCIAL STATEMENTS
OF THE CAPITAL GROUP OF
POWSZECHNY ZAKŁAD UBEZPIECZEŃ
SPÓŁKA AKCYJNA
FOR A 6-MONTH PERIOD
ENDED 30 JUNE 2011**



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INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

PLN '000

Assets	Note	30 June 2011	31 March 2011	31 December 2010	30 June 2010	31 December 2009
Intangible assets		123 243	103 851	109 067	88 866	85 069
Goodwill		8 400	8 419	8 381	21 960	19 631
Property, plant and equipment		1 106 735	1 136 675	990 411	1 026 571	1 043 811
Investment property		455 994	465 686	441 014	379 378	346 552
Entities measured using the equity method		-	-	-	-	-
Financial assets	9.1 9.4					
Financial instruments held to maturity	9.1.1	21 994 138	21 604 789	20 305 758	22 231 720	23 327 568
Financial instruments available for sale	9.1.2	9 838 348	9 525 092	8 623 082	8 518 770	10 027 845
Financial instruments measured at fair value through profit or loss	9.1.3	12 996 283	12 815 474	12 118 252	9 974 724	10 213 631
Loans	9.1.4	6 305 673	3 466 573	4 297 940	1 457 745	4 668 549
Receivables, including receivables from insurance contracts	9.2 9.4	2 428 341	2 441 754	1 734 274	1 498 913	1 495 207
Reinsurers' share in technical provisions	9.3 9.4	748 204	759 838	771 850	1 116 283	748 313
Estimated salvages and subrogations		51 399	66 199	77 812	72 922	82 330
Deferred tax assets		16 105	15 988	16 645	20 481	24 913
Current income tax receivables		9 103	10 585	9 958	63	87 599
Deferred acquisition costs		566 333	568 360	540 729	550 702	518 279
Prepayments	9.6	178 047	214 847	194 226	204 482	215 804
Other assets		133 823	141 957	7 455	13 683	15 781
Cash and cash equivalents		319 240	294 477	423 703	398 398	366 556
Assets used in continuing operations		57 279 409	53 640 564	50 670 557	47 575 661	53 287 438
Non-current assets held for sale and disposal groups		21 869	-	-	-	-
Total assets		57 301 278	53 640 564	50 670 557	47 575 661	53 287 438

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONT'D)

PLN '000

	Note	30 June 2011	31 March 2011	31 December 2010	30 June 2010	31 December 2009
Equity and liabilities						
Equity						
Issued share capital and other equity attributable to the shareholders of the parent						
Share capital		86 352	86 352	86 352	86 352	86 352
Other capitals		8 102 870	6 704 681	6 649 782	6 458 122	5 802 568
Supplementary capital		7 711 649	6 296 320	6 296 313	6 296 393	5 485 014
Revaluation reserve		431 850	448 178	392 268	181 688	340 970
Exchange differences from translation of controlled entities		(40 629)	(39 817)	(38 799)	(19 959)	(23 416)
Undistributed profit / uncovered loss		3 957 132	6 855 456	6 063 666	4 794 179	5 377 826
Previous year profit (loss)		2 403 169	6 063 657	3 624 435	3 624 340	2 365 282
Net profit (loss)		1 553 963	791 799	2 439 231	1 169 839	3 762 945
Appropriations on net profit during the financial year		-	-	-	-	(750 401)
Non-controlling interest		84 344	88 189	126	128	133
Total equity		12 230 698	13 734 678	12 799 926	11 338 781	11 266 879
Liabilities						
Technical provisions	9.7					
Provision for unearned premiums and for unexpired risks		4 603 178	4 648 051	4 315 675	4 386 682	4 189 849
Life insurance provision		14 525 034	14 498 287	14 570 725	14 545 165	14 582 590
Provisions for outstanding claims		5 044 204	5 078 277	5 157 080	5 118 083	4 456 464
Provision for capitalized value of annuity claims		4 903 518	4 837 658	4 862 552	4 869 974	4 874 653
Provisions for bonuses and rebates for the insured		6 198	8 017	6 177	4 523	5 071
Other technical provisions		572 943	593 035	614 692	641 804	698 918
Unit linked technical provisions		2 392 789	2 350 605	2 296 089	2 097 786	2 017 501
Investment contracts	9.8					
- with guaranteed and fixed terms and conditions		3 534 365	2 441 973	2 270 568	446 568	2 632 054
- for the client and at the client's risk		1 374 738	1 380 985	1 273 947	1 099 292	1 094 475
Provisions for employee benefits		261 588	259 873	257 916	269 652	260 946
Other provisions	9.9	202 507	204 035	212 559	280 665	314 595
Provision for deferred income tax		387 807	449 691	404 956	402 437	444 053
Current income tax liabilities		62 053	29 823	1 743	48 101	3 056
Derivatives		38 003	19 869	11 730	13 886	3 533
Other liabilities	9.10	6 750 768	2 689 770	1 132 079	1 647 689	5 974 052
Accruals and deferred income	9.11					
Cost accruals		402 001	407 993	474 272	359 540	464 126
Deferred income		8 886	7 944	7 871	5 033	4 623
Liabilities related to continuing operations		45 070 580	39 905 886	37 870 631	36 236 880	42 020 559

Liabilities directly related to non-current assets classified as held for sale	-	-	-	-	-
Total liabilities	45 070 580	39 905 886	37 870 631	36 236 880	42 020 559
Total equity and liabilities	57 301 278	53 640 564	50 670 557	47 575 661	53 287 438

INTERIM CONSOLIDATED INCOME STATEMENT

PLN '000

Consolidated income statement	Note	1 April - 30 June 2011	1 January - 30 June 2011	1 April - 30 June 2010	1 January - 30 June 2010
Gross written premiums	9.12	3 696 378	7 673 262	3 487 081	7 291 854
Reinsurers' share in the written premium		(38 399)	(150 634)	(28 877)	(115 729)
Net written premium		3 657 979	7 522 628	3 458 204	7 176 125
Change in net provision for unearned premium		39 586	(252 929)	100 150	(173 207)
Net earned premiums		3 697 565	7 269 699	3 558 354	7 002 918
Fee and commissions income	9.13	77 954	156 227	67 458	130 090
Net investment income	9.14	488 917	894 822	553 767	994 467
Net profit or loss on realization and impairment loss on investments	9.15	61 793	(67 751)	25 480	160 754
Net change in the fair value of assets and liabilities plus equity measured at fair value	9.16	54 290	251 988	(226 912)	106 919
Other operating income	9.17	88 308	293 241	53 355	79 249
Claims and change in technical provisions		(2 671 976)	(5 075 832)	(3 072 140)	(5 524 232)
Reinsurers' share in claims and change in technical provisions		54 507	57 535	425 492	403 320
Net insurance claims	9.18	(2 617 469)	(5 018 297)	(2 646 648)	(5 120 912)
Investment benefits and change in valuation of investment contracts	9.19	(1 301)	(36 940)	7 783	(55 004)
Acquisition costs	9.20	(482 526)	(953 041)	(454 208)	(896 510)
Administrative expense	9.20	(304 235)	(633 196)	(404 434)	(767 684)
Other operating expense	9.21	(123 084)	(254 388)	(63 067)	(134 192)
Operating profit (loss)		940 212	1 902 364	470 928	1 500 095
Financial expense	9.22	(5 480)	(5 776)	(11 635)	(58 654)
Share in net profit (loss) of entities measured using the equity method		-	-	-	-
Gross profit (loss)		934 732	1 896 588	459 293	1 441 441

INTERIM CONSOLIDATED INCOME STATEMENT (CONT'D)

PLN '000

Consolidated income statement	Note	1 April - 30 June 2011	1 January - 30 June 2011	1 April – 30 June 2010	1 January - 30 June 2010
Income tax					
- current portion		(230 950)	(374 998)	(192 515)	(289 218)
- deferred portion		57 387	30 814	95 644	17 611
Net profit (loss), including:		761 169	1 552 404	362 422	1 169 834
- profit (loss) attributable to equity holders of the parent		762 164	1 553 963	362 424	1 169 839
- minority profits (loss)		(995)	(1 559)	(2)	(5)
Net profit (loss) from continuing operations		762 164	1 553 963	362 424	1 169 839
Net profit (loss) from discontinued operations		-	-	-	-
Weighted average basic and diluted number of ordinary shares		86 352 300	86 352 300	86 352 300	86 352 300
Basic and diluted profit (loss) on continuing operations per ordinary share (in PLN)		8.83	18.00	4.20	13.55
Basic and diluted profit (loss) on discontinued operations per ordinary share (in PLN)		-	-	-	-
Basic and diluted profit (loss) per ordinary share (in PLN)		8.83	18.00	4.20	13.55

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

PLN '000

Consolidated statement of comprehensive income	1 April - 30 June 2011	1 January - 30 June 2011	1 April - 30 June 2010	1 January - 30 June 2010
Net profit (loss)	761 169	1 552 404	362 422	1 169 834
Other comprehensive income:	(17 138)	37 755	(134 788)	(155 825)
Financial assets available for sale	(16 026)	33 854	(141 389)	(169 740)
Exchange differences from translation of controlled entities	(810)	(1 827)	6 601	3 457
Real property reclassified from property, plant and equipment to investment property	(302)	5 728	-	10 458
Net comprehensive income total	744 031	1 590 159	227 634	1 014 009
- comprehensive income attributable to holders of the parent's equity	745 024	1 591 715	227 627	1 014 014
- comprehensive income attributable to equity under discretionary participation features contracts	-	-	-	-
- comprehensive income attributable to non-controlling interest	(993)	(1 556)	7	(5)

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

PLN '000

Statement of changes in consolidated Equity	Equity and provisions attributable to owners of the parent's share capital								Non-controlling interest	Total equity
	Share capital	Supplementary capital	Other capitals		Undistributed profit / uncovered loss					
			Revaluation reserve	Exchange differences from translation	Previous year profit (loss)	Net profit (loss)	Total			
Balance as at 1 January 2011	86 352	6 296 313	392 268	(38 799)	6 063 666	-	12 799 800	126	12 799 926	
Change in measurement of AFS financial assets	-	-	33 854	-	-	-	33 854	-	33 854	
Exchange differences from translation	-	-	-	(1 830)	-	-	(1 830)	3	(1 827)	
Real property reclassified from property, plant and equipment to investment property	-	-	5 728	-	-	-	5 728	-	5 728	
Total increases (decreases) recognized directly in net capital (including income tax)	-	-	39 582	(1 830)	-	-	37 752	3	37 755	
Net profit (loss) for the financial year	-	-	-	-	-	1 553 963	1 553 963	(1 559)	1 552 404	
Total increases (decreases)	-	-	39 582	(1 830)		1 553 963	1 591 715	(1 556)	1 590 159	
Other changes, including:	-	1 415 336	-	-	(3 660 497)	-	(2 245 161)	85 774	(2 159 387)	
Distribution of the financial profit/loss to supplementary capital	-	1 415 325	-	-	(3 660 485)		(2 245 160)	(2 830)	(2 247 990)	
Consolidation of the Armatura Capital Group								88 679	88 679	
Other	-	11	-	-	(12)	-	(1)	(75)	(76)	
Balance as at 30 June 2011	86 352	7 711 649	431 850	(40 629)	2 403 169	1 553 963	12 146 354	84 344	12 230 698	

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONT'D)

PLN '000

Statement of changes in consolidated Equity	Equity and provisions attributable to owners of the parent's share capital								Total equity
	Share capital	Supplementary capital	Other capitals		Undistributed profit / uncovered loss			Non-controlling interest	
			Revaluation reserve	Exchange differences from translation	Previous year profit (loss)	Net profit (loss)	Total		
Balance at 1 January 2010	86 352	5 485 014	340 970	(23 416)	5 377 826	-	11 266 746	133	11 266 879
Change in measurement of AFS financial assets	-	-	641	-	-	-	641	-	641
Exchange differences from translation	-	-	-	(15 383)	-	-	(15 383)	(5)	(15 388)
Real property reclassified from property, plant and equipment to investment property	-	-	50 657	-	-	-	50 657	-	50 657
Total increases (decreases) recognized directly in net capital (including income tax)	-	-	51 298	(15 383)	-	-	35 915	(5)	35 910
Net profit (loss) for the financial year	-	-	-	-	-	2 439 231	2 439 231	(2)	2 439 229
Total increases (decreases)	-	-	51 298	(15 383)	-	2 439 231	2 475 146	(7)	2 475 139
Other changes, including:	-	811 299	-	-	(1 753 391)	-	(942 092)	-	(942 092)
Financial profit distribution/loss coverage	-	811 115	-	-	(1 753 219)	-	(942 104)	-	(942 104)
Other	-	184	-	-	(172)	-	12	-	12
Balance at 31 December 2010	86 352	6 296 313	392 268	(38 799)	3 624 435	2 439 231	12 799 800	126	12 799 926

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONT'D)

PLN '000

Statement of changes in consolidated Equity	Equity and provisions attributable to owners of the parent's share capital							Non-controlling interest	Total equity
	Share capital	Supplementary capital	Other capitals Revaluation reserve	Exchange differences from translation	Undistributed profit / uncovered loss Previous year profit (loss)	Net profit (loss)	Total		
Balance as at 1 January 2010	86 352	5 485 014	340 970	(23 416)	5 377 826	-	11 266 746	133	11 266 879
Change in measurement of AFS financial assets	-	-	(169 740)	-	-	-	(169 740)	-	(169 740)
Exchange differences from translation	-	-	-	3 457	-	-	3 457	-	3 457
Real property reclassified from property, plant and equipment to investment property	-	-	10 458	-	-	-	10 458	-	10 458
Total increases (decreases) recognized directly in net capital (including income tax)	-	-	(159 282)	3 457	-	-	(155 825)	-	(155 825)
Net profit (loss) for the financial year	-	-	-	-	-	1 169 839	1 169 839	(5)	1 169 834
Total increases (decreases)	-	-	(159 282)	3 457	-	1 169 839	1 014 014	(5)	1 014 009
Other changes, including:	-	811 379	-	-	(1 753 486)	-	(942 107)	-	(942 107)
Distribution of the financial profit/loss to supplementary capital	-	811 116	-	-	(1 753 220)	-	(942 104)	-	(942 104)
Other	-	263	-	-	(266)	-	(3)	-	(3)
Balance as at 30 June 2010	86 352	6 296 393	181 688	(19 959)	3 624 340	1 169 839	11 338 653	128	11 338 781

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

PLN '000

Consolidated statement of cash flows	1 January – 30 June 2011	1 January – 31 December 2010	1 January – 30 June 2010
Cash flows from operating activities			
Inflows	8 828 273	18 470 571	8 178 490
- gross inflows from insurance premiums	6 052 351	14 521 524	7 265 103
- inflows from investment contracts	1 935 142	2 787 658	494 295
- inflows from reinsurance commissions and share in reinsurers' profits	3 316	10 779	2 531
- reinsurers' payments due to share in claims	178 317	466 219	66 078
- other inflows from operating activities	659 147	684 391	350 483
Outflows	(7 885 551)	(18 001 148)	(9 930 834)
- insurance premiums paid due to reinsurance	(86 940)	(154 254)	(76 987)
- paid commissions and profit sharing due to outward reinsurance	(2 537)	(4 152)	(1 111)
- gross claims paid	(4 382 895)	(9 295 988)	(4 481 291)
- claims paid due to investment contracts	(594 826)	(3 026 424)	(2 624 804)
- outflows due to acquisition	(733 229)	(1 450 351)	(709 857)
- administrative outflows	(1 092 372)	(2 135 292)	(1 089 205)
- interest payments	(114)	(225)	(98)
- income tax payments	(128 033)	(110 228)	(66 659)
- other operating outflows	(864 605)	(1 824 234)	(880 822)
Net cash flows generated by operating activities	942 722	469 423	(1 752 344)
Cash flows from investment activities	-		
Inflows	116 462 098	270 016 909	163 376 126
- inflows from investment property	4 960	5 628	3 545
- disposal of intangible assets and property, plant and equipment	1 115	7 859	4 110
- disposal of shares	2 330 185	4 416 405	2 472 322
- redemption of debt securities	34 782 638	31 510 882	12 040 241
- withdrawal of term deposits at credit institutions	59 879 111	129 179 172	71 055 432
- cash from other investments	19 388 619	103 641 528	77 380 869
- interest received	47 607	1 191 346	387 523
- dividends received	25 294	64 089	32 084
- other inflows from investments	2 569	-	-
Outflows	(119 557 386)	(264 687 431)	(156 776 505)
- acquisition of investment property	-	(1 329)	(343)
- payments for maintenance of investment property	(6 129)	(8 152)	(5 774)
- acquisition of intangible assets and property, plant and equipment	(49 852)	(155 850)	(80 224)
- acquisition of shares	(2 456 899)	(4 561 101)	(2 586 419)
- decrease in cash balance due to discontinued investment funds consolidation	-	(201)	(201)
- acquisition of debt securities	(36 427 972)	(27 390 996)	(8 548 065)
- acquisition of term deposits at credit institutions	(61 394 508)	(127 601 087)	(67 889 526)
- acquisition of other investments	(19 218 161)	(104 929 875)	(77 649 588)
- other payments for investments	(3 865)	(38 840)	(16 365)
Net cash used in/generated by investment activities	(3 095 288)	5 329 478	6 599 621

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (CONT'D)

PLN '000

Consolidated statement of cash flows	1 January – 30 June 2011	1 January – 31 December 2010	1 January – 30 June 2010
Cash flows from financing activities			
Inflows	6 139 417	578	205
- loans and borrowings and issues of debt securities	6 139 417	578	205
Outflows	(4 088 750)	(5 728 563)	(4 810 603)
- dividends paid to holders of the parent's equity	(120)	(921 239)	(3 533)
- repayment of loans and borrowings and redemption of debt securities	(4 085 396)	(4 807 324)	(4 807 070)
- interest on credit facilities, loans and issued debt securities	(2 810)	-	-
- other financial expenses	(424)	-	-
Net cash used in financing activities	2 050 667	(5 727 985)	(4 810 398)
Total net cash flows	(101 899)	70 916	36 879
Cash and cash equivalents at the beginning of the financial year	423 703	366 556	366 556
Change in cash due to exchange differences	(2 564)	(13 769)	(5 037)
Cash and cash equivalents at the end of the financial year,	319 240	423 703	398 398
including:			
- of limited disposability	49 385	22 426	58 857

¹⁾ The same items for 2011 presented nearly only cash flows resulting from short-term sales of sell-buy-back debt securities.

ADDITIONAL INFORMATION TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Information about PZU and the PZU Group

1.1. PZU

Powszechny Zakład Ubezpieczeń Spółka Akcyjna with its registered office in Warsaw at Al. Jana Pawła II 24 ("PZU") is the Parent of the PZU Group. It was established as a result of transforming of Państwowy Zakład Ubezpieczeń into a joint-stock company wholly owned by the State Treasury pursuant to Article 97 of the Act on insurance activity of 28 July 1990 (consolidated text: Journal of Laws No. 11 of 1996, item 62, as amended).

PZU is recorded in the Register of Entrepreneurs of the National Court Register at the District Court for the capital city of Warsaw, XII Business Division of the National Court Register, under KRS number 0000009831.

According to Polish NACE (PKD), the core business of PZU includes other personal and property insurance (PKD 65.12) and according to NACE, non-life insurance (EKD 6603). Warsaw Stock Exchange (WSE) classifies the Company in the insurance sector.

1.2. PZU Group Companies

No.	Entity's name	Registered office	Date of commencing control/ significant impact	% of share capital directly or indirectly held by PZU		% of votes directly or indirectly held by PZU		Business activity
				30 June 2011	31 December 2010	30 June 2011	31 December 2010	
Entities included in consolidation								
1	Powszechny Zakład Ubezpieczeń Spółka Akcyjna	Warsaw	n/a	n/a	n/a	n/a	n/a	Property and casualty insurance.
2	Powszechny Zakład Ubezpieczeń na Życie SA („PZU Życie”)	Warsaw	18.12.1991	100.00%	100.00%	100.00%	100.00%	Life insurance.
3	Powszechne Towarzystwo Emerytalne PZU SA („PTE PZU”)	Warsaw	08.12.1998	100.00%	100.00%	100.00%	100.00%	Pension fund management.
4	PZU Centrum Operacji SA („PZU CO”)	Warsaw	30.11.2001	100.00%	100.00%	100.00%	100.00%	Auxiliary activity related to insurance and pension funds.
5	Tower Inwestycje Sp. z o.o.	Warsaw	27.08.1998	100.00%	100.00%	100.00%	100.00%	Other finance services excluding insurance and pension funds.
6	PrJSC IC PZU Ukraine („PZU Ukraine”)	Kiev (Ukraine)	01.07.2005	100.00%	100.00%	100.00%	100.00%	Property insurance.
7	UAB DK PZU Lietuva („PZU Lietuva”)	Vilnius (Lithuania)	26.04.2002	99.76%	99.76%	99.76%	99.76%	Property insurance.
8	Ogrodowa-Inwestycje Sp. z o.o.	Warsaw	15.09.2004	100.00%	100.00%	100.00%	100.00%	Acquisition, operation, lease and disposal of real property.
9	Armatura Kraków SA ¹⁾	Kraków	07.10.1999	64.63%	64.63%	64.63%	64.63%	Production of kitchen and bathroom mixing faucets.
10	Armatoora SA ¹⁾	Nisko	10.12.2008	64.63%	64.63%	64.63%	64.63%	Production of radiators and aluminium casts.
11	Armatoora SA i wspólnicy sp. k. ¹⁾	Kraków	10.02.2009	64.63%	64.63%	64.63%	64.63%	Use of free funds, development investments.
12	Armagor SA (until 5 April 2011: Armagor Sp. z o.o.) ¹⁾	Gorzów Śląski	06.09.2009	64.63%	64.37%	64.63%	64.37%	Production of valves, tooling services.
Investment funds subject to consolidation								
13	PZU Specjalistyczny Fundusz Inwestycyjny Otwarty Dłużny ²⁾	Warsaw	15.12.2009	100.00%	100.00%	n/a	n/a	Investment of funds collected from members.

The Capital Group of PZU Spółka Akcyjna
Interim consolidated financial statements for the 6-month period ended 30 June 2011

No.	Entity's name	Registered office	Date of commencing control/ significant impact	% of share capital directly or indirectly held by PZU		% of votes directly or indirectly held by PZU		Business activity
				30 June 2011	31 December 2010	30 June 2011	31 December 2010	
Non-consolidated subsidiaries								
14	PZU Pomoc SA	Warsaw	18.03.2010	100.00%	100.00%	100.00%	100.00%	Assistance services.
15	Ipsilon Sp. z o.o.	Warsaw	02.04.2010	100.00%	100.00%	100.00%	100.00%	Assistance and medical services.
16	Syta Development Sp. z o.o. in liquidation	Warsaw	29.04.1996	100.00%	100.00%	100.00%	100.00%	Acquisition and disposal of real property, trade agency and administration of real property.
17	Towarzystwo Funduszy Inwestycyjnych PZU SA („TFI PZU")	Warsaw	30.04.1999	100.00%	100.00%	100.00%	100.00%	Creation, representing and management of investment funds.
18	Sigma Investments Sp. z o.o.	Warsaw	28.12.1999	100.00%	100.00%	100.00%	100.00%	Investment activity
19	PZU Asset Management SA („PZU AM")	Warsaw	12.07.2001	100.00%	100.00%	100.00%	100.00%	Acquisition and disposal of shares in public companies, bonds and other listed securities.
20	Międzyzakładowe Pracownicze Towarzystwo Emerytalne PZU SA („MPTE PZU SA")	Warsaw	13.08.2004	100.00%	100.00%	100.00%	100.00%	Management of securities portfolios for the account of third parties.
21	PrJSC IC PZU Ukraine Life Insurance	Kiev (Ukraine)	01.07.2005	100.00%	100.00%	100.00%	100.00%	Management of employee pension fund.
22	LLC SOS Services Ukraine	Kiev (Ukraine)	01.07.2005	100.00%	100.00%	100.00%	100.00%	Life insurance.
23	Company with Additional Liability Inter-Risk Ukraine	Kiev (Ukraine)	01.07.2005	100.00%	100.00%	100.00%	100.00%	Assistance services.
24	UAB PZU Lietuva Gyvybes Draudimas	Vilnius (Lithuania)	26.04.2002	99.34%	99.34%	99.34%	99.34%	Legal services.
25	ICH Center SA	Warsaw	31.01.1996	90.00%	90.00%	90.00%	90.00%	Life insurance.
Affiliates								
26	Kolej Gondolowa Jaworzyna Krynicka SA	Krynica	17.08.1998	37.53%	37.53%	36.71%	36.71%	Green Card claims handling.
27	Nadwiślańska Agencja Ubezpieczeniowa SA	Tychy	08.06.1999	30.00%	30.00%	30.00%	30.00%	Operation of ski hoists.
								Insurance activities.

¹⁾ Consolidated using the full method since 1 January 2011 (described in point 7.1)

²⁾ Consolidated using the full method since 30 June 2011 (described in point 1.3.1)

1.3. Changes in the organization of the PZU Group

1.3.1. *Transfer of portion of financial investments to funds*

On 30 June 2011, a portion of bonds issued by the State Treasury owned by PZU Życie and classified to the portfolio of financial instruments measured at fair value through profit or loss - classified to the category at the initial recognition, with the fair value as at the transfer date of PLN 954,210 thousand - were transferred to PZU Specjalistyczny Fundusz Inwestycyjny Otwarty Dłużny, with PZU Życie as the sole participant

The objective of the transfer was to improve the effectiveness of the management of financial investments by tax optimization (CIT on capital gains and VAT paid to other companies in the PZU Group for the management of the portfolio of securities and not deducted by PZU Życie).

The above transaction had not impact on the net assets and profit/loss of the PZU Group.

Presentation, classification and the method of measurement of the assets in these interim consolidated financial statements of the PZU Group did not change as well, and the PZU fund Specjalistyczny Fundusz Inwestycyjny Otwarty Dłużny has been consolidated using the full method since 30 June 2011.

1.3.2. *Transfer of PZU CO, TFI PZU and PZU AM from PZU Życie to PZU*

In connection with the plans to transfer the majority of shares of the PZU Group companies to PZU, on 14 July 2011 the Management Board of PZU Życie adopted resolutions to sell to PZU (provided that the Supervisory Board of PZU Życie gives its consent):

- 25,001 registered shares of PZU AM (50.002% of shares) for the price being the equivalent of PZU AM net assets attributable to the acquired shares, resulting from the financial statements of the company prepared for the last reporting period (pursuant to PAS);
- 50,000 registered shares of PZU CO (100.0% of shares) for the price corresponding to the value of shares of PZU CO recognized in the accounting records of PZU Życie as at the date of the share sale agreement (pursuant to PAS);
- 13,000 registered shares of TFI PZU (100.0% of shares) for the price corresponding to the value of shares of TFI PZU recognized in the accounting records of PZU Życie as at the date of the share sale agreement (pursuant to PAS);
- submission of a motion to the Supervisory Board of PZU Życie for the sale of shares in all the above companies.

Also on 14 July 2011, the Management Board of PZU adopted resolutions concerning the purchase of the above shares provided that the Supervisory Board of PZU grants its consent.

On 9 August.2011, the Supervisory Board of PZU Życie gave its consent to the sale of shares of all companies, and on 18 August 2011, the Supervisory Board of PZU gave its consent to the purchase of the securities.

The purchase of shares of TFI PZU and PZU AM by PZU requires a consent of the Polish Financial Supervision Authority. Relevant applications were filed to the Polish Financial Supervision Authority on 1 August 2011, and the Authority has up to 60 working days to give its decision. The deadline, however, can be extended if PZU is required to give additional explanations.

A decision of the Polish Financial Supervision Authority (lack of objection) is a prerequisite for transactions in shares of TFI PZU and PZU AM.

1.3.3. *Establishment of the company Ipsilon Bis SA*

On 9 August 2011, PZU established the company Ipsilon Bis SA with a share capital of PLN 100,000.

2. Compliance with International Financial Reporting Standards

These interim consolidated financial statements of the PZU Group have been prepared in compliance with International Financial Reporting Standards as endorsed by the European Commission ("EC Commission") as at 30 June 2011, including the requirements of IAS 34 Interim Financial Reporting and the 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 (Journal of Laws No. 33 of 2009, item 259, "Ordinance on current and periodic information").

These interim consolidated financial statements cover a 6-month period from 1 January to 30 June 2011.

2.1. Introduction of new IFRS

2.1.1. *Standards and interpretations as well as revised standards effective as at 1 January 2011*

The following standards, interpretations and revised standards have been applied to these interim consolidated financial statements for the first time (as regards the financial statements of the PZU Group, they are applicable to reporting periods beginning on 1 January 2011):

Standard/interpretation	Effective date for periods beginning on	Commission Regulation endorsing the standard or interpretation
Amendments to IAS 32 - Classification of rights issues	1 February 2010	1293/2009
Revised IFRS 1 - First-time adoption of International Financial Reporting Standards limited exemption from presentation of comparative data as required by IFRS 7	1 July 2010	574/2010
Amendments to IFRIC 14 – Minimum funding requirements - prepayments	1 January 2011	633/2010
Revised IAS 24 – Related Party Disclosures	1 January 2011	632/2010
IFRIC 19 - Extinguishing financial liabilities with equity instruments	1 July 2010	662/2010
Amendments to IFRS (published by IASB on 6 May 2010)	Various dates of which 1 July 2010 is the earliest	149/2011

The above standards and interpretations do not have any effect on changes in the accounting principles applied to comprehensive income or equity of the PZU Group as presented in these interim consolidated financial statements.

2.1.2. Published standards, interpretations and revised standards which have not come into force yet

The following standards, interpretations and revised standards have been published but have not come into force yet:

- Not approved by EC Commission:

Standard/interpretation	Effective date for periods beginning on
IFRS 9 – Financial Instruments	1 January 2013
IFRS 10 – Consolidated financial statements	1 January 2013
IFRS 11 – Joint Arrangements	1 January 2013
IFRS 12 – Disclosure of interests in other entities	1 January 2013
IFRS 13 – Fair value measurement	1 January 2013
Revised IAS 27 – Separate financial statements	1 January 2013
Revised IAS 28 - Investments in associates and joint ventures	1 January 2013
Amendment to IFRS 7 – Financial Instruments: Disclosures	1 July 2011
Amendments to IAS 12 – Income Taxes	1 January 2012
Severe hyperinflation and removal of fixed dates for first-time adopters (Amendments to IFRS 1)	1 July 2011
Amendments to IAS 1 - Presentation of items of other comprehensive income	1 July 2012
Amendments to IAS 19 - Amendments to the accounting treatment of post-employment benefits	1 January 2013

It is expected that the application of the above standards, interpretations and revised standards will not have a material impact on the comprehensive income and equity of the PZU Group, except for:

- IFRS 9 and IFRS 13 - due to the late effective date and expected further changes in the accounting principles connected with financial instruments, partly related to the current works on gradual replacement of the present IAS 39 with new regulations, the impact of application of IFRS 9 and IFRS 13 on the comprehensive income and equity of the PZU Group were not assessed.

IFRS 10 – if applied, the scope of consolidated entities may be wider, however, due to the late effective date, the impact of application of IFRS 10 on the comprehensive income and equity of the PZU Group were not assessed.

3. Summary of Significant Accounting Policies

Detailed accounting principles (policy) have been presented in the annual consolidated financial statements of the Capital Group of Powszechny Zakład Ubezpieczeń Spółka Akcyjna for 2010, signed by the Management Board of PZU on 7 March 2011, on which the certified auditor issued an unqualified opinion on the above date (the “Consolidated financial statements of the PZU Group for 2010”).

The consolidated financial statements of the PZU Group for 2010 are available on the PZU website www.pzu.pl under “PZU Capital Group/Investor Relations/Periodic and current reports/Periodic reports”.

4. Changes in accounting principles (policy) and comparability of financial data

During the 6 months ended 30 June 2011, the Group introduced changes to the accounting principles (policies).

The method of presentation of financial data in the consolidated financial statements did not change compared to the annual consolidated financial statements of the PZU Group for 2010, with the reservation that:

- these interim consolidated financial statements are condensed financial statements as understood by IAS 34;
- the PZU Group applied the exemption specified in point 25 of the revised IAS 24: "Related party disclosures", whereby an entity can be exempt from the requirement of disclosure of certain information concerning related party transactions if the related party is under the control, joint control or significant influence of the same government, and can present only the amount of written premium and transaction volumes related to investment contracts with such entities. At the same time, in accordance with the definition in point 9 of the revised IAS 24, the disclosure requirement applies to transactions with subsidiaries, fellow subsidiaries and associates under the same government; before the requirement applied only to transactions with entities under joint control of the same government (i.e. only subsidiaries of the same government).

4.1. Change in the principles of recognition of the gross written premium at PZU

Since 1 January 2011, PZU has been recognizing revenue due to written premium on the day of the insurance contract, not on the first day of insurance cover resulting from the concluded insurance contracts (presented in liabilities as a provision for unearned premiums). In addition, the same change was made to the date of recognition of the costs of commissions for concluded contracts in the income statement (also without any effect on the change in profit or loss, through recognition of deferred costs in liabilities).

Compering to the previous accounting policy, currently applied policy for premium revenue recognition is more relevant, preserving the same level of reliability of accounting policies, due to:

- providing disclosure of full and complete revenue on gross premium and corresponding assets (e.g. receivables from policyholders) and liabilities (unearned premium reserve) arising from all insurance contracts issued before the balance sheet date apart from insurance policies coverage periods;
- compliance with requirements and recommendations of Polish insurance regulator - the Polish Financial Supervision Authority (KNF) - for obligatory regulatory reporting in reference to correct estimation of unearned premium reserve and surplus of assets to cover technical provisions;
- comparability with other insurance companies on Polish markets based on gross written premium.

The change did not have any impact on the consolidated profit/loss or consolidated net assets of the PZU Group.

4.2. ABC mode

4.2.1. Introduction of the ABC model at PZU

In 2011, PZU introduced a model for allocation of indirect expenses to individual insurance products using the activity based costing model.

Cost allocation in accordance with the earlier cost allocation model:

- administrative expenses - in proportion to the written premium;
- indirect acquisition costs - in proportion to direct acquisition costs;
- indirect loss adjustment and recourse collection expenses - in proportion to claims paid.

The above classification of expenses was oversimplified in the way that it reflected the organizational structure and operating processes. The simplified method for cost allocation in which general keys were used, led to inaccurate allocation of expenses to individual product groups and products (and inaccurate allocation of expenses between corporate and retail customers). This resulted in many complications in the process of cost analysis and as a result hindered the effectiveness of management processes.

The purpose of the cost allocation using the ABC model, introduced in 2011 is:

- a more precise determination of the actual costs of products offered by PZU;
- a more precise determination of the actual mark-ups of general expenses (and their allocation principles) charged to individual products.

The allocation of expenses using the ABC model assumes that indirect expenses are divided by products and that the following are excluded from the administrative expenses: costs of acquisition, loss adjustment and recourse collection expenses, investment activity expenses and other operating costs. The method is based on determination of the following:

- type and amount of allocated resources;
- activities that allow resources to be allocated;
- cost drivers that allow resources to be allocated to activities;
- cost objects to which resources are allocated;
- cost drivers that allow activities to be allocated to cost objects.

Only the following are subject to allocation: indirect acquisition costs, indirect loss adjustment expenses, indirect recourse collection expenses, part of administrative expenses (described above), costs of maintenance of investment real property, other expenses related to investment activities.

The model is updated on a quarterly basis taking into account the resources and activities; the financial and accounting system (general ledger and individual modules) is the source of cost data.

4.2.2. *Change in the ABC model at PZU Życie*

In 2011, PZU Życie introduced a new model for allocation of indirect expenses to individual insurance products using the activity based costing model.

The new model is based on the following assumptions: simplified structure compared to the earlier model, greater transparency of the model and the results of calculations, increased usefulness of the model for management purposes, greater flexibility of the model by easier adaptation to the organizational changes.

The key changes (compared to the earlier version of the model) included: limited list of resources and activities for the calculation (aggregation), specification of new division criteria for the resources and activities, lack of working time questionnaires previously filled in by all employees of individual business units and introduction of new working time questionnaires filled in by the heads of specific business units.

4.3. *Impact of changes on comparative data*

The tables below present the impact of the above changes on the financial data for comparable periods. For the income statement:

- six months from 1 January to 30 June 2010;
- three months from 1 April to 30 June 2010.

For the statement on financial position: balances as at 31 December 2010, 30 June 2010 and 31 December 2009.

The Capital Group of PZU Spółka Akcyjna
Interim consolidated financial statements for the 6-month period ended 30 June 2011

Assets	Point	31 December 2010 historical data	Change	31 December 2010 comparative data	30 June 2010 historical data	Change	30 June 2010 comparative data	31 December 2009 historical data	Change	31 December 2009 comparative data
Receivables, including under insurance contracts	4.1	1 597 549	136 725	1 734 274	1 397 558	101 355	1 498 913	1 383 978	111 229	1 495 207
Deferred acquisition costs	4.1	502 815	37 914	540 729	514 010	36 692	550 702	481 139	37 140	518 279
Prepayments	4.1	232 140	(37 914)	194 226	241 174	(36 692)	204 482	252 944	(37 140)	215 804
Total assets		50 533 832	136 725	50 670 557	47 474 306	101 355	47 575 661	53 176 209	111 229	53 287 438

Equity and liabilities	Point	31 December 2010 historical data	Change	31 December 2010 comparative data	30 June 2010 historical data	Change	30 June 2010 comparative data	31 December 2009 historical data	Change	31 December 2009 comparative data
Provision for unearned premiums and for unexpired risk	4.1	3 975 861	339 814	4 315 675	4 145 284	241 398	4 386 682	3 846 600	343 249	4 189 849
Deferred income	4.1	210 960	(203 089)	7 871	145 076	(140 043)	5 033	236 643	(232 020)	4 623
Total equity and liabilities		50 533 832	136 725	50 670 557	47 474 306	101 355	47 575 661	53 176 209	111 229	53 287 438

The Capital Group of PZU Spółka Akcyjna
Interim consolidated financial statements for the 6-month period ended 30 June 2011

Consolidated income statement	Point	1 April - 30 June 2010 historical data	Change	1 April - 30 June 2010 comparative data	1 January - 30 June 2010 historical data	Change	1 January - 30 June 2010 comparative data
Gross written premiums	4.1	3 465 916	21 165	3 487 081	7 393 705	(101 851)	7 291 854
Net written premium	4.1	3 437 039	21 165	3 458 204	7 277 976	(101 851)	7 176 125
Change in net provision for unearned premiums	4.1	121 315	(21 165)	100 150	(275 058)	101 851	(173 207)
Net earned premiums		3 558 354	-	3 558 354	7 002 918	-	7 002 918
Net investment income	4.2	555 060	(1 293)	553 767	997 369	(2 902)	994 467
Claims and change in technical provisions	4.2	(3 055 780)	(16 360)	(3 072 140)	(5 492 732)	(31 500)	(5 524 232)
Net insurance claims		(2 630 288)	(16 360)	(2 646 648)	(5 089 412)	(31 500)	(5 120 912)
Claims and change in measurement of investment contracts	4.2	4 931	2 852	7 783	(57 257)	2 253	(55 004)
Acquisition costs	4.2	(444 235)	(9 973)	(454 208)	(877 564)	(18 946)	(896 510)
Administrative expenses	4.2	(431 343)	26 909	(404 434)	(821 635)	53 951	(767 684)
Other operating expenses	4.2	(60 932)	(2 135)	(63 067)	(131 336)	(2 856)	(134 192)
Operating profit (loss)		470 928	-	470 928	1 500 095	-	1 500 095
Net profit (loss)		362 422	-	362 422	1 169 834	-	1 169 834

5. Key assumptions made for the purpose of accounting estimates and judgments used in the process of selection and application of accounting principles (policy)

Key assumptions made for the purpose of accounting estimates and judgments used in the process of selection and application of accounting principles (policy) were presented in the consolidated financial statements of the PZU Group for 2010.

In the 6-month period ended 30 June 2011 the above assumptions and judgments were not changed.

6. Other information regarding the method of preparation of the interim condensed consolidated financial statements

6.1. Functional and presentation currency

The Polish zloty (PLN) is the functional and presentation currency of the PZU Group. Unless expressly stated otherwise, all amounts presented in the interim consolidated financial statements are in PLN thousand.

6.2. Going concern

These interim consolidated financial statements have been prepared on the assumption that the PZU Group companies will continue as a going concern in the foreseeable future, i.e. in the period of at least 12 months from the end of the reporting period. As of the date of signing the interim consolidated financial statements, no facts and circumstances indicated a risk to the ability of the PZU Group companies to continue as a going concern within 12 months of the end of the reporting period due to intended or forced discontinuation or material limitation of their activities.

6.3. Discontinued operations

In the 6-month period ended 30 June 2011 the PZU Group companies did not discontinue any of their operations. At the beginning of 2011, the subsidiary ICH Center SA, excluded from consolidation, ceased to conduct its statutory activities (i.e. loss adjustment for Green Card holders).

6.4. Seasonal or cyclical nature of business

Operations of the PZU Group are not of a seasonal or cyclical nature to the extent that would justify application of the suggestions presented in IAS 34.21.

6.5. Foreign exchange rates

The following exchange rates have been applied to translate data of foreign controlled entities and to present selected financial data in the interim consolidated financial statements:

Currency	1 January – 30 June 2011	30 June 2011	31 March 2011	1 January – 31 December 2010	31 December 2010	1 January – 30 June 2010	30 June 2010	31 December 2009
LTL	1.1498	1.1546	1.1619	1.1597	1.1469	1.1597	1.2007	1.1898
UAH	0.3512	0.3444	0.3562	0.3830	0.3722	0.3850	0.4293	0.3558
EUR	3.9699	3.9866	4.0119	4.0044	3.9603	4.0042	4.1458	4.1082

The rates are:

- average rates of the National Bank of Poland ruling as at the balance sheet date – for the statement of financial position;
- rates determined as the arithmetic mean of the rates published by the National Bank of Poland, ruling as at the last day of each month of a given period - for the income statement, statement of comprehensive income and statement of cash flows.

7. Significant events with a substantial impact on changes in the structure of individual items of the financial statements

7.1. Consolidation of the Armatura Capital Group

Since 1 January 2011, the consolidated financial data of the Armatura Capital Group ("Armatura Group"), including the financial data of Armatura Kraków SA, Armatoora SA, Armatoora i wspólnicy sp. k. and Armagora SA), have been consolidated using the full method in the consolidated financial statements of the PZU Group. The reason for the consolidation of the Armatura Group is the fact that its consolidated financial data have exceeded the materiality thresholds adopted by the PZU Group for the purposes of the consolidated financial reporting.

The table below presents key items from the consolidated statement of financial position of the Armatura Group with reconciliation to the consolidated net assets of Armatura Group as at 1 January 2011 (measured in line with the accounting principles of the PZU Group):

Reconciliation of net assets of the Armatura Group as at 1 January 2011	Value
Property, plant and equipment	159 199
Investment property	23 767
Receivables	102 419
Cash and cash equivalents	1 849
Assets held for sale (investment property)	76 000
Other assets	123 895
Total assets	487 129
Liabilities	(236 582)
Minority interest	(75)
Net assets	250 472

The difference between the carrying amount of shares of Armatura Kraków SA as at 1 January 2011 and the share of the PZU Group in the net assets of the Armatura Group of PLN 118,916 thousand was charged to the profit/loss for 2011 and presented under "Other operating revenue" of the consolidated income statement.

Impact of the consolidation of the Armatura Group on the consolidated profit/loss of the PZU Group	Value
Carrying amount of shares of Armatura Kraków SA (measured at historical cost including impairment loss)	42 952
Value of consolidated net assets of the Armatura Group as at 1 January 2011	250 472
Share of the PZU Group in the consolidated net assets of the Armatura Group as at 1 January 2011 (64.6250%)	161 868
Impact on consolidated profit/loss of the PZU Group	118 916

7.2. Distribution of profit of PZU for 2010

On 30 June 2011, the General Shareholders' Meeting of PZU adopted a resolution on distribution of the profit for 2010. The issue has been described in detail in point 15.

7.3. Key dividends paid among the PZU Group companies

7.3.1. Dividend from PZU Życie to PZU

On 30 June 2011, the Ordinary General Shareholders' Meeting of PZU Życie adopted a resolution on the following distribution of PLN 2,130,255 thousand of profit of PZU Życie for the 2010 financial year:

- payment of dividend to the sole shareholder, i.e. PZU - PLN 1,987,282 thousand;
- reclassification to the supplementary capital - PLN 142,973 thousand

Pursuant to the resolution the dividend will be paid out on 19 August 2011, however, PZU recognized revenue due to the dividend (and PZU Życie reduced its equity) on the date of the resolution, i.e. on 30 June 2011.

The operation has no influence of the profit/loss of the PZU Group, but on the presentation of the results of individual segments.

7.3.2. Dividend from PTE PZU to PZU Życie

On 6 May 2011, PTE PZU paid a dividend to PZU Życie of PLN 99.571 thousand (the total net profit for 2010).

The operation has no influence of the profit/loss of the PZU Group, but on the presentation of the results of individual segments.

8. Significant post-balance sheet events

8.1. Changes in the composition of management and supervisory bodies of PZU

Changes in the composition of the Management Board of PZU and Directors of the PZU Group have been described in points 17.4.1 and 17.4.3, respectively.

8.2. Transfer of PZU CO, TFI PZU and PZU AM from PZU Życie to PZU

The issue has been described in point 1.3.2.

9. Notes to the condensed interim consolidated financial statements

9.1. Financial assets

9.1.1. *Financial instruments held to maturity*

Financial instruments held to maturity	30 June 2011	31 March 2011	31 December 2010	30 June 2010	31 December 2009
Instruments for which fair value may be determined	21 994 138	21 604 789	20 305 758	22 231 720	23 327 568
Debt securities	21 994 138	21 604 789	20 305 758	22 231 720	23 327 568
- government securities	21 361 678	20 980 175	19 687 560	21 629 627	22 724 017
- fixed rate	21 021 217	20 980 175	19 687 560	21 629 627	22 407 507
- floating rate	340 461	-	-	-	316 510
- other securities	632 460	624 614	618 198	602 093	603 551
- listed on a regulated market	514 188	474 477	445 700	429 012	428 328
- fixed rate	514 188	474 477	445 700	429 012	428 328
- not listed on a regulated market	118 272	150 137	172 498	173 081	175 223
- fixed rate	-	30 010	54 718	52 001	79 998
- floating rate	118 272	120 127	117 780	121 080	95 225
Total financial instruments held to maturity	21 994 138	21 604 789	20 305 758	22 231 720	23 327 568

9.1.2. Financial instruments available for sale

Financial instruments available for sale	30 June 2011	31 March 2011	31 December 2010	30 June 2010	31 December 2009
Instruments for which fair value may be determined	9 712 189	9 398 933	8 492 528	8 401 793	9 926 704
Equity instruments	1 297 088	1 370 694	1 309 060	1 094 387	1 324 807
- listed on a regulated market	649 589	787 213	868 899	670 942	909 525
- not listed on a regulated market	647 499	583 481	440 161	423 445	415 282
Debt securities	8 415 101	8 028 239	7 183 468	7 307 406	8 601 897
- government securities	8 299 470	7 884 239	7 052 769	7 220 571	8 537 465
- fixed rate	8 169 318	7 834 853	7 027 713	7 220 571	8 208 297
- floating rate	130 152	49 386	25 056	-	329 168
- other securities	115 631	144 000	130 699	86 835	64 432
- listed on a regulated market	68 322	51 205	39 425	38 804	15 067
- fixed rate	24 507	35 907	24 346	23 771	-
- floating rate	43 815	15 298	15 079	15 033	15 067
- not listed on a regulated market	47 309	92 795	91 274	48 031	49 365
- floating rate	47 309	92 795	91 274	48 031	49 365
Instruments for which fair value may not be determined	126 159	126 159	130 554	116 977	101 141
Equity instruments	126 159	126 159	130 554	116 977	101 141
- not listed on a regulated market/1	126 159	126 159	130 554	116 977	101 141
Total financial instruments available for sale	9 838 348	9 525 092	8 623 082	8 518 770	10 027 845

/1 This item includes shares in controlled entities not included under consolidation, whose carrying amount as at 30 June 2011 was PLN 122.908 thousand (as at 31 March 2011: PLN 122.908 thousand, as at 31 December 2010: PLN 127.313 thousand and as at 30 June 2010: PLN 113.735 thousand and as at 31 December 2009 98.001 thousand).

9.1.3. Financial instruments measured at fair value through profit or loss

Financial instruments measured at fair value through profit or loss – classified as such upon initial recognition	30 June 2011	31 March 2011	31 December 2010	30 June 2010	31 December 2009
Instruments for which fair value may be determined	6 607 852	6 402 994	6 373 065	4 934 376	5 498 886
Equity instruments	162 408	238 219	456 181	421 211	340 009
- listed on a regulated market	21 297	20 075	19 060	21 256	6 887
- not listed on a regulated market	141 111	218 144	437 121	399 955	333 122
Debt securities	6 445 444	6 164 775	5 916 884	4 513 165	5 158 877
- government securities	6 329 680	6 032 539	5 786 065	4 426 060	5 094 085
- fixed rate	6 211 590	5 922 129	5 677 640	4 426 060	4 852 891
- floating rate	118 090	110 410	108 425	-	241 194
- other securities	115 764	132 236	130 819	87 105	64 792
- listed on a regulated market	68 455	39 441	39 545	39 074	15 427
- fixed rate	24 640	24 143	24 466	24 041	288
- floating rate	43 815	15 298	15 079	15 033	15 139
- not listed on a regulated market	47 309	92 795	91 274	48 031	49 365
- floating rate	47 309	92 795	91 274	48 031	49 365
Total financial instruments measured at fair value through profit or loss – classified as such upon initial recognition	6 607 852	6 402 994	6 373 065	4 934 376	5 498 886

Financial instruments measured at fair value through profit or loss – held for trading	30 June 2011	31 March 2011	31 December 2010	30 June 2010	31 December 2009
Instruments for which fair value may be determined	6 388 431	6 412 480	5 745 187	5 040 348	4 714 745
Equity instruments	4 301 273	4 305 121	3 845 937	3 294 769	3 001 885
- listed on a regulated market	2 500 122	2 507 658	2 195 887	1 892 134	1 795 234
- not listed on a regulated market	1 801 151	1 797 463	1 650 050	1 402 635	1 206 651
Debt securities	1 998 712	2 049 568	1 794 049	1 702 017	1 699 137
- government securities	1 969 787	2 020 160	1 765 125	1 672 747	1 649 374
- fixed rate	1 555 362	1 852 105	1 622 191	1 667 683	1 641 849
- floating rate	414 425	168 055	142 934	5 064	7 525
- other securities	28 925	29 408	28 924	29 270	49 763
- listed on a regulated market	5 271	5 152	5 131	5 254	7 683
- fixed rate	5 271	5 152	5 131	5 254	7 683
- not listed on a regulated market	23 654	24 256	23 793	24 016	42 080
- fixed rate					2 952
- floating rate	23 654	24 256	23 793	24 016	39 128
Other, including:	88 446	57 791	105 201	43 562	13 723
- derivatives	88 446	57 791	105 201	43 562	13 723
Total financial instruments measured at fair value through profit or loss – held for trading	6 388 431	6 412 480	5 745 187	5 040 348	4 714 745

9.1.4. Loans

Loans	30 June 2011	31 March 2011	31 December 2010	30 June 2010	31 December 2009
Debt securities	10 782	-	-	-	-
Other, including:	698	-	-	-	-
- listed on a regulated market	698	-	-	-	-
- fixed rate	10 084	-	-	-	-
- unlisted	10 084	-	-	-	-
- floating rate	6 294 891	3 466 573	4 297 940	1 457 745	4 668 549
- reverse repo transactions	1 128 836	524 233	1 374 939	272 002	345 789
- term deposits with credit institutions	5 127 561	2 920 822	2 901 417	1 163 493	4 297 184
- deposits with ceding undertakings	1 249	1 680	1 770	2 092	1 542
- loans	37 245	19 838	19 814	20 158	24 034
Total loans	6 305 673	3 466 573	4 297 940	1 457 745	4 668 549

9.1.5. Additional information about financial assets

9.1.5.1. Financial assets used as collateral for liabilities

The issue has been described in point 9.10.

9.1.5.2. Reclassifications between individual items in the goodwill hierarchy

During the 6 months ended 30 June 2011, there were not material, with respect to the profit/loss and the total of assets and liabilities, reclassifications between individual items in the goodwill hierarchy.

9.2. Receivables, including under insurance contracts

Receivables, including under insurance contracts – carrying amount	30 June 2011	31 March 2011	31 December 2010	30 June 2010	31 December 2009
Receivables from direct insurance, including:	1 365 246	1 334 158	1 274 191	1 238 184	1 184 828
- receivables from policyholders	1 250 434	1 245 852	1 162 466	1 158 521	1 122 860
- receivables from insurance intermediaries	57 487	57 409	55 462	45 439	51 616
- other receivables	57 325	30 897	56 263	34 224	10 352
Receivables from reinsurance	73 167	60 301	122 215	51 169	26 334
Other receivables	989 928	1 047 295	337 868	209 560	284 045
Net receivables, including under insurance contracts	2 428 341	2 441 754	1 734 274	1 498 913	1 495 207

9.2.1. Other receivables

Other receivables	30 June 2011	31 March 2011	31 December 2010	30 June 2010	31 December 2009
Receivables from Metro Projekt sp. z o.o. claimed at court	94 600	94 532	92 439	91 482	89 831
Receivables relating to prevention activities	39 072	32 054	36 155	25 059	24 593
Receivables from loss adjusting services	4 504	5 269	23 575	8 969	41 568
Receivables of the unit-linked products in life insurance	17 170	31 843	30 510	4 665	8 053
Receivables from disposal of securities	689 294	746 060	131 808	45 770	93 537
Trade receivables	86 985	108 967	767	1 375	644
Other	58 303	28 570	22 614	32 240	25 819
Total other receivables	989 928	1 047 295	337 868	209 560	284 045

9.2.1.1. Receivables arising from a mortgage agreement with Metro-Projekt Sp. z o.o.

In 1999 PZU Życie granted a mortgage to Metro-Projekt Sp. z o. o. (henceforth "Metro-Projekt") with a 5-year tenor. The amount of the loan was the equivalent of USD 25,500 thousand. The loan was collateralized by maximum value mortgage on real property, including the perpetual usufruct right and a building owned by Metro-Projekt, located in Warsaw at Al. Jerozolimskie 44.

The loan had not been repaid and in November 2002 Metro-Projekt was declared bankrupt.

On 15 September 2004, the receiver of Universal SA in bankruptcy ("Universal") brought an action to the District Court in Warsaw demanding exclusion of the property located in Warsaw at Al. Jerozolimskie 44 from the bankruptcy assets of Metro-Projekt due to an entry in section III of the land and mortgage register of a warning regarding the proceedings pending between Universal and BI Code SA ("BI Code") for cancellation of a transaction involving sales of the property by Universal to BI Code from which Metro-Projekt acquired the property. In view of the above, on 21 September 2004 the District Court in Warsaw issued a decision suspending the liquidation of assets of Metro-Projekt until the lawsuit for exclusion of the aforementioned property from the bankruptcy assets is settled.

The action for cancellation of the agreement transferring the perpetual usufruct right and ownership title to the office building located in Warsaw at Al. Jerozolimskie 44 was settled on 7 March 2006 - the Court of Appeals in Warsaw dismissed the case of Universal against BI Code. However, in August 2006 the receiver of Universal made a final appeal to the Supreme Court with respect to the aforementioned decision.

After the judgment of the Court of Appeals of 7 March 2006 became final, Metro-Projekt applied for deletion of the warning entered in section III of the land and mortgage register about the pending court proceedings instituted by Universal against BI Code for cancellation of the aforementioned sales agreement. The decision to delete the above entry was issued on 3 November 2006.

On 14 March 2007 the Supreme Court reversed the judgment of the Court of Appeals and ordered that the case to be re-examined by that court. On 21 November 2007 the Court of Appeals reversed the judgment of the District Court and ordered that the case be re-examined by that court.

On 11 September 2009, the District Court issued a judgement in the lawsuit filed by the receiver of Universal against the receiver of BI Code for cancellation of the sales agreement for the land perpetual usufruct right and the ownership title to the building, entered into between Universal and BI Code, pursuant to which the aforementioned sales agreement was cancelled. The receiver of BI Code appealed against the judgement and on 29 July 2010 the appeal was dismissed.

Despite a final appeal, as a result of the dismissal of the appeal of the receiver of BI Code on 29 July 2010, in January 2011 the receiver of Metro-Projekt requested that the proceedings before the District Court brought by the receiver of Universal for exclusion of the land perpetual usufruct right and the separate title to the building on that land suspended in 2005 were resumed. On 30 May 2011, the Regional Court dismissed the claim of Universal. The judgement is favourable for the receiver of

Metro-Projekt, however, it is not final - in June 2011 the Receiver of Universal asked for the service of the reasons for judgement.

In the opinion of the Management Board of PZU, the mortgage established for the benefit of PZU Życie does exist and the Company has the right to pursue the related claims from any owner.

9.3. Reinsurers' share in technical provisions

Reinsurers' share in technical provisions – property and casualty insurance	30 June 2011	31 March 2011	31 December 2010	30 June 2010	31 December 2009
Provision for unearned premiums	111 973	115 508	75 230	93 897	75 096
Provision for unexpired risks	53	175	89	13	-
Provisions for claims outstanding, including:	281 639	294 327	336 023	550 107	191 210
- for claims reported	239 374	252 563	270 855	378 462	156 106
- for claims incurred but not reported (IBNR)	29 223	29 525	52 650	156 510	19 056
- for claims handling costs	13 042	12 239	12 518	15 135	16 048
Provision for capitalized value of annuity claims	354 161	349 268	360 508	472 266	482 007
Reinsurers' share in technical provisions (net)	747 826	759 278	771 850	1 116 283	748 313

Reinsurers' share in technical provisions - life insurance	30 June 2011	31 March 2011	31 December 2010	30 June 2010	31 December 2009
Provision for unearned premiums	378	560	-	-	-
Reinsurers' share in technical provisions (net)	378	560	-	-	-

9.4. Impairment of financial assets and receivables

Changes in impairment losses on financial assets in period 1 January 2011 - 30 June 2011	Impairment losses – opening balance	Impairment losses recognized in the income statement	Release of impairment losses recognized in the income statement	Derecognition of impairment losses from the accounting records (not recognized in the income statement)	Exchange differences	Other changes in impairment losses	Impairment losses – closing balance
Financial assets available for sale	296 919	325	-	(8 536)	(129)	-	288 579
- equity instruments	296 919	325	-	(8 536)	(129)	-	288 579
Loans	18 321	-	-	-	1	-	18 322
Receivables, including under insurance contracts	507 659	93 170	(24 843)	-	(520)	(12)	575 454
Receivables from direct insurance	423 260	61 545	(2 802)	-	(414)	(4)	481 585
Receivables from reinsurance	18 544	31 614	(19 801)	-	-	-	30 357
Other receivables	65 855	11	(2 240)	-	(106)	(8)	63 512
Reinsurers' share in technical provisions	36 372	-	-	-	-	-	36 372
Total	859 271	93 495	(24 843)	(8 536)	(648)	(12)	918 727

Changes in impairment losses on financial assets in the year ended 31 December 2010	Impairment losses – opening balance	Impairment losses recognized in the income statement	Release of impairment losses recognized in the income statement	Derecognition of impairment losses from the accounting records (not recognized in the income statement)	Exchange differences	Other changes in impairment losses	Impairment losses – closing balance
Financial assets available for sale	303 779	17 737	-	(24 674)	77	-	296 919
- equity instruments	303 779	17 737	-	(24 674)	77	-	296 919
Loans	19 124	-	(375)	(423)	(5)	-	18 321
Receivables, including under insurance contracts	432 507	102 998	(28 313)	(415)	177	705	507 659
Receivables from direct insurance	347 079	80 797	(5 722)	(78)	179	1 005	423 260
Receivables from reinsurance	17 824	18 543	(17 593)	(224)	(6)	-	18 544
Other receivables	67 604	3 658	(4 998)	(113)	4	(300)	65 855
Reinsurers' share in technical provisions	30 370	12 918	(6 916)	-	-	-	36 372
Total	785 780	133 653	(35 604)	(25 512)	249	705	859 271

Changes in impairment losses on financial assets in period 1 January 2010 - 30 June 2010	Impairment losses – opening balance	Impairment losses recognized in the income statement	Release of impairment losses recognized in the income statement	Derecognition of impairment losses from the accounting records (not recognized in the income statement)	Exchange differences	Other changes in impairment losses	Impairment losses – closing balance
Financial assets available for sale	303 779	17 391	-	(22 249)	342	-	299 263
- equity instruments	303 779	17 391	-	(22 249)	342	-	299 263
Loans	19 124	-	-	(423)	1	-	18 702
Receivables, including under insurance contracts	432 507	61 465	(26 185)	(69)	1 298	781	469 797
Receivables from direct insurance	347 079	38 927	(4 807)	(19)	1 103	1 020	383 303
Receivables from reinsurance	17 824	21 917	(19 542)	-	2	-	20 201
Other receivables	67 604	621	(1 836)	(50)	193	(239)	66 293
Reinsurers' share in technical provisions	30 370	-	-	-	-	-	30 370
Total	785 780	78 856	(26 185)	(22 741)	1 641	781	818 132

9.5. Credit risk exposure – investment activities

The table below presents credit risk exposure of assets broken down by Fitch rating categories (if Fitch ratings are unavailable, Standard&Poors or Moody's ratings have been used). The exposure to credit risk resulting from repo transactions has been presented as exposure towards the issuer.

The maximum credit risk exposure of other assets is presented in the table below. The table does not present information on assets used to cover liabilities under unit-linked insurance and investment contracts.

Assets exposed to credit risk as at 30 June 2011 (PLN million)	AAA	AA	A	BBB	BB	No rating	Total
Debt securities	908	-	36 303	280	-	13	37 504
Bank deposits and repo transactions involving treasury securities	-	6	4 620	1 427	3	94	6 150
Loans	-	-	-	-	-	35	35
Derivatives	-	55	17	-	-	-	72
Reinsurers' share in net claims provisions	3	282	273	22	7	49	636
Receivables from reinsurance	-	30	25	3	-	15	73
Total assets exposed to credit risk	911	373	41 238	1 732	10	206	44 470

Assets exposed to credit risk as at 31 December 2010 (PLN million)	AAA	AA	A	BBB	BB	No rating	Total
Debt securities	679	-	32 951	304	-	2	33 936
Bank deposits and repo transactions involving treasury securities	-	53	3 198	575	8	254	4 088
Loans	-	-	-	-	-	17	17
Derivatives	-	94	11	-	-	-	105
Reinsurers' share in net claims provisions	4	329	299	20	-	45	697
Receivables from reinsurance	1	68	43	2	-	8	122
Total assets exposed to credit risk	684	544	36 502	901	8	326	38 965

Assets exposed to credit risk as at 30 June 2010 (PLN million)	AAA	AA	A	BBB	BB	No rating	Total
Debt securities	668	71	33 474	332	5	3	34 553
Bank deposits and repo transactions involving treasury securities	-	53	623	311	57	174	1 218
Loans	-	-	-	-	-	17	17
Derivatives	-	35	8	-	-	-	43
Reinsurers' share in net claims provisions	8	432	507	17	-	58	1 022
Receivables from reinsurance	-	19	9	1	-	22	51
Total assets exposed to credit risk	676	610	34 621	661	62	274	36 904

The table below presents credit risk ratios used to calculate the credit risk.

Standard&Poor's ratings	AAA	AA	A	BBB	BB	No rating
Ratio (%) 30 June 2011	0.79	0.82	1.84	5.22	16.54	29.94
Ratio (%) 31 December 2010	0.82	0.74	1.97	5.60	17.45	30.82
Ratio (%) 30 June 2010	0.70	0.70	1.70	4.40	14.60	30.40

As of 30 June 2011 the credit risk involved in investment activities amounted to PLN 913 million (PLN 876 million as at 31 December 2010 and PLN 714 million as at 30 June 2010).

9.6. Prepayments

Prepayments	30 June 2011	31 March 2011	31 December 2010	30 June 2010	31 December 2009
IT expenses	4 557	7 292	4 536	2 692	3 338
Deferred acquisition costs relating to OFE PZU	35 615	40 540	45 829	46 484	38 154
Prepayments relating to reinsurance	118 485	137 825	132 776	137 736	164 228
Other	19 390	29 190	11 085	17 570	10 084
Total	178 047	214 847	194 226	204 482	215 804

9.7. Technical provisions

9.7.1. Technical provisions - property and casualty insurance

Technical provisions - property and casualty insurance	30 June 2011	31 March 2011	31 December 2010	30 June 2010	31 December 2009
Provision for unearned premiums	4 481 512	4 508 630	4 183 127	4 240 156	4 047 377
Provision for unexpired risks	24 423	41 451	31 917	43 709	37 167
Provisions for claims outstanding	4 431 695	4 452 771	4 548 445	4 474 629	3 837 211
Provision for capitalized value of annuity claims	4 903 518	4 837 658	4 862 552	4 869 974	4 874 653
Provisions for bonuses and rebates for the insured	4 511	6 534	4 731	2 914	4 180
Total	13 845 659	13 847 044	13 630 772	13 631 382	12 800 588

9.7.1.1. *Change in technical provisions in property and casualty insurance*

Change in provision for unearned premium in property and casualty insurance	1 January - 30 June 2011			1 January - 31 December 2010			1 January - 30 June 2010		
	gross	reinsurers' share	own share	gross	reinsurers' share	own share	gross	reinsurers' share	own share
Opening balance	4 183 127	(75 230)	4 107 897	4 047 377	(75 096)	3 972 281	4 047 377	(75 096)	3 972 281
Increase (decrease) in provisions for policies concluded in the current year	3 336 179	(49 019)	3 287 160	3 636 796	(40 980)	3 595 816	2 838 633	(31 557)	2 807 076
Increase (decrease) in provisions for policies concluded in previous years	(3 035 638)	12 019	(3 023 619)	(3 499 699)	40 834	(3 458 865)	(2 651 875)	13 626	(2 638 249)
Exchange differences during the period	(2 156)	257	(1 899)	(1 347)	12	(1 335)	6 021	(870)	5 151
Closing balance	4 481 512	(111 973)	4 369 539	4 183 127	(75 230)	4 107 897	4 240 156	(93 897)	4 146 259

Change in provision for unearned premium in property and casualty insurance	1 January - 30 June 2011			1 January - 31 December 2010			1 January - 30 June 2010		
	gross	reinsurers' share	own share	gross	reinsurers' share	own share	gross	reinsurers' share	own share
Opening balance	31 917	(89)	31 828	37 167	-	37 167	37 167	-	37 167
Increase (decrease) in provisions for policies concluded in the current year	13 277	-	13 277	24 813	-	24 813	35 162	-	35 162
Increase (decrease) in provisions for policies concluded in previous years	(20 492)	30	(20 462)	(29 848)	(92)	(29 940)	(29 065)	(12)	(29 077)
Exchange differences during the period	(279)	6	(273)	(215)	3	(212)	445	(1)	444
Closing balance	24 423	(53)	24 370	31 917	(89)	31 828	43 709	(13)	43 696

Change in provisions for claims outstanding in property and casualty insurance	1 January - 30 June 2011			1 January - 31 December 2010			1 January - 30 June 2010		
	gross	reinsurers' share	own share	gross	reinsurers' share	own share	gross	reinsurers' share	own share
Opening balance, including:	4 548 445	(336 023)	4 212 422	3 837 211	(191 210)	3 646 001	3 837 211	(191 210)	3 646 001
- for claims reported	1 919 232	(270 855)	1 648 377	1 472 477	(156 106)	1 316 371	1 472 477	(156 106)	1 316 371
- for claims incurred but not reported (IBNR)	1 921 859	(52 650)	1 869 209	1 732 090	(19 056)	1 713 034	1 732 090	(19 056)	1 713 034
- for loss adjustment expenses	707 354	(12 518)	694 836	632 644	(16 048)	616 596	632 644	(16 048)	616 596
Paid claims concerning losses incurred in previous years, including	(1 275 867)	97 826	(1 178 041)	(1 434 847)	167 866	(1 266 981)	(1 024 812)	26 852	(997 960)
- claims paid	(1 162 079)	96 833	(1 065 246)	(1 276 151)	164 468	(1 111 683)	(920 662)	25 264	(895 398)
- loss adjustment expenses	(113 788)	993	(112 795)	(158 696)	3 398	(155 298)	(104 150)	1 588	(102 562)
Increase (decrease) in provisions, including:	1 160 811	(40 838)	1 119 973	2 148 927	(322 567)	1 826 360	1 656 736	(395 695)	1 261 041
- losses incurred in the current year	1 227 443	(18 838)	1 208 605	2 196 216	(224 952)	1 971 264	1 622 661	(403 234)	1 219 427
- losses incurred in the previous years	(66 632)	(22 000)	(88 632)	(47 289)	(97 615)	(144 904)	34 075	7 539	41 614
Other changes	-	(3 079)	(3 079)	-	9 121	9 121	-	11 243	11 243
Exchange differences during the period	(1 694)	475	(1 219)	(2 846)	767	(2 079)	5 494	(1 297)	4 197
Closing balance	4 431 695	(281 639)	4 150 056	4 548 445	(336 023)	4 212 422	4 474 629	(550 107)	3 924 522
- for claims reported	1 761 327	(239 374)	1 521 953	1 919 232	(270 855)	1 648 377	1 926 228	(378 462)	1 547 766
- for claims incurred but not reported (IBNR)	1 938 786	(29 223)	1 909 563	1 921 859	(52 650)	1 869 209	1 863 270	(156 510)	1 706 760
- for loss adjustment expenses	731 582	(13 042)	718 540	707 354	(12 518)	694 836	685 131	(15 135)	669 996

Change in provision for capitalized value of annuity claims – property and casualty insurance	1 January - 30 June 2011			1 January - 31 December 2010			1 January - 30 June 2010		
	gross	reinsurers' share	own share	gross	reinsurers' share	own share	gross	reinsurers' share	own share
Opening balance	4 862 552	(360 508)	4 502 044	4 874 653	(482 007)	4 392 646	4 874 653	(482 007)	4 392 646
Paid claims concerning losses incurred in previous years	(80 168)	5 529	(74 639)	(158 433)	14 766	(143 667)	(82 667)	9 822	(72 845)
Increase (decrease) in provisions for losses incurred in the previous years	20 551	661	21 212	(96 222)	109 853	13 631	(25 261)	5 181	(20 080)
Increase in provisions for losses incurred in the current year	100 583	-	100 583	242 554	-	242 554	103 249	-	103 249
Other changes	-	157	157		(3 120)	(3 120)	-	(5 262)	(5 262)
Closing balance	4 903 518	(354 161)	4 549 357	4 862 552	(360 508)	4 502 044	4 869 974	(472 266)	4 397 708

9.7.2. Technical provisions - life insurance

Technical provisions - life insurance	30 June 2011	31 March 2011	31 December 2010	30 June 2010	31 December 2009
Provision for unearned premiums	97 243	97 970	100 631	102 817	105 305
Life insurance provision	14 525 034	14 498 287	14 570 725	14 545 165	14 582 590
Provisions for claims outstanding	612 509	625 506	608 635	643 454	619 253
Provisions for bonuses and rebates for the insured	1 687	1 483	1 446	1 609	891
Other technical provisions	572 943	593 035	614 692	641 804	698 918
Unit-linked reserve	2 392 789	2 350 605	2 296 089	2 097 786	2 017 501
Total technical provisions - life insurance	18 202 205	18 166 886	18 192 218	18 032 635	18 024 458

9.7.2.1. *Change in technical provisions in life insurance*

Change in provisions for unearned premium in life insurance	1 January - 30 June 2011			1 January - 31 December 2010			1 January - 30 June 2010		
	own share	gross	reinsurers' share	own share	gross	reinsurers' share	own share	gross	reinsurers' share
Opening balance	100 631	-	100 631	105 305	-	105 305	105 305	-	105 305
Increases	91 279	(1 113)	90 166	100 631	-	100 631	96 301	-	96 301
Decreases	(94 667)	735	(93 932)	(105 305)	-	(105 305)	(98 789)	-	(98 789)
Closing balance	97 243	(378)	96 865	100 631	-	100 631	102 817	-	102 817

Change in provision in life insurance - insurance contacts with no DPF	1 January - 30 June 2011			1 January - 31 December 2010			1 January - 30 June 2010		
	gross	reinsurers' share	own share	gross	reinsurers' share	own share	gross	reinsurers' share	own share
Opening balance	10 848 252	-	10 848 252	10 958 427	-	10 958 427	10 958 427	-	10 958 427
Net premiums received	705 890	-	705 890	559 687	-	559 687	282 628	-	282 628
Technical interest rate for the provisions	180 647	-	180 647	363 909	-	363 909	182 075	-	182 075
Released provisions due to maturity and survival, mortality, resignation/redemption and other fortuitous events	(1 173 311)	-	(1 173 311)	(1 493 366)	-	(1 493 366)	(784 837)	-	(784 837)
Impact of the sale of new policies and renegotiation of contracts existing at the beginning of the period	243 639	-	243 639	459 595	-	459 595	231 192	-	231 192
Closing balance	10 805 117	-	10 805 117	10 848 252	-	10 848 252	10 869 485	-	10 869 485

Change in provisions in life insurance, provisions for low interest rates and provisions for revaluation and trials - insurance and investment contracts with DPF	1 January - 30 June 2011			1 January - 31 December 2010			1 January - 30 June 2010		
	gross	reinsurers' share	own share	gross	reinsurers' share	own share	gross	reinsurers' share	own share
Opening balance	4 317 278	-	4 317 278	4 303 505	-	4 303 505	4 303 505	-	4 303 505
Net premiums received	158 805	-	158 805	321 111	-	321 111	142 557	-	142 557
Technical interest rate for the provisions	91 898	-	91 898	179 394	-	179 394	89 382	-	89 382
Increase in provisions for profit sharing	12 024	-	12 024	31 392	-	31 392	22 982	-	22 982
Released provisions due to maturity and survival, mortality, resignation/redemption and other fortuitous events	(304 935)	-	(304 935)	(534 724)	-	(534 724)	(259 454)	-	(259 454)
Changes in assumptions	-	-	-	19 793	-	19 793	(31)	-	(31)
- other	-	-	-	19 793	-	19 793	(31)	-	(31)
Impact of the sale of new policies and renegotiation of contracts existing at the beginning of the period	(2 374)	-	(2 374)	(3 193)	-	(3 193)	(1 207)	-	(1 207)
Closing balance	4 272 696	-	4 272 696	4 317 278	-	4 317 278	4 297 734	-	4 297 734

Change in provisions in life insurance - unit-linked contracts	1 January - 30 June 2011			1 January - 31 December 2010			1 January - 30 June 2010		
	gross	reinsurers' share	own share	gross	reinsurers' share	own share	gross	reinsurers' share	own share
Net assets of the fund at the beginning of the period	2 296 089	-	2 296 089	2 017 501	-	2 017 501	2 017 501	-	2 017 501
Increases in the fund due to premiums	201 337	-	201 337	360 279	-	360 279	183 288	-	183 288
Payments deducted from the fund for risk, administration and other	(16 789)	-	(16 789)	(30 016)	-	(30 016)	(14 311)	-	(14 311)
Revenue from the fund's investments	55 633	-	55 633	188 690	-	188 690	36 012	-	36 012
Decreases in the fund due to claims, redemptions, etc.	(142 051)	-	(142 051)	(235 423)	-	(235 423)	(120 362)	-	(120 362)
Other decreases	(4 212)	-	(4 212)	(18 642)	-	(18 642)	(4 739)	-	(4 739)
Other increases	2 782	-	2 782	13 700	-	13 700	397	-	397
Net assets of the fund at the end of the period	2 392 789	-	2 392 789	2 296 089	-	2 296 089	2 097 786	-	2 097 786

Change in provisions in life insurance - other insurance contracts	1 January - 30 June 2011			1 January - 31 December 2010			1 January - 30 June 2010		
	gross	reinsurers' share	own share	gross	reinsurers' share	own share	gross	reinsurers' share	own share
Opening balance	21 333	-	21 333	20 467	-	20 467	20 467	-	20 467
Change in provisions during the period	518	-	518	866	-	866	892	-	892
Closing balance	21 851	-	21 851	21 333	-	21 333	21 359	-	21 359

Change in provisions for claims	1 January – 30 June 2011			1 January – 31 December 2010			1 January – 30 June 2010		
	gross	reinsurers' share	own share	gross	reinsurers' share	own share	gross	reinsurers' share	own share
RBNP at the beginning of the period	108 425	-	108 425	160 720	-	160 720	160 720	-	160 720
IBNR at the beginning of the period	500 210	-	500 210	458 533	-	458 533	458 533	-	458 533
Total RBNP and IBNR at the beginning of the period	608 635	-	608 635	619 253	-	619 253	619 253	-	619 253
Provisions for claims applied during the year	(507 389)	-	(507 389)	(619 253)	-	(619 253)	(490 568)	-	(490 568)
Provisions for claims created during the year	511 263	-	511 263	608 635	-	608 635	514 769	-	514 769
Total RBNP and IBNR at the end of the period	612 509	-	612 509	608 635	-	608 635	643 454	-	643 454
RBNP at the end of the period	87 949	-	87 949	108 425	-	108 425	174 635	-	174 635
IBNR at the end of the period	524 560	-	524 560	500 210	-	500 210	468 819	-	468 819

9.8. Investment contracts

Investment contracts – carrying amount	30 June 2011	31 March 2011	31 December 2010	30 June 2010	31 December 2009
Investment contracts with guaranteed and fixed terms and conditions	3 534 365	2 441 973	2 270 568	446 568	2 632 054
- measured at amortized cost	3 534 365	2 441 973	2 270 568	446 568	2 631 567
- measured at fair value	-	-	-	-	487
Unit linked investment contracts	1 374 738	1 380 985	1 273 947	1 099 292	1 094 475
Total investment contracts – carrying amount	4 909 103	3 822 958	3 544 515	1 545 860	3 726 529

9.9. Other provisions

Other provisions	30 June 2011	31 March 2011	31 December 2010	30 June 2010	31 December 2009
Provisions created for potential liabilities relating to CLSiOR investments	916	916	916	916	916
Provision for disputed claims and potential liabilities under insurance contracts	6 090	4 494	4 461	20 925	24 936
Provision for restructuring and reorganization expenses	56 555	61 483	75 253	132 956	158 763
Provision for the Office of Competition and Consumer Protection	69 143	69 143	69 143	65 176	65 176
Provision for exit costs of the GraphTalk project	49 648	49 563	49 396	45 811	48 632
Provision for PTE's reimbursement of undue fees to the Social Insurance Institution	9 319	8 854	9 532	11 533	12 858
Other	10 536	9 582	3 858	3 348	3 314
Total other provisions	202 207	204 035	212 559	280 665	314 595

The restructuring process has been presented in detail in point 17.5.

The “Provision for the Office of Competition and Consumer Protection” comprises the amount resulting from the issue presented in point 16.2.

The “Provision for exit costs of the GraphTalk project” comprises amounts resulting from the issue presented in point 16.1.

9.10. Other liabilities

Liabilities - carrying amount	30 June 2011	31 March 2011	31 December 2010	30 June 2010	31 December 2009
Liabilities due to direct insurance	523 006	520 408	484 004	404 771	371 199
Liabilities due to reinsurance	93 309	81 728	39 674	70 624	26 959
Liabilities to credit institutions	2 700 730	199 109	122	2	4 780 108
Other liabilities	3 433 723	1 888 525	608 279	1 172 292	795 786
Total liabilities	6 750 768	2 689 770	1 132 079	1 647 689	5 974 052

Liabilities to credit institutions comprised primarily short-term sales of sell-buy-back debt securities carried out by PZU and PZU Życie of the carrying amount as at 30 June 2011 totalling PLN 2,586,649 thousand.

Other liabilities	30 June 2011	31 March 2011	31 December 2010	30 June 2010	31 December 2009
Liabilities to the State Budget, other than corporate income tax (CIT)	15 306	18 888	18 234	15 829	23 288
Liabilities to the Social Insurance Institution, PFRON, the Company's Social Benefits Fund etc.	27 985	30 384	23 895	35 972	45 200
Due to acquired securities	975 248	1 640 283	396 604	13 771	436 533
Investment fund liabilities	-	-	-	-	40 719
Estimated non-insurance liabilities	59 160	66 929	90 509	58 473	145 321
Liabilities to the Shareholders	2 249 000	3 973	4 002	947 130	8 581
Trade payables to suppliers	49 979	45 670	10 050	5 605	9 470
Other	57 045	82 398	64 985	95 512	86 674
Total other liabilities	3 433 723	1 888 525	608 279	1 172 292	795 786

"Liabilities to shareholders" include mainly PLN 2,245,160 thousand due to the portion of dividend for the year ended 31 December 2010 which has not been paid yet (details in point 15).

9.11. Accruals and deferred income

Accruals and deferred income	30 June 2011	31 March 2011	31 December 2010	30 June 2010	31 December 2009
Accrued expenses, including:	402 001	407 993	474 272	359 540	464 126
- accrued costs of agency commissions	164 541	165 408	164 331	167 682	174 814
- accrued payroll costs	65 071	79 451	115 410	42 966	94 916
- accrued costs and revenue from reinsurance	71 777	73 169	64 917	36 971	74 847
- remuneration of intermediaries in companies	21 122	21 856	19 507	19 937	19 523
- provision for paid vacation	47 531	45 972	39 386	54 467	38 633
- accrued employee bonuses	25 764	15 691	58 075	30 932	50 966
- other	6 195	6 446	12 646	6 585	10 427
Deferred income	8 886	7 944	7 871	5 033	4 623
Total accruals and deferred income	410 887	415 937	482 143	364 573	468 749

9.12. Gross written premiums

Gross written premiums	1 April – 30 June 2011	1 January – 30 June 2011	1 April – 30 June 2010	1 January – 30 June 2010
Gross written premiums – property and casualty insurance	2 023 180	4 339 851	1 864 536	4 063 840
In direct insurance	2 018 102	4 326 888	1 859 539	4 051 150
In indirect insurance	5 078	12 963	4 997	12 690
Gross written premiums – life insurance	1 673 198	3 333 411	1 622 545	3 228 014
Individual premiums	598 701	1 191 560	590 428	1 154 748
In direct insurance	598 701	1 191 560	590 428	1 154 748
Group insurance premiums	1 074 497	2 141 851	1 032 117	2 073 266
In direct insurance	1 074 497	2 141 851	1 032 117	2 073 266
Total gross written premiums	3 696 378	7 673 262	3 487 081	7 291 854

Gross written premiums in direct property and casualty insurance (by classes specified in section II of the appendix to the Act on insurance activity)	1 April – 30 June 2011	1 January – 30 June 2011	1 April – 30 June 2010	1 January – 30 June 2010
Accident and sickness insurance (class 1 and 2)	95 434	199 181	93 652	196 922
TPL motor insurance (class 10)	754 633	1 459 039	654 919	1 306 283
Other motor insurance (class 3)	591 785	1 187 221	547 516	1 097 994
Sea, aircraft and transport insurance (classes 4, 5, 6, 7)	12 323	28 676	13 384	29 875
Insurance against fire and other damage to property (classes 8, 9)	367 448	989 322	350 792	959 153
TPL insurance (classes 11, 12, 13)	113 974	304 069	115 725	297 576
Credit insurance and surety ship (classes 14, 15)	15 102	28 289	18 232	34 743
Assistance (class 18)	50 375	95 559	45 103	85 238
Legal protection (class 17)	256	558	189	459
Other (class 16)	16 772	34 974	20 027	42 907
Gross written premiums in direct property and casualty insurance (by classes specified in section II of the appendix to the Act on insurance activity)	2 018 102	4 326 888	1 859 539	4 051 150

9.13. Fee and commission income

Fee and commission income	1 April – 30 June 2011	1 January – 30 June 2011	1 April – 30 June 2010	1 January – 30 June 2010
Pension insurance	62 969	128 977	61 005	115 947
Commission on handling fees	22 545	51 473	27 249	49 465
Commission on asset management for open pension fund	40 412	77 455	33 745	66 460
Commission on transfer payments	12	49	11	22
Investment contracts	6 392	12 359	2 868	7 123
Revenue from unit-linked investment contract fees	6 392	12 359	2 868	7 123
Other	8 593	14 891	3 585	7 020
Revenue and fees from funds and investment fund management companies	8 593	14 891	3 585	7 020
Total fee and commission income	77 954	156 227	67 458	130 090

9.14. Net investment income

Net investment income	1 April – 30 June 2011	1 January – 30 June 2011	1 April – 30 June 2010	1 January – 30 June 2010
Interest income, including:	441 810	853 726	498 842	948 071
- financial assets available for sale	90 880	177 227	128 743	215 127
- financial assets held to maturity	311 899	607 359	339 610	664 308
- loans	39 031	69 140	30 164	67 993
- cash and cash equivalents	-	-	325	643
Dividend income, including:	49 908	50 248	46 467	46 467
- financial assets measured at fair value through profit or loss – classified as such upon initial recognition	(35)	192	66	66
- financial assets held for trading	27 248	27 361	26 219	26 219
- financial assets available for sale	22 695	22 695	20 182	20 182
Income from property investments	6 476	12 973	6 530	12 753
Exchange differences, including:	1 393	(2 494)	9 670	1 838
- financial assets held to maturity	(818)	961	336	336
- loans	2 621	3 253	10	(2 634)
- receivables, including under insurance contracts	(410)	(6 708)	9 324	4 136
Other, including:	(10 670)	(19 631)	(7 742)	(14 662)
- costs of investing activities	(5 708)	(10 265)	(3 384)	(6 323)
- investment property maintenance costs	(4 962)	(9 366)	(4 358)	(8 339)
Total net investment income	488 917	894 822	553 767	994 467

9.15. Net profit/loss on realization and impairment loss on investments

Net profit/loss on realization and impairment loss on investments	1 April – 30 June 2011	1 January – 30 June 2011	1 April – 30 June 2010	1 January – 30 June 2010
Net profit/loss on realization of investments	100 583	901	49 449	213 425
Financial assets measured at fair value through profit or loss – classified as such upon initial recognition, including:	25 055	2 636	3 040	23 697
- equity instruments	1 161	(178)	(70)	(72)
- debt securities	23 894	2 814	3 110	23 769
Financial assets held for trading, including:	24 518	(1 888)	15 429	39 743
- equity instruments	8 855	528	27 693	60 460
- debt securities	10 467	5 659	886	5 866
- other	5 196	(8 075)	(13 150)	(26 583)
Financial assets available for sale, including:	61 853	27 035	27 642	154 009
- equity instruments	61 238	63 650	(4 535)	74 294
- debt securities	615	(36 615)	32 177	79 715
Financial assets held to maturity, including:	499	294	5 870	5 803
- debt securities held to maturity	499	294	5 870	5 803
Loans	-	-	9 772	15 510
Receivables, including under insurance contracts	(11 342)	(27 176)	(12 304)	(25 337)
Impairment losses	(38 790)	(68 652)	(23 969)	(52 671)
Financial assets available for sale, including:	(325)	(325)	(8 638)	(17 391)
- equity instruments	(325)	(325)	(8 638)	(17 391)
Receivables, including under insurance contracts	(38 465)	(68 327)	(15 331)	(35 280)
Total net profit/loss on realization and impairment loss on investments	61 793	(67 751)	25 480	160 754

9.16. Net change in the fair value of assets and liabilities measured at fair value

Net change in the fair value of assets and liabilities measured at fair value	1 April – 30 June 2011	1 January – 30 June 2011	1 April – 30 June 2010	1 January – 30 June 2010
Financial instruments measured at fair value through profit or loss – classified as such upon initial recognition, including:	88 618	154 446	(6 738)	106 114
- equity instruments	(5 286)	(618)	(13 884)	6 700
- debt securities	93 904	155 064	7 159	99 427
- derivatives	-	-	(13)	(13)
Financial instruments held for trading, including:	(34 328)	97 542	(219 722)	5 403
- equity instruments	(98 501)	(6 269)	(229 072)	(63 894)
- debt securities	44 081	70 604	4 305	50 114
- derivatives	20 092	33 207	5 045	19 183
Investment property	-	-	(452)	(4 598)
Net change in the fair value of assets and liabilities measured at fair value	54 290	251 988	(226 912)	106 919

9.17. Other operating income

Other operating income	1 April – 30 June 2011	1 January – 30 June 2011	1 April – 30 June 2010	1 January – 30 June 2010
Released impairment losses on non-financial assets	(2 930)	1 424	(278)	11 013
Reinsurers' commissions and share in reinsurers' profit	2 974	11 709	23 517	20 482
Revenue from sales of products and goods in the Armatura Group	70 169	127 271		
Consolidation of the Armatura Group		118 916	-	-
Other	18 095	33 921	30 116	47 754
Total other operating income	88 308	293 241	53 355	79 249

9.18. Insurance claims

Insurance claims	1 April – 30 June 2011	1 January – 30 June 2011	1 April – 30 June 2010	1 January – 30 June 2010
Claims and change in technical provisions - property and casualty insurance	1 479 830	2 673 371	2 003 967	3 360 341
Reinsurers' share in claims and change in technical provisions - property and casualty insurance	(54 510)	(57 538)	(425 492)	(403 320)
Claims and change in technical provisions - life insurance	1 192 146	2 402 461	1 068 173	2 163 891
Reinsurers' share in claims and change in technical provisions - life insurance	3	3	-	-
Total insurance claims	2 617 469	5 018 297	2 646 648	5 120 912

9.19. Investment benefits and change in valuation of investment contracts

Investment benefits and change in valuation of investment contracts	1 April – 30 June 2011	1 January – 30 June 2011	1 April – 30 June 2010	1 January – 30 June 2010
Resulting from investment contracts with guaranteed and fixed terms and conditions	29 632	51 220	8 463	30 685
- interest expenses included in the effective interest rate	29 632	51 220	8 705	30 685
- embedded options	-	-	(242)	-
Resulting from unit-linked investment contracts	(28 331)	(14 280)	(16 246)	24 319
Total investment benefits and change in valuation of investment contracts	1 301	36 940	(7 783)	55 004

9.20. Administrative expenses, acquisition costs and loss adjusting costs, by type

Administrative expenses, acquisition costs and loss adjusting costs, by type	1 April – 30 June 2011	1 January – 30 June 2011	1 April – 30 June 2010	1 January – 30 June 2010
Consumption of materials and energy	19 593	39 847	22 674	49 130
External services	130 271	261 821	159 361	299 824
Taxes and charges	12 247	38 375	17 951	42 546
Employee expenses	341 458	698 322	405 622	786 609
Depreciation of property, plant and equipment	24 800	48 038	26 964	57 794
Amortization of intangible assets	12 781	24 355	14 977	25 873
Other (by type), including:	405 157	797 894	395 362	752 185
- direct business commission	312 310	645 161	299 009	589 874
- advertisement	19 492	33 785	21 836	36 301
- change in capitalized acquisition costs	1 973	(25 552)	(3 094)	(32 595)
- remuneration of intermediaries in companies	53 516	107 792	53 492	106 687
- other	17 866	36 708	24 119	51 918
Total administrative expenses, acquisition costs and loss adjusting costs	946 307	1 908 652	1 042 911	2 013 961

9.21. Other operating expenses

Other operating expenses	1 April – 30 June 2011	1 January – 30 June 2011	1 April – 30 June 2010	1 January – 30 June 2010
Insurance Guarantee Fund	7 242	14 354	4 393	9 396
National Headquarters of the State Fire Service and Volunteer Fire Service Association	2 605	24 791	2 597	26 438
Compulsory payments to the insurance market institutions	12 217	27 405	12 008	29 729
Expenses due to prevention activities	2 169	7 681	4 702	13 352
Costs of manufacturing of products and acquisition of goods at the Armatura Group	56 909	98 083	-	-
Other	41 942	82 074	39 367	55 277
Total other operating expenses	123 084	254 388	63 067	134 192

9.22. Financial expenses

Financial expenses	1 April – 30 June 2011	1 January – 30 June 2011	1 April – 30 June 2010	1 January – 30 June 2010
Interest, including:	5 129	6 874	11 635	58 654
- loans	4 003	4 434	11 635	58 654
- credit facilities	1 126	2 440	-	-
Other, including:	351	(1 098)	-	-
- exchange differences	344	(1 105)	-	-
- other	7	7	-	-
Total financial expenses	5 480	5 776	11 635	58 654

10. Contingent assets and liabilities

Contingent assets and liabilities	30 June 2011	31 March 2011	31 December 2010	30 June 2010	31 December 2009
Contingent assets, including:	5 001	4 528	4 528	3 901	3 699
Guarantees and sureties received	5 001	4 528	4 528	3 901	3 699
Contingent liabilities	93 174	88 163	136 699	86 441	1 000 074 157
Guarantees and sureties issued	6 469	7 183	8 543	7 291	7 714
Disputable claims related to insurance	53 438	55 510	64 426	45 583	1 000 045 496
Other disputable claims	32 370	24 536	62 704	32 514	19 865
Other	897	934	1 026	1 053	1 082

11. Solvency

The principles for calculation of the required solvency margin and the minimum value of the guarantee fund have been laid down in the Ordinance of 28 November 2003 on the manner of calculation of the solvency margin and the minimum amount of the guarantee fund for insurance sections and classes (Journal of Laws No. 211 of 2003, item 2060, the "Solvency Margin Ordinance").

Detailed information regarding the manner of calculating the solvency margin has been presented in the consolidated financial statements of the PZU Group for 2010.

The financial data relied upon in calculation of the value of own funds and the required solvency margin have been determined based on Polish Accounting Standards.

Presented below is the calculation of own funds covering the required solvency margin of PZU.

Calculation of own funds to cover the required solvency margin	30 June 2011	31 March 2011	31 December 2010	30 June 2010	31 December 2009
PZU equity	11 191 406	12 409 924	11 902 186	10 489 877	10 411 542
Intangible assets	(67 408)	(63 192)	(63 526)	(50 679)	(49 560)
Value of shares in insurance companies operating within the insurance capital group of PZU	(5 552 482)	(6 741 493)	(6 599 272)	(5 495 433)	(7 463 664)
Deferred tax asset	(295 927)	(277 533)	(276 036)	(258 480)	(213 126)
Effect of other insurance companies operating within the insurance capital group of PZU on the value of PZU's own funds:	3 565 444	5 080 265	4 630 089	3 544 807	5 576 452
PZU Życie (100.00%)	3 559 580	5 067 373	4 534 446	3 564 785	5 584 807
Own funds	5 268 971	6 727 364	6 232 554	5 124 487	7 223 775
Required solvency margin	1 709 391	1 659 991	1 698 108	1 559 702	1 638 968
Surplus of own funds to cover the required solvency margin	3 559 580	5 067 373	4 534 446	3 564 785	5 584 807
UAB DK PZU Lietuva (99.76%)	13 818	13 785	12 313	7 316	6 792
Own funds	40 976	42 049	40 117	38 307	39 638
Required solvency margin	27 125	28 231	27 774	30 974	32 830
Surplus of own funds to cover the required solvency margin	13 851	13 818	12 343	7 333	6 808
PrJSC IC PZU Ukraine (100.00%)	(11 047)	(5 672)	76 701	(17 863)	(11 654)
Own funds	4 522	11 173	93 131	(2 120)	1 697
Required solvency margin	15 569	16 845	16 430	15 743	13 351
Surplus of own funds to cover the required solvency margin	(11 047)	(5 672)	76 701	(17 863)	(11 654)
Other insurance companies	3 093	4 779	6 629	(9 431)	(3 493)
Own funds of PZU	8 841 033	10 407 971	9 593 441	8 230 092	8 261 644
Required solvency margin of PZU	1 336 216	1 333 798	1 338 798	1 336 216	1 338 798
Guarantee fund of PZU	445 405	444 599	446 266	445 405	446 266
Surplus of own funds to cover the required solvency margin	7 504 817	9 074 173	8 254 643	6 893 876	6 922 846
Surplus of own funds to cover the	8 395 628	9 963 372	9 147 175	7 784 687	7 815 378

guarantee fund

12. Segment reporting

IFRS 8 requires identification of operating segments on the basis of internal reports that are regularly reviewed by the entity's decision makers responsible for allocation of resources to the segment and assessment of its performance.

Based on the criterion of products and services offered by the PZU Group companies subject to consolidation, the following operating segments have been identified:

- property and casualty insurance;
- life insurance;
- pension insurance.

The segments have not been aggregated due to their nature.

The accounting principles used for segment reporting purposes are the same as those presented in point 3.

The financial data of the pension insurance segment have not met the quantitative thresholds defined in IFRS 8.13. However, due to their unique nature and the internal financial reporting system used by the PZU Group, they have been presented separately.

The PZU Group applies additional geographical segmentation based on which the following segments have been identified:

- Poland;
- Lithuania;
- Ukraine.

All business transactions among operating and geographical segments are concluded on arm's length terms.

PLN '000

Income statement by segments for 1 April – 30 June 2011	Property and casualty insurance	Life insurance	Pension insurance	Unallocated (consolidation eliminations and other)	Consolidated value
Gross written premiums - external	2 023 180	1 673 198	-	-	3 696 378
Gross written premiums - cross-segment	483	-	-	(483)	-
Reinsurer's share in gross written premium	(38 106)	(293)	-	-	(38 399)
Net written premium including:	1 985 557	1 672 905	-	(483)	3 657 979
Net written premium - external	1 985 074	1 672 905	-	-	3 657 979
Net written premium - cross-segment	483	-	-	(483)	-
Change in net provision for unearned premium	39 108	545	-	(67)	39 586
Net earned premiums	2 024 665	1 673 450	-	(550)	3 697 565
Revenue from commissions and fees	-	-	62 969	14 985	77 954
Net investment income (external transactions)	225 120	221 928	3 092	38 777	488 917
Net investment income (cross-segment transactions)	1 987 803*	104 840**	-	(2 092 643)	-
Net profit or loss on realization and impairment loss on investments	(104 524)	40 320	-	125 997	61 793
Net change in the fair value of assets and liabilities measured at fair value	(10 288)	95 060	-	(30 482)	54 290
Other operating revenue	20 086	12 209	303	55 710	88 308
Claims and change in technical provisions	(1 483 025)	(1 191 510)	-	2 559	(2 671 976)
Reinsurers' share in claims and change in technical provisions	54 510	(3)	-	-	54 507
Net insurance claims	(1 428 515)	(1 191 513)	-	2 559	(2 617 469)
Claims and change in measurement of investment contracts	-	-	-	(1 301)	(1 301)
Acquisition expense	(377 587)	(83 780)	(25 264)	4 105	(482 526)
Administrative expense	(140 783)	(144 049)	(18 647)	(756)	(304 235)
Other operating expense	(31 063)	(27 068)	(755)	(64 198)	(123 084)
Operating profit (loss)	2 164 914*	701 397**	21 698	(1 947 797)	940 212
Financial expense	(3 164)	(1 879)	-	(437)	(5 480)
Gross profit (loss)	2 161 750*	699 518**	21 698	(1 948 234)	934 732
Income tax	(60 784)	(108 626)	(3 759)	(394)	(173 563)
Net profit (loss)	2 100 966*	590 892**	17 939	(1 948 628)	761 169

* including revenue due to dividend from PZU Życie of PLN 1,987,282 thousand

** including revenue due to dividend from PTE PZU of PLN 99,571 thousand

PLN '000

Income statement by segments for 1 January – 30 June 2011	Property and casualty insurance	Life insurance	Pension insurance	Unallocated (consolidation eliminations and other)	Consolidated value
Gross written premiums - external	4 339 851	3 333 411	-	-	7 673 262
Gross written premiums - cross-segment	705	-	-	(705)	-
Reinsurer's share in gross written premium	(148 650)	(1 984)	-	-	(150 634)
Net written premium including:	4 191 906	3 331 427	-	(705)	7 522 628
Net written premium - external	4 191 201	3 331 427	-	-	7 522 628
Net written premium - cross-segment	705	-	-	(705)	-
Change in net provision for unearned premium	(256 538)	3 766	-	(157)	(252 929)
Net earned premiums	3 935 368	3 335 193	-	(862)	7 269 699
Revenue from commissions and fees	-	-	128 977	27 250	156 227
Net investment income (external transactions)	421 808	397 555	6 521	68 938	894 822
Net investment income (cross-segment transactions)	1 988 016*	104 947**	-	(2 092 963)	-
Net profit or loss on realization and impairment loss on investments	(184 553)	14 843	-	101 959	(67 751)
Net change in the fair value of assets and liabilities measured at fair value	7 023	251 392	-	(6 427)	251 988
Other operating revenue	51 484	31 404	307	210 046	293 241
Claims and change in technical provisions	(2 676 634)	(2 401 798)	-	2 600	(5 075 832)
Reinsurers' share in claims and change in technical provisions	57 538	(3)	-	-	57 535
Net insurance claims	(2 619 096)	(2 401 801)	-	2 600	(5 018 297)
Claims and change in measurement of investment contracts	-	-	-	(36 940)	(36 940)
Acquisition expense	(745 981)	(157 140)	(36 346)	(13 574)	(953 041)
Administrative expense	(291 849)	(296 370)	(38 972)	(6 005)	(633 196)
Other operating expense	(91 430)	(58 857)	(871)	(103 230)	(254 388)
Operating profit (loss)	2 470 790*	1 221 166**	59 616	(1 849 208)	1 902 364
Financial expense	(2 555)	(1 879)	-	(1 342)	(5 776)
Gross profit (loss)	2 468 235*	1 219 287**	59 616	(1 850 550)	1 896 588
Income tax	(124 720)	(206 496)	(11 074)	(1 894)	(344 184)
Net profit (loss)	2 343 515*	1 012 791**	48 542	(1 852 444)	1 552 404

* including revenue due to dividend from PZU Życie of PLN 1,987,282 thousand

** including revenue due to dividend from PTE PZU of PLN 99,571 thousand

PLN '000

Income statement by segments for 1 April – 30 June 2010	Property and casualty insurance	Life insurance	Pension insurance	Unallocated (consolidation eliminations and other)	Consolidated value
Gross written premiums – external	1 864 536	1 622 545	-	-	3 487 081
Gross written premiums - cross-segment	74	-	-	(74)	-
Reinsurer's share in gross written premium	(27 809)	(1 068)	-	-	(28 877)
Net written premium including:	1 836 801	1 621 477	-	(74)	3 458 204
Net written premium – external	1 836 727	1 621 477	-	-	3 458 204
Net written premium - cross-segment	74	-	-	(74)	-
Change in net provision for unearned premium	100 587	(61)	-	(376)	100 150
Net earned premiums	1 937 388	1 621 416	-	(450)	3 558 354
Revenue from commissions and fees	-	-	61 005	6 453	67 458
Net investment income (external transactions)	287 764	245 023	4 221	16 759	553 767
Net investment income (cross-segment transactions)	3 120 349*	116 429**	-	(3 236 778)	-
Net profit or loss on realization and impairment loss on investments	2 274	9 341	-	13 865	25 480
Net change in the fair value of assets and liabilities measured at fair value	(53 834)	(146 277)	-	(26 801)	(226 912)
Other operating revenue	48 108	20 805	740	(16 298)	53 355
Claims and change in technical provisions	(2 003 844)	(1 068 193)	-	(103)	(3 072 140)
Reinsurers' share in claims and change in technical provisions	425 492	-	-	-	425 492
Net insurance claims	(1 578 352)	(1 068 193)	-	(103)	(2 646 648)
Claims and change in measurement of investment contracts	-	-	-	7 783	7 783
Acquisition expense	(364 810)	(67 013)	(12 890)	(9 495)	(454 208)
Administrative expense	(217 639)	(157 514)	(19 741)	(9 540)	(404 434)
Other operating expense	(39 136)	(17 331)	(58)	(6 542)	(63 067)
Operating profit (loss)	3 142 112*	556 686**	33 277	(3 261 147)	470 928
Financial expense	(11 635)	-	-	-	(11 635)
Gross profit (loss)	3 130 477*	556 686**	33 277	(3 261 147)	459 293
Income tax	(6 390)	(82 864)	(5 077)	(2 540)	(96 871)
Net profit (loss)	3 124 087*	473 822**	28 200	(3 263 687)	362 422

* including revenue due to dividend from PZU Życie of PLN 3,120,000 thousand

** including revenue due to dividend from PTE PZU of PLN 116,809 thousand

PLN '000

Income statement by segments for 1 January – 30 June 2010	Property and casualty insurance	Life insurance	Pension insurance	Unallocated (consolidation eliminations and other)	Consolidated value
Gross written premiums - external	4 063 840	3 228 014	-	-	7 291 854
Gross written premiums - cross-segment	640	-	-	(640)	-
Reinsurer's share in gross written premium	(114 124)	(1 605)	-	-	(115 729)
Net written premium including:	3 950 356	3 226 409	-	(640)	7 176 125
Net written premium - external	3 949 716	3 226 409	-	-	7 176 125
Net written premium - cross-segment	640	-	-	(640)	-
Change in net provision for unearned premium	(174 607)	1 771	-	(371)	(173 207)
Net earned premiums	3 775 749	3 228 180	-	(1 011)	7 002 918
Revenue from commissions and fees	-	-	115 947	14 143	130 090
Net investment income (external transactions)	477 757	467 240	9 281	40 189	994 467
Net investment income (cross-segment transactions)	3 120 713*	116 186**	-	(3 236 899)	-
Net profit or loss on realization and impairment loss on investments	41 732	72 446	-	46 576	160 754
Net change in the fair value of assets and liabilities measured at fair value	(10 761)	92 936	-	24 744	106 919
Other operating revenue	59 665	44 242	1 143	(25 801)	79 249
Claims and change in technical provisions	(3 360 238)	(2 163 938)	-	(56)	(5 524 232)
Reinsurers' share in claims and change in technical provisions	403 320	-	-	-	403 320
Net insurance claims	(2 956 918)	(2 163 938)	-	(56)	(5 120 912)
Claims and change in measurement of investment contracts	-	-	-	(55 004)	(55 004)
Acquisition expense	(700 433)	(143 939)	(25 124)	(27 014)	(896 510)
Administrative expense	(393 182)	(325 285)	(40 704)	(8 513)	(767 684)
Other operating expense	(98 404)	(51 897)	(97)	16 206	(134 192)
Operating profit (loss)	3 315 918*	1 336 171**	60 446	(3 212 440)	1 500 095
Financial expense	(58 654)	-	-	-	(58 654)
Gross profit (loss)	3 257 264*	1 336 171**	60 446	(3 212 440)	1 441 441
Income tax	(33 390)	(226 606)	(10 208)	(1 403)	(271 607)
Net profit (loss)	3 223 874*	1 109 565**	50 238	(3 213 843)	1 169 834

* including revenue due to dividend from PZU Życie of PLN 3,120,000 thousand

** including revenue due to dividend from PTE PZU of PLN 116,809 thousand

1 January - 30 June 2011 and at 30 June 2011	Property and casualty insurance	Life insurance	Pension insurance	Unallocated (consolidation eliminations and other)	Consolidated value
Segment assets, including:	25 803 893	28 635 879	289 453	2 572 053	57 301 278
Deferred tax assets	870	-	2 632	12 603	16 105
Entities measured using the equity method	-	-	-	-	-
Liabilities	19 209 146	22 812 929	37 678	3 010 827	45 070 580
Investment outlays in the period*	24 983	17 319	19	4 243	46 564
Depreciation for the period*	(40 867)	(27 819)	(212)	(11 186)	(80 084)
Impairment loss on assets*	(314)	-	-	-	(314)
Reversal of impairment loss on assets *	1 424	-	-	-	1 424

* applicable to intangible assets and property, plant and equipment

1 January - 31 March 2011 and at 31 March 2011	Property and casualty insurance	Life insurance	Pension insurance	Unallocated (consolidation eliminations and other)	Consolidated value
Segment assets, including:	22 723 107	27 118 593	378 304	3 420 560	53 640 564
Deferred tax assets	899	-	2 751	12 338	15 988
Entities measured using the equity method	-	-	-	-	-
Liabilities	16 083 344	19 861 863	44 828	3 915 851	39 905 886
Investment outlays in the period*	6 942	6 139	-	1 777	14 858
Depreciation for the period*	(20 563)	(14 353)	(113)	(6 916)	(41 945)
Impairment loss on assets*	-	-	-	-	-
Reversal of impairment loss on assets *	1 717	2 637	-	-	4 354

* applicable to intangible assets and property, plant and equipment

1 January - 31 December 2010 and at 31 December 2010	Property and casualty insurance	Life insurance	Pension insurance	Unallocated (consolidation eliminations and other)	Consolidated value
Segment assets, including:	21 333 554	26 191 364	347 159	2 798 480	50 670 557
Deferred tax assets	940	-	3 320	12 385	16 645
Entities measured using the equity method	-	-	-	-	-
Liabilities	14 963 924	19 385 748	43 443	3 477 516	37 870 631
Investment outlays in the period*	102 566	97 788	326	10 156	210 836
Depreciation for the period*	(90 114)	(61 118)	(532)	(18 607)	(170 371)
Impairment loss on assets*	(2 137)	(915)	-	-	(3 052)
Reversal of impairment loss on assets *	3 623	8 073	-	-	11 696

* applicable to intangible assets and property, plant and equipment

1 January - 30 June 2010 and at 30 June 2010	Property and casualty insurance	Life insurance	Pension insurance	Unallocated (consolidation eliminations and other)	Consolidated value
Segment assets, including:	21 935 875	24 617 339	289 843	732 604	47 575 661
Deferred tax assets	886	-	3 437	16 158	20 481
Entities measured using the equity method	-	-	-	-	-
Liabilities	15 845 551	18 934 133	34 947	1 422 249	36 236 880
Investment outlays in the period*	44 774	44 958	194	10 678	100 604
Depreciation for the period*	(43 975)	(31 932)	(267)	(10 704)	(86 878)
Impairment loss on assets*	(826)	-	-	-	(826)
Reversal of impairment loss on assets *	646	7 892	-	-	8 538

* applicable to intangible assets and property, plant and equipment

PLN '000

1 January - 30 June 2011 and at 30 June 2011	Poland	Lithuania	Ukraine	Unallocated (consolidation eliminations and other)	Consolidated value
Gross written premiums - external	7 544 190	76 638	52 434	-	7 673 262
Gross written premiums - cross-segment	2 034	-	-	(2 034)	-
Revenue from commissions and fees	156 227	-	-	-	156 227
Net investment income (external transactions)	887 737	3 547	3 537	-	894 822
Net profit or loss on realization and impairment loss on investments (external transactions)	(66 745)	(671)	(334)	-	(67 751)
Net change in the fair value of assets and liabilities measured at fair value (external transactions)	251 874	114	-	-	251 988
Non-current assets other than financial instruments*	1 215 806	9 465	6 340	(1 634)	1 229 978
Deferred tax assets	15 235	-	870	-	16 105
Assets	57 264 629	241 214	111 250	(315 815)	57 301 278

* applicable to intangible assets and property, plant and equipment

1 January - 31 December 2010 and at 31 December 2010	Poland	Lithuania	Ukraine	Unallocated (consolidation eliminations and other)	Consolidated value
Non-current assets other than financial instruments*	1 084 751	9 533	7 043	(1 849)	1 099 478
Deferred tax assets	15 705	-	940	-	16 645
Assets	50 726 758	228 924	187 409	(472 534)	50 670 557

* applicable to intangible assets and property, plant and equipment

1 January - 30 June 2010 and at 30 June 2010	Poland	Lithuania	Ukraine	Unallocated (consolidation eliminations and other)	Consolidated value
Gross written premiums - external	7 166 916	77 504	47 434	-	7 291 854
Gross written premiums - cross-segment	2 309	-	-	(2 309)	-
Revenue from commissions and fees	130 090	-	-	-	130 090
Net investment income (external transactions)	986 692	5 053	2 722	-	994 467
Net profit or loss on realization and impairment loss on investments (external transactions)	160 513	246	(5)	-	160 754
Net change in the fair value of assets and liabilities measured at fair value (external transactions)	105 825	1 094	-	-	106 919
Non-current assets other than financial instruments*	1 099 044	9 687	8 626	(1 920)	1 115 437
Deferred tax assets	19 595	-	886	-	20 481
Assets	47 564 096	253 908	216 875	(459 218)	47 575 661

* applicable to intangible assets and property, plant and equipment

13. Issues, redemption and repayment of debt and equity securities

13.1. PZU

During the 6-month period ended 30 June 2011, PZU did not issue, redeem or repay any debt or equity securities.

14. Credit facility/loan collateral or guarantees given by PZU or its subsidiaries

During the 6-month period ended 30 June 2011, neither PZU nor its subsidiaries gave credit facility/loan collateral or guarantees - to one entity or a subsidiary of such an entity - if the total value of the existing collateral or guarantees constituted the equivalent of at least 10% of the equity of PZU.

15. Dividends

As regards the profit for 2010 and the preceding years, only the profit disclosed in the separate financial statements of the parent company, drawn up in accordance with the Polish Accounting Standards, is subject to distribution.

On 11 May 2011, the Management Board of PZU adopted resolution concerning the dividend policy of PZU. The assumptions include:

- the basis for the dividend paid by PZU for a given financial year will be the consolidated profit/loss of the PZU Group in accordance with IFRS;
- dividend amount:
 - cannot be lower than 50% and higher than 100% of the consolidated net profit disclosed in the consolidated financial statements prepared in line with IFRS;
 - cannot be higher than the separate net profit of PZU disclosed in the separate financial statements prepared in line with PAS;
 - cannot lead to a reduction of the equity of PZU below the amount corresponding to 250% of the solvency margin;
 - cannot lead to a reduction in the financial strength of the PZU Group below the level corresponding to the AA rating of Standard & Poor's;
 - should consider additional capital needs of PZU in the twelve months following approval of the consolidated financial statements of the PZU Group for a given year by the Management Board of PZU.
- the equity and the solvency margin are calculated in line with the prudential standards established for the Polish insurance market.

Also on 11 March 2011, the Management Board of PZU adopted a resolution concerning the proposed distribution of net profit for 2010 of PLN 3,516,709 thousand:

- PLN 2,245,160 thousand for dividends for shareholders;
- PLN 1,271,549 thousand for supplementary capital.

On 30 June 2011 the General Shareholders' Meeting of PZU adopted a resolution concerning distribution of net profit for 2010 compliant with the above suggestion assuming payment of dividend of PLN 26.00 per share and setting the record date at 30 September 2011 and the day of payment at 21 October 2011.

16. Receivables and liabilities due to litigious proceedings

The entities in the PZU Group are parties to a number of court and arbitration disputes and administrative proceedings. The typical court disputes are those related to insurance contracts, employment contracts and contractual obligations. The typical administrative proceedings are those

held before the President of the Office of Competition and Consumer Protection (UOKiK), before the Polish Financial Supervision Authority and those related to own real property. The proceedings and disputes are typical and repetitive and, usually, individually they are not significant for the PZU Group. Most disputes the PZU Group companies are parties to pertain to two companies: PZU and PZU Życie.

PZU and PZU Życie consider such claims when creating technical provisions for reported damages, considering the probability of an unfavourable decision of the court and estimating the value of probable settlement. Disputable claims regarding revaluation of annuities at PZU Życie are recognized in other technical provisions in the amount of annual annuity in excess of the corresponding provision amount as determined under mathematical provisions for life insurance purposes.

During the 6-month period ended 30 June 2011 and by the date of submission of the interim statements, the PZU Group did not take part in any proceedings before court, body competent to hear arbitration proceedings or public authority body concerning liabilities or receivables of PZU or its direct or indirect subsidiary of the value or the total value of at least 10% of the equity of PZU.

As of 30 June 2011 the total value of all 21.853 cases heard by courts, bodies competent to hear arbitration proceedings or public authority bodies involving the PZU Group companies was PLN 1.567.092 thousand. The amount includes PLN 1.142.724 thousand of liabilities and PLN 424.368 thousand of receivables of the PZU Group companies, which constituted 10,21% and 3,79% of PZU equity calculated in line with PAS, respectively.

16.1. Dispute with CSC Computer Sciences Polska Sp. z o.o.

On 9 April 2010 the Court of Arbitration served on PZU Życie a statement of claim for payment. The case against PZU Życie was brought by CSC Computer Sciences Polska sp. z o. o. which demanded payment of EUR 8 437 thousand with respect to implementation of the GraphTalk system at PZU Życie. Following further amendments in claim, CSC is demanding the total of PLN 36,823 thousand.

The amount sought by CSC includes the claims related to licence fees, implementation works, maintenance of the computer system, service works, fee for computer systems, liquidated damages and capitalized interest.

On 31 May 2010 in response to the statement of claim, PZU Życie requested that the Court of Arbitration rule that the court temporarily refuses jurisdiction for some claims and dismissed the entire claims. In the opinion of PZU Życie, the claims of CSC are either unfounded or have not been proven.

PZU Życie also filed a counter claim against CSC, demanding payment of PLN 71 890 thousand as a return of remuneration collected by CSC under the concluded contract or as damages for undue performance of obligations under the concluded contract. In response to the counter claim, on 31 August 2010, CSC requested that the claim of PZU Życie be dismissed in whole, indicating the absence of evidence to accept it.

Additionally, on 21 December 2010, PZU Życie placed a motion for amicable settlement related to the amount of PLN 123,326 thousand claimed from CSC as damages arising from undue performance of an agreement or for a return of the contractual fee paid to CSC in the amount of PLN 71,890 thousand. During the court proceedings on 8 February 2011 the parties failed to reach a settlement. The court discontinued the case for amicable settlement. The decision is valid.

16.2. Proceedings conducted by the Office of Competition and Consumer Protection against PZU Życie

On 1 June 2005, at the request of several petitioners, the President of UOKiK instituted antimonopoly proceedings on suspicion of abuse by PZU Życie of its dominant position in the market of employee group insurance, which might breach the provisions of Article 8 of the Act on competition and consumer protection and Article 82 of the Treaty Establishing the European Community. In the decision of 25 October 2007 concluding the proceedings, the President of UOKiK imposed a fine of PLN 50 384 thousand on PZU Życie for hindering access to the competitors' offers.

The Management Board of PZU Życie disagrees both with the findings and legal arguments presented in the decision. According to the Management Board of PZU Życie, the decision did not take into

account all the evidence and the legal qualification was incorrect, as a result of which it was assumed wrongly that the market position of PZU Życie was dominant.

PZU Życie appealed against the decision to the Court of Competition and Consumer Protection, presenting 38 substantive and formal charges with respect to the decision issued by the President of UOKiK. On 31 May 2011 the Court issued a ruling whereby it dismissed the appeal of PZU Życie on the grounds that the decision of the President of UOKiK of 25 October 2007 was not correctly served on PZU Życie and thus the period available to PZU Życie to appeal against the decision did not start. The ruling has been appealed against by both parties. Having considered the appeals placed by the plaintiff and the defendant, in a ruling of 26 October 2010, the court of second instance cancelled the disputed decision.

In a ruling of 17 February 2011, the District Court in Warsaw – Consumer and Competition Protection Court – partly modified the decision in question, at the same time dismissing the appeal lodged by PZU Życie in relation to the amount of penalty. On 6 May 2011, PZU Życie appealed against the decision.

17. Other information

17.1. Rating of the PZU Group companies by credit rating agencies

PZU and PZU Życie are regularly rated by credit rating agencies. The rating assigned to PZU and PZU Życie results from an analysis of the financial information, competitive position, management and corporate strategy. It also includes a rating outlook, i.e. an assessment of the future position of the Company in the event specific circumstances occur.

As at the date of submission of this report, PZU and PZU Życie SA had an A long-term credit rating and financial strength rating (assigned by Standard & Poor's Ratings Services on 16 July 2009) and a stable rating outlook. Every year, Standard & Poor's Ratings Services confirmed the above rating and Outlook (on 22 July 2011 and 5 July 2010, respectively).

The table below presents the ratings on the PZU Group companies by Standard&Poor's, together with the previous year ratings:

Company name	Rating and outlook	Assignment date	Rating and outlook	Assignment date
PZU				
Financial strength rating	A /stable/	22 July 2011	A /stable/	5 July 2010
Credit rating	A /stable/	22 July 2011	A /stable/	5 July 2010
PZU Życie				
Financial strength rating	A /stable/	22 July 2011	A /stable/	5 July 2010
Credit rating	A /stable/	22 July 2011	A /stable/	5 July 2010

17.2. Changes in the by-laws of PZU

On 1 June 2011, upon the request of the State Treasury, the Extraordinary Shareholders' Meeting of PZU adopted a resolution to change the By-laws of PZU and passed all changes included in the request of the shareholder.

Changes in the By-laws were connected with:

- editorial changes: removal of transitory provisions related to the operations of PZU before and after listing on the regulated market to improve the transparency of the By-laws of PZU - deleted provisions which have become redundant as the conditions described in the provisions were fulfilled.

- restriction of the voting right of the shareholders following adoption of the rules of accumulation and reduction of votes.

The voting right of the shareholders was restricted in a way that none of them can exercise more than 10% of the total number of votes at PZU at the date of the General Meeting, with the reservation that for the needs of determination of the obligations of the parties acquiring material blocks of shares provided for in the Act on public offering, conditions governing the introduction of financial instruments to organized trading, and public companies of 29 July 2005 (Journal of Laws 185 of 2005, item. 1539, as amended) and Act on insurance activity of 22 May 2003 (Journal of Laws of No. 11 of 2010, item 66, as amended, "Act on insurance activity") such voting restrictions will not apply. For the purposes of voting rights restrictions, the votes of the shareholders being parent companies or subsidiaries will be added up.

The restrictions do not apply to the State Treasury and the shareholders co-operating with it based on agreements concerning joint voting rights attached to the shares. The voting restrictions expire when the interest of the State Treasury in the share capital of PZU will fall below 5%.

- appointment of the Supervisory Board.

Members of the Supervisory Board of PZU are appointed and dismissed by the General Meeting.

Until the interest of the State Treasury in the share capital of PZU is above 20%, half of the members of the Supervisory Board are appointed by the General Meeting from among the persons indicated by the State Treasury.

Once the right of the State Treasury expires, it is transferred to another shareholder representing the highest interest in the share capital of PZU, provided that its share will be at least 20% of the share capital.

Additionally, until the State Treasury remains the shareholder of the Company, it has the right to appoint and dismiss one member of the Supervisory Board by a written representation to the Management Board, in accordance with Article 354.1 of the Code of commercial companies (Journal of Laws No. 94 of 2000, item 1037, as amended). Such appointment and dismissal is effective upon the service of a relevant representation to the Management Board and does not require a resolution of the General Meeting.

On 6 June 2011, pursuant to Article 32.2.4 and 32.2.7 of the Act on insurance activity, PZU requested that the Polish Financial Supervision Authority approves the changes to the By-laws. On 28 June 2011, the Polish Financial Supervision Authority granted such approval.

In accordance with the current By-laws of PZU (version registered at the National Court Register on 9 September 2010), the consolidated text of the By-laws of PZU is determined by the Supervisory Board of PZU, which passed the consolidated text of the By-laws on 29 July 2011. Changes to the By-laws will come into force upon registration by the registry court. The By-laws registered on 9 September 2010 remain effective, until the court gives a ruling concerning the changes in data in the National Court Register.

The above changes to the By-laws resulted from the need to ensure a stable position of PZU. They ensure stability in the exercising of the voting rights attached to shares and this way prevent actions leading to speculative trade in the shares of PZU, especially those which could result in temporary investment decisions. The objective of the changes concerning the rules of appointment of the Supervisory Board is to ensure a long-term stability in the management of PZU and consistent fulfilment of the set goals.

The changes prevent an entry of a strategic investor into PZU.

17.3. Decrease in the share capitals of insurance companies in the PZU Group in Ukraine

On 10 March 2011, PZU Ukraine and on 21 April 2011, PrJSC IC PZU Ukraine Life Insurance received protocols concerning a breach of the licence requirements from the Ukrainian insurance supervision due to inappropriate level of net assets (pursuant to the regulatory requirements, the net assets of an insurance undertaking may not be lower than the share capital).

In view of the above, in 2010 the share capitals of the companies were increased. The second stage of the capital restructuring was redemption of treasury shares.

On 27 December 2010, the Extraordinary Shareholders' Meetings of PZU Ukraine and PZU Ukraine Life passed resolutions regarding redemption of:

- 29,207,233 shares at a price lower than the nominal price (UAH 10) i.e. UAH 7.19 per share;
- 167,989 shares at a price lower than the nominal price (UAH 100) i.e. UAH 21.43 per share;

On 18 January 2011, PZU concluded:

- an agreement with PZU Ukraine on the sale of 29,207,233 shares at UAH 7.19 per share totalling UAH 210,000 thousand (an equivalent of USD 26,448 thousand (PLN 75,380 thousand) was received on 31 January 2011);
- an agreement with PZU Ukraine Life on the sale of 139,991 shares at UAH 21.43 per share totalling UAH 3,000 thousand (the equivalent of USD 378 thousand (PLN 1,077 thousand) was received on 31 January 2011).

On 2 February 2011, based on the above agreements, PZU transferred ownership of the shares to acquirers.

The remaining 27,998 shares of PZU Ukraine Life designed for redemption were purchased from PZU Ukraine (pursuant to an agreement concluded on 18 January 2011). In this way, PZU did not lose the controlling interest in PZU Ukraine Life.

On 25 March 2011, the Extraordinary Shareholders' Meetings of PZU Ukraine and PZU Ukraine Life passed resolutions regarding redemption of shares and reduction of the share capital:

- PZU Ukraine - redemption of 29,207,233 shares of the face value of UAH 10.00 per share, of the total value of UAH 292,072 thousand and reduction of the share capital by such amount, from UAH 308,226 thousand to UAH 16,154 thousand;
- PZU Ukraine Life - redemption of 167,989 shares of the face value of UAH 100.00 per share, of the total value of UAH 16,799 thousand and reduction of the share capital by such amount, from UAH 33,000 thousand to UAH 16,201 thousand.

Changes to the by-laws of PZU Ukraine and PZU Ukraine Life resulting from the reduction of the share capitals were registered on 28 March 2011 and the entire process of capital reduction was completed on 28 April 2011 with a certificate of shares issue registration by the State Commission for Securities and Stock Market.

On 22 June 2011, having analysed the financial statements of PZU Ukraine as at 31 December 2010, Ukrainian Insurance Supervisory Authority found it in breach of the license requirement (according to which the net assets of an insurance company cannot be lower than its share capital) and ordered PZU Ukraine to eliminate the breach by 30 September 2011. The share capital reduction as described above resulted in elimination of the breach in April 2011.

17.3.1. Capital shortage at PZU Ukraine Life

Due to a reduction of the share capital of PZU Ukraine Life and then a significant increase in the EUR/UAH exchange rate, the company ceased to meet the minimum share capital requirement, which the Ukrainian insurance act sets at EUR 1,500 thousand for life insurance companies (in accordance with the EUR/UAH exchange rate as at 31 March 2011 it was UAH 16,823 thousand which meant a capital shortage by UAH 622 thousand as at that date).

On 18 April 2011, the Supervisory Board of PZU Ukraine and PZU Ukraine Life were presented a plan for mutual capital injection of approx. UAH 8,000 thousand, i.e. the shares of PZU Ukraine Life will be assumed by PZU Ukraine and vice versa. Thanks to the transactions the licence requirements will be met without additional funds of PZU.

On 30 June 2011, based on recommendations of the Supervisory Boards, the Extraordinary Shareholders' Meetings of PZU Ukraine and PZU Ukraine Life, passed resolutions to:

- increase the share capital of PZU Ukraine Life by UAH 2,500 thousand and equity by UAH 7,872 thousand through an issue of 25,000 shares with the face value of UAH 100 per share and the issue price of UAH 314.88 per share,

- increase the share capital of PZU Ukraine by UAH 1,800 thousand and equity by UAH 7,517 thousand through an issue of 180,000 shares with the face value of UAH 10 per share and the issue price of UAH 41,76 per share.

It is planned that the changes to the by-laws of PZU Ukraine and PZU Ukraine Life resulting from the increase in the share capital will be registered by the end of Q3 2011 and the certificates of the State Commission for Securities and Stock Market will be issued at the beginning of Q4 2011.

17.4. Changes in the composition of management and supervisory bodies of PZU

17.4.1. Management Board of PZU

Composition of the Management Board of PZU as at 31 December 2010:

- Andrzej Klesyk - Chairman of the Board;
- Witold Jaworski - Member of the Board;
- Przemysław Dąbrowski - Member of the Board.

On 27 June 2011, the three-year office term of the Management Board expires and therefore on 2 February 2011 the Supervisory Board resolved to open qualification procedure for the position of the Chairman of the Management Board and six Members of the Board for a new term. Selected Management Board members would be in charge of the following tasks: retail business, corporate business, investments, finance, operations and loss adjustment and IT.

On 15 March 2011, the Supervisory Board of PZU appointed Andrzej Klesyk to the new Management Board as the Chairman.

On 21 April 2011, the Supervisory Board of PZU made another decision concerning the composition of the new Management Board.

The Supervisory Board decided to appoint to the Management Board the following persons:

- Tomasz Tarkowski - as Member of the Management Board responsible for the supervision of loss adjustment (appointed also to the existing term as of 21 April 2011).
- Bogusław Skuza - as Member of the Management Board responsible for the supervision of the corporate business;
- Ryszard Trepczyński - as Member of the Management Board responsible for the supervision of investments;
- Marcin Halbersztadt - as Member of the Management Board responsible for the supervision of IT (appointed also to the existing term as of 15 May 2011).

The Board also extended the term for two Members of the Management Board:

- Przemysław Dąbrowski - responsible for the supervision of finance;
- Witold Jaworski - responsible for the supervision or retail business.

Pursuant to the decision of the Supervisory Board of PZU, Bogusław Skuza and Ryszard Trepczyński were appointed to the new Management Board as of 1 July 2011.

Following a General Shareholders' Meeting of 30 June 2011 which approved the separate and consolidated financial statements of PZU for 2010, the new term of the Management Board started on the day following the Meeting, i.e. on 1 July 2011. The term is shared and lasts three consecutive full financial years. The first full financial year is 2012. By the date of submission of these interim statements, the composition of the Management Board of PZU had not undergone any changes.

17.4.2. Supervisory Board of PZU

Composition of the Supervisory Board as of 31 December 2010:

- Marzena Piszczyk Chairperson of the Board;
- Zbigniew Cwiąkański Vice-Chairperson of the Board;
- Grażyna Piotrowska-Oliwa Secretary of the Board;
- Waldemar Maj Member of the Board;

- Piotr Kamiński Member of the Board;
- Krzysztof Dresler Member of the Board;
- Dariusz Filar Member of the Board.

In accordance with the By-laws of PZU, the number of members of the Supervisory Board is specified by a resolution of the General Meeting of PZU. Members of the Supervisory Board are appointed for a shared term which lasts three consecutive full financial years. The Supervisory Board selects the Chairperson and Vice-Chairperson from among its members.

On 30 June 2011, the General Shareholders' Meeting of PZU adopted resolutions whereby the number of Members of the Supervisory Board of PZU was set at seven and such number of persons was appointed to the new Supervisory Board. The new Supervisory Board was formed on 30 June 2011 and comprised the following persons:

- Marzena Piszczek Chairperson of the Board;
- Zbigniew Cwiąkowski Vice-Chairperson of the Board;
- Krzysztof Dresler Secretary of the Board;
- Waldemar Maj Member of the Board;
- Dariusz Filar Member of the Board;
- Zbigniew Derdziuk Member of the Board;
- Dariusz Daniluk Member of the Board.

The first full financial year of the new Supervisory Board is 2012. By the date of submission of these interim statements, the composition of the Supervisory Board of PZU had not undergone any changes.

17.4.3. New Directors in the Group

Directors at the PZU Group as at 31 December 2010:

- Dariusz Krzewina;
- Rafał Grodzicki;
- Przemysław Dąbrowski;
- Mariusz Sarnowski;
- Krzysztof Branny.

On 2 January 2011 Przemysław Dąbrowski resigned from the position of the PZU Group Director, and on 24 January 2011 he was dismissed from the position by the Management Board and replaced by Tomasz Tarkowski on 1 February 2011.

Tomasz Tarkowski ceased to act as the PZU Group Director on 21 April 2011 following his appointment to the Management Board.

On 7 July 2011 following resignation from the position of Vice-Chairman of the Management Board of PZU Życie filed on 20 June 2011, the Management Board of PZU dismissed Mariusz Sarnowski from the position of the PZU Group Director.

On 16 August 2011, Krzysztof Branny resigned from the positions of the Member of the Management Board of PZU Życie and Director of the PZU Group.

Directors at the PZU Group from 17 August 2011 to the date of submission of these interim report:

- Dariusz Krzewina;
- Rafał Grodzicki;

All the present Directors at the PZU Group are also members of PZU Życie Management Board.

17.5. Staff restructuring at PZU SA and PZU Życie SA - first half of 2011

On 29 December 2009, the Management Boards of PZU and PZU Życie announced a plan for implementation of the restructuring program for 2010-2012.

The staff restructuring is related among others to the centralization of functions which so far have been dispersed throughout several centres located in large Polish cities and higher specialization of hired staff. It mostly affects operations, finance, loss adjustment and the PZU Group network.

In 2010, the changes at PZU and PZU Życie affected 6,045 employees, out of which 2,439 were given employment termination notices.

In the period of three months ended 31 March 2011, the process of changes in PZU and PZU Życie covered approximately 90 employees, out of which 33 were given employment termination notices, however, due to the small scale of the redundancies in PZU and PZU Życie, they were carried out as individual and not group lay-offs, which was the case in 2010.

Due to the anticipated scale of the lay-offs in the subsequent months of 2011, on 11 May 2011, the Management Boards of PZU and PZU Życie announced their intention to conduct further group lay-offs.

It was estimated on that date that the change would affect up to 3,316 people, i.e. that a decrease in the number of employees in PZU and PZU Życie would amount to 1,212 employees in 2011.

The 2011 staff restructuring process is related to the continuation of the initiatives commenced in 2010, and includes further integration of separate teams carrying out similar tasks at PZU and PZU Życie, implementation of IT tools and optimisation of processes to allow increasing work efficiency, as well as further centralisation of some functions in the central units. The 2011 staff restructuring process mainly covers the areas of operations, finance, administration, personnel and payroll, loss adjustment and claims in all areas of the regional offices, central units and Headquarters of PZU and PZU Życie.

In accordance with the provisions of the Act of 13 March 2003 on special principles applicable to termination of employment contracts for reasons other than through the fault of employees (*Journal of Laws* No. 90, item 844 as amended, the "Act on special principles applicable to termination of employment"), the level and execution of group lay-offs were consulted with the trade unions operating at PZU and PZU Życie, they concluded with an agreement regarding the wording of an arrangement setting forth the terms and conditions of the 2011 staff restructuring, reached on 26 May 2011 and signed on 30 May 2011 (the "Arrangement").

The Arrangement includes information about the number of employees affected by the restructuring, criteria for redundancy selection, financial package, principles of protection of selected employee groups and the group lay-offs implementation schedule.

Pursuant to the provisions of the Arrangement:

- the group lay-offs process as part of the restructuring process began on 13 June and will end on 10 October 2011;
- staff restructuring at PZU, consisting in changes in the employment terms and conditions or – in the absence of employees' acceptance – dismissals, will affect 1,706 employees and 1,041 employees will definitely receive employment termination notices;
- staff restructuring at PZU Życie, consisting in changes in the employment terms and conditions or – in the absence of employees acceptance – dismissals, will affect 1,317 employees and 637 employees will definitely receive employment termination notices;
- considering that some of the employees are employed at PZU and PZU Życie on a part-time basis, the total number of employees affected by the changes (in the terms and conditions of employment) will not exceed 3,303. Both companies will lay off up to 1,199 people.

Termination terms and conditions offered to the dismissed employees or employees who did not accept the terms and conditions of employment offered to them in the previous (2010 and Q1 2011) and current stages of the restructuring process were and are better than those provided for by the applicable laws (the "Act on special principles applicable to termination of employment"). The amount of additional redundancy pay was and is contingent on the salary of each employee and their time of employment at the PZU Group.

In the period of three months from 1 April to 30 June 2011, the process of changes at PZU and PZU Życie covered 347 employees, out of which 248 were given employment termination notices.

During the period from 1 January to 30 June 2011, the total restructuring costs charged to the provision amounted to PLN 17,728 thousand (in 2010: PLN 147,750 thousand; from 1 January to 30 June 2010: PLN 28,005 thousand).

As at 30 June 2011, the provision for restructuring costs (presented in point 17.5) was PLN 56,555 thousand (31 March 2011: PLN 61,483 thousand; 31 December 2010: PLN 75,253 thousand; 30 June 2010: PLN 132,956 thousand; 31 December 2009: PLN 158,763 thousand), which resulted in a change in the aforesaid provision of PLN 18,698 thousand during the period ended 30 June 2011 (in 2010: PLN 83,510 thousand; in the period of six months ended 30 June 2010: PLN 25,807 thousand).

17.6. Financial Supervision Authority's Inspections in PZU

On 12 January 2001, the Polish Financial Supervision Authority (FSA) commenced an inspection in PZU, which continued until 22 February 2011. Its scope included organisation, management and accounting. On 30 March 2011, PZU received an inspection protocol and submitted its reservations and explanations on the inspection protocol to the FSA on 13 April 2011. On 30 June 2011, PZU received an instruction to be carried out by 30 September 2011. On 1 July 2011, PZU informed the FSA that the instruction had been carried out.

On 8 April 2011, PZU received seven post-inspection instructions related to the inspection conducted by the FSA from June to August 2009, which covered technical provisions and loss adjustment. The FSA gave the deadline for realisation of the instructions of 30 September 2011.

18. Related party transactions

18.1. Significant transactions concluded by PZU or its subsidiaries with the related parties on non-arm's length terms

During the 6-month period ended 30 June 2011, PZU or its subsidiaries did not conclude any related party transactions which could be considered significant (individually or jointly) and would be concluded on non-arm's length terms.

18.2. Turnovers and balances of related-party transactions

Balances and turnovers of transactions between the PZU Group and related parties in period 1 January 2011- 30 June 2011 and as at 30 June 2011	Gross written premium					Receivables						
	property and casualty insurance	life insurance	Other revenue	Expenses	write-downs on receivables created in the current period	gross value	revaluation write-downs	net	Liabilities	Contingent assets	Contingent liabilities	
Key members of the management of consolidated entities 1/	-	-	-	-	-	-	-	-	-	-	-	
Other related parties 2/	312	-	11 659	11 843	-	12 554	(10 306)	2 248	3 295	-	-	

Balances and turnovers of transactions between the PZU Group and related parties as at 31 December 2010	Gross written premium					Receivables						
	property and casualty insurance	life insurance	Other revenue	Expenses	write-downs on receivable s created in the current period	gross value	revaluation write-downs	net	Liabilities	Contingent assets	Contingent liabilities	
Major investor (Eureko B.V.) 3/	-	-	21	-	-	-	-	-	-	-	-	
Key members of the management of consolidated entities 1/	-	-	-	-	-	-	-	-	-	-	-	
Other related parties 2/	784	-	31 377	25 012	-	11 575	(10 306)	1 269	3 498	-	-	

Balances and turnovers of transactions between the PZU Group and related parties in period 1 January 2011- 30 June 2010 and at 30 June 2010	Gross written premium					Receivables					Liabilities	Contingent assets	Contingent liabilities
	property and casualty insurance	life insurance	Other revenue	Expenses	write-downs on receivable s created in the current period	gross value	revaluation write-downs	net					
Major investor (Eureko B.V.) 3/	-	-	21	-	-	-	-	-	-	-	-	-	
Key members of the management of consolidated entities 1/	-	-	-	-	-	-	-	-	-	-	-	-	
Other related parties 2/	216	-	18 689	9 396	-	12 930	(11 291)	1 639	1 835	-	-	-	

1/ Members of the management boards of consolidated companies in the PZU Group and Director of the PZU Group

2/ Companies directly or indirectly controlled by, associated with PZU and excluded from consolidation, whose detailed list is presented in section 1.2.

3/ The revenue and receivables from Eureko are the fee payable to PZU for provision of selected financial reports and data to Eureko.

As of 30 June 2011, 31 December 2010 and 30 June 2010, the key item in receivables from other related parties were receivables from Syta Development Sp. z o. o. in liquidation ("Syta Development") due to agreements relating to investments of the Loss Adjustment and Underwriting Centre of PLN 11 291 thousand, which - because the agreements were not performed as of that dates - were covered with a revaluation write-down up to the full amount.

18.3. Transactions with entities controlled by the State Treasury

IAS 24 requires that related party transactions be disclosed. Until 11 May 2010, the interest of the State Treasury in the share capital of PZU exceeded 50%. On 11 May 2010, as part of the IPO, the shares sold by the State Treasury were transferred and registered on the accounts of buyers and thus the interest of the State Treasury in the share capital of PZU dropped below 50%.

In spite of the above issue, for the purpose of presentation of turnovers and balances for related party transactions, it is assumed that after 11 May 2010, the State Treasury maintained control over PZU as understood by IAS 27 and thus PZU remains an entity controlled by the State Treasury and is still obliged to present in its financial statements transactions with related parties of the State Treasury.

For the purpose of this clause, "entities controlled by, co-subsiaries of and entities associated with the State Treasury" denote only commercial companies and State Treasury controlled state entities, whose lists are published on the website of the Ministry of Treasury. In particular, while carrying out their statutory activities, entities in the PZU Group entered into transactions with entities controlled by and related to the State Treasury other than commercial companies and state entities, whose business names are published on the website of the Ministry of Treasury. Considering a substantial number of such entities and transactions concluded, limitations of the reporting system implemented by the PZU Group, as well as immateriality of the impact of such transactions on the performance of the PZU Group, PZU believes that their disclosure is not material for ensuring a reliable presentation of the financial position of the PZU Group.

The PZU Group applied the exemption referred to in point 25 of IAS 24 and withdrew from disclosure of some information in relation to transactions with parties that are related as a result of control, joint control or significant influence of the same government.

Property and personal insurance contracts, life insurance contracts and investment contracts constituted an overwhelming majority of transactions with entities controlled by, co-subsiaries of and entities associated with the State Treasury.

The table below shows the written premiums and investment contract volumes resulting from transactions with entities controlled by, co-subsiaries of and entities associated with the State Treasury, concluded and settled on the terms and conditions which could be obtained in transactions with unrelated parties.

Entities controlled by, co-subsiaries of and entities associated with the State Treasury	1 April – 30 June 2011	1 January – 30 June 2011	1 April – 30 June 2010	1 January – 30 June 2010
Gross written premium at PZU	28 214	51 965	10 684	45 916
Gross written premium at PZU Życie	4 412	7 059	5 206	15 436
PZU Życie investment contract volumes	976 934	976 934	-	-
Total	1 009 560	1 035 958	15 890	61 352

The tables below present data related to written premiums and investment contract volumes in bancassurance transactions with banks controlled by and associated with the State Treasury.

Bank Powszechna Kasa Oszczędności BP SA	1 April – 30 June 2011	1 January – 30 June 2011	1 April – 30 June 2010	1 January – 30 June 2010
Gross written premium at PZU	2 996	11 982	(3 233)*	10 600
Gross written premium at PZU Życie	4 412	7 059	5 206	15 436
PZU Życie investment contract volumes	976 934	976 934	-	-
Total	984 342	995 975	1 973	26 036

* The negative value results from written premium adjustments made in Q2.

Bank Ochrony Środowiska SA	1 April – 30 June 2011	1 January – 30 June 2011	1 April – 30 June 2010	1 January – 30 June 2010
Gross written premium at PZU	17	36	69	103
Gross written premium at PZU Życie	-	-	-	-
PZU Życie investment contract volumes	-	-	-	-
Total	17	36	69	103

Bank Gospodarstwa Krajowego SA	1 April – 30 June 2011	1 January – 30 June 2011	1 April – 30 June 2010	1 January – 30 June 2010
Gross written premium at PZU	-	57	32	32
Gross written premium at PZU Życie	-	-	-	-
PZU Życie investment contract volumes	-	-	-	-
Total	-	57	32	32

Bank Gospodarki Żywnościowej SA	1 April – 30 June 2011	1 January – 30 June 2011	1 April – 30 June 2010	1 January – 30 June 2010
Gross written premium at PZU	640	1 015	1 033	1 814
Gross written premium at PZU Życie	-	-	-	-
PZU Życie investment contract volumes	-	-	-	-
Total	640	1 015	1 033	1 814

The interim consolidated financial statements of the Capital Group of PZU for a 6-month period ended 30 June 2011 was signed by:

Date	Name and surname	Position/Function	
24 August 2011	Andrzej Klesyk	Chairman of the Management Board of PZU	(-) (signature)
24 August 2011	Witold Jaworski	Member of the Management Board of PZU	(-) (signature)
24 August 2011	Przemysław Dąbrowski	Member of the Management Board of PZU	(-) (signature)
24 August 2011	Tomasz Tarkowski	Member of the Management Board of PZU	(-) (signature)
24 August 2011	Marcin Halbersztad	Member of the Management Board of PZU	(-) (signature)
24 August 2011	Bogusław Skuza	Member of the Management Board of PZU	(-) (signature)
24 August 2011	Ryszard Trepczyński	Member of the Management Board of PZU	(-) (signature)
24 August 2011	Piotr Marczyk	Director of the Accounting Office	(-) (signature)

The above interim consolidated financial statements together with notes are a translation from the original Polish version. In case of any discrepancies between the Polish and English version, the Polish version shall prevail.