

**INTERIM CONSOLIDATED FINANCIAL STATEMENTS
OF THE POWSZECHNY ZAKŁAD UBEZPIECZEŃ SPÓŁKA AKCYJNA
CAPITAL GROUP FOR Q3 2012**



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INTRODUCTION

These interim consolidated financial statements of Powszechny Zakład Ubezpieczeń Spółka Akcyjna Capital Group ("PZU Group") have been prepared in line with International Financial Reporting Standards as endorsed by the Commission of European Communities as at 30 September 2012 ("IFRS"), including the requirements of International Accounting Standard 34 "Interim Financial Reporting" and the requirements of the Finance Minister's Regulation of 19 February 2009 on current and periodic information transmitted by securities issuers and conditions for acknowledgment of equivalence of information required by legal regulations of a non-member state (Journal of Laws No. 33 of 2009, Item 259 – "Regulation on current and periodic information").

Pursuant to Article 83 section 1 of the Regulation on current and periodic information, separate quarterly financial information of the PZU Group's parent company, i.e. Powszechny Zakład Ubezpieczeń Spółka Akcyjna ("PZU", "Company", "parent company") forms part of these interim consolidated financial statements.

According to Article 45 section 1a of the Accountancy Act of 29 September 1994 (Journal of Laws of 2009, No. 152 Item 1223, as amended, "Accountancy Act"), financial statements of issuers of securities admitted into trading on one of the regulated markets of European Economic Area states may be prepared in accordance with IFRS.

As the PZU Shareholder Meeting has not made the decision referred to in art. 45 par. 1c of the Accountancy Act in the matter of preparation of financial statements pursuant to IFRS, PZU's standalone statements are prepared in accordance with the Polish Accounting Standards ("PAS"), defined in the Accountancy Act, and in the executive regulations issued on its basis, inter alia:

- Finance Minister's Regulation of 28 December 2009 on the special accounting principles for insurance and reinsurance companies (Journal of Laws of 2009, No. 226, Item 1825);
- Finance Minister's Regulation of 12 December 2001 on the detailed principles of recognition, valuation methods, scope of disclosure and presentation of financial instruments (Journal of Laws of 2001 No. 149, Item 1674, as later amended).

In matters not regulated by the Accountancy Act and secondary legislation issued on its basis, Polish Accounting Standards and/or IFRS are applied accordingly.

FINANCIAL HIGHLIGHTS**1. Selected consolidated financial data of the PZU Group**

Data from the consolidated statement of financial position	000s PLN 30 September 2012	000s PLN 31 December 2011	000s PLN 30 September 2011	000s EUR 30 September 2012	000s EUR 31 December 2011	000s EUR 30 September 2011
Assets	56,800,666	52,129,282	54,234,820	13,807,347	11,802,500	12,294,800
Share capital	86,352	86,352	86,352	20,991	19,551	19,576
Capital and reserves attributed to holders of the parent's equity	13,719,534	12,783,162	12,334,897	3,335,003	2,894,213	2,796,268
Non-controlling interest	81,081	86,343	84,433	19,710	19,549	19,141
Total Equity	13,800,615	12,869,505	12,419,330	3,354,712	2,913,762	2,815,409
Basic and diluted weighted average number of common shares	86,352,300	86,352,300	86,352,300	86,352,300	86,352,300	86,352,300
Book value per common share (in PLN/EUR)	158.88	148.03	142.84	38.62	33.52	32.38

Data from the consolidated profit and loss account	000s PLN 1 January - 30 September 2012	000s PLN 1 January - 30 September 2011	000s EUR 1 January - 30 September 2012	000s EUR 1 January - 30 September 2011
Gross written insurance premium	12,158,994	11,425,796	2,898,587	2,825,999
Net earned premium	11,949,361	11,054,489	2,848,613	2,734,162
Fee and commission income	175,049	218,992	41,730	54,164
Net result on investment activity	2,569,395	1,040,071	612,519	257,246
Net insurance claims	(8,428,025)	(7,624,189)	(2,009,160)	(1,885,729)
Gross profit (loss)	3,512,894	2,292,938	837,440	567,124
Net profit (loss) attributed to holders of parent's equity	2,839,671	1,858,497	676,950	459,671
Profit (loss) attributed to holders of non-controlling interest	587	(1,482)	140	(367)
Basic and diluted weighted average number of common shares	86,352,300	86,352,300	86,352,300	86,352,300
Basic and diluted earnings per share (PLN/EUR)	32.88	21.52	7.84	5.32

Data from the consolidated cash flow statement	000s PLN 1 January - 30 September 2012	000s PLN 1 January - 30 September 2011	000s EUR 1 January - 30 September 2012	000s EUR 1 January - 30 September 2011
Net cash flow on operating activity	1,063,464	1,937,853	253,520	479,299
Net cash flow on investing activity	220,047	(2,034,528)	52,457	(503,210)
Net cash flow on financing activity	(1,411,709)	(81,058)	(336,538)	(20,048)
Total net cash flow	(128,198)	(177,733)	(30,561)	(43,959)

2. Selected individual financial data of PZU (PAS)

Data from the balance sheet	000s PLN 30 September 2012	000s PLN 31 December 2011	000s PLN 30 September 2011	000s EUR 30 September 2012	000s EUR 31 December 2011	000s EUR 30 September 2011
Assets	30,201,636	27,397,857	29,064,684	7,341,542	6,203,101	6,588,838
Share capital	86,352	86,352	86,352	20,991	19,551	19,576
Total Equity	12,681,670	11,745,410	11,409,847	3,082,714	2,659,258	2,586,563
Basic and diluted weighted average number of common shares	86,352,300	86,352,300	86,352,300	86,352,300	86,352,300	86,352,300
Book value per common share (in PLN/EUR)	146.86	136.02	132.13	35.70	30.80	29.95

Data from technical account of non-life insurance and non-technical profit and loss account	000s PLN 1 January - 30 September 2012	000s PLN 1 January - 30 September 2011	000s EUR 1 January - 30 September 2012	000s EUR 1 January - 30 September 2011
Gross written insurance premium	6,374,225	6,217,302	1,519,554	1,537,756
Technical result of non-life insurance	630,117	329,942	150,214	81,606
Net result on investment activity (*)	2,117,588	2,621,693	504,813	648,436
Net profit (loss)	2,269,892	2,569,441	541,120	635,513
Basic and diluted weighted average number of common shares	86,352,300	86,352,300	86,352,300	86,352,300
Basic and diluted earnings per share (PLN/EUR)	26.29	29.76	6.27	7.36

* Including the item "Share of the net profit (loss) of subordinated entities measured by the equity method"

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

Data from the balance sheet	000s PLN 30 September 2012	000s PLN 31 December 2011	000s PLN 30 September 2011	000s EUR 30 September 2012	000s EUR 31 December 2011	000s EUR 30 September 2011
Assets	29,709,273	29,407,202	29,501,620	7,221,856	6,658,033	6,687,890
Total Equity	6,445,208	5,960,002	5,581,830	1,566,729	1,349,394	1,265,377

Data from the technical life insurance account and the non-technical profit and loss account	000s PLN 1 January - 30 September 2012	000s PLN 1 January - 30 September 2011	000s EUR 1 January - 30 September 2012	000s EUR 1 January - 30 September 2011
Gross written insurance premium	7,203,313	7,918,112	1,717,201	1,958,426
Technical life insurance result	1,581,058	1,555,250	376,909	384,668
Net result on investment activity	1,595,403	566,091	380,329	140,014
Net profit (loss)	1,587,801	1,192,143	378,516	294,859

4. Summary of consolidated financial results

The net financial result of the PZU Group for the period of 9 months ended 30 September 2012 was PLN 2,840,258 thousand and was 52.9% higher from the net result in the corresponding period of the previous year.

ROE for the period from 1 January to 30 September 2012 was 28.4%, up 8.8 p.p. from the same period of the previous year.

The following factors also affected PZU Group's net result after 9 months ended 30 September 2012, as compared to the corresponding period of the previous year:

- appreciation of equity instruments driven by better market conditions on the Warsaw Stock Exchange ("WSE") and appreciation of debt instruments due to lower bond yields;
- higher gross written premium due to higher sales of, among others, motor TPL insurance (mass insurance segment), mandatory ADD insurance for hospitals and TPL insurance for health care entities (corporate insurance segment) as well as group and continued protection insurance and individual investment insurance (through the bancassurance channel);
- higher level of claims (taking into account the movement in technical provisions) in the current year resulting from:
 - increased sales of individual investment products in the bancassurance channel and higher performance on investment activity driving the increase in technical provisions for agreements with an investment component;
 - lower rate of conversion of long-term agreement into yearly renewable term agreements in type P group insurance,
 - lower result on contract guarantees in the corporate segment, one of the reasons being an increase in claims reserves in connection with a number of bankruptcies in the construction industry;
- improved profitability of motor insurance and group and individually continued insurance (when the conversion effect is not taken into account);
- execution of project measures to alter the PZU Group's image and to streamline and automate service processes, while maintaining fixed cost discipline.

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**1. Interim Consolidated Statement of Financial Position**

000s PLN

Assets	Note	30 September 2012	30 June 2012	31 December 2011	30 September 2011
Intangible assets		157,439	154,676	166,038	133,132
Goodwill		8,494	8,601	8,716	8,712
Property, plant and equipment		973,924	1,019,919	1,055,381	1,090,893
Investment property		539,844	534,493	534,222	454,446
Entities carried by the equity method		-	-	-	-
Financial assets					
Financial instruments held to maturity	11.1.1	21,297,397	21,203,014	21,659,505	22,144,223
Financial instruments available for sale	11.1.2	8,048,731	8,517,656	7,851,903	8,474,600
Financial instruments carried at fair value through profit or loss	11.1.3	12,688,553	10,588,306	10,814,619	10,425,540
Borrowings	11.1.4	7,131,337	8,579,939	6,449,332	7,396,098
Receivables, including receivables under insurance contracts	11.3	4,316,156	1,911,710	1,734,636	2,198,124
Reinsurers' share in technical provisions	11.4	678,799	728,367	700,713	701,603
Estimated salvage and subrogation		68,835	65,622	83,117	49,714
Deferred income tax assets		17,018	18,615	8,600	14,466
Current income tax receivables		-	235	8,582	-
Deferred acquisition costs		546,788	573,653	569,843	556,154
Prepayments and accruals	11.6	72,019	80,265	125,890	173,323
Other assets		104,421	112,650	120,461	134,895
Cash and cash equivalents		106,439	169,614	237,724	248,220
Assets related to continuing operations		56,756,194	54,267,335	52,129,282	54,204,143
Non-current assets earmarked to be sold and assets comprising groups to be sold		44,472	269	-	30,677
Total assets		56,800,666	54,267,604	52,129,282	54,234,820

Interim Consolidated Statement of Financial Position (cont.)

000s PLN

Liabilities and equity	Note	30 September 2012	30 June 2012	31 December 2011	30 September 2011
Equity					
Issued share capital and other capital attributable to parent's shareholders					
Share capital		86,352	86,352	86,352	86,352
Other capital		9,050,197	9,113,958	7,948,386	7,986,882
Reserve capital		8,780,046	8,780,034	7,711,818	7,711,652
Revaluation reserve		307,459	368,057	268,831	308,025
FX gains from converting subordinated units		(37,308)	(34,133)	(32,263)	(32,795)
Retained earnings		4,582,985	3,460,259	4,748,424	4,261,663
Profit (loss) carried forward		1,743,314	1,743,326	2,403,000	2,403,166
Net profit (loss)		2,839,671	1,716,933	2,345,424	1,858,497
Non-controlling interest		81,081	80,015	86,343	84,433
Total Equity		13,800,615	12,740,584	12,869,505	12,419,330
Liabilities					
Technical provisions	11.7				
Unearned premium reserve and unexpired risk reserve		4,555,408	4,786,417	4,521,396	4,548,352
Life insurance reserve		14,877,211	14,784,811	14,595,112	14,524,871
Unpaid claims reserve		5,965,550	5,724,615	5,429,481	5,346,581
Reserve for capitalized annuities		5,205,814	5,146,903	5,088,626	4,941,024
Provisions for premiums and rebates for the insureds		3,749	4,165	7,192	5,815
Other technical provisions		531,127	544,809	581,155	557,505
Technical provisions for life insurance if the policyholder bears the investment risk		2,838,139	2,593,063	2,299,767	2,273,949
Investment contracts	11.8				
- with guaranteed and set conditions		1,632,668	2,417,450	2,330,870	3,147,518
- for the client's account and risk		999,266	1,055,139	1,140,902	1,232,259
Reserves for employee benefits		253,090	259,848	255,576	261,135
Other reserves	11.9	268,629	278,667	322,063	208,574
Deferred income tax reserve		373,632	299,044	109,716	237,698
Current income tax liabilities		98,130	21,329	7,570	55,514
Derivatives		55,804	36,142	93,443	76,382
Other liabilities	11.10	4,849,674	3,089,259	1,789,951	3,962,396
Accruals and deferred income	11.11				
Accrued expenses		463,662	459,137	669,048	414,822
Deferred income		28,498	26,222	17,909	21,095
Liabilities related to continuing operations		43,000,051	41,527,020	39,259,777	41,815,490
Liabilities related directly to non-current assets classified as earmarked to be sold		-	-	-	-
Total Liabilities		43,000,051	41,527,020	39,259,777	41,815,490
Total Liabilities and Equity		56,800,666	54,267,604	52,129,282	54,234,820

2. Interim Consolidated Profit and Loss Account

000s PLN

Consolidated profit and loss account	Note	1 July - 30 September 2012	1 January - 30 September 2012	1 July - 30 September 2011	1 January - 30 September 2011
Gross written insurance premium	11.12	3,912,720	12,158,994	3,752,534	11,425,796
Reinsurers' share in gross written insurance premium		(22,110)	(102,980)	(19,500)	(170,134)
Net written premium		3,890,610	12,056,014	3,733,034	11,255,662
Movement in the net unearned premium reserve		192,015	(106,653)	51,756	(201,173)
Net earned premium		4,082,625	11,949,361	3,784,790	11,054,489
Fee and commission income	11.13	58,690	175,049	62,765	218,992
Net investment income	11.14	569,146	1,653,515	580,182	1,475,004
Net result on the realization of investments and impairment charges	11.15	241,003	367,091	(12,541)	(80,292)
Net change in the fair value of assets and liabilities carried at fair value	11.16	235,342	548,789	(606,629)	(354,641)
Other operating income	11.17	103,793	267,716	97,143	390,384
Claims and movement in technical provisions		(2,927,396)	(8,575,596)	(2,667,455)	(7,743,287)
Claims and movement in insurance liabilities ceded to re-insurers		14,006	147,571	61,563	119,098
Net insurance claims	11.18 11.20	(2,913,390)	(8,428,025)	(2,605,892)	(7,624,189)
Claims and changes in valuation of investment contracts	11.19	(40,983)	(127,944)	81,379	44,439
Acquisition costs	11.20	(497,778)	(1,496,655)	(491,465)	(1,444,506)
Administrative costs	11.20	(312,641)	(999,348)	(306,775)	(939,971)
Other operating expenses	11.21	(120,519)	(368,705)	(153,828)	(408,216)
Operating profit (loss)		1,405,288	3,540,844	429,129	2,331,493
Financial costs	11.22	(15,145)	(27,950)	(32,779)	(38,555)
Share of the net profit (loss) of units carried by the equity method		-	-	-	-
Gross profit (loss)		1,390,143	3,512,894	396,350	2,292,938

Consolidated Interim Profit and Loss Account (cont.)

000s PLN

Consolidated profit and loss account	Note	1 July - 30 September 2012	1 January - 30 September 2012	1 July - 30 September 2011	1 January - 30 September 2011
Income tax					
- current part		(175,818)	(426,446)	(211,277)	(586,275)
- deferred part		(90,516)	(246,190)	119,538	150,352
Net profit (loss), including		1,123,809	2,840,258	304,611	1,857,015
- profit (loss) attributed to holders of parent's equity		1,122,738	2,839,671	304,534	1,858,497
- profit (loss) attributed to holders of non-controlling interest		1,071	587	77	(1,482)
Net profit (loss) on continuing operations		1,122,738	2,839,671	304,534	1,858,497
Net profit (loss) on discontinued operations		-	-	-	-
Basic and diluted weighted average number of common shares		86,352,300	86,352,300	86,352,300	86,352,300
Basic and diluted earnings (losses) on continuing operations per common share (PLN)		13.00	32.88	3.53	21.52
Basic and diluted earnings (losses) on discontinued operations per common share (PLN)		-	-	-	-
Basic and diluted earnings (loss) per common share (PLN)		13.00	32.88	3.53	21.52

3. Interim Consolidated Statement of Comprehensive Income

000s PLN

Consolidated statement of comprehensive income	Note	1 July - 30 September 2012	1 January - 30 September 2012	1 July - 30 September 2011	1 January - 30 September 2011
Net profit (loss)		1,123,809	2,840,258	304,611	1,857,015
Other comprehensive income:	11.23	(63,778)	33,574	(115,979)	(78,224)
To be reclassified to profit or loss in the future		(63,778)	33,574	(115,979)	(78,224)
Financial assets available for sale		(60,598)	38,628	(123,418)	(89,564)
FX gains from converting subordinated units		(3,180)	(5,054)	7,846	6,019
Reclassification of real property from property, plant and equipment to investment property		-	-	(407)	5,321
Not to be reclassified to profit or loss in the future		-	-	-	-
Total net comprehensive income		1,060,031	2,873,832	188,632	1,778,791
- comprehensive income attributed to holders of parent's equity		1,058,965	2,873,254	188,543	1,780,258
- comprehensive income attributed to holders of non-controlling interest		1,066	578	89	(1,467)

4. Interim Statement of Changes in Consolidated Equity

000s PLN

Statement of changes in consolidated equity	Capital and reserves attributed to holders of the parent's equity							Non-controlling interest	Total Equity
	Other capital			Retained earnings					
	Share capital	Reserve capital	Revaluation reserve	Conversion FX differences	Profit (loss) carried forward	Net profit (loss)	Total		
Balance as at 1 January 2012	86,352	7,711,818	268,831	(32,263)	4,748,424	-	12,783,162	86,343	12,869,505
Change in the value of financial instruments available for sale	-	-	38,628	-	-	-	38,628	-	38,628
Conversion FX differences	-	-	-	(5,045)	-	-	(5,045)	(9)	(5,054)
Increases (decreases) recognized directly in capital, net (after income tax), total	-	-	38,628	(5,045)	-	-	33,583	(9)	33,574
Net profit (loss)	-	-	-	-	-	2,839,671	2,839,671	587	2,840,258
Increases (decreases), total	-	-	38,628	(5,045)	-	2,839,671	2,873,254	578	2,873,832
Other changes, including:	-	1,068,228	-	-	(3,005,110)	-	(1,936,882)	(5,840)	(1,942,722)
Distribution of financial result	-	1,068,113	-	-	(3,004,995)	-	(1,936,882)	(5,860)	(1,942,742)
Other	-	115	-	-	(115)	-	-	20	20
Balance as at 30 September 2012	86,352	8,780,046	307,459	(37,308)	1,743,314	2,839,671	13,719,534	81,081	13,800,615

Interim Statement of Changes in Consolidated Equity (cont.)

000s PLN

Statement of changes in consolidated equity	Capital and reserves attributed to holders of the parent's equity						Total	Non-controlling stakes	Total Equity
	Other capital			Retained earnings					
	Share capital	Reserve capital	Revaluation reserve	Conversion FX differences	Profit (loss) carried forward	Net profit (loss)			
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 the value of financial instruments available for sale	-	-	(162,649)	-	-	-	(162,649)	-	(162,649)
Conversion FX differences	-	-	-	6,536	-	-	6,536	14	6,550
Reclassification of real property from property, plant and equipment to investment property	-	-	39,212	-	-	-	39,212	-	39,212
Increases (decreases) recognized directly in capital, net (after income tax), total	-	-	(123,437)	6,536	-	-	(116,901)	14	(116,887)
Net profit (loss)	-	-	-	-	-	2,345,424	2,345,424	(1,477)	2,343,947
Increases (decreases), total	-	-	(123,437)	6,536	-	2,345,424	2,228,523	(1,463)	2,227,060
Other changes, including:	-	1,415,505	-	-	(3,660,666)	-	(2,245,161)	87,680	(2,157,481)
Distribution of financial result	-	1,415,325	-	-	3,660,485	-	(2,245,160)	(2,830)	2,247,990
Consolidation of the Armatura Group	-	-	-	-	-	-	-	88,679	88,679
Other	-	180	-	-	(181)	-	(1)	1,831	1,830
Balance as at 31 December 2011	86,352	7,711,818	268,831	(32,263)	2,403,000	2,345,424	12,783,162	86,343	12,869,505

Interim Statement of Changes in Consolidated Equity (cont.)

000s PLN

Statement of changes in consolidated equity	Capital and reserves attributed to holders of the parent's equity							Non-controlling stakes	Total Equity
	Share capital	Other capital			Retained earnings		Total		
		Reserve capital	Revaluation reserve	Conversion FX differences	Profit (loss) carried forward	Net profit (loss)			
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 the value of financial instruments available for sale	-	-	(89,564)	-	-	-	(89,564)	-	(89,564)
Conversion FX differences	-	-	-	6,004	-	-	6,004	15	6,019
Reclassification of real property from property, plant and equipment to investment property	-	-	5,321	-	-	-	5,321	-	5,321
Increases (decreases) recognized directly in capital, net (after income tax), total	-	-	(84,243)	6,004	-	-	(78,239)	15	(78,224)
Net profit (loss)	-	-	-	-	-	1,858,497	1,858,497	(1,482)	1,857,015
Increases (decreases), total	-	-	(84,243)	6,004	-	1,858,497	1,780,258	(1,467)	1,778,791
Other changes, including:	-	1,415,339	-	-	(3,660,500)	-	(2,245,161)	85,774	(2,159,387)
Distribution of financial result	-	1,415,325	-	-	(3,660,485)	-	(2,245,160)	(2,830)	(2,247,990)
Consolidation of the Armatura Group	-	-	-	-	-	-	-	88,679	88,679
Other	-	14	-	-	(15)	-	(1)	(75)	(76)
Balance as at 30 September 2011	86,352	7,711,652	308,025	(32,795)	2,403,166	1,858,497	12,334,897	84,433	12,419,330

5. Interim Consolidated Cash Flow Statement

000s PLN

Consolidated cash flow statement	1 January - 30 September 2012	1 January - 31 December 2011	1 January - 30 September 2011
Cash flow on operating activity			
Proceeds	14,730,943	19,725,868	15,245,813
- proceeds on gross insurance premiums	12,149,430	14,929,349	11,118,824
- proceeds on investment contracts	1,660,532	3,054,350	2,906,374
- proceeds on reinsurance commissions and profit-sharing	11,691	20,513	10,048
- payments received from reinsurers for their share of claims paid	116,254	385,775	270,915
- other operating proceeds	793,036	1,335,881	939,652
Expenditures	(13,667,479)	(18,138,296)	(13,307,960)
- insurance premiums paid for reinsurance	(167,547)	(174,369)	(153,030)
- commissions paid and profit-sharing on inward reinsurance	(1,726)	(4,679)	(2,907)
- gross claims paid	(6,662,548)	(9,026,567)	(6,927,581)
- claims paid on investment contracts	(2,611,782)	(3,068,852)	(2,007,600)
- acquisition expenditures	(1,139,189)	(1,483,488)	(1,073,362)
- administrative expenditures	(1,608,465)	(2,073,279)	(1,602,521)
- interest expenditures	(53)	(146)	(127)
- income tax expenditures	(155,498)	(904,071)	(215,270)
- other operating expenditures	(1,320,671)	(1,402,845)	(1,325,562)
Net cash flow on operating activity	1,063,464	1,587,572	1,937,853
Cash flow on investing activity			
Proceeds	261,065,662	259,765,786	183,092,066
- sale of investment property	-	13,282	-
- proceeds from investment property	6,550	8,763	6,134
- sale of intangible assets and components of property, plant and equipment	6,025	27,905	1,325
- sale of ownership interests and shares	2,926,197	4,372,949	3,505,521
- realization of debt securities	37,582,430	65,465,651	54,492,176
- liquidation of term deposits in credit institutions	110,006,313	130,812,922	94,382,553
- realization of other investments	109,485,365	58,512,745	30,520,613
- interest received	938,288	450,899	88,720
- dividends received	114,011	98,101	92,455
- increase in cash due to consolidation of new entities	483	2,569	2,569
Expenditures	(260,845,615)	(260,054,472)	185,126,594
- expenditures for the maintenance of investment property	(12,242)	(11,581)	(7,480)
- purchase of intangible assets and components of property, plant and equipment	(106,237)	(168,435)	(121,686)
- purchase of ownership interests and shares	(3,036,999)	(4,561,634)	(3,739,645)
- purchase of debt instruments	(39,316,963)	(63,630,331)	(52,579,758)
- purchase of term deposits in credit institutions	(109,316,794)	(132,934,922)	(96,617,476)
- purchase of other investments	(109,049,454)	(58,733,953)	(32,050,276)
- other expenditures for investments	(6,926)	(13,616)	(10,273)
Net cash flow on investing activity	220,047	(288,686)	(2,034,528)

Interim Consolidated Cash Flow Statement (cont.)

000s PLN

Consolidated cash flow statement	1 January - 30 September 2012	1 January - 31 December 2011	1 January - 30 September 2011
Cash flow on financing activity			
Proceeds	36,895,082	39,242,376	32,662,423
- loans, borrowings and debt securities issues ¹⁾	36,895,082	39,242,376	32,662,423
Expenditures	(38,306,791)	(40,728,208)	(32,743,481)
- dividends paid to equity holders in the parent company	(1,873,396)	(2,163,206)	(140)
- dividends paid to holders of non-controlling interest	(5,860)	(2,830)	(2,830)
- amortization of loans and borrowings and redemption of own debt securities ¹⁾	(36,423,346)	(38,556,267)	(32,737,277)
- interest on loans and borrowings and issued debt securities	(4,189)	(5,905)	(2,810)
- other financial expenditures	-	-	(424)
Net cash flow on financing activity	(1,411,709)	(1,485,832)	(81,058)
Total net cash flow	(128,198)	(186,946)	(177,733)
Cash and cash equivalents at the beginning of the period	237,724	423,703	423,703
Movement in cash due to foreign currency differences	(3,087)	967	2,250
Cash and cash equivalents at the end of the period, including:	106,439	237,724	248,220
- restricted cash	39,777	26,841	39,223

1) These items contain almost exclusively the cash flows resulting from sell-buy-back transactions.

SUPPLEMENTARY INFORMATION TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Information on PZU and the PZU Group

1.1. PZU

The parent company in the PZU Group is PZU - a joint stock company with a registered seat in Warsaw at Al. Jana Pawła II 24. PZU was established by the transformation of Państwowy Zakład Ubezpieczeń into a State Treasury-owned joint stock company, pursuant to Article 97 of the Insurance Activity Act of 28 July 1990 - uniform text in Journal of Laws No. 11 of 1996, Item 62, as later amended.

PZU has been entered in the National Court Register kept by the District Court for the Capital City of Warsaw in Warsaw, 13th Economic Division of the National Court Register , under file number KRS 0000009831.

According to Polish Classification of Economic Activities (PKD), the core business of PZU consists of other casualty insurance and property insurance (PKD 65.12) and according to the European Classification of Economic Activities, non-life insurance (EKD 6603).

1.2. PZU Group companies

No.	Name of the entity	Headquarters	Date of obtaining control / material influence	% of share capital held directly or indirectly by PZU		% of votes held directly or indirectly by PZU		Line of business
				30 September 2012	31 December 2011	30 September 2012	31 December 2011	
Consolidated entities								
1	Powszechny Zakład Ubezpieczeń SA	Warsaw	n/a	n/a	n/a	n/a	n/a	Non-life 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%	Management of pension funds.
4	PZU Centrum Operacji SA ("PZU CO")	Warsaw	30.11.2001	100.00%	100.00%	100.00%	100.00%	Auxiliary activity associated with insurance and pension funds.
5	Tower Inwestycje Sp. z o.o. ("Tower Inwestycje")	Warsaw	27.08.1998	100.00%	100.00%	100.00%	100.00%	Other service activity.
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%	Buying, operating, renting and selling real estate
9	Armatura Kraków SA	Kraków	07.10.1999	63.83%	63.83%	63.83%	63.83%	Manufacturing bathroom and kitchen fixtures
10	Armatoora SA	Nisko	10.12.2008	63.83%	63.83%	63.83%	63.83%	Manufacturing heaters and aluminum casts
11	Armatoora SA i wspólnicy sp. k.	Kraków	10.02.2009	63.83%	63.83%	63.83%	63.83%	Utilization of available funds, growth investments
12	Armagor SA	Gorzów Śląski	06.09.2009	63.83%	63.83%	63.83%	63.83%	Manufacture of valves, tooling services
13	Armadimp SA	Kraków	20.07.2012	63.83%	n/a	63.83%	n/a	Manufacturing bathroom and kitchen fixtures

No.	Name of the entity	Headquarters	Date of obtaining control / material influence	% of share capital held directly or indirectly by PZU		% of votes held directly or indirectly by PZU		Line of business
				30 September 2012	31 December 2011	30 September 2012	31 December 2011	
Consolidated entities – continued								
14	PZU Specialized Debt Open-End Mutual Fund (PZU Specjalistyczny Fundusz Inwestycyjny Otwarty Dłużny)	Warsaw	15.12.2009	100.00%	100.00%	n/a	n/a	Investment of funds collected from fund members
15	PZU Equity Closed-End Mutual Fund (PZU Fundusz Inwestycyjny Zamknięty Akcji)	Warsaw	27.01.2010	100.00%	100.00%	n/a	n/a	Investment of funds collected from fund members
Unconsolidated subsidiaries								
16	Towarzystwo Funduszy Inwestycyjnych PZU SA ("TFI PZU")	Warsaw	30.04.1999	100.00%	100.00%	100.00%	100.00%	Establishing, representing and managing mutual funds
17	PZU Asset Management SA ("PZU AM")	Warsaw	12.07.2001	100.00%	100.00%	100.00%	100.00%	Provision of managed account services
18	PZU Pomoc SA	Warsaw	18.03.2009	100.00%	100.00%	100.00%	100.00%	Provision of assistance services.
19	UAB PZU Lietuva Gyvybes Draudimas	Vilnius (Lithuania)	26.04.2002	99.34%	99.34%	99.34%	99.34%	Life insurance.
20	PrJSC IC PZU Ukraine Life Insurance ("PZU Ukraine Life")	Kiev (Ukraine)	01.07.2005	100.00%	100.00%	100.00%	100.00%	Life insurance.
21	PZU Inter-company Employee Pension Fund Company SA ("MPTE PZU SA")	Warsaw	13.08.2004	100.00%	100.00%	100.00%	100.00%	Managing an employee pension fund
22	Ipsilon Sp. z o.o.	Warsaw	02.04.2009	100.00%	100.00%	100.00%	100.00%	The company does not conduct any activity.
23	Ipsilon Bis SA	Warsaw	02.09.2011	100.00%	100.00%	100.00%	100.00%	The company does not conduct any activity.
24	Omicron SA	Warsaw	13.09.2011	100.00%	100.00%	100.00%	100.00%	The company does not conduct any activity.
25	Syta Development Sp. z o.o. in liquidation	Warsaw	29.04.1996	100.00%	100.00%	100.00%	100.00%	Buying and selling real estate, intermediacy in buying and selling, administration of real estate
26	Sigma Investments Sp. z o.o. in liquidation ¹⁾	Warsaw	28.12.1999	100.00%	100.00%	100.00%	100.00%	The company does not conduct any activity.
27	Company with Additional Liability Inter-Risk Ukraine ("Inter Risk") ²⁾	Kiev (Ukraine)	01.07.2005	0.00%	100.00%	0.00%	100.00%	Legal services.
28	LLC Finansowa Kompania Idea-Kapital ³⁾	Kiev (Ukraine)	06.10.2011	0.00%	100.00%	0.00%	100.00%	Financial services.
29	LLC SOS Services Ukraine	Kiev	01.07.2005	100.00%	100.00%	100.00%	100.00%	Assistance services.

No.	Name of the entity	Headquarters	Date of obtaining control / material influence	% of share capital held directly or indirectly by PZU		% of votes held directly or indirectly by PZU		Line of business
				30 September 2012	31 December 2011	30 September 2012	31 December 2011	
30	ICH Center SA in liquidation ⁴⁾	(Ukraine) Warsaw	31.01.1996	90.00%	90.00%	90.00%	90.00%	The company does not conduct any activity.



No.	Name of the entity	Headquarters	Date of obtaining control / material influence	% of share capital held directly or indirectly by PZU		% of votes held directly or indirectly by PZU		Line of business
				30 September 2012	31 December 2011	30 September 2012	31 December 2011	
Associates								
31	Kolej Gondolowa Jaworzyna Krynicka SA	Krynica	17.08.1998	37.53%	37.53%	36.71%	36.71%	Operating ski and tourist lifts.
32	GSU Pomoc Górniczy Klub Ubezpieczonych SA (formerly Nadwiślańska Agencja Ubezpieczeniowa SA)	Tychy	08.06.1999	30.00%	30.00%	30.00%	30.00%	Insurance service.

¹⁾ With a Resolution adopted by the Extraordinary Shareholder Meeting on 19 July 2012, a decision was made to open the liquidation process on 1 August 2012.

²⁾ The sale described in item 2.2.

³⁾ The sale described in item 2.3.

⁴⁾ With a Resolution adopted by the Extraordinary Shareholder Meeting on 8 March 2012, a decision was made to open the liquidation process on 16 March 2012.

2. Changes in organization of the PZU Group

2.1. Converting some financial investments into a mutual fund

2.1.1. Debt instruments

On 2 February 2012, another portion of the bonds issued by the State Treasury held by PZU Życie and classified in the portfolio of financial instruments measured at fair value through profit or loss – classified in this category upon initial recognition with a market value of PLN 953,162 thousand as at the transfer date, was transferred to PZU Specialized Debt Open-End Mutual Fund (PZU Specjalistyczny Fundusz Inwestycyjny Otwarty Dłużny) whose sole member is PZU Życie.

This measure aims to improve the efficiency of the financial investment management process, among others through tax optimization (in respect of the corporate income tax and VAT tax payable so far to other PZU Group companies for securities portfolio management services which did not constitute tax-deductible expenses for PZU Życie).

The foregoing transactions did not affect the PZU Group's net assets or its financial result. Nor have the presentation, classification or method of measuring these assets been changed in these consolidated financial statements of the PZU Group, since PZU Specialized Debt Open-End Mutual Fund is consolidated by the full method since 30 June 2011.

2.1.2. Equity instruments

On 24 July 2012, PZU and PZU Życie subscribed for series B investment certificates of the PZU Equity Closed-End Mutual Fund, by making the following payments:

- PZU – PLN 79,000 thousand in cash and PLN 361,712 thousand worth of shares in the held for trading portfolio;
- PZU Życie – PLN 591,000 thousand worth of shares in the held for trading portfolio.

On 25 July, TFI PZU allocated investment certificates worth PLN 437,500 thousand to PZU and worth PLN 585,700 to PZU Życie. The difference between the value of the entry and the issue value was returned to the bank accounts of PZU and PZU Życie.

The purpose of the action was to achieve the same effects as the conversion of part of the debt securities into mutual funds, which is described in item 2.1.1.

The foregoing transactions did not affect the PZU Group's net assets or its financial result. Nor have the presentation, classification or method of measuring these assets been changed in these consolidated financial statements of the PZU Group, since the PZU Equity Closed-End Mutual Fund has been consolidated by the full method since 1 July 2012.

2.2. Sale of Company with Additional Liability Inter-Risk Ukraine

On 22 December 2011, PZU Ukraine and PZU Ukraine Life entered into an agreement with Powszechna Kasa Oszczędności BP SA ("PKO BP SA") to sell Company with Additional Liability Inter-Risk Ukraine for the total amount of PLN 2,500 thousand.

On 16 January 2012, the ownership title to Inter Risk shares was transferred to the buyer. The profit earned on the sale of shares was PLN 2,286 thousand.

2.3. Sale of LLC Finansowa Kompania Idea-Kapitał

On 23 March 2012, by the power of the agreement of 20 March 2012, the ownership title to the shares of LLC Finansowa Kompania Idea-Kapitał was transferred to the buyer, Public Joint Stock Company Kredobank for the total amount of UAH 4,100 thousand.

3. Compliance with International Financial Reporting Standards

These interim consolidated financial statements of the PZU Group were drawn up according to the International Financial Reporting Standards approved by the European Commission ("EC") as at 30 September 2012, including in compliance with the requirements of IAS 34 "Interim Financial Reporting" and in compliance with the requirements set forth in the Regulation on current and periodic information.

3.1. Standards, interpretations and amended standards effective from 2012

The following changes to standards have been applied to these interim consolidated financial statements (earlier application, since in the case of the consolidated statements of the PZU Group they would have come into effect for the periods starting on 1 January 2013):

Standard/interpretation	Effective Date for annual periods starting from	EC Regulation containing the standard or interpretation
Amendments to IAS 1 – Presentation of items of Other Comprehensive Income	1 July 2012	475/2012

3.1.1. Standards, interpretations and amended standards issued but not effective

The following standards, interpretations and amended standards have been issued but have not come into effect:

- Approved by the regulation of the EC:

Standard/interpretation	Effective Date for annual periods starting from	EC Regulation containing the standard or interpretation
Amendments to IAS 19 – Amendments to the accounting of post-employment benefits	1 January 2013	475/2012

- not approved by the EC:

Standard/interpretation	Date of entry into effect for annual periods starting from (according to IASB)
IFRS 9 – Financial Instruments	1 January 2015
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
Amended IAS 27 – Separate Financial Statements	1 January 2013 *
Amended IAS 28 – Investments in Associates and Joint Ventures	1 January 2013 *
Amendment to IAS 12 – Deferred Tax: Recovery of Underlying Assets	1 January 2012
Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters (amendments to IFRS 1)	1 July 2011
Amendments to IFRS 7 – Offsetting Financial Assets and Financial Liabilities	1 January 2013
Amendments to IAS 32 – Offsetting Financial Assets and Financial Liabilities	1 January 2014
Amendment to IFRS 1 – Government Loans	1 January 2013

Standard/interpretation	Date of entry into effect for annual periods starting from (according to IASB)
Amendments to IFRS (2009-2011)	1 January 2013
Transition guidance (amendments to IFRS 10, IFRS 11 and IFRS 12 published on 28 June 2012)	1 January 2013*
Investment Entities (amendments to IFRS 10, IFRS 12 and IFRS 27 published on 31 October 2012)	1 January 2014
IFRIC 20 – Stripping Costs in the Production Phase of a Surface Mine	1 January 2013

* On 1 June 2012, the Accounting Regulatory Committee (ARC) operating at the EC voted for the regulation to be effective no later than from the annual periods starting on 1 January 2014 (earlier application would be permitted after the standard is adopted by the EC)

It is expected that the application of the above standards and interpretations and amendment to standards will not materially affect PZU Group's comprehensive income and equity, with the exception of:

- IFRS 9, in the case of which, due to the remote effective date, anticipated further amendments to accounting principles for financial instruments, related to, among others, the work currently conducted on the gradual substitution of the current IAS 39 with new regulations, the effect of application of IFRS 9 on PZU Group's comprehensive income and equity was not estimated.

4. Key accounting principles (accounting policy)

Detailed accounting principles (accounting policy) are presented in the annual consolidated financial statements of the Powszechny Zakład Ubezpieczeń Spółka Akcyjna Capital Group for 2011, signed by the PZU Management Board on 14 March 2012 for which the auditor issued an unqualified opinion on the same date ("PZU Group 2011 consolidated financial statements").

The consolidated financial statements of the PZU Group for 2011 are available on the PZU website at www.pzu.pl in the "PZU Group / Investor Relations / Current and periodic reports / Periodic reports" tab.

5. Changes to accounting principles (accounting policy) and comparability of financial data

No changes were made to the accounting principles (policy) in the 9-month period ended 30 June 2012.

The method of presentation of financial data in the consolidated financial statements as compared to the annual consolidated financial statements of the PZU Group for 2011 did not change, with the proviso that:

- these interim consolidated financial statements are condensed statements within the meaning of IAS 34;
- since the beginning of 2012, the presentation of the segmental note has been changed, which is prepared in accordance with IFRS 8. The new presentation of the segmental note, the basics of which are detailed in item 15 resulted from the changes in presentation of the financial results to the main corporate body responsible for making operational decisions in PZU. The new presentation of segment information, as compared to the previous one is more detailed and more useful, while the reliability was maintained.
- in the PZU Group's financial statements for the period of 9 months ended 30 September 2012, amendments to IAS 1 "Presentation of Items of Other Comprehensive Income", adopted by the EC on 5 June 2012 (this is the early application, since in the case of PZU Group's consolidated financial statements, they would become effective in the periods starting on 1 January 2013). The amendment introduced a disclosure concerning the split of other comprehensive income into items to be reclassified to profit or loss in the future and items not to be so reclassified, and disclosure of information on income tax on other comprehensive income components in the notes.

6. Key assumptions for accounting estimation purposes and subjective judgments made in the process of selecting and applying accounting rules (policies)

The key assumptions made for accounting estimation purposes and subjective judgments made in the process of selecting and applying accounting rules (policies) were presented in the consolidated financial statements of the PZU Group for 2011.

No changes were made to these assumptions and judgments in the period of 9 months ended 30 September 2012.

7. Corrections of errors from previous years

In the 9-month period from 1 January to 30 September 2012, no corrections were made of errors from previous years.

8. Other information related to the manner of drawing up the interim condensed consolidated financial statements

8.1. Period covered by the interim consolidated financial statements

These interim consolidated financial statements cover the period of 9 months from 1 January to 30 September 2012.

8.2. Functional and presentation currency

Polish zloty is the functional and the presentation currency of the PZU Group. Unless otherwise noted, all the amounts presented in these interim consolidated financial statements are stated in thousands of Polish zloty.

8.3. Going concern

These interim consolidated financial statements have been drawn up under the assumption that PZU Group entities remain a going concern in the foreseeable future, i.e. in the period of at least 12 months after the end of the reporting period. As at the date of signing these interim consolidated financial statements, there are no facts or circumstances that would indicate a threat to ability of PZU Group entities to continue their activity in the period of 12 months after the end of the reporting period as a result of an intentional or an induced discontinuation or a material curtailment of their hitherto activity.

8.4. Discontinued operations

In the period of 9 months ended 30 September 2012, the consolidated entities of the PZU Group did not discontinue any type of operations.

With a Resolution adopted by the Extraordinary Shareholder Meeting of an unconsolidated subsidiary ICH Center SA on 8 March 2012, a decision was made to open the liquidation process of that company on 16 March 2012. ICH Center SA discontinued its statutory business activity starting from the beginning of 2011 (i.e. handling claims under a Green Card insurance).

With a Resolution adopted by the Extraordinary Shareholder Meeting of an unconsolidated subsidiary Sigma Investments Sp. z o.o. on 19 July 2012, a decision was made to open the liquidation process of that company on 1 August 2012. Sigma Investments Sp. z o.o. did not conduct any business activity.

8.5. Seasonality and business cycles

Activity of the PZU Group is not seasonal and is not subject to business cycles to the extent that would justify application of the suggestion included in Clause 21 of IAS 34.

8.6. FX rates

The following currency exchange rates were used in these interim consolidated financial statements to convert financial data of foreign subordinated entities and to present financial highlights:

Currency	1 January – 30 September 2012	30 September 2012	30 June 2012	1 January – 31 December 2011	31 December 2011	1 January - 30 September 2011	30 September 2011
LTL	1.2149	1.1914	1.2341	1.1990	1.2792	1.1709	1.2775
UAH	0.4048	0.3920	0.4221	0.3716	0.4255	0.3583	0.4076
EUR	4.1948	4.1138	4.2613	4.1401	4.4168	4.0431	4.4112

These FX rates are:

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

9. Information about major events that materially influence the structure of financial statement items

9.1. Distribution of PZU's 2011 financial result

On 30 May 2012, the Shareholder Meeting of PZU adopted a resolution on the distribution of the 2011 net profit. This issue is described in item 24.

9.2. Key dividends paid between PZU Group companies

These operations do not affect PZU Group's financial result, but they do affect presentation of results of the individual segments.

9.2.1. Dividend from PZU Życie to PZU

On 22 May 2012, the Ordinary Shareholder Meeting of PZU Życie adopted a resolution to distribute PZU Życie's net profit of PLN 1,583,301 for the financial year 2011 as follows:

- PLN 1,177,476 thousand used as a dividend to the sole shareholder, i.e. PZU;
- PLN 395,825 thousand to be transferred to reserve capital;
- PLN 10,000 thousand to be written off for the Company Social Benefits Fund.

According to the above resolution, the dividend rights date was set at 22 May and the dividend payment date at 13 September 2012.

9.2.2. Dividend from PTE PZU to PZU Życie

On 18 June 2012, PTE PZU paid out a dividend to PZU Życie in the amount of PLN 36,868 thousand.

10. Material events taking place after the balance sheet date**10.1. Converting some financial investments into a mutual fund**

On 24 October 2012, PZU and PZU Życie subscribed for series B investment certificates of the PZU Dynamic Closed-End Mutual Fund, by making the following payments:

- PZU – PLN 178,286 thousand in cash and PLN 196,734 thousand worth of shares in the held for trading portfolio;
- PZU Życie – PLN 178,287 thousand in cash and PLN 196,731 thousand worth of shares in the held for trading portfolio.

On 31 October 2012, TFI PZU allocated PLN 375,000 thousand worth of the investment certificates to each PZU and PZU Życie and returned the overpaid amounts of PLN 20 thousand and PLN 18 thousand to PZU and PZU Życie, respectively.

11. Supplementary notes to the interim condensed consolidated financial statements**11.1. Financial assets****11.1.1. Financial instruments held to maturity**

Financial instruments held to maturity	30 September 2012	30 June 2012	31 December 2011	30 September 2011
Instruments, for which fair value can be determined	21,297,397	21,203,014	21,659,505	22,144,223
Debt securities	21,297,397	21,203,014	21,659,505	22,144,223
Sovereign Debt	21,091,375	21,011,015	21,467,316	21,492,598
Fixed Income	20,743,781	20,656,030	21,128,913	21,159,306
Variable income	347,594	354,985	338,403	333,292
Other	206,022	191,999	192,189	651,625
Listed on a regulated market	83,974	69,026	66,566	524,422
Fixed Income	83,974	69,026	66,566	524,422
Not listed on a regulated market	122,048	122,973	125,623	127,203
Variable income	122,048	122,973	125,623	127,203
Financial assets held to maturity, total	21,297,397	21,203,014	21,659,505	22,144,223

11.1.2. Financial instruments available for sale

Financial instruments available for sale	30 September 2012	30 June 2012	31 December 2011	30 September 2011
Instruments, for which fair value can be determined	7,924,177	8,392,747	7,723,676	8,348,251
Equity instruments	1,345,847	1,162,310	1,189,903	1,201,324
Listed on a regulated market	410,294	314,334	506,886	546,658
Not listed on a regulated market	935,553	847,976	683,017	654,666
Debt instruments	6,578,330	7,230,437	6,533,773	7,146,927
Sovereign Debt	6,272,960	6,923,866	6,467,372	7,080,338
Fixed Income	5,731,733	5,905,078	5,764,231	6,955,134
Variable income	541,227	1,018,788	703,141	125,204
Other	305,370	306,571	66,401	66,589
Listed on a regulated market	305,370	68,356	66,401	66,589
Fixed Income	24,404	24,849	23,745	23,143
Variable income	280,966*	43,507	42,656	43,446
Not listed on a regulated market	-	238,215	-	-
Variable income	-	238,215*	-	-
Instruments, for which fair value cannot be determined	124,554	124,909	128,227	126,349
Equity instruments	124,554	124,909	128,227	126,349
Not listed on a regulated market**	124,554	124,909	128,227	126,349
Financial instruments available for sale, total	8,048,731	8,517,656	7,851,903	8,474,600

* this line item includes debt securities approved for trading on the Catalyst bond market at WSE.

** this line item includes shares in unconsolidated subordinated entities, the carrying value of which as at 30 September 2012 was PLN 121,466 thousand (PLN 121,820 thousand as at 30 June 2012, PLN 125,140 thousand as at 31 December 2011 and PLN 123,254 thousand as at 30 September 2011).

11.1.3. Financial instruments carried at fair value through profit or loss

Financial instruments valued at fair value through profit or loss - classified in that category upon first recognition	30 September 2012	30 June 2012	31 December 2011	30 September 2011
Instruments, for which fair value can be determined	5,726,305	4,339,093	4,363,764	4,624,900
Equity instruments	15,065	22,486	118,727	140,283
Listed on a regulated market	12,377	19,789	11,240	29,527
Not listed on a regulated market	2,688	2,697	107,487	110,756
Debt instruments	5,711,240	4,316,607	4,245,037	4,484,617
Sovereign Debt	5,642,201	4,248,120	4,178,520	4,417,904
Fixed Income	4,343,176	3,585,654	3,719,321	4,303,625
Variable income	1,299,025	662,466	459,199	114,279
Other	69,039	68,487	66,517	66,713
Listed on a regulated market	69,039	68,487	66,517	66,713
Fixed Income	24,537	24,980	23,861	23,267
Variable income	44,502	43,507	42,656	43,446
Financial instruments carried at fair value through profit or loss - classified in that category upon first recognition, total	5,726,305	4,339,093	4,363,764	4,624,900

Financial instruments carried at fair value through profit or loss – held for trading	30 September 2012	30 June 2012	31 December 2011	30 September 2011
Instruments, for which fair value can be determined	6,962,248	6,249,213	6,450,855	5,800,640
Equity instruments	4,232,617	3,597,857	3,723,493	3,614,941
Listed on a regulated market	2,203,673	1,692,554	1,989,010	1,984,756
Not listed on a regulated market	2,028,944	1,905,303	1,734,483	1,630,185
Debt instruments	2,626,778	2,584,511	2,642,574	2,112,480
Sovereign Debt	2,552,103	2,537,281	2,597,771	2,085,636
Fixed Income	2,339,497	1,817,157	1,870,647	1,618,254
Variable income	212,606	720,124	727,124	467,382
Other	74,675	47,230	44,803	26,844
Listed on a regulated market	51,152	-	-	5,376
Fixed Income	-	-	-	5,376
Variable income	51,152*	-	-	-
Not listed on a regulated market	23,523	47,230	44,803	21,468
Fixed Income	-	-	24,402	-
Variable income	23,523	47,230*	20,401	21,468
Other, including:	102,853	66,845	84,788	73,219
- derivatives	102,853	66,845	84,788	73,219
Financial instruments carried at fair value through profit or loss – held for trading, total	6,962,248	6,249,213	6,450,855	5,800,640

* this line item includes debt securities approved for trading on the Catalyst bond market at WSE.

11.1.4. Borrowings

Borrowings	30 September 2012	30 June 2012	31 December 2011	30 September 2011
Debt securities	1,721,313	862,328	114,143	10,915
Sovereign Debt	14,007	14,460	5,329	-
- fixed income	14,007	14,460	5,329	-
Other	1,707,306	847,868	108,814	10,915
- listed on a regulated market	1,618,866	57,996	51,622	825
- fixed income	52,461	7,232	860	825
- variable income	1,566,405	50,764	50,762	-
- unlisted	88,440	789,872	57,192	10,090
- variable income	88,440	789,872*	57,192	10,090
Other, including:	5,410,024	7,717,611	6,335,189	7,385,183
- reverse repo transactions	341,698	2,399,154	628,497	2,667,748
- term deposits in credit institutions	4,021,703	4,351,854	4,828,511	4,679,634
- deposits with ceding companies	333	348	407	1,402
- borrowings	1,046,290	966,255	877,774	36,399
Total borrowings	7,131,337	8,579,939	6,449,332	7,396,098

* this line item includes debt securities approved for trading on the Catalyst bond market at WSE.

** PLN deposits constitute over 96% of deposits in credit institutions. Over 76% of term deposits mature before the end of 2012.

*** PLN deposits constitute over 95% of deposits in credit institutions. Over 62% of term deposits mature before 31 December 2012 and 87% mature by 31 March 2013.

Other borrowings

Borrowing type	30 September 2012	30 June 2012	31 December 2011	30 September 2011
Mortgage-backed loans	28,252	29,633	32,264	33,476
Borrowings secured by pledges on shares, on receivable portfolios and on bank accounts, other borrowings or otherwise	1,015,285	933,754	842,290	-
Unsecured borrowings	2,753	2,868	3,220	2,923
Total	1,046,290	966,255	877,774	36,399

11.1.5. Exposure to sovereign debt securities

The table below presents exposure of PZU Group companies to bonds issued by governments other than the Polish government as at 30 September 2012.

Issuer's name	Currency	Classification in portfolio	Purchase price	Balance sheet value	Measurement at fair value	Measurement at amortized cost	Impairment charges
Germany	EUR	available for sale	324,924	299,933	299,933	296,902	-
Turkey	TRY	held for trading	178,588	175,885	175,885	175,854	-
Iceland	USD	held for trading	221,868	232,038	232,038	213,875	-
Lithuania	LTL	held to maturity	83,063	86,064	88,962	86,064	-
Lithuania	EUR	held to maturity	31,290	30,965	33,790	30,965	-
Lithuania	LTL	held for trading	14,351	14,208	14,208	14,221	-
Ukraine	UAH	borrowings	17,114	14,006	not applicable	14,006	-
Hungary	EUR	held to maturity	2,278	2,419	2,421	2,419	-
Hungary	EUR	held for trading	37,319	39,120	39,120	35,810	-
Hungary	CHF	held for trading	8,685	8,639	8,639	8,678	-
Slovenia	EUR	held for trading	109,990	108,806	108,806	109,664	-
Total			1,029,470	1,012,083	not applicable	988,458	-

11.1.6. Information on changes in the economic situation and conditions of running business activity having material effect on fair value of financial assets and liabilities

Information on changes in the economic situation and conditions of running business activity having material effect on fair value of financial assets and liabilities is presented in item 18.

11.1.7. Changes in classification of financial assets driven by changes of purpose or use of those assets

In the 9-month period ended 30 September 2012, neither PZU nor its subsidiaries changed any classification of financial assets as a result of a change in the purpose or use of such assets.

11.2. Fair value classification

In accordance with the fair value measurement method, individual items of financial assets and liabilities were classified in the following three-level hierarchy:

- Level 1 – financial instruments measured on the basis of quoted prices (unadjusted) in active markets for identical assets or liabilities The following is classified in this level:
 - liquid listed debt securities;
 - shares listed on stock exchanges;
 - derivatives listed on stock exchanges;
- Level II – financial instruments measured on the basis of inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) The following is classified in this level:
 - unlisted debt securities and illiquid listed debt securities (including non-treasury debt securities issued by other financial entities, self-government units and non-financial entities);
 - derivatives other than those listed on stock exchanges;
 - participation units in mutual funds;
- Level III – financial instruments measured on the basis of inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Financial assets and liabilities carried at fair value as at 30	Level 1	Level 2	Level 3	Total
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September 2012
Financial assets

Financial instruments available for sale	6,988,624	935,553	-	7,924,177
Equity instruments	410,294	935,553	-	1,345,847
Debt securities	6,578,330	-	-	6,578,330
Financial instruments valued at fair value through profit or loss - classified in that category upon first recognition	5,723,617	2,688	-	5,726,305
Equity instruments	12,377	2,688	-	15,065
Debt securities	5,711,240	-	-	5,711,240
Financial instruments carried at fair value through profit or loss – held for trading	4,807,056	2,155,192	-	6,962,248
Equity instruments	2,203,673	2,028,944	-	4,232,617
Debt securities	2,603,255	23,523	-	2,626,778
Derivatives	128	102,725	-	102,853

Financial liabilities

Liabilities carried at fair value	42	55,762	-	55,804
Derivatives	42	55,762	-	55,804

Financial assets and liabilities carried at fair value as at 30 June 2012

	Level 1	Level 2	Level 3	Total
Financial assets				
Financial instruments available for sale	7,306,556	1,086,191	-	8,392,747
Equity instruments	314,334	847,976	-	1,162,310
Debt securities	6,992,222	238,215	-	7,230,437
Financial instruments valued at fair value through profit or loss - classified in that category upon first recognition	4,336,396	2,697	-	4,339,093
Equity instruments	19,789	2,697	-	22,486
Debt securities	4,316,607	-	-	4,316,607
Financial instruments carried at fair value through profit or loss – held for trading	4,230,835	2,018,378	-	6,249,213
Equity instruments	1,692,554	1,905,303	-	3,597,857
Debt securities	2,537,281	47,230	-	2,584,511
Derivatives	1,000	65,845	-	66,845
Financial liabilities				
Liabilities carried at fair value	5,325	30,817	-	36,142
Derivatives	5,325	30,817	-	36,142

Financial assets and liabilities carried at fair value as at 31 December 2011	Level 1	Level 2	Level 3	Total
Financial assets				
Financial instruments available for sale	7,039,968	683,017	691	7,723,676
Equity instruments	506,195	683,017	691	1,189,903
Debt securities	6,533,773	-	-	6,533,773
Financial instruments valued at fair value through profit or loss - classified in that category upon first recognition	4,256,277	107,487	-	4,363,764
Equity instruments	11,240	107,487	-	118,727
Debt securities	4,245,037	-	-	4,245,037
Financial instruments carried at fair value through profit or loss – held for trading	4,586,781	1,864,074	-	6,450,855
Equity instruments	1,989,010	1,734,483	-	3,723,493
Debt securities	2,597,771	44,803	-	2,642,574
Derivatives	-	84,788	-	84,788
Financial liabilities				
Liabilities carried at fair value	24	93,419	-	93,443
Derivatives	24	93,419	-	93,443

Financial assets and liabilities carried at fair value as at 30 September 2011	Level 1	Level 2	Level 3	Total
Financial assets				
Financial instruments available for sale	7,691,309	654,666	2,276	8,348,251
Equity instruments	546,658	654,666	-	1,201,324
Debt securities	7,144,651	-	2,276	7,146,927
Financial instruments valued at fair value through profit or loss - classified in that category upon first recognition	4,514,144	110,756	-	4,624,900
Equity instruments	29,527	110,756	-	140,283
Debt securities	4,484,617	-	-	4,484,617
Financial instruments carried at fair value through profit or loss – held for trading	4,075,768	1,724,872	-	5,800,640
Equity instruments	1,984,756	1,630,185	-	3,614,941
Debt securities	2,091,012	21,468	-	2,112,480
Derivatives	-	73,219	-	73,219
Financial liabilities				
Liabilities carried at fair value	-	76,382	-	76,382
Derivatives	-	76,382	-	76,382

11.2.1. Change in the fair value measurement methodology for financial instruments measured at fair value

In the 9-month period ended 30 September 2012, neither PZU nor its subsidiaries changed the fair value measurement methodology for financial instruments measured at fair value.

11.3. Receivables, including receivables under insurance contracts

Receivables, including receivables under insurance contracts – carrying value	30 September 2012	30 June 2012	31 December 2011	30 September 2011
Receivables on direct insurance, including:	1,488,267	1,438,281	1,378,054	1,459,380
- receivables from policyholders	1,339,777	1,327,471	1,268,320	1,363,270
- receivables from insurance intermediaries	123,197	59,390	84,511	64,587
- other receivables	25,293	51,420	25,223	31,523
Receivables on reinsurance	17,728	35,947	33,987	62,069
Other receivables	2,810,161	437,482	322,595	676,675
Receivables, including receivables under insurance contracts (net)	4,316,156	1,911,710	1,734,636	2,198,124

11.3.1. Other receivables

Other receivables	30 September	30 June 2012	31 December	30 September
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	2012		2011	2011
Amounts due from Metro Projekt Sp. z o.o. pursued by litigation	98,373	98,373	96,491	94,600
Prevention settlements	55,608	49,891	43,057	41,003
Receivables for acting as an emergency adjuster	5,076	4,849	6,326	4,393
Receivables of unit-linked funds in life insurance	32,311	10,971	4,014	19,752
Receivables on selling securities	2,486,522	157,946	57,667	383,281
Trade receivables	102,933	91,938	89,426	101,853
Other	29,338	23,514	25,614	31,793
Other receivables, total	2,810,161	437,482	322,595	676,675

The issues associated with the receivables from Metro Projekt sp. z o.o. are described in clause 26.6.

11.4. Reinsurers' share in technical provisions

Reinsurers' share in technical provisions – non-life insurance	30 September 2012	30 June 2012	31 December 2011	30 September 2011
Unearned premium reserve	100,634	133,255	163,937	95,345
Unexpired risk reserve	1	41	167	107
Claim reserve, including:	335,999	354,113	283,085	301,275
- for reported claims	254,900	218,410	233,774	256,594
- for claims not reported (IBNR)	68,396	122,452	37,503	32,664
- for claims handling costs	12,703	13,251	11,808	12,017
Reserve for capitalized annuities	241,979	240,586	253,524	304,687
Reinsurers' share in technical provisions (net)	678,613	727,995	700,713	701,414

Reinsurers' share in technical provisions – life insurance	30 September 2012	30 June 2012	31 December 2011	30 September 2011
Unearned premium reserve	186	372	-	189
Reinsurers' share in technical provisions (net)	186	372	-	189

11.5. Impairment of financial assets and receivables

Movement in impairment charges for financial asset in the period of 1 January - 30 September 2012	Impairment charges at the beginning of the period	Creation of charges, recognized in the profit and loss account	Release of charges, recognized in the profit and loss account	Removal of charges from accounting ledgers (sale, writing down etc.)	FX gains and losses	Impairment charges at the end of the period
Financial assets available for sale	253,372	15,561	-	(102,410)	(156)	166,367
- Equity instruments	253,372	15,561	-	(102,410)	(156)	166,367
Borrowings	28,770	-	-	-	(726)	28,044
Term deposits in credit institutions	10,434	-	-	-	(716)	9,718
Borrowings	18,336	-	-	-	(10)	18,326
Receivables, including receivables under insurance contracts	581,209	82,023	(7,403)	(1,031)	(943)	653,855
Receivables on direct insurance	512,855	81,042	(3,906)	(998)	(778)	588,215
Receivables on reinsurance	4,848	88	(862)	(28)	-	4,046
Other receivables	63,506	893	(2,635)	(5)	(165)	61,594
Reinsurers' share in technical provisions	18,613	11,764	(22,532)	-	-	7,845
Total	881,964	109,348	(29,935)	(103,441)	(1,825)	856,111

Movement in impairment charges for financial asset in the year ended 31 December 2011	Impairment charges at the beginning of the period	Creation of charges, recognized in the profit and loss account	Release of charges, recognized in the profit and loss account	Removal of charges from accounting ledgers (sale, writing down etc.)	FX gains and losses	Other changes in impairment charges	Impairment charges at the end of the period
Financial assets available for sale	296,919	16,352	-	(60,147)	248	-	253,372
- Equity instruments	296,919	16,352	-	(60,147)	248	-	253,372
Borrowings	18,321	9,780	-	-	669	-	28,770
Term deposits in credit institutions	-	9,780	-	-	654	-	10,434
Borrowings	18,321	-	-	-	15	-	18,336
Receivables, including receivables under insurance contracts	507,659	147,596	(61,677)	(13,756)	1,400	(13)	581,209
Receivables on direct insurance	423,260	93,258	(3,089)	(1,705)	1,135	(4)	512,855
Receivables on reinsurance	18,544	51,801	(53,892)	(11,605)	-	-	4,848
Other receivables	65,855	2,537	(4,696)	(446)	265	(9)	63,506
Reinsurers' share in technical provisions	36,372	7,378	(25,137)	-	-	-	18,613
Total	859,271	181,106	(86,814)	(73,903)	2,317	(13)	881,964



Movements in impairment charges for financial asset in the period 1 January - 30 September 2011	Impairment charges at the beginning of the period	Creation of charges recognized in the profit and loss account	Release of charges, recognized in the profit and loss account	Removal of charges from accounting ledgers (sale, writing down etc.)	FX gains and losses	Other changes in impairment charges	Impairment charges at the end of the period
Financial assets available for sale	296,919	11,428	-	(8,536)	165	-	299,976
- Equity instruments	296,919	11,428	-	(8,536)	165	-	299,976
Borrowings	18,321	-	-	-	15	-	18,336
Receivables, including receivables under insurance contracts	507,659	127,778	(27,338)	-	1,061	(12)	609,148
Receivables on direct insurance	423,260	75,965	(1,716)	-	861	(4)	498,366
Receivables on reinsurance	18,544	51,801	(23,352)	-	-	-	46,993
Other receivables	65,855	12	(2,270)	-	200	(8)	63,789
Reinsurers' share in technical provisions	36,372	6,925	(5,985)	-	-	-	37,312
Total	859,271	146,131	(33,323)	(8,536)	1,241	(12)	964,772

11.6. Prepayments and accruals

Prepayments and accruals	30 September 2012	30 June 2012	31 December 2011	30 September 2011
IT costs	3,596	6,956	6,217	5,493
Capitalized acquisition costs of OFE PZU	8,893	12,991	23,400	29,824
Reinsurance settlements	26,135	34,638	85,366	128,487
Other	33,395	25,680	10,907	9,519
Accruals, total	72,019	80,265	125,890	173,323

11.7. Technical provisions**11.7.1. Technical provisions in non-life insurance**

Technical provisions in non-life insurance	30 September 2012	30 June 2012	31 December 2011	30 September 2011
Unearned premium reserve	4,453,296	4,678,802	4,411,652	4,434,928
Unexpired risk reserve	10,985	14,500	13,411	19,529
Unpaid claims reserve	5,387,849	5,150,429	4,817,359	4,740,620
Reserve for capitalized annuities	5,205,814	5,146,903	5,088,626	4,941,024
Provisions for premiums and rebates for the insureds	2,396	2,897	6,232	4,557
Technical provisions, total	15,060,340	14,993,531	14,337,280	14,140,658

11.7.2. Technical provisions in life insurance

Technical provisions in life insurance	30 September 2012	30 June 2012	31 December 2011	30 September 2011
Unearned premium reserve	91,127	93,115	96,333	93,895
Life insurance reserve	14,877,211	14,784,811	14,595,112	14,524,871
Unpaid claims reserve	577,701	574,186	612,122	605,961
Provisions for premiums and rebates for the insureds	1,353	1,268	960	1,258
Other technical provisions	531,127	544,809	581,155	557,505
Technical provisions for life insurance if the policyholder bears the investment risk	2,838,139	2,593,063	2,299,767	2,273,949
Technical provisions, total	18,916,658	18,591,252	18,185,449	18,057,439

11.8. Investment contracts

Investment contracts - carrying amount	30 September 2012	30 June 2012	31 December 2011	30 September 2011
Investment contracts with guaranteed and set conditions	1,632,668	2,417,450	2,330,870	3,147,518
- carried at amortized cost	1,632,668	2,417,450	2,330,870	3,147,518
Investment contracts for client's account and risk (unit-linked)	999,266	1,055,139	1,140,902	1,232,259
Investment contracts - carrying amount, total	2,631,934	3,472,589	3,471,772	4,379,777

11.9. Other reserves

Movement in other reserves in the period from 1 January to 30 September 2012	Opening balance	Increases	Utilization	Dissolution	Closing balance
Provisions for restructuring costs	112,956	-	(46,473)	(6,005)	60,478

Reserves established for the potential liabilities on account of CLSIOR-related investments	916	-	-	-	916
Reserve for disputed claims and potential liabilities under outstanding insurance agreements	4,019	137	-	(1,684)	2,472
Provisions for Antimonopoly Office	137,035	-	-	-	137,035
Reserve for Graphtalk project closing expenses	50,349	628	-	(457)	50,520
Reserve for PTE's refund of undue commission to ZUS	8,095	164	(726)	-	7,533
Other	8,693	5,149	(1,217)	(2,950)	9,675
Other reserves, total	322,063	6,078	(48,416)	(11,096)	268,629

Movement in other reserves in the year ended 31 December 2011	Opening balance	Increases	Utilization	Dissolution	Change in composition of Group	Closing balance
Provision for restructuring costs	75,253	96,842	(58,169)	(970)	-	112,956
Reserves established for the potential liabilities on account of CLSIOR-related investments	916	-	-	-	-	916
Reserve for disputed claims and potential liabilities under outstanding insurance agreements	4,461	3,881	(1,820)	(2,503)	-	4,019
Provisions for Antimonopoly Office	69,143	67,892	-	-	-	137,035
Reserve for Graphtalk project closing expenses	49,396	953	-	-	-	50,349
Reserve for PTE's refund of undue commission to ZUS	9,532	766	(1,372)	(831)	-	8,095
Other	3,858	4,835	-	(2,046)	2,046	8,693
Other reserves, total	212,559	175,169	(61,361)	(6,350)	2,046	322,063

Movement in other reserves in the period from 1 January to 30 September 2011	Opening balance	Increases	Utilization	Dissolution	Change in composition of Group	Closing balance
Provision for restructuring costs	75,253	4,287	(18,699)	(970)	-	59,871
Reserves established for the potential liabilities on account of CLSIOR-related investments	916	-	-	-	-	916
Reserve for disputed claims and potential liabilities under outstanding insurance agreements	4,461	2,075	-	-	-	6,536
Provisions for Antimonopoly Office	69,143	-	-	-	-	69,143
Reserve for Graphtalk project closing expenses	49,396	834	-	-	-	50,230
Reserve for PTE's refund of undue commission to ZUS	9,532	766	(1,125)	(420)	-	8,753
Other	3,858	8,231	(118)	(892)	2,046	13,125
Other reserves, total	212,559	16,193	(19,942)	(2,282)	2,046	208,574

The item entitled "Reserve for Graphtalk project closing expenses" includes the amount ensuing from the issue discussed in item 26.4.

The item entitled "Provisions for Antimonopoly Office" includes the amounts ensuing primarily from the issues discussed in items 26.2 and 26.3.

The restructuring process was described in items 27.5 and 27.6.

11.10. Other liabilities

Liabilities – carrying amount	30 September	30 June 2012	31 December	30 September
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	2012		2011	2011
Liabilities on direct insurance	591,594	552,935	528,648	531,020
Reinsurance liabilities	60,770	98,681	49,450	70,584
Liabilities to credit institutions	1,705,618	193,292	758,951	582,262
Other liabilities	2,491,692	2,244,351	452,902	2,778,530
Total Liabilities	4,849,674	3,089,259	1,789,951	3,962,396

Liabilities to credit institutions are dominated by liabilities on account of sell-buy-back transactions which were PLN 1,597,506 as at 30 September 2012 (PLN 109,197 thousand as at 30 June 2012, PLN 758,929 thousand as at 31 December 2011 and PLN 582,187 as at 30 September 2011).

Other liabilities	30 September 2012	30 June 2012	31 December 2011	30 September 2011
Liabilities to the state budget, other than income tax liabilities	19,027	19,492	18,016	16,668
Public law settlements: ZUS, PFRON, ZFŚS and other	26,525	45,868	23,564	26,565
On account of purchased securities	2,244,297	97,061	139,292	221,515
Amounts payable to PZU shareholders	67,100	1,940,392	3,650	2,248,980
Trade liabilities	55,199	43,299	124,529	155,630
Estimated non-insurance liabilities	43,914	55,389	80,551	55,097
Other	35,630	42,850	63,300	54,075
Other liabilities, total	2,491,692	2,244,351	452,902	2,778,530

11.11. Accruals and deferred income

Accruals and deferred income	30 September 2012	30 June 2012	31 December 2011	30 September 2011
Accrued expenses	463,662	459,137	669,048	414,822
- accrued agency commission costs	192,225	194,018	195,912	171,339
- accrued employee salary costs	91,606	73,606	121,803	79,694
- accrued costs and income on reinsurance	58,996	66,217	153,618	53,546
- employee leave reserve	42,842	58,866	40,301	41,753
- accrued bonuses for employees	40,581	30,013	134,836	38,203
- other	37,412	36,417	22,578	30,287
Deferred income, including:	28,498	26,222	17,909	21,095
- deferred reinsurance commission	10,891	10,356	9,688	9,147
- other	17,607	15,866	8,221	11,948
Accruals and deferred income, total	492,160	485,359	686,957	435,917

11.12. Gross written insurance premium

Gross written insurance premium	1 July - 30 September 2012	1 January - 30 September 2012	1 July - 30 September 2011	1 January - 30 September 2011
Gross written premium in non-life insurance	2,016,351	6,616,213	2,074,207	6,414,058
In direct insurance	2,009,626	6,598,375	2,066,801	6,393,689
In indirect insurance	6,725	17,838	7,406	20,369
Gross written premium in life insurance	1,896,369	5,542,781	1,678,327	5,011,738
Individual premiums	763,812	2,173,897	579,000	1,770,560
On direct insurance	763,812	2,173,897	579,000	1,770,560
Group insurance premiums	1,132,557	3,368,884	1,099,327	3,241,178
On direct insurance	1,132,557	3,368,884	1,099,327	3,241,178
Gross written premium, total	3,912,720	12,158,994	3,752,534	11,425,796

Gross written premium in direct non-life insurance (by accounting classes prescribed by section II of the attachment to the Insurance Activity Act)	1 July - 30 September 2012	1 January - 30 September 2012	1 July - 30 September 2011	1 January - 30 September 2011
Results of accidents and illnesses (group 1 and 2)	187,980	454,772	204,992	404,173
Motor - third party liability (group 10)	742,659	2,305,926	738,826	2,197,865
Other motor (group 3)	516,267	1,674,496	565,792	1,753,013
Marine, air and cargo (groups 4, 5, 6, 7)	11,399	50,553	13,714	42,390
Fire and other property damages (groups 8 and 9)	344,299	1,332,236	348,810	1,338,132
Third party liability (groups 11, 12, 13)	126,734	527,413	97,805	401,874
Credit and guarantee (groups 14, 15)	8,065	43,226	15,996	44,285
Assistance (group 18)	54,419	153,821	53,055	148,614
Legal protection (group 17)	194	758	65	623
Other (group 16)	17,610	55,174	27,746	62,720
Gross written premium in direct non-life insurance (by accounting classes prescribed by section II of the attachment to the Insurance Activity Act)	2,009,626	6,598,375	2,066,801	6,393,689

11.13. Fee and commission income

Fee and commission income	1 July - 30 September 2012	1 January - 30 September 2012	1 July - 30 September 2011	1 January - 30 September 2011
Pension insurance	50,371	146,679	50,436	179,413
Commissions on distribution fees	9,417	27,177	9,812	61,285
Commissions on managing assets of an open-end pension fund	40,954	119,502	40,624	118,079
Commission on transfer payments	-	-	-	49
Investment contracts	5,195	16,160	6,141	18,500
Income from fees relating to investment contracts for the client's account and risk	5,195	16,160	6,141	18,500
Other	3,124	12,210	6,188	21,079
Income and fees from funds and mutual fund companies	3,124	12,210	6,188	21,079
Fee and commission income, total	58,690	175,049	62,765	218,992

11.14. Net investment income

Net investment income	1 July - 30 September 2012	1 January - 30 September 2012	1 July - 30 September 2011	1 January - 30 September 2011
Interest income, including:	513,450	1,543,301	477,131	1,330,857

- financial assets available for sale	74,140	221,869	107,919	285,146
- financial assets held to maturity	301,920	924,866	280,106	887,465
- borrowings	136,808	393,956	89,106	158,246
- cash and cash equivalents	582	2,610	-	-
Dividend income, including:	66,145	155,132	71,782	122,030
- financial assets classified as instruments carried at fair value through profit or loss at the moment of first recognition	-	147	64	256
- financial assets held for trading	56,490	119,226	52,270	79,631
- financial assets available for sale	9,655	35,759	19,448	42,143
Income on investment property	6,366	18,950	7,727	20,700
FX differences, including:	(8,520)	(22,654)	38,046	35,552
- financial assets held to maturity	(5,091)	(10,454)	14,090	15,051
- borrowings	(2,670)	(9,305)	8,705	11,958
- receivables, including receivables under insurance contracts	(759)	(2,895)	15,251	8,543
Other, including:	(8,295)	(41,214)	(14,504)	(34,135)
- investment activity expenses	(9,326)	(31,933)	(9,607)	(19,872)
- investment property maintenance expenses	(5,816)	(16,128)	(4,897)	(14,263)
- other	6,847	6,847	-	-
Net investment income, total	569,146	1,653,515	580,182	1,475,004

11.15. Net result on the realization of investments and impairment charges

Net investment realization result and investments impairment charges	1 July - 30 September 2012	1 January - 30 September 2012	1 July - 30 September 2011	1 January - 30 September 2011
Net result on investment realization	253,413	457,272	30,675	31,576
Financial assets carried at fair value through profit or loss - classified in that category upon first recognition, including:	44,244	93,083	37,989	40,625
- equity instruments	760	11,654	1,595	1,417
- debt securities	43,484	81,429	36,394	39,208
Financial assets held for trading, including:	13,574	119,669	(89,340)	(91,228)
- equity instruments	(23,725)	39,364	(118,029)	(117,501)
- debt securities	24,973	21,708	(2,052)	3,607
- derivatives	12,326	58,597	30,741	22,666
Financial assets available for sale, including:	222,872	298,966	95,015	122,050
- equity instruments	131,176	172,157	3,949	67,599
- debt securities	91,696	126,809	91,066	54,451
Financial assets held to maturity, including:	806	1,707	542	836
- debt securities	806	1,707	542	836
Receivables, including receivables under insurance contracts	(28,146)	(56,422)	(13,531)	(40,707)
Investment property	63	269	-	-
Impairment charges	(12,410)	(90,181)	(43,216)	(111,868)
Financial assets available for sale, including:	(120)	(15,561)	(11,103)	(11,428)
- Equity instruments	(120)	(15,561)	(11,103)	(11,428)
Receivables, including receivables under insurance contracts	(12,290)	(74,620)	(32,113)	(100,440)
Net investment realization result and investments impairment charges, total	241,003	367,091	(12,541)	(80,292)

11.16. Net change in the fair value of assets and liabilities carried at fair value

Net change in the fair value of assets and liabilities carried at fair value	1 July - 30 September 2012	1 January - 30 September 2012	1 July - 30 September 2011	1 January - 30 September 2011
Financial instruments carried at fair value through profit or loss – classified in that category upon first recognition, including:	52,540	142,057	15,246	169,692
- equity instruments	(1,404)	(86)	(34,169)	(34,787)
- debt securities	53,944	142,143	49,415	204,479
Financial instruments held for trading, including:	183,234	409,601	(621,875)	(524,333)
- equity instruments	124,982	235,080	(611,664)	(617,933)
- debt securities	44,076	140,735	42,272	112,876
- derivatives	14,176	33,786	(52,483)	(19,276)
Investment property	(432)	(2,869)	-	-
Net change in the fair value of assets and liabilities carried at fair value	235,342	548,789	(606,629)	(354,641)

11.17. Other operating income

Other operating income	1 July - 30 September 2012	1 January - 30 September 2012	1 July - 30 September 2011	1 January - 30 September 2011
Release of impairment charges for non-financial assets	335	1,892	514	1,938
Reinsurance commissions and profit-sharing	(2,451)	(15,253)	(10,270)	1,439
Revenues on the sales of products, merchandise and services by non-insurance companies	78,636	200,084	80,066	207,337
Consolidation of the Armatura Group	-	-	-	118,916
Other	27,273	80,993	26,833	60,754
Other operating income, total	103,793	267,716	97,143	390,384

11.18. Net insurance claims

Net insurance claims	1 July - 30 September 2012	1 January - 30 September 2012	1 July - 30 September 2011	1 January - 30 September 2011
Claims and movement in technical provisions in non-life insurance	1,453,544	4,278,020	1,605,183	4,278,554
Reinsurers' share in claims and in the movement in technical provisions in non-life insurance	(13,967)	(147,493)	(61,563)	(119,101)
Claims and movement in technical provisions in life insurance	1,473,852	4,297,576	1,062,272	3,464,733
Reinsurers' share in claims and in the movement in technical provisions in life insurance	(39)	(78)	-	3
Claims, total	2,913,390	8,428,025	2,605,892	7,624,189

11.19. Claims and changes in valuation of investment contracts

Claims and changes in valuation of investment contracts	1 July - 30 September 2012	1 January - 30 September 2012	1 July - 30 September 2011	1 January - 30 September 2011
Under investment contracts with guaranteed and set conditions	20,069	73,590	36,291	87,511
- interest expenses calculated using the effective interest rate	20,069	73,590	36,291	87,511
Under investment contracts for client's account and risk (unit-linked)	20,914	54,354	(117,670)	(131,950)
Claims and changes in valuation of investment contracts, total	40,983	127,944	(81,379)	(44,439)

11.20. Administrative, acquisition and claims handling costs, by type

Administrative, acquisition and claims handling costs, by type	1 July - 30 September 2012	1 January - 30 September 2012	1 July - 30 September 2011	1 January - 30 September 2011
Materials and energy used	18,713	59,786	17,380	57,227
External services	120,414	370,546	144,259	406,080
Taxes and fees	12,110	39,765	13,647	52,022
Employee expenses	323,155	1,044,865	340,278	1,038,600
Depreciation of property, plant and equipment	18,707	58,074	20,062	68,100
Depreciation of intangible assets	16,082	54,470	16,078	40,433
Other, including:	460,599	1,365,026	418,280	1,216,174
- commission on direct activity	321,903	1,002,091	318,756	963,917
- advertising	28,692	82,070	11,498	45,283
- movement in capitalized acquisition costs	26,464	22,265	11,163	(14,389)
- remuneration of group insurance administrators in work establishments	55,936	177,922	53,102	160,894
- other	27,604	80,678	23,761	60,469
Administrative, acquisition and claims handling costs, total	969,780	2,992,532	969,984	2,878,636

11.21. Other operating expenses

Other operating expenses	1 July - 30 September 2012	1 January - 30 September 2012	1 July - 30 September 2011	1 January - 30 September 2011
Insurance Guarantee Fund	7,088	22,310	7,124	21,478
National Fire Brigade Headquarters and Association of Voluntary Fire Brigades	1,899	24,940	1,965	26,756
Obligatory fees to insurance market institutions	11,437	34,803	13,460	40,865
Expenditures for prevention activity	3,156	10,840	4,335	12,016
Expenses of the core business of the non-insurance companies	80,684	209,200	54,329	152,412
Provision created for reorganization and restructuring costs	-	-	4,287	4,287
Employment restructuring costs	-	-	17,834	17,834
Other	16,255	66,612	50,494	132,568
Other operating expenses, total	120,519	368,705	153,828	408,216

11.22. Financial costs

Financial costs	1 July - 30 September 2012	1 January - 30 September 2012	1 July - 30 September 2011	1 January - 30 September 2011
Interest, including:	15,190	28,235	29,888	36,762
- borrowings	13,484	24,048	30,673	35,107
- bank loans	1,706	4,187	(785)	1,655
Other, including:	(45)	(285)	2,891	1,793
- FX gains	(42)	(331)	2,675	1,570
- other	(3)	46	216	223
Financial expenses, total	15,145	27,950	32,779	38,555

11.23. Other comprehensive income

Income tax on other total income items	1 July - 30 September 2012	1 January - 30 September 2012	1 July - 30 September 2011	1 January - 30 September 2011
Net other comprehensive income	(63,778)	33,574	(115,979)	(78,224)
Income tax	(15,090)	9,082	(28,604)	(19,961)
Financial assets available for sale	(15,090)	9,082	(28,233)	(20,934)
Reclassification of real property from property, plant and equipment to investment property	-	-	(371)	973
Gross other comprehensive income	(78,868)	42,656	(144,583)	(98,185)

12. Contingent assets and liabilities

Contingent assets and liabilities	30 September 2012	30 June 2012	31 December 2011	30 September 2011
Contingent assets, including:	18,126	18,025	17,746	6,746
Guarantees and sureties received	18,126	18,025	17,746	6,746
Contingent Liabilities	166,652	157,343	171,030	87,997
Guarantees and sureties given	2,923	3,600	4,873	6,261
Disputed insurance claims	67,133	61,503	53,937	48,159
Other disputed claims	29,416	18,561	32,029	32,680
Other	67,180*	73,679*	80,191*	897

* including PLN 36,377 thousand (PLN 42,886 thousand as at 30 June 2012, PLN 49,264 thousand as at 31 December 2011) for the potential liabilities under loan agreements entered into by the Armatura Group and PLN 30,000 thousand (PLN 30,000 thousand as at 30 June 2012 and 31 December 2011) of potential liabilities related to the sale of real estate by the Armatura Group.

13. Commentary to the interim consolidated financial statements**13.1. Commentary**

In the period of 9 months ended 30 September 2012, gross written premium was PLN 12,158,994 thousand compared to PLN 11,425,796 thousand in the corresponding period of the previous year (+6.4%).

This increase in sales was driven mainly by growth in:

- a new accidental death and dismemberment insurance product for hospitals, TPL insurance for corporate clients and modified TPL products for health care entities (higher sums guaranteed) in the corporate insurance segment;
- motor TPL insurance in the mass insurance segment;
- group protection insurance (higher average premium and more insureds, including dynamic increase in new sales) and individually continued insurance (high rider up-selling growth);
- single premium investment endowment insurance in the bancassurance channel in the individual insurance segment.

Investment income (including investment contracts i.e. contracts that involve no material insurance risk) for 3 quarters of 2012 and 3 quarters of 2011 were PLN 2,569,395 thousand and 1,040,071 thousand, respectively, increasing mainly due to better market conditions at the WSE (in the first three quarters of 2012, the WIG index grew by 16.3%, after dropping by 19.4% the year before) and higher valuation of debt instruments driven by declining bond yields (the yield of 2Y treasury bonds fell by 46 basis points, and 5Y bonds by 110 basis points). Additionally, when the new investment strategy was implemented, listed shares in the available for sale portfolio were sold – this applies to the equities where revaluation was recognized in revaluation reserve in previous years. As a result of such a transaction, (gross) income of PLN 100,994 thousand was achieved.

The growth in net claims paid (incorporating the movement in the technical provisions) of PLN 803.836 thousand (+10.5%) in comparison with a similar period in the previous year resulted from the following:

- higher sales of individual investment insurance products in the bancassurance channel (+ PLN 375,123 thousand);
- significantly better results on investment activity in investment insurance products, which was reflected in an increase of reserves (+ PLN 305,179 thousand);
- lower rate of conversion of long-term agreement into yearly renewable term agreements in type P group insurance (- PLN 183,707 thousand);
- lower performance on contract guarantees in the corporate segment (- PLN 117,107 thousand), among others as a result of an increase in claims reserves in connection with a number of bankruptcies in the construction industry;

At the same time, profitability for 3 quarters of 2012 improved in motor insurance compared to the corresponding period of the previous year, driven by a lower frequency of claims (the loss ratio fell by 7.6 percentage points down to 69.5%).

In three quarters of 2012 acquisition costs rose by PLN 52,149 thousand (+3.6%) compared to the corresponding period of the previous year. This growth was the outcome of higher sales and the rising share of more costly distribution channels (such as agents, multiagencies and brokers).

Administrative costs grew by PLN 59,377 thousand (+6.3%) as a result of the execution of project measures to alter the PZU Group's image and to streamline and automate service processes, coupled with maintaining fixed cost discipline. Moreover, in 2012 a charge of PLN 20,000 thousand was made to the Company Social Benefits Fund.

The net balance of other operating revenues and expenses in the 9-month period ended 30 September 2012 declined by PLN 83,157 thousand compared to the corresponding period of the previous year. This change was caused mainly by the recognition of non-recurring income of PLN 118,916 thousand last year associated with the commencement of full consolidation of the Armatura Group in PZU Group's consolidated financial statements.

The operating profit in 3 quarters of 2012 was PLN 3,540,844 thousand making it higher by PLN 1,209,351 thousand (51.9%) than in a similar period of the previous year, primarily driven by the PZU Group's higher investment result. The net profit grew in comparison to 3 quarters of 2011 by PLN 983,243 thousand (+52.9%) to PLN 2,840,258 thousand.

IFRS-compliant consolidated equity as at 30 September 2012 was PLN 13,800,615 thousand compared to PLN 12,419,330 thousand as at 30 September 2011. Return on equity (ROE¹) for the period from 1 January 2012 to 30 September 2012 was 28.4% making it 8.8 p.p. higher than in the corresponding period of the previous year. In comparison with consolidated equity at 31 December 2011, equity rose PLN 931,110 thousand (7.2%), while ROE¹ rose 10.1 percentage points as compared to the ratio for the period from 1 January 2011 to 31 December 2011

As at 30 September 2012 and 30 September 2011, the investment portfolio² was PLN 49,650,058 thousand and PLN 48,818,525 thousand, respectively; the increased balance resulted from the higher valuation of treasury bonds (lower interest rates) and of equities (good market conditions on the WSE). Compared to 31 December 2011, the investment portfolio increased by PLN 2,433,920 thousand from PLN 47,216,138 thousand.

14. Solvency

The rules for calculating the solvency margin and the minimum amount of the indemnity capital are defined in the Regulation of 28 November 2003 on the method of calculating the solvency margin and the minimum amount of the indemnity capital for insurance sections and groups (Journal of Laws of 2003, No. 211, Item 2060, "Solvency Margin Regulation").

Detailed information on the method for calculating solvency have been presented in the consolidated financial statements of the PZU Group for 2011.

¹ Annualized ratio.

² The investment portfolio contains financial assets, investment property and the negative valuation of derivatives.

Financial data included in the calculation of shareholder funds and solvency margin have been determined based on the PAS.

Calculation of shareholder funds to cover PZU's solvency margin are presented below.

Calculation of shareholder funds to cover the solvency margin	30 September 2012	30 June 2012	31 December 2011	30 September 2011
PZU equity	12,681,670	11,628,993	11,745,410	11,409,847
Intangible assets	(109,551)	(104,418)	(107,004)	(79,699)
Value of shares in insurance companies held by the PZU insurance capital group	(6,551,089)	(5,943,891)	(6,063,902)	(5,728,279)
Deferred income tax assets	(323,102)	(319,381)	(363,384)	(325,186)
Contribution of other insurance companies in the PZU insurance capital group to PZU's shareholder funds:	4,517,706	3,889,861	3,980,944	3,632,464
PZU Życie SA 100.00%	4,528,261	3,893,998	3,988,423	3,624,697
Shareholder funds	6,257,623	5,642,773	5,703,608	5,323,373
Solvency margin	1,729,362	1,748,775	1,715,185	1,698,676
Surplus of shareholder funds to cover the solvency margin	4,528,261	3,893,998	3,988,423	3,624,697
UAB DK PZU Lietuva 99.76%	6,993	8,426	4,229	15,287
Shareholder funds	41,235	42,047	34,918	44,682
Solvency margin	34,225	33,601	30,679	29,358
Surplus of shareholder funds to cover the solvency margin	7,010	8,446	4,239	15,324
PrJSC PZU Ukraine 100.00%	(14,678)	(14,620)	(14,206)	(12,352)
Shareholder funds	6,002	7,129	6,715	6,568
Solvency margin	20,680	21,750	20,921	18,920
Surplus/shortage of equity to cover the solvency margin	(14,678)	(14,620)	(14,206)	(12,352)
Other insurance companies	(2,870)	2,057	2,498	4,832
PZU shareholder funds	10,215,634	9,151,164	9,192,064	8,909,147
PZU solvency margin	1,337,542	1,348,012	1,338,798	1,337,542
PZU indemnity capital	445,847	449,337	446,266	445,847
Surplus of shareholder funds to cover the solvency margin	8,878,092	7,803,152	7,853,266	7,571,605
Surplus of shareholder funds to cover the indemnity capital	9,769,787	8,701,827	8,745,798	8,463,300

15. Segment reporting

15.1. Reportable segments

15.1.1. Key classification criterion

IFRS 8 specifies how entities should present information regarding operating segments in annual and interim financial statements. Operating segments are components of an entity for which separate financial information is available and is subject to regular assessment by the chief operating decision maker ("CODM", in practice this is the PZU Management Board), related to allocating resources and assessing operating results.

The main model for PZU Group segmentation is based on the criterion of entities subject to consolidation, with the reservation that in reference to the leading companies of the PZU Group (PZU and PZU Życie) segments are additionally distinguished according to the following criteria: customer groups, product lines and nature of the business.

PZU has distinguished the following segments:

- corporate insurance (non-life);
- mass insurance (non-life);
- investments – entailing investing activity of its own funds.

PZU Życie has distinguished the following segments:

- group and individually continued insurance (life);
- individual insurance (life);
- investments – entailing investing activity of its own funds;
- investment contracts – described in greater detail below in this chapter.

Having regard for its separateness and its operation in different regulatory environments, the internal financial reporting system applied by the PZU Group, according to the PZU Group's segmentation model based on the criterion of entities subject to consolidation and having regard for their utility for users of financial statements the following segments have also been distinguished:

- pension insurance;
- Ukraine (non-life);
- Lithuania (non-life);

If the qualitative or quantitative prerequisites described by IFRS 8 items 12-19 are met, operating segments may be combined into reportable segments. These financial statements do not combine distinct operating segments into reportable segments save for the segment called investments encompassing investing activity of the own funds of the PZU Group companies.

15.1.2. Information relating to geographical areas

The PZU Group applies a supplementary division using the geographic criterion according to which the following segments have been distinguished:

- Poland;
- Lithuania;
- Ukraine.

15.2. Inter-segment settlements

Economic transactions entered into by and between operating segments and geographic segments are entered into on arm's length conditions.

The net result of investments (the difference between realized and unrealized revenues and costs) carried in corporate insurance (non-life), mass insurance (non-life), group and individually continued insurance (life), individual insurance (life) is determined on the basis of transfer prices using interest rates from the yield curves for treasuries (risk free rate), giving consideration to the fact that for unit-linked products, guaranteed rate products and structured products the net result of investments covering the technical provisions corresponding to them is carried directly.

15.3. Segment's measure of profit

The PZU Group's fundamental measure of a segment's profit is as follows:

- in insurance companies – insurance result according to local accounting standards in force in the country of the company's registered offices, which is the financial result before tax and other operating revenues and costs (including costs of financing), incorporating however the net result on investments attributable to investments providing 100% coverage of technical provisions. The insurance result is a measure approximately equivalent to the technical result on insurance defined in PAS with the exception that both non-life and life insurance have a net result on investments as described in the previous sentence;
- in non-insurance companies – the operating result according to local accounting standards in the country of the company's registered offices or according to IFRS, which is the financial result before tax and costs of financing.

15.4. Description of the segments

Below a description of all the PZU Group's distinguished reportable segments has been presented along with a presentation of the accounting standards according to which their financial data have been presented:

- corporate insurance (non-life) – reporting according to PAS – covering a broad scope of property insurance, TPL and motor insurance customized to a customer's needs entailing individual underwriting offered by PZU to large economic agents;
- mass insurance (non-life) - reporting according to PAS – covering a broad scope of property, accident, TPL and motor insurance offered by PZU to individual clients and entities in the small and medium enterprise sector;
- group and individually continued insurance (life) - reporting according to PAS – covering group insurance addressed by PZU Życie to groups of employees and other formal groups (for instance trade unions), under which persons under a legal relationship with the policyholder (for instance employer, trade union) enroll in the insurance and individually continued insurance in which the policyholder acquired the right to individual continuation during the group phase. PZU Życie's offer covers a wide range of protection, investment (not investment contracts) and health insurance;
- individual insurance (life) - reporting according to PAS – covering insurance offered by PZU Życie to individual clients under which the insurance contract applies to a specific insured and this insured is subject to individual underwriting. PZU Życie's offer covers a wide range of protection, investment (not investment contracts) and health insurance;
- investments - reporting according to PAS – covering investing activity in respect of the PZU Group's own funds understood to mean surplus investments above the technical provisions in the PZU Group's leading insurance companies (PZU and PZU Życie where this surplus is different from the concept of investing the own funds of insurance undertakings as defined in PAS) and the PZU Group's other free cash flow;
- pension insurance – reporting according to PAS – covering PZU PTE;
- Ukraine (non-life) – reporting according to Ukrainian standards – covering PZU Ukraine;
- Lithuania (non-life) - reporting according to Lithuanian standards – covering PZU Lietuva;
- investment contracts – reporting according to PAS – covering PZU Życie products that do not transfer material insurance risk within the meaning of IFRS 4 and that do not meet the definition of an insurance contract (i.e. some products with a guaranteed rate of return and some unit-linked products). According to IFRS, these products, in compliance with the requirements of IAS 39, are recognized using the deposit method and are measured depending on the construction of a given product – at depreciated cost or fair value. In both cases, according to IFRS, the gross written premium on these products is not recognized. According to PAS, all these products are carried as insurance products and their gross written premium is recognized;
- other – reporting jointly according to IFRS or PAS (IFRS 8 does not require the presentation of the results of segments qualified to the category "other" according to cohesive accounting rules) – covers other entities subject to consolidation not qualified as belonging to any other segment above, whose revenues predominantly originate from the manufacturing activity of bathroom and sink fixtures, heaters, foundry molds and service activity.

15.5. Accounting standards employed according to PAS

15.5.1. PZU

PAS and the differences between PAS and IFRS in respect of PZU's standalone financial reporting have been portrayed in detail in the annual standalone financial statements of Powszechny Zakład Ubezpieczeń Spółka Akcyjna for 2011 prepared according to PAS, signed by the PZU Management Board on 14 March 2012 and whose subject the statutory auditor issued on that same date an unqualified opinion ("PZU's standalone financial statements for 2011").

PZU's standalone financial statements for 2011 are available on PZU's website www.pzu.pl under the tab "PZU Group / Investor Relations / Periodic and Current Reports / Periodic Reports".

15.5.2. PZU Życie

The accounting standards according to PAS applicable to PZU Życie are convergent with the PAS applicable to PZU (bypassing accounting for insurance contracts and investment contracts).

The rules of accounting for insurance contracts and investment contracts at PZU Życie according to IFRS have been presented in the PZU Group's consolidated financial statements for 2011.

The fundamental differences between PAS and IFRS in respect of accounting for insurance contracts and investment contracts at PZU Życie entail the following:

- classifying insurance contracts according to the guidelines set forth under IFRS 4 on the classification of products as insurance contracts subject to IFRS 4 or investment contracts measured according to IAS 39. According to IFRS 4 a contract meets the definition of an insurance contract only if an insurable event may precipitate the necessity of an insurer paying significant additional benefits in every scenario, excluding scenarios lacking economic meaning (that is that do not exert a noticeable impact on the economics of the transaction), and thus if a contract transfers significant insurance risk. The assessment of whether a given contract transfers considerable financial risk requires analysis of the cash flows associated with a given product in different scenarios and estimating the probability of their occurrence.
- the amount of the technical rate used to compute the technical provisions. According to IFRS 4, if an insurer measures its insurance contracts while applying sufficient prudence, it should not in subsequent reporting periods insert additional elements augmenting its level. In PAS financial reporting, the technical rates are reduced for some types of insurance, which results from the maximum levels of the technical rates published by the Polish Financial Services Authority, contributing to higher PAS technical provisions compared to similar IFRS-compliant provisions.

The impact exerted by these differences between PAS and IFRS has been presented in the segmental note in separate columns.

15.6. Construction of the segmental note and the reconciliations it contains

As the segments' measures of profit are based on local accounting standards in the country of the registered offices of the PZU Group company, the financial data of the segments are carried using several different accounting standards; moreover, on account of the managerial accounting reports submitted to CODM compared to the format of IFRS-compliant financial statements, it would be necessary to employ two reporting frameworks: the framework of the managerial accounting reports submitted to CODM (left side of the note) and the IFRS-compliant format of financial statements (right side of the note).

As a consequence, the reconciliation in the note of the sum total of revenues and the sum total of profit or loss of the reportable segments with the similar consolidated figures, required according to IFRS 8 item 28, is complex and consists of the following stages described according to the sequence of placing the reconciliation columns in the segmental note:

- switching from the framework of the managerial accounting reports submitted to CODM to the format of IFRS-compliant financial statements (column entitled "differences in presentation"), effecting a number of changes in presentation, including the transfer of other operating revenues and expenses to the IFRS-compliant line items inserted under the measure of "operating profit (loss)";
- reconciling the differences between accounting standards in which the financial data of segments and of IFRS are presented along with a separate presentation of the most important ones;
- making consolidation adjustments (since this is the final stage of reconciliation – the adjustments have been presented in the framework of IFRS-compliant financial data).

15.7. Simplifications in the segmental note

The segmental note has applied certain simplifications compared to the requirements of IFRS 8. The justification for their usage is portrayed below:

- withdrawing from presenting data related to the allocation of all assets and liabilities to various segments – resulting from not preparing and not presenting such tables to CODM. The main information delivered to

CODM consists of data regarding the results of given segments and managerial decisions are made on this basis, including decisions on resource allocation. The analysis of the segmental allocation of assets and liabilities is limited to monitoring the fulfillment of the PAS regulatory requirement, i.e. holding assets to cover technical provisions at a level exceeding the amount of these provisions (analysis split into the various insurance companies, not product groups);

- presenting the net result on investments as a single amount as the difference between the realized and unrealized revenues and the costs of investments – stemming from the internal assessment of the segmental results based on such a combined measure of investment results;
- not allocating other revenues and costs to the segment called “investments” besides realized and unrealized revenues and costs of investments – stemming from the method of analyzing this segment’s data and the impracticality of such an allocation;
- presenting other operating revenues and costs and financial costs for PZU and PZU Życie jointly for the operating segments distinguished in them (as a consequence also not allocating any amounts in this area to the segment called investment contracts) – stemming from the accepted measures of operating segments’ profit and the impracticality of such an allocation;
- presenting the income tax burden as a single amount at the level of the consolidated data – stemming from the accepted measures of operating segments’ profit and the impracticality of conducting an allocation exercise in this respect.

Consolidated Interim Financial Statements of the PZU Spółka Akcyjna Capital Group for Q3 2012

Profit and loss account for the period from 1 July 2012 to 30 September 2012	Corporate insurance (non- life)	Mass insurance (non-life)	Group and individually continued insurance (life)	Individual insurance (life)	Investments	Pension insurance	Ukraine (non-life)	Lithuania (non-life)	Investment contracts	Other operations	Presentation differences	Real estate and financial instruments	Investment contracts	Technical rate in life insurance	Prevention fund and charges to the Company Social Benefits Fund	Consolidation adjustments	Consolidated value	Profit and loss account for the period from 1 July 2012 to 30 September 2012
	PAS	PAS	PAS	PAS	PAS	PAS	UA GAAP	LT GAAP	PAS	PAS	PAS	PAS - IFRS	PAS - IFRS	PAS - IFRS	PAS - IFRS	IFRS	IFRS	
Gross premium written externally	362 380	1 574 211	1 602 184	294 185	-	-	34 875	44 885	115 493	-	-	-	(115 493)	-	-	-	3 912 720	Gross insurance premium written externally
Gross premium written between segments	1 011	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(1 011)	-	Gross insurance premium written between segments
Gross written insurance premium	363 391	1 574 211	1 602 184	294 185	-	-	34 875	44 885	115 493	-	-	-	(115 493)	-	-	(1 011)	3 912 720	
Reinsurers' share in gross written premium	(14 984)	(788)	(484)	-	-	-	(5 221)	(648)	-	-	-	-	-	-	-	15	(22 110)	Reinsurers' share in gross written insurance premium
Net written premium	348 407	1 573 423	1 601 700	294 185	-	-	29 654	44 237	115 493	-	-	-	(115 493)	-	-	(996)	3 890 610	Net written premium
Movement in the unearned premium reserve and gross unexpired risk reserve	116 451	100 799	(330)	2 318	-	-	1 440	3 609	43	-	(32 758)	-	(43)	-	-	486	192 015	Movement in net unearned premium reserve
Reinsurers' share in the unearned premium reserve and gross unexpired risk reserve	(19 700)	(10 035)	(170)	(16)	-	-	(664)	(2 173)	-	-	32 758	-	-	-	-	-	-	
Net earned premium	445 158	1 664 187	1 601 200	296 487	-	-	30 430	45 673	115 536	-	-	-	(115 536)	-	-	(510)	4 082 625	Net earned premium
Investment income, including:	29 314	130 973	250 085	87 831	467 865	3 031	4 810	3 438	46 598	507	50 371	-	8 319	-	-	-	58 690	Fee and commission income
Net result on investments (external activity)	29 314	130 973	250 085	87 831	467 347	3 031	4 810	3 438	46 598	507	(1 024 452)	-	-	-	-	-	-	
Net result on investments (inter-segment activity)	-	-	-	-	518	-	-	-	-	-	(518)	-	-	-	-	-	-	
											567 605	-	-	-	-	1 541	569 146	Net investment income (external activity)
											518	-	-	-	-	(518)	-	Net investment income (inter-segment activity)
											123 749	91 390	-	-	-	25 864	241 003	Net result on the realization of investments and impairment charges
											297 300	(35 806)	-	-	-	(26 152)	235 342	Net change in the fair value of assets and liabilities carried at fair value
Other net technical income	1 157	6 867	458	3 053	-	-	-	-	3 124	-	(14 659)	-	-	-	-	-	-	
Revenues on core business of non-insurance entities	-	-	-	-	-	50 371	-	-	-	105 530	(155 901)	-	-	-	-	-	-	
Other operating income (not applicable to insurance entities)	-	-	-	-	-	314	-	-	-	6 713	126 930	(888)	(3 124)	-	-	(26 152)	103 793	Other operating income
Gross claims paid	(220 251)	(893 307)	(1 001 453)	(141 879)	-	-	(14 981)	(28 694)	(991 936)	-	215 143	(1)	151 324	(302)	-	(1 059)	(2 927 396)	Claims and movement in technical provisions
Movement in the gross claims reserve	(98 947)	(195 677)	(5 369)	1 856	-	-	(84)	(3 004)	3 082	-	298 143	-	-	-	-	-	-	
Reinsurers' share in claims paid	13 876	14 038	39	-	-	-	1 380	914	-	-	(15 291)	-	-	-	-	(950)	14 006	Claims and movement in insurance liabilities ceded to re-insurers
Reinsurers' share in the movement in reserves	(7 592)	(5 323)	-	-	-	-	(398)	(886)	-	-	14 199	-	-	-	-	-	-	
Net insurance claims	(312 914)	(1 080 269)	(1 006 783)	(140 023)	-	-	(14 083)	(31 670)	(988 854)	-	512 194	(1)	151 324	(302)	-	(2 009)	(2 913 390)	Net insurance claims
Movement in other net technical provisions, life insurance reserves where the policyholder bears the investment risk, loss ratio (risk) equalization reserves	-	-	(150 249)	(173 243)	-	-	-	-	837 528	-	(514 036)	-	-	-	-	-	(40 983)	Claims and changes in valuation of investment contracts
Net premiums and rebates for insureds including the movement in reserves	(54)	(15)	(682)	-	-	-	-	-	-	-	751	-	-	-	-	-	-	
Other net technical income	(12 254)	(54 507)	(16 039)	(1 030)	-	-	-	-	(952)	-	84 782	-	-	-	-	-	-	
Acquisition cost	(81 476)	(286 166)	(77 152)	(24 082)	-	(4 538)	(9 777)	(12 126)	(5 656)	-	-	2	-	-	-	3 193	(497 778)	Acquisition cost
Administrative cost	(21 710)	(124 319)	(126 534)	(13 247)	-	(15 907)	(6 665)	(4 783)	(3 470)	-	-	859	-	-	-	3 135	(312 641)	Administrative cost
Reinsurance commissions and profit-sharing	1 991	(4 421)	-	-	-	-	-	-	-	-	2 830	-	-	-	-	-	-	
Expenses of the core business of non-insurance entities	-	-	-	-	-	-	-	-	-	(100 768)	100 768	-	-	-	-	-	-	
Other operating expenses (not applicable to insurance entities)	-	-	-	-	-	(14)	-	-	-	(254)	(158 505)	(2)	-	-	16 369	21 887	(120 519)	Other operating expenses
Result on insurance / Operating profit (loss)	48 812	252 330	474 304	35 746	467 865	33 257	4 715	532	3 854	11 728	245	55 554	-	(302)	16 369	279	1 405 288	Operating profit (loss)
Other operating income	9 125	-	1 116	-	-	-	267	658	-	-	(11 166)	-	-	-	-	-	-	
Other operating expenses	(14 899)	-	(7 437)	-	-	-	(1 188)	(884)	-	-	24 408	-	-	-	-	-	-	
Financial costs	-	-	-	-	-	-	-	-	(1 661)	(13 484)	-	-	-	-	-	-	(15 145)	Financial costs
																	1 390 143	Gross profit (loss)
																	(266 334)	Income tax

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	PAS	PAS	PAS	PAS	PAS	PAS	UA GAAP	LT GAAP	PAS	PAS	PAS	PAS - IFRS	PAS - IFRS	PAS - IFRS	PAS - IFRS	IFRS	IFRS			
Gross premium written externally	1 403 133	4 969 569	4 771 030	771 751	-	-	99 592	143 919	1 660 532	-	-	-	(1 660 532)	-	-	-	12 158 994	Gross insurance premium written externally		
Gross premium written between segments	1 523	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(1 523)	-	Gross insurance premium written between segments		
Gross written insurance premium	1 404 656	4 969 569	4 771 030	771 751	-	-	99 592	143 919	1 660 532	-	-	-	(1 660 532)	-	-	(1 523)	12 158 994			
Reinsurers' share in gross written premium	(71 154)	(5 234)	(1 760)	(62)	-	-	(18 669)	(7 564)	-	-	-	-	-	-	-	1 463	(102 980)	Reinsurers' share in gross written insurance premium		
Net written premium	1 333 502	4 964 335	4 769 270	771 689	-	-	80 923	136 355	1 660 532	-	-	-	(1 660 532)	-	-	(60)	12 056 014	Net written premium		
Movement in the unearned premium reserve and gross unexpired risk reserve	27 941	(70 243)	(207)	5 413	-	-	2 961	(8 882)	(764)	-	(62 819)	-	764	-	-	(817)	(106 653)	Movement in net unearned premium reserve		
Reinsurer's share in the unearned premium reserve and gross unexpired risk reserve	(35 080)	(26 936)	169	17	-	-	(287)	(702)	-	-	62 819	-	-	-	-	-	-			
Net earned premium	1 326 363	4 867 156	4 769 232	777 119	-	-	83 597	126 771	1 659 768	-	-	-	(1 659 768)	-	-	(877)	11 949 361	Net earned premium		
Investment income, including:	92 309	395 837	691 104	237 915	2 300 287	9 351	14 821	7 398	140 862	850	146 679	-	28 370	-	-	-	175 049	Fee and commission income		
Net result on investments (external activity)	92 309	395 837	691 104	237 915	1 065 344	9 351	14 821	7 398	140 862	850	(3 890 734)	-	-	-	-	-	-			
Net result on investments (inter-segment activity)	-	-	-	-	1 234 943	-	-	-	-	-	(2 655 791)	-	-	-	-	(1 234 943)	-			
											1 648 760	-	-	-	-	4 755	1 653 515	Net investment income (external activity)		
											1 234 943	-	-	-	-	(1 234 943)	-	Net investment income (inter-segment activity)		
												96 530	-	-	-	28 432	367 091	Net result on the realization of investments and impairment charges		
												639 000	(60 917)	-	-	(29 294)	548 789	Net change in the fair value of assets and liabilities carried at fair value		
Other net technical income	9 896	42 908	1 280	9 153	-	-	-	-	12 210	-	(75 447)	-	-	-	-	-	-			
Revenues on core business of non-insurance entities	-	-	-	-	-	146 679	-	-	-	273 927	(420 606)	-	-	-	-	-	-			
Other operating income (not applicable to insurance entities)	-	-	-	-	-	404	-	-	-	10 363	350 797	1 394	(12 210)	-	-	(83 032)	267 716	Other operating income		
Gross claims paid	(727 339)	(2 730 512)	(3 124 861)	(428 783)	-	-	(40 477)	(78 352)	(2 612 154)	-	(592 186)	(379)	1 771 552	(11 676)	-	(429)	(8 575 596)	Claims and movement in technical provisions		
Movement in the gross claims reserve	(319 739)	(386 232)	13 351	21 070	-	-	(1 208)	(3 300)	1 629	-	674 429	-	-	-	-	-	-			
Reinsurers' share in claims paid	41 905	58 889	78	-	-	-	2 326	2 129	-	-	43 453	-	-	-	-	(1 209)	147 571	Claims and movement in insurance liabilities ceded to re-insurers		
Reinsurer's share in the movement in reserves	75 418	(38 964)	-	-	-	-	(848)	(2 921)	-	-	(32 685)	-	-	-	-	-	-			
Net insurance claims	(929 755)	(3 096 819)	(3 111 432)	(407 713)	-	-	(40 207)	(82 444)	(2 610 525)	-	93 011	(379)	1 771 552	(11 676)	-	(1 638)	(8 428 025)	Net insurance claims		
Movement in other net technical provisions, life insurance reserves where the policyholder bears the investment risk, loss ratio (risk) equalization reserves	-	-	(371 442)	(387 326)	-	-	-	-	838 974	-	(80 206)	-	-	-	-	-	(127 944)	Claims and changes in valuation of investment contracts		
Net premiums and rebates for insureds including the movement in reserves	2 978	97	(1 037)	-	-	-	-	-	-	-	(2 038)	-	-	-	-	-	-			
Other net technical income	(30 594)	(216 040)	(46 445)	(2 879)	-	-	-	-	(3 721)	-	299 679	-	-	-	-	-	-			
Acquisition cost	(253 349)	(845 069)	(240 127)	(64 579)	-	(15 760)	(27 488)	(36 279)	(19 208)	-	-	6	-	-	-	5 198	(1 496 655)	Acquisition cost		
Administrative cost	(70 993)	(376 021)	(414 672)	(38 156)	-	(48 408)	(20 101)	(13 470)	(10 341)	-	-	3 181	-	(20 000)	9 633	(999 348)	Administrative cost			
Reinsurance commissions and profit-sharing	(7 837)	(8 227)	15	-	-	-	-	-	-	-	16 049	-	-	-	-	-	-			
Expenses of the core business of non-insurance entities	-	-	-	-	-	-	-	-	-	(272 034)	272 034	-	-	-	-	-	-			
Other operating expenses (not applicable to insurance entities)	-	-	-	-	-	(301)	-	-	-	(803)	(459 967)	634	-	-	24 975	66 757	(368 705)	Other operating expenses		
Result on insurance / Operating profit (loss)	139 018	763 822	1 276 476	123 534	2 300 287	91 965	10 622	1 976	8 019	12 303	14 083	40 449	-	(11 676)	4 975	(1 235 009)	3 540 844	Operating profit (loss)		
Other operating income	34 165	-	13 235	-	-	-	489	1 911	-	-	(49 800)	-	-	-	-	-	-			
Other operating expenses	(40 163)	-	(15 735)	-	-	-	(1 343)	(2 523)	-	-	59 764	-	-	-	-	-	-			
Financial costs	-	-	-	-	-	-	-	-	-	(3 902)	(24 048)	-	-	-	-	-	(27 950)	Financial costs		
																		3 512 894	Gross profit (loss)	
																			(672 636)	Income tax
																			2 840 258	Net profit (loss)

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	PAS	PAS	PAS	PAS	PAS	PAS	UA GAAP	LT GAAP	PAS	PAS	PAS	PAS - IFRS	PAS - IFRS	PAS - IFRS		IFRS	IFRS		
Gross premium written externally	441 514	1 561 426	1 555 764	122 563	-	-	32 546	38 721	971 232	-	-	-	(971 232)	-	-	-	3 752 534	Gross insurance premium written externally	
Gross premium written between segments	751	91	-	-	-	-	-	-	-	-	-	-	-	-	-	(842)	-	Gross insurance premium written between segments	
Gross written insurance premium	442 265	1 561 517	1 555 764	122 563	-	-	32 546	38 721	971 232	-	-	-	(971 232)	-	-	(842)	3 752 534		
Reinsurers' share in gross written premium	(13 363)	(44)	(124)	-	-	-	(5 424)	(879)	-	-	-	-	-	-	-	334	(19 500)	Reinsurers' share in gross written insurance premium	
Net written premium	428 902	1 561 473	1 555 640	122 563	-	-	27 122	37 842	971 232	-	-	-	(971 232)	-	-	(508)	3 733 034	Net written premium	
Movement in the unearned premium reserve and gross unexpired risk reserve	24 399	42 400	696	2 652	-	-	(2 969)	(445)	-	-	(15 768)	514	-	-	-	277	51 756	Movement in net unearned premium reserve	
Reinsurers' share in the unearned premium reserve and gross unexpired risk reserve	(8 134)	(7 445)	(156)	(33)	-	-	-	-	-	-	15 768	-	-	-	-	-	-		
Net earned premium	445 167	1 596 428	1 556 180	125 182	-	-	24 153	37 397	971 232	-	-	514	(971 232)	-	-	(231)	3 784 790	Net earned premium	
Investment income, including:	-	-	-	-	-	-	-	-	-	-	50 436	-	12 329	-	-	-	62 765	Fee and commission income	
Net result on investments (external activity)	59 919	164 799	87 056	9 205	(232 800)	2 880	2 454	(544)	(81 948)	220	(11 241)	-	-	-	-	-	-		
Net result on investments (inter-segment activity)	59 919	164 799	87 056	9 205	(233 250)	2 880	2 454	(544)	(81 948)	220	(10 791)	-	-	-	-	-	-		
	-	-	-	-	450	-	-	-	-	-	(450)	-	-	-	-	-	-		
											578 837	-	-	-	-	1 345	580 182	Net investment income (external activity)	
											450	-	-	-	-	(450)	-	Net investment income (inter-segment activity)	
											(5 435)	720	-	-	-	(7 826)	(12 541)	Net result on the realization of investments and impairment charges	
											(580 215)	(19 957)	-	-	-	(6 457)	(606 629)	Net change in the fair value of assets and liabilities carried at fair value	
Other net technical income	560	20 087	233	2 723	-	-	-	-	6 189	-	(29 792)	-	-	-	-	-	-		
Revenues on core business of non-insurance entities	-	-	-	-	-	50 436	-	-	-	99 273	(149 709)	-	-	-	-	-	-		
Other operating income (not applicable to insurance entities)	-	-	-	-	-	538	-	-	-	856	126 032	(309)	(6 188)	-	-	(23 786)	97 143	Other operating income	
Gross claims paid	(276 981)	(962 473)	(1 010 022)	(195 100)	-	-	(9 341)	(27 125)	(1 413 038)	-	341 384	1	883 712	(85)	-	1 613	(2 667 455)	Claims and movement in technical provisions	
Movement in the gross claims reserve	(107 746)	(219 856)	4 320	2 228	-	-	-	-	215	-	320 839	-	-	-	-	-	-		
Reinsurers' share in claims paid	17 329	77 163	-	-	-	-	(678)	3 870	-	-	(35 480)	(111)	-	-	-	(530)	61 563	Claims and movement in insurance liabilities ceded to reinsurers	
Reinsurers' share in the movement in reserves	14 510	(46 131)	-	-	-	-	-	-	-	-	31 621	-	-	-	-	-	-		
Net insurance claims	(352 888)	(1 151 297)	(1 005 702)	(192 872)	-	-	(10 019)	(23 255)	(1 412 823)	-	658 364	(110)	883 712	(85)	-	1 083	(2 605 892)	Net insurance claims	
Movement in other net technical provisions, life insurance reserves where the policyholder bears the investment risk, loss ratio (risk) equalization reserves	-	-	3 999	130 528	-	-	-	-	529 110	-	(663 637)	-	-	-	-	-	81 379	Claims and changes in valuation of investment contracts	
Net premiums and rebates for insureds including the movement in reserves	(707)	(19)	(686)	-	-	-	-	-	-	-	1 412	-	-	-	-	-	-		
Other net technical income	(5 798)	(60 911)	(7 570)	(137)	-	-	-	-	(1 793)	-	76 209	-	-	-	-	-	-		
Acquisition cost	(80 812)	(289 637)	(68 746)	(12 483)	-	(16 925)	(9 119)	(9 976)	(9 179)	-	-	3	-	-	-	5 409	(491 465)	Acquisition cost	
Administrative cost	(22 412)	(110 189)	(132 636)	(11 170)	-	(14 618)	(5 787)	(3 511)	(3 040)	-	(8 282)	1 280	-	-	-	3 590	(306 775)	Administrative cost	
Reinsurance commissions and profit-sharing	(83)	(10 465)	-	-	-	-	-	-	-	-	10 548	-	-	-	-	-	-		
Expenses of the core business of non-insurance entities	-	-	-	-	-	-	-	-	-	(95 739)	95 739	-	-	-	-	-	-		
Other operating expenses (not applicable to insurance entities)	-	-	-	-	-	(26)	-	-	-	(1 325)	(168 070)	(423)	-	-	(8 637)	24 653	(153 828)	Other operating expenses	
Result on insurance / Operating profit (loss)	42 946	158 796	432 128	50 976	(232 800)	22 285	1 682	111	(2 252)	3 285	(18 354)	(18 282)	-	(85)	(8 637)	(2 670)	429 129	Operating profit (loss)	
Other operating income	16 706	-	10 127	-	-	-	219	600	-	-	(27 652)	-	-	-	-	-	-		
Other operating expenses	(47 471)	-	(28 308)	-	-	-	398	(1 294)	-	-	76 675	-	-	-	-	-	-		
Financial costs	-	-	-	-	-	-	-	-	-	(2 106)	(30 673)	-	-	-	-	-	-		
																	(32 779)	Financial costs	
																		396 350	Gross profit (loss)
																		(91 739)	Income tax
																		304 611	Net profit (loss)

Consolidated Interim Financial Statements of the PZU Spółka Akcyjna Capital Group for Q3 2012

Profit and loss account for the period from 1 January 2011 to 30 September 2011	Corporate insurance (non-life)	Mass insurance (non-life)	Group and individually continued insurance (life)	Individual insurance (life)	Investments	Pension insurance	Ukraine (non-life)	Lithuania (non-life)	Investment contracts	Other operations	Presentation differences	Real estate and capital instruments	Investment contracts	Technical rate in life insurance	Prevention fund and charges to the Company Social Benefits Fund	Consolidation adjustments	Consolidated value	Profit and loss account for the period from 1 January 2011 to 30 September 2011		
	PAS	PAS	PAS	PAS	PAS	PAS	UA GAAP	LT GAAP	PAS	PAS	PAS	PAS - IFRS	PAS - IFRS	PAS - IFRS	IFRS	IFRS				
Gross premium written externally	1 355 649	4 858 070	4 607 772	403 966	-	-	84 980	115 359	2 906 374	-	-	-	(2 906 374)	-	-	-	11 425 796	Gross insurance premium written externally		
Gross premium written between segments	2 562	1 020	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(3 582)	-	Gross insurance premium written between segments	
Gross written insurance premium	1 358 211	4 859 090	4 607 772	403 966	-	-	84 980	115 359	2 906 374	-	-	-	(2 906 374)	-	-	-	(3 582)	11 425 796		
Reinsurers' share in gross written premium	(103 944)	(38 972)	(2 016)	(92)	-	-	(18 115)	(9 223)	-	-	-	-	-	-	-	2 228	(170 134)	Reinsurers' share in gross written insurance premium		
Net written premium	1 254 267	4 820 118	4 605 756	403 874	-	-	66 865	106 136	2 906 374	-	-	-	(2 906 374)	-	-	(1 354)	11 255 662	Net written premium		
Movement in the unearned premium reserve and gross unexpired risk reserve	427	(220 415)	749	5 987	-	-	(1 879)	(5 644)	-	-	19 567	(472)	-	-	-	507	(201 173)	Movement in net unearned premium reserve		
Reinsurers' share in the unearned premium reserve and gross unexpired risk reserve	14 769	4 609	155	34	-	-	-	-	-	-	(19 567)	-	-	-	-	-	-	-		
Net earned premium	1 269 463	4 604 312	4 606 660	409 895	-	-	64 986	100 492	2 906 374	-	-	(472)	(2 906 374)	-	-	(847)	11 054 489	Net earned premium		
Investment income, including:	123 605	409 332	480 669	139 490	2 112 298	9 401	9 731	2 896	(52 182)	654	(3 235 894)	179 413	-	39 579	-	-	218 992	Fee and commission income		
Net result on investments (external activity)	123 605	409 332	480 669	139 490	18 885	9 401	9 731	2 896	(52 182)	654	(1 142 481)	-	-	-	-	-	-	-		
Net result on investments (inter-segment activity)	-	-	-	-	2 093 413	-	-	-	-	-	(2 093 413)	-	-	-	-	-	-	-		
											1 472 381	-	-	-	-	2 623	1 475 004	Net investment income (external activity)		
											2 093 413	-	-	-	-	(2 093 413)	-	Net investment income (inter-segment activity)		
											(57 566)	(119 484)	-	-	-	96 758	(80 292)	Net result on the realization of investments and impairment charges		
											(378 147)	16 000	-	-	-	7 506	(354 641)	Net change in the fair value of assets and liabilities carried at fair value		
Other net technical income	8 199	54 037	710	8 083	-	-	-	-	21 081	-	(92 110)	-	-	-	-	-	-	-		
Revenues on core business of non-insurance entities	-	-	-	-	-	179 413	-	-	-	262 242	(441 655)	-	-	-	-	-	-	-		
Other operating income (not applicable to insurance entities)	-	-	-	-	-	845	-	-	-	1 580	387 853	(1 067)	(21 079)	-	-	22 252	390 384	Other operating income		
Gross claims paid	(954 971)	(2 943 940)	(3 102 220)	(491 089)	-	-	(44 728)	(68 698)	(2 008 174)	-	(961 181)	84	2 843 435	(19 359)	-	7 554	(7 743 287)	Claims and movement in technical provisions		
Movement in the gross claims reserve	(34 673)	(235 021)	709	1 965	-	-	-	-	(3 805)	-	270 825	-	-	-	-	-	-	-		
Reinsurers' share in claims paid	80 602	129 766	(3)	-	-	-	8 172	5 372	-	-	(105 635)	2 132	-	-	-	(1 308)	119 098	Claims and movement in insurance liabilities ceded to reinsurers		
Reinsurers' share in the movement in reserves	(20 782)	(83 914)	-	-	-	-	-	-	-	-	104 696	-	-	-	-	-	-	-		
Net insurance claims	(929 824)	(3 133 109)	(3 101 514)	(489 124)	-	-	(36 556)	(63 326)	(2 011 979)	-	(691 295)	2 216	2 843 435	(19 359)	-	6 246	(7 624 189)	Net insurance claims		
Movement in other net technical provisions, life insurance reserves where the policyholder bears the investment risk, loss ratio (risk) equalization reserves	-	-	(12 144)	156 684	-	-	-	-	(831 457)	-	686 917	-	-	44 439	-	-	-	44 439	Claims and changes in valuation of investment contracts	
Net premiums and rebates for insureds including the movement in reserves	(2 257)	(19)	(1 162)	-	-	-	-	-	-	-	3 438	-	-	-	-	-	-	-		
Other net technical income	(21 040)	(236 646)	(25 201)	(582)	-	-	-	-	(3 669)	-	287 138	-	-	-	-	-	-	-		
Acquisition cost	(227 221)	(856 952)	(197 364)	(41 005)	-	(53 271)	(22 547)	(28 730)	(31 611)	-	-	6	-	-	-	14 189	(1 444 506)	Acquisition cost		
Administrative cost	(65 365)	(331 868)	(405 061)	(35 302)	-	(53 590)	(17 646)	(10 325)	(9 332)	-	(18 876)	3 515	-	-	-	3 879	(939 971)	Administrative cost		
Reinsurance commissions and profit-sharing	8 087	(7 779)	450	-	-	-	-	-	-	-	(758)	-	-	-	-	-	-	-		
Expenses of the core business of non-insurance entities	-	-	-	-	-	-	-	-	-	(256 592)	256 592	-	-	-	-	-	-	-		
Other operating expenses (not applicable to insurance entities)	-	-	-	-	-	(897)	-	-	-	-	(5 241)	(470 245)	3 679	-	(23 646)	88 134	(408 216)	Other operating expenses		
Result on insurance / Operating profit (loss)	163 647	501 308	1 346 043	148 139	2 112 298	81 901	(2 032)	1 007	(12 775)	2 643	(19 401)	(95 607)	-	(19 359)	(23 646)	(1 852 673)	2 331 493	Operating profit (loss)		
Other operating income	46 610	-	37 480	-	-	-	401	1 787	-	-	(86 278)	-	-	-	-	-	-	-		
Other operating expenses	(75 551)	-	(61 734)	-	-	-	(433)	(3 065)	-	-	140 783	-	-	-	-	-	-	-		
Financial costs	-	-	-	-	-	-	-	-	-	(3 448)	(35 107)	-	-	-	-	-	-	(38 555)	Financial costs	
																		2 292 938	Gross profit (loss)	
																			(435 923)	Income tax
																			1 857 015	Net profit (loss)

1 January – 30 September 2012 and as at 30 September 2012	Poland	Lithuania	Ukraine	Not allocated (consolidati on adjustments and other)	Consolidat ed value
Gross externally written insurance premium	11,915,483	143,919	99,592	-	12,158,994
Gross insurance premium written between segments	179	-	-	(179)	-
Fee and commission income	175,049	-	-	-	175,049
Net investment income	1,638,746	4,748	10,021	-	1,653,515
Net result on the realization of investments and impairment charges	365,820	609	662	-	367,091
Net change in the fair value of assets and liabilities carried at fair value	546,754	2,041	(6)	-	548,789
Other non-current assets other than financial instruments*	1,117,490	9,056	6,449	(1,632)	1,131,363
Deferred income tax assets	15,810	-	1,208	-	17,018
Assets	56,707,545	274,919	138,444	(320,242)	56,800,666

* applies to intangible assets and property, plant and equipment

As at 31 December 2011	Poland	Lithuania	Ukraine	Not allocated (consolidati on adjustments and other)	Consolidat ed value
Other non-current assets other than financial instruments*	1,205,179	10,410	7,752	(1,922)	1,221,419
Deferred income tax assets	7,289	-	1,311	-	8,600
Assets	52,017,213	279,246	147,909	(315,086)	52,129,282

* applies to intangible assets and property, plant and equipment

1 January – 30 September 2011 and as at 30 September 2011	Poland	Lithuania	Ukraine	Not allocated (consolidati on adjustments and other)	Consolidat ed value
Gross externally written insurance premium	11,225,457	115,359	84,980	-	11,425,796
Gross insurance premium written between segments	2,212	-	-	(2,212)	-
Fee and commission income	218,992	-	-	-	218,992
Net investment income	1,464,415	5,097	5,491	-	1,475,004
Net result on the realization of investments and impairment charges	(80,934)	960	(318)	-	(80,292)
Net change in the fair value of assets and liabilities carried at fair value	(351,021)	(3,620)	-	-	(354,641)
Other non-current assets other than financial instruments*	1,208,071	10,391	7,453	(1,890)	1,224,025
Deferred income tax assets	13,437	-	1,029	-	14,466
Assets	54,149,615	268,320	140,366	(323,480)	54,234,820

* applies to intangible assets and property, plant and equipment

16. Commentary to segment reporting

16.1. Corporate insurance – non-life insurance

Gross written premium by product group	1 January – 30 September 2012	1 January – 30 September 2011	% change
Motor TPL insurance	296,143	299,689	(1.2)%
MOD insurance	412,123	474,958	(13.2)%
Total motor insurance	708,266	774,647	(8.6)%
Insurance against fire and other damage to property	278,100	294,209	(5.5)%
Other liability insurance (groups 11, 12, 13)	264,781	187,103	41.5%
ADD and other insurance *	153,509	102,252	50.1%
Total non-life insurance without motor insurance	696,390	583,564	19.3%
Total corporate insurance segment (non-life insurance)	1,404,656	1,358,211	3.4%

* This line item includes loan guarantees and other financial insurance, assistance, travel, marine, railway and air insurance.

In the corporate insurance segment, the increase in gross written premium by PLN 46,445 thousand (+3.4%) as compared to 3 quarters of 2011 resulted in particular from the sale of:

- new accident insurance for patients as a result of medical events – ADD insurance for hospitals (from 1 January 2012, this insurance was mandatory, however the Finance Ministry changed that legislation releasing health care establishments from the obligation to obtain insurance coverage, as a result of which some insurance companies dropped this insurance product);
- liability insurance for corporate clients and modified liability products for health care entities (mainly as a result of an increase in sums guaranteed).

On the other hand, written premium decreased in motor insurance for corporate clients despite a 14.2% increase of average premium which was caused by loss of part of the portfolio (the effect of a restrictive underwriting policy).

Data from the profit and loss account – corporate insurance (non-life insurance)	1 January – 30 September 2012	1 January – 30 September 2011	% change
Gross written insurance premium	1,404,656	1,358,211	3.4%
Net earned premium	1,326,363	1,269,463	4.5%
Investment income	92,309	123,605	(25.3)%
Net insurance claims	(929,755)	(929,824)	(0.0)%
Acquisition costs	(253,349)	(227,221)	11.5%
Administrative costs	(70,993)	(65,365)	8.6%
Operating profit (loss)	139,018	163,647	(15.1)%

In the period of 3 quarters of 2012, net claims remained at the level similar to 3 quarters of 2011, despite the increase in net earned premium (+4.5%). The positive results in the claims handling area were driven by the declining loss ratio in motor insurance (-13.3 p.p. down to 68.0%) which was achieved by:

- review of the insurance portfolio in connection with changes in the underwriting policy and reduction of the number of unprofitable clients;
- better road conditions (lower frequency of claims).

At the same time, good performance in motor insurance was partially offset by a significant increase of net claims in financial insurance – an increase of the claims reserve for contract guarantees resulting from a number of bankruptcies in the construction industry (the gross result on contract guarantees was PLN -117,107 thousand).

A 25.3% drop from the previous period in income on investments allocated based on transfer prices to the corporate insurance segment; this drop was caused, among others, by a decrease in technical provisions denominated in a foreign currency due to the change of the PLN/EUR rate based on which income on the risk-free rate is calculated.

Acquisition costs in the corporate insurance segment rose 11.5% as compared to the first 3 quarters of 2011, mainly due to the lower cost base in 2011 (affecting the comparative data) resulting from recognition of motor insurance deferrals in the 2010 costs. The percentage of total commission in gross written premium increased in particular due to the lower commissions to premium ratio in the brokerage channel, for which, despite the increase of sums insured, commission paid does not increase and also as an effect of introducing a new product with lower commission rates (ADD insurance for hospitals).

The PLN 5,628 thousand hike in administrative cost as compared to the first 3 quarters of 2011 was associated mainly with new project initiatives to improve the PZU Group's image and automate and streamline service processes.

Operating profit in the corporate insurance segment for three quarters of 2012 and three quarters of 2011 was PLN 139,018 thousand and PLN 163,647 thousand, respectively. The decrease of the operating profit was affected by worse performance in financial insurance resulting from a number of bankruptcies in the construction industry.

16.1.1. New products

Modified mandatory liability insurance for health care entities was introduced in on 1 January 2012.

Additionally, starting on 1 January 2012, PZU added to its offer mandatory insurance of medical events for patients (ADD insurance for hospitals). After H1 2012, the Finance Ministry made legislative changes releasing health care establishments from the obligation to obtain insurance coverage.

16.2. Mass insurance – non-life insurance

Gross written premium by product group	1 January – 30 September 2012	1 January – 30 September 2011	% change
Motor TPL insurance	1,934,878	1,841,219	5.1%
MOD insurance	1,195,836	1,226,209	(2.5)%
Total motor insurance	3,130,714	3,067,428	2.1%
Insurance against fire and other damage to property	1,023,925	1,026,130	(0.2)%
Other liability insurance (groups 11, 12, 13)	254,691	206,560	23.3%
ADD and other insurance *	560,239	558,972	0.2%
Total non-life insurance without motor insurance	1,838,855	1,791,662	2.6%
Total mass insurance segment (non-life insurance)	4,969,569	4,859,090	2.3%

* This line item includes loan guarantees and other financial insurance, assistance, travel, marine, railway and air insurance.

In the mass insurance segment, gross written premium increased by PLN 110,479 thousand (+2.3%) as compared to the first 3 quarters of 2011. This growth resulted primarily from:

- tariff increases in motor TPL (average premium increase) carried out in 2011,
- growth of gross written premium in the other TPL insurance group – the effect of implementing modified liability insurance products for health care entities, Individual and Small and Medium Enterprises ("SMEs"),
- lower sales of mandatory insurance of farm buildings resulting from increasing price competition;
- lower premiums in MOD insurance, due to lower sales of new cars, deterioration of vehicle value and cancellation.

Data from the profit and loss account – mass insurance (non-life insurance)	1 January – 30 September 2012	1 January – 30 September 2011	% change
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Gross written insurance premium	4,969,569	4,859,090	2.3%
Net earned premium	4,867,156	4,604,312	5.7%
Investment income	395,837	409,332	(3.3)%
Net insurance claims	(3,096,819)	(3,133,109)	(1.2)%
Acquisition costs	(845,069)	(856,952)	(1.4)%
Administrative costs	(376,021)	(331,868)	13.3%
Operating profit (loss)	763,822	501,308	52.4%

In the period of 3 quarters of 2012, net claims dropped 1.2% despite the increase in net earned premium (+5.7%). The positive results in the claims handling area were driven by lower loss ratios: in motor insurance (-6.1 p.p. down to 69.9%) due to better road conditions (lower frequency of claims) and in property insurance (low mass claims and single claims with significant amounts). In agricultural insurance, high claim payments were recorded due to negative effects of wintering in 3 quarters of 2012 and in 3 quarters of 2011, however this year the payments went up 9.4%, i.e. PLN 31,213 thousand.

Investment income allocated by transfer prices to the mass insurance segment for 3 quarters of 2012 and 3 quarters of 2011 was PLN 395,837 thousand and PLN 409,332 thousand, respectively.

Acquisition costs in the mass insurance segment fell by 1.4% due to the lower level of indirect costs. At the same time, direct acquisition costs increased driven by higher sales and an increased percentage of more expensive distribution channels (including brokers, agencies and multiagencies). This growth was partially offset by the change of the product mix – increased sales of motor TPL products which command lower commission.

The increase of PLN 44,153 thousand in administrative cost as compared to the first 3 quarters of 2011 was associated mainly with new project initiatives to improve the PZU Group's image and to automate and streamline service processes.

The increase of operating profit in the mass insurance segment by PLN 262,514 thousand (+52.4%) compared to 3 quarters of 2011 resulted from improved profitability in motor insurance (lower frequency of claims) and in property insurance (low level of single claims with significant amounts).

16.2.1. New products

In February 2012, the amended Act on Mandatory Insurance, Insurance Guarantee Fund and the Polish Office of Motor Insurers came into effect. The amendment introduced, among others, more options for insureds to terminate mandatory insurance agreements and an option to change the insurer during the term of the policy.

A new element in PZU's offer is a modern package of motor insurance. The timing of its introduction was correlated with the PZU brand refreshment project. From 1 July 2012, the general terms and conditions of insurance replaced the general terms and conditions of insurance existing previously in the Mass Client Division for the different types of motor insurance (motor TPL insurance, MOD, Minicasco, PZU Auto Pomoc, PZU AutoSzyba, ADD, ADD Max, Green Card).

Due to the new legal situation concerning the conduct of medical treatment activity, introduced on 1 January 2012 was new mandatory third party liability insurance for entities engaged in medical treatment activities and mandatory third party liability insurance for providers of health care services other than entities engaged in medical treatment activities. These mandatory types of insurance replaced the mandatory types of insurance offered previously in this area.

To supplement the offer of mandatory third party liability insurance, on 1 January 2012 came into force new general terms and conditions of third party liability insurance for medical treatment entities, persons practicing the profession of a physician, a nurse or another medical profession for Individual Clients and Small and Medium-Sized Enterprises, applicable to voluntary third party liability insurance agreements.

Additionally, with effect from 1 January 2012 came into force new general terms and conditions of mandatory subsidized insurance for agricultural crops. In March of this year, PZU started the spring action of the sale of subsidized insurance for agricultural crops, conducted on the basis of additional regulations and applying special tariff solutions to increase the written premium and attract new clients.

16.3. Group and individually continued insurance – life insurance

Gross written premium by payment type - group and individually continued insurance	1 January – 30 September 2012	1 January – 30 September 2011	% change
Regular premium	4,699,168	4,533,911	3.6%
Single premium	71,862	73,861	(2.7)%
Total	4,771,030	4,607,772	3.5%

The increase of gross written premium by PLN 163,258 thousand (+3.5%) as compared to 3 quarters of 2011 resulted in particular from:

- growth in group protection insurance (higher average premium and more insureds, including dynamic new sales growth);
- acquisition of premium in group health insurance products (new clients and launching of a new medicine product);
- up-selling of riders and increase of sums insured in individually continued insurance products;
- launching of cooperation with ING Bank Śląski concerning the sale of a structured product;
- continuation of cooperation with intermediary banks in the sale of protection insurance – during 3 quarters of 2012, the highest sales growth was recorded in the insurance for borrowers offered together with Bank Millennium SA.

Data from the profit and loss account – group and individually continued insurance	1 January – 30 September 2012	1 January – 30 September 2011	% change
Gross written insurance premium	4,771,030	4,607,772	3.5%
Group insurance	3,368,883	3,241,178	3.9%
Individually continued insurance	1,402,147	1,366,594	2.6%
Net earned premium	4,769,232	4,606,660	3.5%
Investment income	691,104	480,669	43.8%
Net insurance claims	(3,111,432)	(3,101,514)	0.3%
Movement in other net technical provisions	(371,442)	(12,144)	x
Acquisition costs	(240,127)	(197,364)	21.7%
Administrative costs	(414,672)	(405,061)	2.4%
Operating profit (loss)	1,276,476	1,346,043	(5.2)%

Operating profit (loss) excluding the conversion effect	1,094,955	970,826	12.8%
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The increase in the value of net insurance claims by PLN 9,918 thousand (+0.3%) compared to the first 3 quarters of 2011 was predominantly the result of higher redemptions from the Employee Pension Plan group insurance and higher endowment payments in structured products (in both cases compensated by the movement in mathematical provisions). At the same time, there was a decrease in endowment payments in short-term endowment insurance products in the bancassurance channel (also compensated by the movement in mathematical provisions). For group and continued protection insurance, the value of net insurance claims increased only slightly yoy, while the loss ratio³ decreased due to high sales of riders with a low loss ratio and a decrease in the average claim in the risk of permanent health loss.

The difference in the movement of technical provisions (increase in technical provisions by PLN 371,442 thousand, i.e. PLN 359,298 more than during the first 3 quarters of 2011) was mainly due to a slower pace of conversion of long-term agreements into renewable annual agreements in type P group insurance (the conversion

³ The loss ratio calculated as the ratio of net claims paid and movement in net claims reserves.

effect⁴ during the first 3 quarters of 2012 was reflected in the release of PLN 181,521 thousand of provisions, i.e. PLN 193,696 thousand less than in the corresponding period of 2011) and an increase in the provision in investment products (better results on investment activity). Also the introduction in 2012 of a new option of individual continuation, for which the product structure requires the creation of lower provisions at the beginning of insurance, translated into a lower increase in mathematical provisions in continued insurance.

The investment result consists of income allocated according to transfer prices and income on investment products. In the group and individually continued insurance segment, the investment result grew by PLN 210,435 thousand mostly on account of higher revenues on investment products – the effect of a more favorable situation on the financial markets. Income allocated according to transfer prices remained at a similar level.

The acquisition costs in the group and individually continued insurance segment during 3 quarters of 2012 and 2011 were PLN 240,127 thousand and PLN 197,364 thousand, respectively. The movement of PLN 42,763 thousand (21.7%) resulted above all from the following:

- higher commissions paid on group protection insurance, caused by portfolio growth, high sales of new policies in 3 quarters of 2012 and an increasing percentage of premiums acquired through the brokers channel;
- higher indirect acquisition costs, inter alia salaries for the sales network associated with acquiring new customers.

The hike in administrative cost during 3 quarters of 2012 by PLN 9,611 thousand as compared to the same period in 2011 was associated mainly with new project initiatives to automate and streamline service processes and to build a positive image of the PZU Group.

The operating profit in the group and continued insurance segment in 3 quarters of 2012 fell by PLN 69,567 thousand (-5.2%) compared to the same period in the previous year, mostly as a result of the lower conversion effect from long-term contracts into renewable contracts in type P group insurance. The operating profit excluding the conversion effect in type P group insurance increased PLN 124,129 thousand (+12.8%) yoy.

16.3.1. New products

In group protection insurance, development of Klub PZU Pomoc w Życiu was continued and at the end of September 2012, the club reached approx. 2.2 million members. The work continues on widening the offer for club members.

At the beginning of March 2012 PZU Życie launched a new product on the Polish market: Group Medicine Insurance. The holder of medicine insurance pays the drug store 20% of the price of the prescription medicine; PZU Życie covers the remaining 80% of the price of the medicine under the insurance. PZU's Medicine Insurance covers almost all medicines sold only under a prescription. The new product is offered as group insurance and is funded by employers for their employees.

In the segment of group insurance offered through the bancassurance channel, introduced in Q3 in cooperation with ING Bank Śląski was the sale of the first subscription of structured insurance prepared for the bank's customers.

In the area of individually continued insurance, in connection with the judgment issued by the European Court of Justice prohibiting differentiation of insurance premiums based on the insured's gender, in Q3 2012 new versions of individually continued insurance were adopted: type P Plus employee insurance and type P life insurance, both coming into effect on 1 October 2012.

Moreover, in group investment insurance, the Financial Supervision Commission registered 4 new employee pension programs in the form of Pogodna Przyszłość group unit-linked life insurance.

⁴ Conversion effect computed using PAS data.

16.4. Individual insurance - life insurance

Gross written premium by payment type – individual insurance	1 January – 30 September 2012	1 January – 30 September 2011	% change
Regular premium	337,784	342,341	(1.3)%
Single premium	433,967	61,625	604.2%
Total	771,751	403,966	91.0%

The growth of gross written premium of PLN 367.785 thousand (+91.0%) was the result of the following:

- high growth rate of sales of the new single premium unit-linked individual product launched in November 2011 in cooperation with Bank Millennium SA;
- robust sales results of a structured product in cooperation with Bank Handlowy;
- development of the regular premium investment and savings product called Plan na Życie launched in 2010 including a protection element;
- higher sales of the single premium structured insurance called Świat Zysków.

These changes were partially offset by the expiration of the endowment insurance portfolio from the 1990s.

Data from the profit and loss account – individual insurance	1 January – 30 September 2012	1 January – 30 September 2011	% change
Gross written insurance premium	771,751	403,966	91.0%
Net earned premium	777,119	409,895	89.6%
Investment income	237,915	139,490	70.6%
Net insurance claims	(407,713)	(489,124)	(16.6)%
Movement in other net technical provisions	(387,326)	156,684	x
Acquisition costs	(64,579)	(41,005)	57.5%
Administrative costs	(38,156)	(35,302)	8.1%
Operating profit (loss)	123,534	148,139	(16.6)%

The decline in the net claims paid (down PLN 81,411 thousand, i.e. 16.6%) was primarily the effect of the lower endowments payments and surrenders of old policies in the individual endowment insurance portfolio from the 1990s and in the Świat Zysków structured product (the value offset by a change in the mathematical provision).

The difference in the movement of the technical provisions (growth of provisions of PLN 387,326 thousand compared to the decline of PLN 156,684 thousand in three quarters of 2011) stemmed primarily from the high volume of new sales of investment insurance in the bancassurance channel and the significantly better investment results, which translated into higher provisions for unit-linked insurance (PLN +305,179 thousand). The lower level of endowment payments in the portfolio of old individual endowment policies concluded in the 90s and in the Świat Zysków structured product further boosted the effect of increased growth of the mathematical provision.

The investment result consists of income allocated according to transfer prices and revenues on investment products. In the individual insurance segment it grew by PLN 98,425 thousand primarily on account of the materially higher revenues on investment products – the effect of better conditions on the financial markets. Income allocated according to transfer prices remained at a similar level.

The higher acquisition costs in this segment (up by PLN 23,574 thousand, i.e. by 57.5%) resulted mostly from a dynamic growth of investment product sales through the bancassurance channel, especially unit-linked products with high acquisition costs.

The increase in administrative cost during 3 quarters of 2012 by PLN 2,854 thousand (+8.1%) as compared to the same period in 2011 was associated mainly with new project initiatives aimed at building a positive image of the PZU Group and dynamic growth of individual products in the bancassurance channel.

The segment's operating result fell by PLN 24,605 thousand (-16.6%) down to PLN 123,534 thousand mainly due to high acquisition costs of unit-linked products which are paid when an agreement is concluded and are not deferred in time.

16.4.1. New products

In the segment of individual insurance offered through the channels of PZU's own and agency networks, in Q3 of this year new tariffs were introduced for the following products: PZU Plan na Życie, PZU Twoja Ochrona, PZU Ochrona Życia, PZU Ochrona i Zysk, PZU Przyszłość Dziecka, PZU Ochrona Rodziny, and for riders to these products. The introduction of new tariffs was associated with the judgment issued by the European Court of Justice prohibiting differentiation of insurance premiums and benefits based on the insured's gender.

Three new subscriptions of the PZU Świat Zysków individual structured insurance were introduced to the offer in Q3 of this year.

In the segment of individual insurance offered through the bancassurance channel, three new subscriptions of individual investment life insurance were introduced for sale in cooperation with Bank Handlowy.

16.5. Investments

PZU Group's investment income in 3 quarters 2012 increased by 147.0% compared to the same period of the previous year.

Investment income in the investment segment⁵ represent the surplus income on PZU and PZU Życie's investments above the income allocated according to transfer prices to insurance segments (corporate, mass, group and individually continued and individual insurance segments) and investment contracts and other free financial resources in the PZU Group. This income increased by PLN 1,046,459 thousand.

Investment income – by segment	1 January – 30 September 2012	1 January – 30 September 2011	% change
Investment Segment (external operations)	1,065,344	18,885	x
Insurance activity segments (PZU and PZU Życie)	1,417,165	1,153,096	22.9%
Other segments and adjustments	86,886	(131,910)	x
Total	2,569,395	1,040,071	147.0%

⁵ The income includes the "Investment income" in external operations of the Investment segment

Result on investment activity	1 January – 30 September 2012	1 January – 30 September 2011	% change
Equity instruments	597,740	(590,603)	x
Debt instruments	2,035,463	1,773,323	14.8%
Investment property	222	6,437	(96.6)%
Derivatives	92,383	3,390	x
Receivables ⁶	(133,937)	(132,604)	x
Other	(22,476)	(19,872)	x
Total	2,569,395	1,040,071	147.0%

During 3 quarters of 2012, a new investment strategy was introduced which increased profitability while reducing the volatility of investment results.

The increase in investment income of the PZU Group as well as the investment segment was caused, among others, by the appreciation of:

- equity instruments on financial markets (in the first 3 quarters of 2012, the WIG index grew 16.3%, while dropping 19.4% the year before) and
- treasury bonds (the yield of 2-year bonds fell 46 bps yoy and 5-year bonds suffered a drop of 110 bps).

An increase of PLN 88,993 thousand was recorded on derivatives purchased mainly for risk management purposes (including the management of market risk) compared to the corresponding period of the previous year.

Investments (including investment contracts)	30 September 2012	Structure as at 30 September 2012	30 September 2011	Structure as at 30 September 2011
Equity instruments, including:	5,718,083	11.5%	5,082,897	10.4%
Equity instruments, for which fair value can be determined – listed	2,626,344	5.3%	2,560,941	5.2%
Equity instruments, for which fair value can be determined – other	2,967,185	6.0%	2,395,607	4.9%
Equity instruments, for which fair value cannot be determined	124,554	0.2%	126,349	0.3%
Debt instruments, including:	43,344,749	87.3%	43,282,943	88.7%
Debt securities – government	35,572,646	71.6%	35,076,476	71.9%
Debt securities – other	2,362,412	4.8%	822,686	1.7%
Reverse repo transactions and deposits	4,363,401	8.8%	7,347,382	15.1%
Borrowings	1,046,290	2.1%	36,399	0.1%
Investment property	539,844	1.1%	454,446	0.9%
Derivatives (net value)	47,049	0.1%	(3,163)	0.0%
Other	333	0.0%	1,402	0.0%
Total	49,650,058	100.0%	48,818,525	100.0%

The PZU Group's investment activity complies with the statutory requirements while maintaining an adequate level of safety, liquidity and profitability. Government debt securities constituted over 70% of the investment portfolio as at 30 September 2012 and as at 30 September 2011.

The increasing share and value of equity instruments resulted, among others, from an increase in their market value in the period from the end of Q3 2011 to the end of Q3 2012 (the WIG index grew 14.3% in that period).

⁶ The "Receivables" line item includes the value of receivables written off, revaluation charges to receivables and income on dissolution of such charges.

The declining share and value of the "Reverse repo transactions and deposits" line item was driven among others by the difference between dividend payment dates in 2011 (Q4) and in 2012 (Q3).

16.6. Pension insurance

Revenues on fees and commissions ("Revenues on core business of non-insurance entities") in the pension insurance segment for 3 quarters of 2012 and 3 quarters of 2011 were PLN 146,679 thousand and PLN 179,413 thousand, respectively. The decrease of PLN 32,734 thousand (-18.2%) resulted mainly from the PLN 34,108 thousand decrease in revenues on the premium fee (caused by the statutory reduction of premiums transferred by the Social Security Company (ZUS) to the Open-End Pension Fund (OFE) from 7.3% down to 2.3%) while the management fee increased by PLN 2,338 thousand due to a higher level of OFE's assets) and revenues on account of the reserve account increased by PLN 1,732 thousand. Moreover, in 2011 revenues were recorded on the return of PLN 2,509 thousand from the Indemnity Fund.

The statutory reduction of premiums transferred to OFE resulted in the reduction of administrative costs associated with fees charged by ZUS (by PLN 7,678 thousand, i.e. -55.6%), while the statutory ban on acquisition for OFE from 2012 reduced acquisition costs by PLN 37,511 thousand (-70.4%).

These changes contributed to the operating profit increasing from PLN 81,901 thousand in the same period of the previous year to PLN 91,965 thousand.

As at the end of September 2012, OFE PZU had 2,224.2 thousand members, i.e. 13.9% of the total number of members of all existing open-end pension funds, ranking OFE PZU third on the market in this respect. Compared to the balance as at the end of September of the previous year, the number of OFE PZU members increased by 15.5 thousand persons, i.e. 0.7% (while the total number of members of all open-end pension funds increased by 3.2%).

At the end of September 2012, the total value of net assets of all OFEs on the market reached PLN 252,523,403.39 thousand, growing 13.7% in relation to the end of Q3 2011. In the same period OFE PZU's assets grew 12.3% up to PLN 33,936,370.52 thousand. The increased assets were affected by premiums received from ZUS and by investment results. In the period from January to September 2012, ZUS transferred PLN 779,125 thousand worth of premiums to OFE PZU, which was over 55.6% less than in the corresponding period of 2011 (such a significant drop was caused by the statutory reduction of premiums transmitted by ZUS from May 2011 from 7.3% to 2.3%, i.e. by 68.5%). The rate of return for the first 3 quarters of 2012 was 9.0%.

16.7. Ukraine

Data from the profit and loss account – Ukraine	1 January – 30 September 2012	1 January – 30 September 2011	% change
Gross written insurance premium	99,592	84,980	17.2%
Net earned premium	83,597	64,986	28.6%
Investment income	14,821	9,731	52.3%
Net insurance claims	(40,207)	(36,556)	10.0%
Acquisition costs	(27,488)	(22,547)	21.9%
Administrative costs	(20,101)	(17,646)	13.9%
Operating profit (loss)	10,622	(2,032)	x

Appreciation of the exchange rate of the Ukrainian currency (UAH) against PLN (13.0% yoy) used to convert data for the 9 months of 2012 materially affected the individual components of PZU Ukraine's profit and loss items.

A 17.2% increase in gross written premium for 3 quarters of the current year compared to the same period of 2011 resulted mainly from growth increase in premium earned through external entities (banks, travel agencies etc.) and own sales. Travel insurance, Green Card, corporate property insurance and motor insurance played a special role in increasing the written premium.

Investment income increased 52.3% compared to the same period of the previous year, due to the increased interest earned on liquid financial instruments (deposits, bonds) and an increased base of liquid assets.

In the 9-month period ended 30 September 2012, the loss ratio improved when compared to the same period of the previous year, due to the reduction of popular but lossy medical insurance and the balancing of the portfolio with a profitable property insurance portfolio.

The acquisition costs increased by 21.9% driven by growing sales of property, motor and travel insurance which entail higher commission on acquired sales.

Administrative costs in the local currency (UAH) increased slightly (+0.8% in annual terms) which reflected the restrictive cost control policy.

The net profit growth of PLN 12,654 thousand was driven mainly by the growth in net earned premium (+28.6%) and a drop in the loss ratio from 56.3% to 48.1%.

16.8. Lithuania

Data from the profit and loss account – Lithuania	1 January – 30 September 2012	1 January – 30 September 2011	% change
Gross written insurance premium	143,919	115,359	24.8%
Net earned premium	126,771	100,492	26.2%
Investment income	7,398	2,896	155.5%
Net insurance claims	(82,444)	(63,326)	30.2%
Acquisition costs	(36,279)	(28,730)	26.3%
Administrative costs	(13,470)	(10,325)	30.5%
Operating profit (loss)	1,976	1,007	96.2%

Gross written premiums increased 24.8% mainly due to increased sale of casco insurance and health insurance.

The 155.5% hike in investment income as compared to the corresponding period of the previous year resulted from improved situation on the capital market in Q3 2012.

Net claims paid grew 30.2%, mainly in health insurance where the company increased its market share significantly in the previous year.

Acquisition cost growth rate (+25.3%) was similar to premium growth rate. Administrative cost increased 30.5%, driven mainly by the cost associated with the establishment of branches on foreign markets (Latvia, Estonia), which is mentioned in item 27.3.

The higher operating result resulted mainly from high growth in net earned premium and a significant increase of investment income.

16.9. Investment contracts

Investment contract accounting is conducted by applying the deposit method, as a consequence of which investment contract volumes do not constitute income according to IFRS.

Volumes obtained on investment contracts by payment type	1 January – 30 September 2012	1 January – 30 September 2011	% change
Regular premium	13,779	5,757	139.3%
Single premium	1,646,753	2,900,617	(43.2)%
Total	1,660,532	2,906,374	(42.9)%

Gross written premium generated on investment contracts during 3 quarters of 2012 decreased by PLN 1,245,842 thousand (-42.9%) compared to the same period of the previous year. The changes in gross written premium were caused mainly by:

- lower sales of short-term endowment insurance products and unit-linked products in the bancassurance channel;
- increased sale of short-term endowment insurance products through own sales channel;
- launching sales of a new investment product called Investment Retirement Savings Account (IKZE).

Data from the profit and loss account – investment contracts	1 January – 30 September 2012	1 January – 30 September 2011	% change
Gross written insurance premium	1,660,532	2,906,374	(42.9)%
Group insurance	1,318,008	2,280,628	(42.2)%
Individually continued insurance	342,524	625,746	(45.3)%
Net earned premium	1,659,768	2,906,374	(42.9)%
Investment income	140,862	(52,182)	x
Net insurance claims	(2,610,525)	(2,011,979)	29.7%
Movement in other net technical provisions	838,974	(831,457)	x
Acquisition costs	(19,208)	(31,611)	(39.2)%
Administrative costs	(10,341)	(9,332)	10.8%
Operating profit (loss)	8,019	(12,775)	x

The investment result in the investment contracts segment grew by PLN 193,044 thousand as a result of better conditions on the financial markets.

The higher amount of net claims (+ PLN 598,546 thousand) resulted from higher endowment payments under short-term investment insurance products, mainly in the bancassurance channel but also in own sales channel.

The decline in technical provisions during the first 3 quarters of 2012 by PLN 838,974 thousand, compared to their growth in the same period of 2011 by PLN 831,457 thousand reflected a much lower sales volume of short-term investment products, coupled with a higher level of endowment payments under those products.

The decline in acquisition costs by PLN 12,403 thousand (-39.2%) resulted from a much lower sales volume of unit-linked insurance commanding high acquisition costs.

The foregoing factors contributed to the improvement of the segment's operating result by PLN 20,794 thousand up to PLN 8,019 thousand.

16.9.1. New products

In connection with the new legal regulations introducing an additional possibility of saving funds for retirement entailing financial relief, which came into effect on 1 January 2012, PZU Życie launched a new product: an Individual Retirement Savings Account (IKZE PZU).

17. Impact of non-recurring events on operating results

PZU assessed additional claims reserves in contract guarantees and decreased its estimated income from reinsurance profit-sharing due to a series of bankruptcies in the construction industry (impact on the gross result: PLN -117,107 thousand).

Furthermore, in connection with the implementation of a new investment strategy, certain listed shares were sold from the available-for-sale portfolio, the revaluation of which shares in the previous years was charged to the revaluation reserve. As a result of this transaction, a gross profit of PLN 100,994 thousand was earned.

In 2011, income of PLN 118,916 thousand was recognized in the accounting ledgers as a result of the launch of consolidation of the Armatura Group.

18. Macroeconomic environment

GDP growth in Q2 2012 decreased to 2.3% yoy from 3.6% yoy in Q1 of this year. The growth of private consumption in this period was the lowest since Q2 2009, reaching only 1.2% yoy compared to 1.7% yoy in Q1 2012. This was the result of a noticeable deterioration in the growth of real income and the historically low rate of household savings. The investment growth rate also decreased significantly – to 1.3% yoy from 6.0% yoy in Q1 of this year, reflecting a slowdown in infrastructural investments and problems experienced by the construction industry. Domestic demand in Q2 of this year was lower than in Q2 2011 by 0.4%. In this situation, net exports added as much as 2.7 percentage points to GDP growth in Q2. In a situation of lower growth in exports, this was possible due to the strong adjustment on the import side, reflecting the limited increase in inventories (the movement in inventories cut 1.5 percentage points off annual GDP growth in Q2) and the weaker growth in consumption and investments.

In Q3 2012, GDP growth slowed down to probably approx. 1.5% yoy. Construction and installation production continued its very strong downward trend – its average level (according to seasonally adjusted October data from the Central Statistical Office) in Q3 of this year was down by 6.4% compared to Q2 of this year. Similarly, sold industrial output decreased by 0.1%. Furthermore, in both these sectors economic growth indicators deteriorated and pessimistic forecasts of companies, particularly in respect of demand, resulted in the reduction of their development plans. The slowdown in economic growth in Q3 of this year is also confirmed by a decrease in the average monthly growth in retail sales (in constant prices) to 1.8% yoy compared to 2.9% yoy in Q2 of this year. Thus, a further weakening of growth in private consumption and investments may be expected in Q3.

The economic downturn resulted in a deterioration of the situation in the labor market in Q3 2012. In this period, employment in enterprises fell by 17.3 thousand persons compared to a decrease by 11.8 thousand persons in Q3 2011. In September of this year, the registered unemployment rate increased to 12.4% compared to 12.3% in June of this year and 11.8% in September of last year. Salary growth remained very weak. According to PZU's estimates, the total quarterly payroll⁷ in the corporate sector fell by 1.5% yoy in real terms, which was not conducive to household consumption.

Inflation (CPI) in Q3 remained relatively high (3.9% yoy on average), but it is expected to decrease significantly in the coming months. An indication of the weakening demand pressure on price increases is a decrease in net inflation in September to 1.9% yoy from 2.3% yoy in June. The Monetary Policy Council left the reference rate at 4.75% until the end of Q3, but on 7 November 2012 launched the process of loosening monetary policy by cutting the interest rates by 25 basis points.

The declaration of the European Central Bank on its readiness to intervene in the secondary Eurozone debt market and the continuation of expansionary monetary policy in the United States contributed to a reduction in risk aversion in the financial markets and an increase in the prices of Polish stocks and sovereign bonds in Q3 2012. The rise in bond prices was also supported by expectations of interest rate cuts in Poland and the good liquidity situation of the state budget. Yields on 2-, 5- and 10-year treasury bonds at the end of September were

⁷ The total payroll calculated as the product of the average gross wage and the average employment in the corporate sector.

lower by 61, 54 and 47 basis points, respectively, compared to the end of June of this year. The end-of-September WIG and WIG20 indexes were higher by 7.2% and 4.2%, respectively, compared to the end of June of this year. In this period, the Polish zloty strengthened against the major currencies. The EUR/PLN exchange rate fell by 3.5%, the USD/PLN by 6.2% and the CHF/PLN by 4.1%.

19. Management Board's position on previously published result forecasts

PZU did not publish any standalone or consolidated result forecasts.

20. Specification of factors which may affect the financial results in the subsequent quarters

20.1. Insurance activity

The most significant risk factors which may affect performance in insurance segments in the following two quarters include:

- intensification of the financial crisis in the Euro zone leading to an economic slowdown and reduction of demand for insurance products and increased loss ratio in the financial insurance portfolio;
- bankruptcies of construction companies which will translate into a significant increase in the loss ratio in financial insurance, in particular in contract guarantees due to non-performance of obligations;
- obligation to adapt to the new requirements resulting from the forthcoming Insurance Activity Act in connection with the implementation of the Solvency II project, including changes in the methods of valuation of certain financial items or the calculation of business ratios;
- increased risk of new court rulings unfavorable to the insurance market, including in respect of compensation for families of the victims of accidents;
- lack of a precise definition of the scope of exemptions pertaining to e.g. insurance services, medical services, in the amended VAT Act;
- changes in the financial intermediation market, suppressed popularity growth of independent financial consulting and thus reduced number of sales channels for products offered by companies;
- changes in the current mortality, longevity and morbidity levels (life insurance);
- limited flexibility of a number of product applications in the PZU Group companies, impeding rapid adaptation to the changing market needs.

20.2. Investment activity

The most significant risk factors which may affect performance in the Investment segment in the following quarters include:

- situation on capital markets, particularly on the Warsaw Stock Exchange – a part of income on investment activity depends on the trends on those markets;
- volatile yield on treasury securities depending on the economic situation in Poland and in the European Union; a decrease in yield on such securities may bring about a decrease in the profitability of investments and result in a need to change the level of technical rates used in the PZU Group.

20.3. Pension funds

The most significant factors which may affect PTE PZU's results in the following quarters include:

- low rate of salary growth which contributes to the lower growth of premiums paid by pension fund members;
- deeper financial crisis and its direct negative impact on the value of assets managed by PTE PZU;
- possible legislative changes pertaining to pension payments – impact on the company's revenues (favorable or unfavorable) depending on the adopted solutions.

21. Issues, redemptions and repayments of debt securities and equity securities

In the 9-month period ended 30 September 2012, PZU did not issue, redeem or repay any debt securities or equity securities.

22. Default or breach of material provisions of loan agreements

During the 9 months ended 30 September 2012, in PZU and in its subsidiaries there were no instances of default or a breach of any material provisions of loan agreements in respect of which no remedial actions were taken until the end of the reporting period.

23. Granting of sureties or guarantees for loans or borrowings by PZU or its subsidiaries

In the 9-month period ended 30 September 2012, neither PZU nor its subsidiaries granted any sureties or guarantees for loans or borrowings to any single entity or any subsidiary of such an entity the total amount of which sureties or guarantees would be the equivalent of at least 10% of PZU's equity.

24. Dividends

With respect to profit for 2011 and the previous years, subject to distribution is only the profit indicated in the standalone financial statements of the parent company prepared in accordance with PAS.

On 12 April 2012, the PZU Management Board adopted a resolution to accept the motion to distribute profit for the financial year of 2011, recommending payment of a dividend in the amount of PLN 1,752,952 thousand, i.e. PLN 20.30 per share. On 8 May 2012, the PZU Supervisory Board issued a positive opinion on the motion submitted by the PZU Management Board which was submitted for consideration to the Ordinary Shareholder Meeting of PZU.

On 30 May 2012, PZU's Ordinary Shareholder Meeting distributed the company's net profit of PLN 2,582,303 thousand for the financial year 2011 by allocating:

- PLN 1,936,882 thousand for the payment of dividend to the shareholders, i.e. PLN 22.43 per share (more than originally recommended by the PZU Management Board);
- PLN 635,421 thousand to reserve capital;
- PLN 10,000 thousand to the Company Social Benefits Fund.

The date of establishment of the right to the dividend was set for 30 August 2012 and the dividend payment date was set for 20 September 2012.

Additionally, as the court legally repealed the resolution adopted by the Ordinary Shareholder Meeting of PZU to distribute PZU's profit of PLN 3,280,883 thousand for the financial year of 2006, the Ordinary Shareholder Meeting of PZU decided to distribute the profit for the financial year of 2006 in a way that would correspond to the distribution of profit made on the basis of the repealed resolution, as follows:

- PLN 3,260,883 thousand to reserve capital;
- PLN 20,000 thousand to the Company Social Benefits Fund.

This issue is described in detail in item 26.1.

25. Information on the shareholders of PZU

25.1. List of PZU shareholders holding at least 5% of votes at the Shareholder Meeting

As at the date of conveying this interim report, the structure of entities holding at least 5% of votes at the PZU Shareholder Meeting is as follows:

Item	Shareholder's name	Number of shares and votes at the Shareholder Meeting	Percentage share in the share capital and in the total number of votes at the Shareholder Meeting
1	State Treasury	30,385,253	35.1875%
2	Other shareholders	55,967,047	64.8125%
Total		86,352,300	100.0000%

25.2. Changes in the ownership structure of significant shareholdings in the issuer's company

During the 9 months ended 30 September 2012 and until the date of this interim report, there occurred a significant change in the ownership structure of a large number of the Company's shares involving a reduction in the number of PZU shares held by ING Otwarty Fundusz Emerytalny (ING Open-End Pension Fund) managed by ING Powszechnie Towarzystwo Emerytalne S.A.

As a result of the sale of shares in transactions settled on 24 July 2012, ING Otwarty Fundusz Emerytalny reduced its shareholding in PZU below 5% of the votes at the Shareholder Meeting. Before the sale, ING Otwarty Fundusz Emerytalny held 4,323,801 PZU shares representing 5.01% of the Company's share capital and the same percentage of the total number of votes. After the change, ING Otwarty Fundusz Emerytalny held 4,266,518 PZU shares representing 4.94% of the Company's share capital and the same percentage of the total number of votes.

25.3. Shares or rights to shares held by persons managing or supervising PZU

Item	Corporate authority / Full name	Number of shares / rights to shares as at the date of conveying this interim report (i.e. 14 November 2012)	Number of shares / rights to shares as at the date of delivery of the previous interim report (i.e. 29 August 2012)	Resulting change during the period between the two dates
Management Board				
1	Andrzej Klesyk	-	-	-
2	Witold Jaworski	-	-	-
3	Przemysław Dąbrowski	-	-	-
4	Bogusław Skuza	500	500	-
5	Tomasz Tarkowski	80	80	-
6	Ryszard Trepczyński	-	-	-
Group Directors				
1	Dariusz Krzewina	-	-	-
2	Rafał Grodzicki	-	-	-
3	Przemysław Henschke	-	-	-
4	Sławomir Niemierka	-	-	-
Supervisory Board				
1	Waldemar Maj	30	30	-
2	Zbigniew Cwiakalski	-	-	-
3	Tomasz Zganiacz	-	-	-
4	Dariusz Daniluk	-	-	-
5	Zbigniew Derdziuk	-	-	-
6	Dariusz Filar	-	-	-
7	Włodzimierz Kicinski	30	30	-
8	Alojzy Nowak	-	-	-
9	Maciej Piotrowski	-	-	-
Total		640	640	-

26. Dispute-related financial settlements

The PZU Group entities participate in a number of litigations, arbitration disputes and administrative proceedings. Typical litigations involving the PZU Group companies include disputes pertaining to concluded insurance agreements, disputes concerning labor relationships and disputes relating to contractual obligations. Typical administrative proceedings involving the PZU Group companies include proceedings related to the possession of

real properties. Such proceedings and litigations are of a typical and repetitive nature and usually no particular one of them is of material importance to the PZU Group.

The majority of disputes involving the PZU Group companies concerned two companies: PZU and PZU Życie. Additionally, PZU and PZU Życie are parties to proceedings before the President of the Antimonopoly Office.

PZU and PZU Życie take disputed claims into account in the process of establishing their technical provisions for known losses, considering the probability of an unfavorable outcome of the dispute and estimating the probable awarded amount. In the case of disputed claims pertaining to restatement of annuities in PZU Życie, the claims are carried in other technical provisions at the annual value of annuities above the corresponding amount of provision set within the framework of mathematical life provisions.

During the 9-month period ended 30 September 2012 and until the date of conveying this interim report, the PZU Group was not involved in any proceedings conducted before a court, an arbitration body or a public administration authority which concerned any liabilities or receivables of PZU or any of its direct or indirect subsidiaries, the unit value of which was at least 10% of PZU's equity.

As at 30 September 2012, the aggregated value of all the 38,125 cases pending before courts, arbitration bodies or public administration authorities in which PZU Group entities take part, was PLN 2,141,899 thousand. Out of this amount, PLN 1,595,024 relates to liabilities and PLN 546,876 to receivables of PZU Group companies, which represented respectively 12.58% and 4.31% of PZU's equity according to PAS.

26.1. Repeal of the resolution adopted by PZU's Ordinary Shareholder Meeting on the distribution of PZU's profit for the 2006 financial year

With the statement of claim of 30 July 2007 a proceeding was launched under a lawsuit filed by Manchester Securities Corporation against PZU to repeal resolution no. 8/2007 adopted by PZU's Ordinary Shareholder Meeting on 30 June 2007 on distributing PZU's profit for the 2006 financial year as being in contradiction with best practices and as aiming at injuring the plaintiff, a PZU shareholder.

The challenged resolution adopted by PZU's Ordinary Shareholder Meeting distributed the net profit for 2006 in the amount of PLN 3,280,883 thousand in the following manner:

- the amount of PLN 3,260,883 thousand was transferred to reserve capital;
- the amount of PLN 20,000 thousand was transferred to the Company Social Benefits Fund.

In its judgment of 22 January 2010 the Regional Court in Warsaw repealed in its entirety the aforementioned resolution adopted by PZU's Ordinary Shareholder Meeting. On 17 February 2010 PZU submitted an appeal challenging the judgment of the Regional Court in Warsaw in its entirety.

The Appellate Court in Warsaw in its judgment handed down on 6 December 2011 dismissed in its entirety PZU's appeal against the judgment of the Regional Court in Warsaw of 22 January 2010. On the date of announcement of the judgment issued by the Appellate Court, the 22 January 2010 judgment of the Regional Court repealing the said Resolution of the PZU Ordinary Shareholder Meeting became final and legally binding.

On 7 December 2011 PZU submitted a petition for preparing a written justification for the judgment of the Appellate Court in Warsaw of 6 December 2011. On 2 April 2012 the Court's judgment along with its justification were served on PZU. On 29 May 2012, PZU filed a cassation complaint in which the 6 December 2011 judgment of the Appellate Court was appealed against in full.

According to PZU, repealing the aforementioned resolution adopted by PZU's Ordinary Shareholder Meeting will not cause the shareholders to obtain a claim for PZU to pay a dividend.

Notwithstanding the foregoing, in connection with the judgment repealing this resolution having become legally binding, an item has been included in the agenda of PZU's Ordinary Shareholder Meeting convened to take place on 30 May 2012 to adopt a resolution on distributing PZU's net profit for the 2006 financial year.

The Management Board recommended for the Ordinary Shareholder Meeting of PZU to distribute profit for the 2006 financial year in a manner corresponding to the distribution of profit based on the repealed resolution because after its adoption PZU paid a dividend for 2009 including the funds retained by PZU on the basis of that resolution.

On 30 May 2012, the PZU Ordinary Shareholder Meeting adopted a resolution to distribute the profit for the financial year 2006 in a manner reflecting the distribution of profit effected on the basis of the repealed resolution. The Manchester Securities Corporation filed an objection against the resolution of 30 May 2012. The objection was recorded in the minutes.

On 20 August 2012, a copy of a statement of claim filed by the Manchester Securities Corporation with the Regional Court in Warsaw was delivered to PZU. In the statement of claim, the Manchester Securities Corporation demands that the resolution on the distribution of profit for the financial year 2006 adopted on 30 May 2012 by the PZU Ordinary Shareholder Meeting be repealed. According to the plaintiff, the value of the litigation is PLN 5,054 thousand. The date of the first session was set at 12 March 2013. PZU will submit a rejoinder to the statement of claim requesting to dismiss the statement of claim in its entirety. If the court finds PZU's arguments unconvincing, it may issue a judgment repealing the contested resolution.

As of the balance sheet date of 30 September 2012 no changes were made to the presentation of PZU's equity that could potentially stem from the repeal of the aforementioned resolution adopted by PZU's Ordinary Shareholder Meeting, including the line items "Reserve capital" and "Retained profit (loss)", the funds in the Company Social Benefits Fund were not adjusted and no provisions were established for any potential additional claims stemming from the repeal of the aforementioned resolution adopted by PZU's Ordinary Shareholder Meeting.

26.2. Proceedings of the Antimonopoly Office against PZU

26.2.1. Penalty imposed in 2009 for model contracts

In the decision of 30 December 2009 the President of the Antimonopoly Office imposed a cash penalty on PZU in the amount of PLN 14,792 thousand for PZU's use of practices breaching the collective interests of consumers entailing the following:

- inserting contractual clauses in the indicated model contracts entered into the Register of clauses of model contracts deemed to be impermissible;
- illegally inserting contractual clauses in the indicated model contracts breaching art. 813 § 1 of the Civil Code, by including a condition not covered by the disposition of this regulation of the unused sum insured as defining the premium amount to be refunded to the consumer by the insurance undertaking for the unused period of insurance cover.

PZU does not concur with the Antimonopoly Office's decision or its justification. On 18 January 2010 PZU submitted an appeal against this decision to the Court of Competition and Consumer Protection (whereby this decision is not legally binding). In its judgment of 14 November 2011 the Court of Competition and Consumer Protection ("SOKiK") dismissed PZU's appeal against this decision. On 14 December 2011 PZU submitted an appeal to the Appellate Court in Warsaw. The Appellate Court in Warsaw repealed the 14 November 2011 judgment of the Court for Competition and Consumer Protection and returned the case for re-examination.

Notwithstanding the appellate steps taken, PZU has established a provision for this penalty in the amount of PLN 14,792 thousand as at 30 September 2012 and 31 December 2011.

26.2.2. Penalties imposed in 2011

26.2.2.1. Case concerning the reimbursement of the cost of renting a replacement vehicle

In the decision of 18 November 2011 the President of the Antimonopoly Office imposed a cash penalty on PZU in the amount of PLN 11,287 thousand for employing a practice breaching the collective interests of consumers specified in art. 24 sections 1 and 2 of the Competition and Consumer Protection Law (Journal of Laws, No. 50 of 2007, Item 331 as amended), entailing the curtailment of PZU's scope of liability to consumers laying claim under the insurer's guarantee liability under compulsory motor third party liability insurance for a motor vehicle holder by:

- failing to recognize the very loss of the ability to use the damaged vehicle as a property loss and making the payment of indemnification for renting a replacement vehicle dependent upon the injured party demonstrating special circumstances associated with the necessity of renting a replacement vehicle;

- overlooking without justification the period of a car repair shop waiting for spare parts when determining the amount of the reimbursement for the cost of renting a replacement vehicle;

and he also ordered that PZU cease and desist from this practice.

The PZU Management Board does not concur with the decision or its legal and factual justification.

PZU submitted an appeal against this decision on 5 December 2011 (whereby this decision is not legally binding). In its appeal PZU raised a number of allegations.

Notwithstanding the appellate steps taken, PZU has established a provision for this penalty in the amount of PLN 11.287 thousand as at 30 September 2012 and 31 December 2011.

26.2.2.2. *Case concerning the sale of group ADD insurance*

In the decision of 30 December 2011 the President of the Antimonopoly Office imposed a cash penalty on PZU in the amount of PLN 56,605 thousand for employing a practice curtailing competition and breaching the ban prescribed by art. 6 section 1 sub-section 3 of the Competition and Consumer Protection Law entailing PZU and Maximus Broker Sp. z o.o. with its registered offices in Toruń ("Maximus Broker") entering into an agreement curtailing competition on the domestic market for selling ADD group insurance for children, adolescents and staff of educational units whereby the sales market was divided with respect to the entities involved by transferring PZU clients from the Kujawy-Pomeranian Region to be administered by Maximus Broker in exchange for recommending PZU insurance to these clients and at the same time he banned PZU from employing this practice he has alleged.

The PZU Management Board does not concur with the findings concerning the facts or the legal argumentation set forth in the decision. According to the PZU Management Board, the entirety of the evidentiary material was not taken into account when making the decision and an erroneous legal qualification was made.

PZU submitted an appeal against this decision on 18 January 2012 (whereby this decision is not legally binding). In the appeal PZU pointed out among others that:

- no agreement (besides a brokerage commission agreement) was entered into by and between PZU and Maximus Broker;
- the President of the Antimonopoly Office erroneously grasps the principles of entering into insurance contracts with a broker;
- most of the insurance contracts entered into with Maximus Broker were entered into with other insurance undertakings besides PZU;
- PZU and Maximus Broker cannot and could not conduct competitive activity on the markets where they operate.

On 22 October 2012, PZU received a response on its appeal from the President of the Office for Competition and Consumer Protection, to which PZU replied on 5 November 2012.

Notwithstanding the appellate steps taken, PZU has established a provision for this penalty in the amount of PLN 56.605 thousand as at 30 September 2012 and 31 December 2011.

26.3. Proceedings of the Antimonopoly Office against PZU Życie

On 1 June 2005, the President of the Antimonopoly Office launched, at the request of several applicants, an antimonopoly procedure in the matter of a suspicion of PZU Życie's abuse of its dominating position in the group employee insurance market, which may constitute a breach of Article 8 of the Competition and Consumer Protection Act and Article 82 of the Treaty establishing the European Community. As a result of the procedure, on 25 October 2007 the President of the Antimonopoly Office imposed a fine on PZU Życie in the amount of PLN 50,384 thousand for hindering clients from taking advantage of the offers of the company's competitors.

The PZU Życie Management Board does not concur with the findings concerning the facts or the legal argumentation set forth in the decision. According to the PZU Życie Management Board, the entirety of the evidentiary material was not taken into account when making the decision and an erroneous legal qualification was made and in effect it was groundlessly assumed that PZU Życie has a dominating position on the market.

PZU Życie appealed against that decision to the Competition and Consumer Protection Court. A total of 38 material law and formal law allegations against the decision of the President of the Antimonopoly Office were formulated in the appeal. On 31 May 2010, the Court rejected PZU Życie's appeal based on the circumstance that the decision issued by the President of the Antimonopoly Office on 25 October 2007 was improperly delivered to PZU Życie and thus the prescription period for the submission of PZU Życie's appeal against the decision did not start yet. Both parties appealed against the Court's decision. After examining the claimant's and the respondent's complaints, on 26 October 2010 the court of second instance resolved to quash the appealed decision.

On 17 February 2011, the Regional Court in Warsaw – the Court for Competition and Consumer Protection issued a judgment partially changing the appealed decision but at the same time dismissing PZU Życie's appeal against the amount of the imposed penalty. On 6 May 2011, PZU Życie filed an appeal against this judgment. The date of the hearing before the Appellate Court was set for 21 August 2012. On this date, the Appellate Court adjourned the hearing without setting the date of the next hearing.

Notwithstanding the appellate steps taken, PZU Życie has established a provision for this penalty in the amount of PLN 50,384 thousand as at 30 September 2012 and 31 December 2011.

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

On 9 April 2010, the Court of Arbitration served PZU Życie with a statement of claim for payment in a case brought by CSC Computer Sciences Polska Sp. z o.o. ("CSC") against PZU Życie, in which CSC demanded payment of a total amount of EUR 8,437 thousand in connection with the implementation of the GraphTalk system in PZU Życie. Following the subsequent amendments to the statement of claim, CSC currently pursues payment of a total amount of PLN 35,663 thousand with interest accrued from the date of filing the statement of claim (i.e. from 31 March 2010) to the date of payment.

The amount pursued by the statement of claim encompasses CSC's claims on account of license fees, remuneration for the performance of implementation works, remuneration for computer system maintenance services, remuneration for repair services, fee for computer systems, liquidated damages and capitalized interest.

On 31 May 2010, in the rejoinder to the statement of claim, PZU Życie petitioned the Court of Arbitration to assert its temporary lack of jurisdiction to examine some of the claims and dismiss the statement of claim in its entirety. In PZU Życie's opinion, CSC's claims are either groundless or have never been proven.

Together with the rejoinder to the statement of claim, PZU Życie filed a counterclaim against CSC in which PZU Życie demanded payment of PLN 71,890 thousand as a refund of the remuneration collected by CSC under the agreement entered into with PZU Życie or as compensation for the improper performance of CSC's obligations arising out of that agreement. In its rejoinder to the counterclaim dated 31 August 2010, CSC petitioned the Court of Arbitration to dismiss PZU Życie's claim in its entirety, indicating the absence of grounds to accept PZU Życie's claim.

On 31 January 2012, a hearing was held before the Court of Arbitration at the National Chamber of Commerce in Warsaw and on 19 June 2012, the Court of Arbitration closed the hearing. After the submission of a pleading by CSC with another modification of its statement of claim, the Court of Arbitration opened a hearing. On 22 October 2012, another hearing was held and closed by the Court of Arbitration. The award is due to be issued by 22 November 2012.

Furthermore, on 21 December 2010, PZU Życie filed a petition with the District Court for the Capital City of Warsaw to call for a settlement attempt against CSC to pay indemnification of PLN 123,326 thousand for the damage caused by improper performance of the agreement or, alternatively, to return the remuneration of PLN 71,890 thousand paid to CSC under the agreement. During the court session held on 8 February 2011, no settlement was reached. The court resolved to discontinue the proceedings to call for a settlement attempt. The court's decision on this issue is legally binding.

26.5. Notification of PZU's claim to the bankruptcy estate of companies of the PBG Capital Group

PZU executed with PBG SA with its registered office in Wysogotowo near Poznań (currently, PBG SA in liquidation bankruptcy – hereinafter: "PBG") and Hydrobudowa Polska SA (currently, Hydrobudowa Polska SA in composition

bankruptcy – hereinafter: “Hydrobudowa”) with its registered office in Wysogotowo near Poznań mandate agreements for periodic granting of insurance guarantees (contract guarantees). Under these agreements, PZU issued insurance guarantees on the condition that in the event of PZU’s payment of the pecuniary consideration on the basis of the issued insurance guarantees, the clients, i.e. PBG and Hydrobudowa, would be obligated to repay to PZU the amounts disbursed under the guarantees.

In 2012, bankruptcy proceedings were initiated before the District Court in Poznań (with the possibility of entering into a composition agreement) against PBG and Hydrobudowa.

On 21 September 2012, PZU joined the bankruptcy proceedings by notifying its claims (including future claims) to the bankruptcy estate of the two companies. Such future receivables mean the potential receivables of PZU related to potential payments under insurance guarantees that have not yet been paid by PZU (due to the existing demands make the payments to beneficiaries under insurance guarantees, or under insurance guarantees where the term in which a beneficiary may submit a payment demand has not expired yet).

PZU has reported the following claims for receivables:

- for the bankruptcy estate of PBG: receivables in the total amount of PLN 105,428 thousand, where future receivables are PLN 90,745 thousand;
- for the bankruptcy estate of Hydrobudowa: receivables in the total amount of PLN 100,996 thousand, where future receivables are PLN 86,443 thousand;

PBG and Hydrobudowa are members of the same capital group where PBG is the parent company and they have guaranteed one another's liabilities.

All the receivables reported as claims to Hydrobudowa's bankruptcy estate in the amount of PLN 100,996 thousand are consequently also reported as claims to PBG's bankruptcy estate. Out of the above receivables:

- PLN 33,747 thousand were receivables where PBG extended surety for the liabilities under guarantees issued to the order of Hydrobudowa;
- PLN 67.249 thousand were receivables where Hydrobudowa extended surety for the liabilities under guarantees issued to the order of PBG;

26.6. Dispute with Comarch SA

On 12 November 2012 PZU was served a copy of a payment order issued on 26 October 2012 by the Regional Court in Warsaw in the course of writ-of-payment proceedings, along with a copy of the statement of claim and attachments in the lawsuit filed by Comarch SA against PZU. The payment order awards from PZU the amount of PLN 19,758 thousand with interest and PLN 32 thousand as reimbursement of litigation costs. The demand from Comarch SA is comprised of the costs calculated by that company for the performance of work and tasks commissioned by PZU in the financial insurance service system project.

The payment order can be challenged by filing an objection within 2 weeks of its service. PZU intends to file such an objection, as a result of which the payment order will lose all its effective power and the litigation, including evidentiary proceedings, will continue.

On 25 October 2012, PZU filed a request with the District Court for Kraków Śródmieście to summon Comarch SA to a settlement attempt; the settlement would involve a payment to PZU in the amount of no less than PLN 21,161 thousand for improper performance of the contract relating to the financial insurance service system project.

26.7. Receivable resulting from the mortgage-backed loan agreement with Metro-Projekt Sp. z o.o.

In 1999, PZU Życie granted a mortgage-backed loan to Metro-Projekt Sp. z o.o. (hereinafter: "Metro-Projekt") for five years. The loan amount was the equivalent of USD 25,500 thousand. The loan was secured with a capped mortgage instituted on the real estate located in Warsaw at al. Jerozolimskie 44, consisting of the perpetual usufruct right to the land and a building owned by Metro-Projekt.

The loan was not repaid, and the bankruptcy of Metro-Projekt was declared in November 2002.

On 15 September 2004, the receiver of Universal SA in bankruptcy (hereinafter: "Universal") filed an application with the Regional Court in Warsaw to remove the real estate in Warsaw at Al. Jerozolimskie 44 from the bankrupt's estate of Metro-Projekt Sp. z o.o. in connection with a notice, entered in Section III of the mortgage book, about the pending proceeding between Universal and BI Code SA ("BI Code") to declare invalid the transaction of the sale of the real estate by Universal to BI Code, from which Metro-Projekt purchased the real estate. Due to the above, on 21 September 2004, the Regional Court in Warsaw issued a decision to suspend the winding up of the estate of Metro-Projekt Sp. z o.o. until the claim to exclude the real estate from the bankrupt's estate is resolved.

The claim for declaring invalid the agreement to transfer perpetual usufruct right to the land and the ownership title to the office building located in Warsaw, Aleje Jerozolimskie 44 was resolved on 7 March 2006: the Appellate Court in Warsaw dismissed Universal's claim against BI Code. However, in August 2006, the receiver of Universal in bankruptcy filed a cassation complaint to the Supreme Court against the above decision.

As soon as the verdict of the Appellate Court of 7 March 2006 became effective, Metro-Projekt filed an application to delete the notice from Section III of the mortgage book about the pending court proceeding resulting from the claim filed by Universal against BI Code to declare the above sale agreement invalid. The decision to delete the entry was issued on 3 November 2006.

On 14 March 2007, the Supreme Court overruled the verdict of the Appellate Court and decided that the Appellate Court should re-examine the case. On 21 November 2007, the Appellate Court overruled the verdict of the Regional Court and decided that the Regional Court should re-examine the case.

On 11 September 2009, the Regional Court issued a verdict in the case filed by the receiver of Universal's bankruptcy estate against the receiver of BI Code's bankruptcy estate to rule invalidity of the sale of the perpetual usufruct right and the ownership title to the building concluded between Universal and BI Code, in which it ruled invalidity of the aforementioned sale agreement. The receiver of BI Code's bankruptcy estate appealed against the foregoing verdict, which was overruled in the verdict of 29 July 2010. The receiver of BI Code's bankruptcy estate then filed a cassation complaint against the Appellate Court's verdict, which was not accepted and accordingly, the proceedings were closed.

In January 2011, the receiver of Metro-Projekt's bankruptcy estate filed for recommencement of the proceedings suspended in 2005 in the case pending before the Regional Court filed by the receiver of Universal's bankruptcy estate, to exclude the perpetual usufruct right and a separate ownership title to a building located on the property from Metro-Projekt's bankruptcy estate. On 30 May 2011, the Regional Court dismissed Universal's claim in this case.

The verdict was not effective: on 12 September 2011, the receiver of Universal's bankruptcy estate filed an appeal. In a decision of 23 February 2012, the Regional Court in Warsaw dismissed the claim filed by the receiver of Universal's bankruptcy estate to exclude the real property at Al. Jerozolimskie 44 in Warsaw from Metro-Projekt's bankruptcy estate. The proceeding ended with a legally effective judgment.

In a motion of 9 May 2012, the receiver of Metro-Projekt's bankruptcy estate requested permission from the Commissioner Judge to conclude a settlement with the receiver of Universal's bankruptcy estate concerning the disputed claims between both bankruptcy estates. After the settlement was concluded, in exchange for Universal's bankruptcy estate waiving all the claims, the Metro-Projekt's bankruptcy estate was to be charged with an additional amount of PLN 5,722 thousand in favor of Universal's bankruptcy estate. The Commissioner Judge approved the settlement deal in his decision of 31 May 2012. The decision is legally effective.

As the receiver of Universal's bankruptcy estate has submitted a representation in the form of a notary deed that it irrevocably waives any claims against Metro-Projekt, the receiver of Metro-Projekt's bankruptcy estate paid the above amount to Universal's bankruptcy estate on 5 July 2012.

The PZU Management Board believes that the mortgage entered in favor of PZU Życie exists and that PZU Życie has the right of satisfaction from each owner.

27. Other information

27.1. Evaluation of the PZU Group companies' standing by rating agencies

PZU and PZU Życie are subject to regular rating reviews by rating agencies. Ratings awarded to PZU and PZU Życie result from analysis of financial data, competitive position, management and corporate strategy. They also contain a rating outlook, i.e. an evaluation of the company's future situation in the event of the occurrence of certain specific circumstances.

As at the date of conveying this interim report, PZU and PZU Życie had a long-term credit rating and a financial strength rating (awarded by Standard & Poor's Ratings Services on 16 July 2009) of A with a stable rating outlook. Then, Standard & Poor's Ratings Services confirmed this rating and outlook (on 23 July 2012, 22 July 2011 and 5 July 2010).

The following table presents ratings awarded to the PZU Group companies by Standard & Poor's together with the previous year's ratings.

Company name	Rating and outlook	Date awarded / updated	Previous rating and outlook	Date awarded / updated
PZU				
Financial strength rating	A (stable)	23 July 2012	A (stable)	22 July 2011
Credit rating	A (stable)	23 July 2012	A (stable)	22 July 2011
PZU Życie				
Financial strength rating	A (stable)	23 July 2012	A (stable)	22 July 2011
Credit rating	A (stable)	23 July 2012	A (stable)	22 July 2011

27.2. Contribution to cover losses incurred by PZU Lietuva

On 11 April 2012, the Management Board of PZU SA adopted a resolution to cover part of PZU Lietuva's losses carried forward, by making a non-refundable contribution of LTL 7,000 thousand for PZU Lietuva to meet the regulatory minimum equity requirement (the Lithuanian law requires that the company's equity must not be less than half of its share capital).

At the end of 2011, this requirement was not satisfied due to the net loss of LTL 6,854 thousand suffered by PZU Lietuva in 2011.

On 27 April 2012, the Ordinary Shareholder Meeting of PZU Lietuva adopted a resolution regarding the provision of the contribution of LTL 7,000 thousand; after it was provided by PZU on 10 May 2012, PZU Lietuva meets the aforementioned regulatory requirements.

27.3. Plans to open PZU Lietuva branches in Latvia and Estonia

PZU Lietuva's development strategy assumes entry into the markets of Latvia and Estonia. On 10 August 2012, PZU Lietuva filed an application with the Lithuanian insurance regulatory authority (the Bank of Lithuania) for consent to open branches in Latvia and Estonia. The regulatory authority approved the application and forwarded the documents to the regulatory authorities in Latvia and Estonia.

On 6 September 2012, the Financial and Capital Markets Commission of Latvia issued a decision approving the establishment of a branch of PZU Lietuva in Latvia. On 10 October 2012, the branch was entered in the Latvian register of commercial entities, and 15 October 2012, PZU Lietuva opened an office in Riga. Currently, PZU Lietuva is working on adapting its products to the requirements of the Latvian market and is recruiting employees and developing internal procedures and IT systems.

On 17 October, the Estonian Financial Supervision Authority issued a decision approving the establishment of a branch of PZU Lietuva in Estonia. The next step will be the registration procedure in the respective offices.

According to plan, insurance sales in the Latvian market will be launched in January 2013 and in the Estonian market in Q2 2013.

The branches will offer a full range of corporate products (non-life insurance, general third party liability insurance, financial guarantees, motor insurance, etc.). PZU Lietuva intends to take advantage of its relationships with international clients. In the initial years, the offer will be directed at corporate clients and small and medium-sized enterprises through the company's own sales network and cooperation with brokers.

To reach individual clients, PZU Lietuva initially plans to use an alternative distribution network (banks, travel agencies). It is assumed that the company's own retail insurance sales network in Latvia and Estonia will be created if both branches generate positive net financial results.

Capital expenditures will be covered with PZU Lietuva's funds. It is estimated that, in the initial years of the investment, PZU Lietuva may require recapitalization (in the form of capital contributions) of approximately EUR 7 million (LTL 24 million) due to the requirements for minimum capital and solvency margin coverage.

27.4. Changes in the composition of PZU's management and supervisory bodies

27.4.1. PZU Management Board

As at 31 December 2011, the PZU Management Board consisted of the following members:

- Andrzej Klesyk – President of the PZU Management Board (CEO);
- Witold Jaworski – Member of the PZU Management Board;
- Przemysław Dąbrowski – Member of the PZU Management Board;
- Tomasz Tarkowski – Member of the PZU Management Board;
- Bogusław Skuza – Member of the PZU Management Board;
- Ryszard Trepczyński – Member of the PZU Management Board.

No changes in the composition of the PZU Supervisory Board have occurred until the date of conveying this interim report.

27.4.2. PZU Supervisory Board

As at 31 December 2011, the PZU Supervisory Board consisted of the following members:

- Marzena Piszczek – Supervisory Board Chairwoman;
- Zbigniew Ćwiąkałski – Supervisory Board Deputy Chairman;
- Krzysztof Dresler – Supervisory Board Secretary;
- Waldemar Maj – Supervisory Board Member;
- Dariusz Filar – Supervisory Board Member;
- Zbigniew Derdziuk – Supervisory Board Member;
- Dariusz Daniluk – Supervisory Board Member.

On 30 May 2012, the Ordinary Shareholder Meeting of PZU adopted a resolution setting the number of Supervisory Board members at 9.

On the same date, Krzysztof Dresler tendered his resignation and the Ordinary Shareholder Meeting of PZU dismissed Marzena Piszczek from the Supervisory Board and appointed Tomasz Zganiacz, Maciej Piotrowski, Włodzimierz Kiciński and Alojzy Nowak to the Supervisory Board of PZU.

On 28 June 2012, at the first meeting after the aforementioned personnel changes, the Supervisory Board elected Waldemar Maj as the Supervisory Board Chairman and Tomasz Zganiacz as the Supervisory Board Secretary.

As at 28 June 2012, the PZU Supervisory Board consisted of the following members:

- Waldemar Maj – Supervisory Board Chairman;
- Zbigniew Ćwiąkałski – Supervisory Board Deputy Chairman;
- Tomasz Zganiacz – Supervisory Board Secretary;
- Dariusz Daniluk – Supervisory Board Member.
- Zbigniew Derdziuk – Supervisory Board Member;
- Dariusz Filar – Supervisory Board Member;

- Włodzimierz Kiciński – Supervisory Board Member;
- Alojzy Nowak – Supervisory Board Member;
- Maciej Piotrowski – Supervisory Board Member.

There were no other changes in the composition of the PZU Supervisory Board by the delivery date of this interim report.

27.4.3. PZU Group Directors

As at 31 December 2011, the following persons were PZU Group Directors:

- Dariusz Krzewina;
- Rafał Grodzicki.

On 7 February 2012, the Management Board of PZU appointed Przemysław Henschke to the position of a PZU Group Director, effective from 1 February 2012.

On 16 March 2012, the Management Board of PZU appointed Sławomir Niemierka to the position of a PZU Group Director, effective from 19 March 2012.

From 19 March 2012 to the date of conveying this interim report, PZU Group Directors included:

- Dariusz Krzewina;
- Rafał Grodzicki;
- Przemysław Henschke;
- Sławomir Niemierka.

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

27.5. Termination of Company Collective Bargaining Agreements and amendment of employment agreements

On 28 February 2012, the Management Boards of PZU and PZU Życie terminated the Company Collective Bargaining Agreements ("ZUZP") in place in those companies from 2003 and 2006, respectively, mainly due to the need to introduce a new, more incentive-based remuneration system better fitted to the market conditions. The new principles assumed, among others, that new bonus rules would be introduced starting in Q4 2012: the monthly bonus up to 25% of monthly basic salary was replaced by a quarterly bonus up to 30% of quarterly basic salary (which relies directly on the extent to which the objectives are fulfilled) and abolishment of other employee benefits going beyond those set forth in the labor code.

Arrangements with trade unions pertaining to the salary regulations lasted from 28 February to 26 April 2012 and ended with the trade unions expressing their negative opinion regarding the proposed remuneration system. In connection with a possibility that in some cases employment agreements will terminate as a result of a the employees not accepting the new terms of remuneration, PZU and PZU Życie announced their intention to carry out group layoffs. The talks with the trade unions on this subject were held from 27 April 2012 and no agreement was signed in the end. Accordingly, on 7 May 2012, the Management Boards of PZU and PZU Życie set the terms of group layoffs in the form of the bylaws and specified the terms of remuneration to be proposed to employees until the remuneration system is agreed with the trade unions.

The process of changing employment agreements of all PZU and PZU Życie employees started on 9 May 2012. It consisted of individual meetings with employees, during which their superiors and representatives of the HR offered each employee an amending agreement with the new remuneration principles. Those employees who did not agree to change the terms of employment by agreement of the parties received amending terminations from the employer – this applied to approx. 200 employees i.e. less than 2% of all the employees, while 17 of those accepted such amending terminations (and thus remained with the company).

The effects of the change of the terms of remuneration had no material effect on the cost of salary and other employee benefits in the 9-month period ended 30 September 2012. The changes in the terms of remuneration were also not included in the level of provisions for employee benefits, which was PLN 253,090 thousand as at the balance sheet date. This was due to the work conducted to use those provisions for obligations accrued by

the termination date of the Company Collective Bargaining Agreement. The work should be completed by the end of 2012.

27.6. Employment restructuring in PZU and PZU Życie

On 26 December 2009, the PZU and PZU Życie Management Boards announced a plan to implement a restructuring program for the years 2010-2012.

In the first two quarters of 2012, terminations of employment in PZU and PZU Życie affected staff who in 2011 received a termination arrangement or a statement of termination of the employment agreement, or who refused to accept, notwithstanding the employer's will, new terms and conditions of employment or remuneration.

In the process of group layoffs conducted in Q2 2012 in connection with the termination of the Collective Bargaining Agreement, organizational changes were also implemented in PZU's mass sales division involving the introduction of a new management model and the transition from the previous "multi-channel" management to "single-channel" management and the creation of separate positions dedicated to each sales channel.

As a result of adjusting employment to the new structures and following an additional recruitment to fill in the existing vacancies, 51 persons (i.e. approx. 4% of the staff in this area) refused to accept the proposed terms and conditions of employment.

On 10 July 2012, the Management Boards of PZU and PZU Życie made decisions to continue the employment restructuring process in PZU and PZU Życie and requested the trade unions operating at these two companies to join the work on drafting group layoff agreements in accordance with the Act of 13 March 2003 on Special Rules for Termination of Employment for Reasons Not Attributable to Employees, Journal of Laws No. 90 of 2003 Item 844, as amended ("Act on Special Rules for Termination of Employment"), and informed the relevant County Labor Office of the commencement of the group layoff procedure.

On 24 July 2012, PZU, PZU Życie and the trade unions operating at these companies executed an agreement specifying the terms and conditions of employment restructuring. The final form of the document is based on the experience and solutions developed during similar negotiations in the previous years.

It was planned that the above phase of employment restructuring at PZU and PZU Życie will be conducted from 13 August to 11 October 2012 and will affect 955 people in both companies (it was planned that the reduction in employment will cover 376 employees and that 579 employees will have their terms and conditions of work and remuneration changed by way of an arrangement or amending termination).

The said employment restructuring phase was a consequence of the implementation of a number of projects aimed at the simplification of procedures, the automation and optimization of work processes and the centralization of functions. To the greatest extent, the restructuring activities affected the areas of operation, finance and claims handling.

Eventually, the restructuring phase affected 761 persons in both companies (the reduction in employment concerned 568 employees of which 415 persons had their employment agreements terminated due to the rejection of new terms and conditions of employment and 193 persons had their terms and conditions of work and remuneration changed).

Persons who were laid off or who did not accept the proposed change of conditions of employment during all the restructuring stages (i.e. in 2010-2012) received more favorable terms and conditions of severance than the ones contemplated by the law in similar circumstances ("Act on the Special Rules for Terminating Employment Relations"). The amount of additional severance pays was different in each restructuring process, while the financial package depended on the years in service in the PZU Group and the salary level of each employee.

The total restructuring expenses charged to the reserve in the period from 1 January to 30 September 2012 were PLN 46,473 thousand (PLN 58,169 thousand in the entire 2011 and PLN 18,699 thousand in the period from 1 January to 30 September 2011).

As at 30 September 2012, the provision for restructuring expenses was PLN 60,478 thousand (PLN 69,587 thousand as at 30 June 2011, PLN 112,956 thousand as at 31 December 2011, PLN 59,871 thousand as at 30 September 2011), which translated to a lower balance of that provision in the period from 1 January to 30 September 2012 at PLN 52,478 thousand (an increase of PLN 37,703 thousand in the whole of 2011).

28. Transactions with related entities

28.1. Execution, by PZU or its subsidiaries, of material transactions with related entities on terms other than based on an arm's length principle

In the 9-months period ended 30 September 2012, neither PZU nor its subsidiaries executed any single or multiple transactions with their related entities which were of material significance individually or collectively and were executed on terms other than based on an arm's length principle.

28.2. Turnovers and balances of transactions executed with related entities

Balances and turnovers resulting from commercial transactions between the PZU Group and related entities	Gross written premium					Receivables					
	in non-life insurance	in life insurance (including the volumes from unit-linked contracts)	Other revenues	Costs	– including charges for receivables made in the current period	gross value	revaluation charges	value net	Liabilities	Contingent assets	Contingent liabilities
1 January – 30 September 2012 and as at 30 September 2012											
Key management staff of the main entities 1/	-	-	-	-	-	-	-	-	-	-	-
Other related entities /2	106	-	46,051	19,882	-	12,072	(9,806)	2,266	2,585	-	-
1 January – 31 December 2011 and as at 31 December 2011											
Key management staff of the main entities 1/	-	-	-	-	-	-	-	-	-	-	-
Other related entities /2	387	-	35,840	17,192	-	11,398	(9,806)	1,592	1,868	-	-
1 January – 30 September 2011 and as at 30 September 2011											
Key management staff of the main entities 1/	-	-	-	-	-	-	-	-	-	-	-
Other related entities /2	655	-	30,007	17,153	-	12,314	(10,306)	2,008	1,714	-	-

1/ Members of the management boards of the PZU Group companies subject to consolidation and PZU Group Directors.

2/ PZU's direct or indirect subsidiaries and associates not subject to consolidation whose complete list is presented in item 1.2.

As at 30 September and 31 December 2011, the main line item under the balance of receivables from other related entities is receivables from Syta Development Sp. z o.o. in liquidation ("Syta Development") for the performance of agreements related to the construction of the Claims Handling and Underwriting Center in the total gross amount of PLN 9,806 thousand (PLN 10,306 thousand as at 30 September 2011) which, due to non-performance of the agreements, were fully covered by a revaluation charge on all those dates.

28.3. Transactions with subsidiaries of the State Treasury

IAS 24 requires presentation of transactions with related entities. Until 11 May 2010, the State Treasury held a majority stake in PZU's share capital. On 11 May 2010, under the IPO process, the State Treasury's stake in PZU's share capital fell below the 50% threshold. Additionally, on 10 June 2011, the State Treasury sold a 10.00% stake in PZU thus reducing its share in the share capital and in the total number of votes down to 35.19%.

Despite the matters described above, taking into account the provisions of the PZU Articles of Association (in particular those pertaining to the restriction of voting rights of shareholders other than the State Treasury and the rules for appointing the PZU Supervisory Board), for the purposes of presenting the turnovers and balances of transactions executed with related entities it is assumed that the State Treasury retained control over PZU within the meaning of IAS 27, and, as a consequence, PZU is still a subsidiary of the State Treasury and is required to keep presenting in its financial statements transactions executed with entities related to the State Treasury.

For the purposes of this item, "subsidiaries, co-subsidiaries and associates of the State Treasury" should be construed only as commercial law companies and state-owned companies which are subsidiaries, co-subsidiaries or associates of the State Treasury and listed as such on the State Treasury Ministry's website. In particular, as part of their business operations prescribed by the respective articles of association, the PZU Group entities executed transactions with subsidiaries, co-subsidiaries or associates of the State Treasury other than the commercial law companies or state-owned companies listed on the State Treasury Ministry's website. Due to a very large number of such entities and transactions, limitations of the PZU Group's reporting system and insignificance of such transactions on the PZU Group's result, presentation of such transactions is, in PZU's opinion, immaterial for the presentation of the PZU Group's financial situation.

The PZU Group applied the exemption referred to in item 25 of IAS 24 and decided not to disclose certain information related to transactions with entities related by virtue of remaining under the control, shared control or significant influence of the same government.

Transactions with subsidiaries, co-subsidiaries and associates of the State Treasury were predominantly non-life insurance agreements, life insurance agreements and unit-linked contracts.

The table below presents written premium and volumes from unit-linked contracts resulting from transactions with subsidiaries, co-subsidiaries and associates of the State Treasury executed and settled on terms and conditions available to unrelated clients.

Subsidiaries, co-subsidiaries and associates of the State Treasury	1 July - 30 September 2012	1 January - 30 September 2012	1 July - 30 September 2011	1 January - 30 September 2011
Gross written premium in non-life insurance	29,232	70,001	51,080	103,045
Gross written premium in life insurance	4,626	11,663	3,857	10,916
Volumes from unit-linked contracts of PZU Życie	-	584,564	507,481	1,484,415
Total	33,858	666,228	562,418	1,598,376

The following tables contain data on written premium and volumes from unit-linked contracts in bancassurance transactions with the State Treasury's subsidiary or associate banks.

Bank Powszechna Kasa Oszczędności BP SA	1 July - 30 September 2012	1 January - 30 September 2012	1 July - 30 September 2011	1 January - 30 September 2011
Gross written premium of PZU	5,916	12,682	8,599	20,581
Gross written premium of PZU Życie	4,626	11,663	3,857	10,916
Volumes from unit-linked contracts of PZU Życie	-	584,564	507,481	1,484,415
Total	10,542	608,909	519,937	1,515,912

Bank Ochrony Środowiska SA	1 July - 30 September 2012	1 January - 30 September 2012	1 July - 30 September 2011	1 January - 30 September 2011
Gross written premium of PZU	6	37	699	735
Total	6	37	699	735

Bank Gospodarstwa Krajowego SA	1 July - 30 September 2012	1 January - 30 September 2012	1 July - 30 September 2011	1 January - 30 September 2011
Gross written premium of PZU	66	69	138	195
Total	66	69	138	195

BANK GOSPODARKI ŻYWNOSCIOWEJ SA	1 July - 30 September 2012	1 January - 30 September 2012	1 July - 30 September 2011	1 January - 30 September 2011
Gross written premium of PZU	995	2,677	678	1,693
Total	995	2,677	678	1,693

PZU's QUARTERLY UNCONSOLIDATED FINANCIAL INFORMATION (in compliance with PAS)**1. Interim balance sheet**

000s PLN

ASSETS	30 September 2012	30 June 2012	31 December 2011	30 September 2011
I. Intangible assets, including:	109,551	104,418	107,004	79,699
- goodwill	-	-	-	-
II. Investments	25,896,902	25,893,421	24,882,946	26,239,021
1. Real property	569,722	573,934	582,328	586,779
2. Investments in subordinated entities, of which:	6,919,304	6,301,047	6,425,930	6,081,854
- investments in subordinated entities carried using the equity method	6,887,258	6,268,926	6,393,817	6,049,735
3. Other financial investments	18,403,356	19,013,872	17,868,972	19,563,418
4. Deposit receivables from ceding companies	4,520	4,568	5,716	6,970
III. Net assets of a life insurance company where the policyholder bears the investment risk	-	-	-	-
IV. Receivables	3,494,141	2,745,232	1,487,399	1,889,618
1. Receivables on direct insurance	1,398,458	1,342,572	1,293,075	1,381,282
1.1. From subordinated entities	289	97	283	283
1.2. From other entities	1,398,169	1,342,475	1,292,792	1,380,999
2. Receivables on reinsurance	16,987	35,276	32,917	74,352
1.1. From subordinated entities	132	24	43	13,625
1.2. From other entities	16,855	35,252	32,874	60,727
3. Other receivables	2,078,696	1,367,384	161,407	433,984
1.1. Receivables from the state budget	455	534	5,476	483
1.2. Other receivables	2,078,241	1,366,850	155,931	433,501
a) from subordinated entities	55,574	1,209,177	38,684	49,052
b) from other entities	2,022,667	157,673	117,247	384,449
V. Other asset components	145,107	237,724	208,545	192,775
1. Tangible asset components	87,204	86,410	100,677	96,921
2. Cash resources	57,903	151,314	107,868	95,854
3. Other asset components	-	-	-	-
VI. Prepayments and accruals	555,935	620,845	711,963	663,571
1. Deferred income tax assets	39,138	58,620	125,546	32,836
2. Capitalized acquisition costs	473,122	498,286	493,180	479,621
3. Posted interest and rents	-	-	-	-
4. Other accruals	43,675	63,939	93,237	151,114
Total assets	30,201,636	29,601,640	27,397,857	29,064,684

Interim balance sheet (continued)

000s PLN

LIABILITIES AND EQUITY	30 September 2012	30 June 2012	31 December 2011	30 September 2011
I. Equity	12,681,670	11,628,993	11,745,410	11,409,847
1. Share capital	86,352	86,352	86,352	86,352
2. Unpaid share capital (negative figure)	-	-	-	-
3. Treasury stock (negative figure)	-	-	-	-
4. Reserve capital	3,967,360	3,967,358	3,331,838	3,331,834
5. Revaluation reserve	6,358,066	5,679,922	5,744,917	5,422,220
6. Other reserve capital	-	-	-	-
7. Profit (loss) carried forward	-	-	-	-
8. Net profit (loss)	2,269,892	1,895,361	2,582,303	2,569,441
9. Charges to net profit during the financial year (negative figure)	-	-	-	-
II. Subordinated debt	-	-	-	-
III. Technical provisions	15,382,998	15,302,630	14,653,008	14,422,932
IV. Reinsurers' share in technical provisions (negative figure)	(653,477)	(696,041)	(679,274)	(701,002)
V. Estimated recoveries and salvage (negative figure)	(64,174)	(60,766)	(78,387)	(45,497)
1. Gross estimated recoveries and salvage	(66,532)	(63,038)	(80,980)	(47,248)
2. Reinsurer's share in estimated recoveries and salvage	2,358	2,272	2,593	1,751
VI. Other provisions	361,798	384,301	412,906	319,172
1. Reserves for pension benefits and other compulsory employee benefits	213,972	228,533	216,628	213,557
2. Deferred income tax reserve	-	-	-	-
3. Other reserves	147,826	155,768	196,278	105,615
VII. Liabilities for reinsurers' deposits	-	-	-	-
VIII. Other liabilities and special-purpose funds	2,143,505	2,704,853	826,280	3,350,210
1. Liabilities on direct insurance	310,138	261,464	301,954	291,079
1.1. To subordinated entities	980	692	686	418
1.2. To other entities	309,158	260,772	301,268	290,661
2. Reinsurance liabilities	31,525	65,521	20,574	51,163
2.1. To subordinated entities	102	-	-	13,015
2.2. To other entities	31,423	65,521	20,574	38,148
3. Liabilities on the issue of own debt securities and borrowings taken out	-	-	-	-
4. Liabilities to credit institutions	802,390	109,197	154,488	331,311
5. Other liabilities	881,351	2,132,114	244,530	2,557,814
5.1. Liabilities to the budget	103,599	28,623	16,552	60,994
5.2. Other liabilities	777,752	2,103,491	227,978	2,496,820
a) to subordinated entities	6,937	4,555	5,685	4,959
b) to other entities	770,815	2,098,936	222,293	2,491,861
6. Special purpose funds	118,101	136,557	104,734	118,843
IX. Prepayments and accruals	349,316	337,670	517,914	309,022
1. Accrued expenses	325,986	314,208	498,186	293,588
2. Negative goodwill	-	-	-	-
3. Deferred income	23,330	23,462	19,728	15,434
Total liabilities and equity	30,201,636	29,601,640	27,397,857	29,064,684

Interim balance sheet (continued)

000s PLN

	30 September 2012	30 June 2012	31 December 2011	30 September 2011
Book value	12,681,670	11,628,993	11,745,410	11,409,847
Number of shares	86,352,300	86,352,300	86,352,300	86,352,300
Book value per share (in PLN)	146.86	134.67	136.02	132.13
Diluted number of shares	86,352,300	86,352,300	86,352,300	86,352,300
Diluted book value per share (PLN)	146.86	134.67	136.02	132.13

2. Interim statement of off-balance sheet line items

000s PLN

Off-balance sheet line items	30 September 2012	30 June 2012	31 December 2011	30 September 2011
1. Conditional receivables, including:	9,629,670	9,809,179	9,367,846	9,102,594
1.1. Guarantees and sureties received	18,126	18,025	17,746	6,746
1.2. Other ¹⁾	9,611,544	9,791,154	9,350,100	9,095,848
2. Contingent liabilities, including:	73,373	61,209	59,347	52,879
2.1. Guarantees and sureties given	2,923	3,600	4,873	6,261
2.2. Accepted and endorsed bills of exchange	-	-	-	-
2.3. Assets subject to the obligation of resale	-	-	-	-
2.4. Other liabilities secured on assets or income	-	-	-	-
3. Reinsurance collateral instituted in favor of the insurance company	-	-	-	-
4. Reinsurance collateral instituted by the insurance company in favor of ceding companies	-	-	-	-
5. Third party asset components not captured in the assets	217,594	218,503	222,088	222,709
6. Other off-balance sheet line items	-	-	-	-
Shareholder funds	10,215,634	9,151,164	9,192,064	8,909,147
Equity Solvency margin	1,337,542	1,348,012	1,338,798	1,337,542
Surplus (deficiency) of shareholder funds to cover the solvency margin	8,878,092	7,803,152	7,853,266	7,571,605
Gross technical provisions ²⁾	15,316,466	15,239,592	14,572,028	14,375,684
Assets covering the technical provisions	17,184,853	19,310,706	18,510,626	20,612,485
Surplus (deficiency) assets covering the technical provisions	1,868,387	4,071,114	3,938,598	6,236,801

¹⁾ This line item includes mainly: bills of exchange on account of insurance guarantees extended, other bills, security received in the form of an ownership transfer of debtor's assets, other contingent receivables, etc.

** including estimated gross recoveries and salvages

The increase in other contingent receivables in 2012 is driven mainly by an increased balance of bills of exchange under the extended insurance guarantees, which reached PLN 7,990,134 thousand as at 30 September 2012 (PLN 8,153,548 thousand as at 30 June 2012, PLN 7,774,429 thousand as at 31 December 2011 and PLN 7,527,980 thousand as at 30 September 2011).

3. Interim technical non-life insurance account

000s PLN

Technical non-life insurance account	1 July - 30 September 2012	1 January - 30 September 2012	1 July - 30 September 2011	1 January - 30 September 2011
I. Premiums (1-2-3+4)	2,109,346	6,193,519	2,041,597	5,873,777
1. Gross written premium	1,937,602	6,374,225	2,003,783	6,217,302
2. Reinsurers' share in the gross written premium	15,771	76,388	13,407	142,916
3. Movement in the unearned premium reserve and gross unexpired risk reserve	(217,250)	42,302	(66,799)	219,988
4. Reinsurers' share in the change to the unearned premium reserve balance	(29,735)	(62,016)	(15,578)	19,379
II. Net investment income after considering costs, transferred from the non-technical profit and loss account	70,611	215,424	65,430	197,922
III. Other net technical income	8,024	52,804	20,646	62,235
IV. Claims (1+2)	1,393,181	4,026,574	1,504,185	4,062,932
1. Net claims paid	1,085,643	3,357,057	1,144,961	3,688,542
1.1. Gross claims paid	1,113,558	3,457,851	1,239,453	3,898,910
1.2. Reinsurers' share in claims paid	27,915	100,794	94,492	210,368
2. Movement in the net claims reserve	307,538	669,517	359,224	374,390
2.1. Movement in the gross claims reserve	294,624	705,971	327,603	269,694
2.2. Reinsurers' share in the movement of the claims reserve	(12,914)	36,454	(31,621)	(104,696)
V. Movement in other net technical provisions	-	-	-	-
1. Movement in other gross technical provisions	-	-	-	-
2. Reinsurers' share in the movement of other technical provisions	-	-	-	-
VI. Net premiums and rebates jointly with the movement in reserves	70	(3,074)	726	2,276
VII. Insurance activity expenses	516,501	1,561,496	513,598	1,481,098
1. Acquisition costs, including: - movement in capitalized acquisition costs	367,642 25,164	1,098,418 20,058	370,449 10,008	1,084,173 (17,563)
2. Administrative costs	146,029	447,014	132,601	397,233
3. Reinsurance commissions and sharing in the reinsurers' profits	(2,830)	(16,064)	(10,548)	308
VIII. Other net technical income	66,760	246,634	66,709	257,686
IX. Movement in loss ratio (risk) equalization reserves	-	-	-	-
X. Technical result on non-life insurance	211,469	630,117	42,455	329,942

4. Interim non-technical profit and loss account

000s PLN

Non-technical profit and loss account	1 July - 30 September 2012	1 January - 30 September 2012	1 July - 30 September 2011	1 January - 30 September 2011
I. Technical result on non-life insurance or life insurance	211,469	630,117	42,455	329,942
II. Investment income	419,784	2,321,924	445,381	3,042,803
1. Investment income on real estate	1,590	4,751	1,666	4,665
2. Investment income from subordinated entities	-	1,206,357	4	1,987,286
2.1. on ownership interests or shares	-	1,206,357	4	1,987,286

2.2. on borrowings and debt securities	-	-	-	-
2.3. on other investments	-	-	-	-
3. Other financial investment income	230,657	719,261	282,990	712,035
3.1. on ownership interests, shares, other variable-income securities, participation units and investment certificates in mutual funds	14,539	40,066	22,969	36,223
3.2. on debt securities and other fixed income securities	173,027	554,509	236,179	641,415
3.3. on term deposits in credit institutions	18,337	51,823	8,963	13,717
3.4. on other investments	24,754	72,863	14,879	20,680
4. Gain on investment revaluation	-	200	-	2,282
5. Gain on investment realization	187,537	391,355	160,721	336,535
III. Unrealized investment gains	4,465	87,300	(30,460)	41,124
IV. Net investment income after including costs transferred from the technical life insurance account	-	-	-	-
V. Investment activity expenses	112,414	251,156	90,153	268,268
1. Real estate maintenance expenses	1,911	4,540	1,222	3,785
2. Other investment activity expenses	5,546	19,390	8,280	18,874
3. Loss on investment revaluation	15	7,132	4,201	4,526
4. Loss on investment realization	104,942	220,094	76,450	241,083
VI. Unrealized investment losses	(13,199)	40,232	145,401	196,222
VII. Net investment income after including costs transferred to the technical non-life insurance account	70,611	215,424	65,430	197,922
VIII. Other operating income	9,125	34,165	16,707	46,610
IX. Other operating expenses	14,900	40,163	47,472	75,551
X. Operating profit (loss)	460,117	2,526,531	125,627	2,722,516
XI. Extraordinary gains	-	-	-	-
XII. Extraordinary losses	-	-	-	-
XIII. Gross profit (loss)	460,117	2,526,531	125,627	2,722,516
XIV. Income tax	89,368	256,391	32,447	155,331
a) current part	84,802	200,019	51,927	185,356
b) deferred part	4,566	56,372	(19,480)	(30,025)
XV. Other compulsory reductions in profit (increase in losses)	-	-	-	-
XVI. Share of the net profit (loss) of subordinated entities carried by the equity method	3,782	(248)	12,197	2,256
XVII. Net profit (loss)	374,531	2,269,892	105,377	2,569,441

	1 July - 30 September 2012	1 January - 30 September 2012	1 July - 30 September 2011	1 January - 30 September 2011
Net profit (loss)	374,531	2,269,892	105,377	2,569,441
Net profit (loss) (annualized) ¹⁾	1,489,982	3,032,046	418,072	3,435,333
Weighted average number of common shares	86,352,300	86,352,300	86,352,300	86,352,300
Profit (loss) per common share (PLN)	4.34	26.29	1.22	29.76
Weighted average diluted number of common shares	86,352,300	86,352,300	86,352,300	86,352,300
Diluted profit (loss) per common share (PLN)	4.34	26.29	1.22	29.76

¹⁾ calculation incorporating the number of calendar days in the period.

5. Interim statement of changes in equity

000s PLN

Statement of changes in equity	1 January - 30 September 2012	1 January - 31 December 2011	1 January - 30 September 2011
I. Equity at the beginning of the period (OB)	11,745,410	11,902,186	11,902,186
a) changes in the accepted accounting principles (policies)	-	-	-
a) correction of errors	-	-	-
I. a. Equity at the beginning of the period (Opening Balance), after reconciliation with comparable data	11,745,410	11,902,186	11,902,186
1. Share capital at the beginning of the period	86,352	86,352	86,352
1.1. Movements in share capital	-	-	-
a) increases	-	-	-
b) decreases	-	-	-
1.2. Share capital at the end of the period	86,352	86,352	86,352
2. Contributions due to the share capital at the beginning of the period	-	-	-
2.1. Changes in the contributions due to share capital	-	-	-
a) increases	-	-	-
b) decreases	-	-	-
2.2. Contributions due to share capital at the end of the period	-	-	-
3. Treasury stock at the beginning of the period	-	-	-
3.1. Changes in treasury stock	-	-	-
a) increases	-	-	-
b) decreases	-	-	-
3.2. Treasury stock at the end of the period	-	-	-
4. Reserve capital at the beginning of the period	3,331,838	2,060,272	2,060,272
4.1. Movement in reserve capital	635,522	1,271,566	1,271,562
a) increases (by virtue of):	635,522	1,271,566	1,271,562
- distribution of profit (above the amount statutorily required)	635,421	1,271,549	1,271,549
- from revaluation reserve – by sale and liquidation of fixed assets	101	17	13
b) decreases	-	-	-
4.2. Reserve capital at the end of the period	3,967,360	3,331,838	3,331,834
5. Revaluation reserve at the beginning of the period	5,744,917	6,238,853	6,238,853
- changes in the accepted accounting principles (policy)	-	-	-
5.1. Movements in the revaluation reserve	613,149	(493,936)	(816,633)
a) increases (by virtue of):	1,086,741	772,741	446,811
- valuation of financial investments	1,086,741	768,401	446,811
- transfer of the impairment charges on investments available for sale	-	4,340	-
b) decreases (by virtue of)	473,592	1,266,677	1,263,444
- sale of fixed assets	101	17	13
- valuation of financial investments	473,491	1,266,660	1,263,431
5.2. Revaluation reserve at the end of the period	6,358,066	5,744,917	5,422,220

Interim statement of changes in equity (continued)

000s PLN

Statement of changes in equity	1 January - 30 September 2012	1 January - 31 December 2011	1 January - 30 September 2011
6. Other reserve capital at the beginning of the period	-	-	-
6.1. Movements in other reserve capital	-	-	-
a) increases	-	-	-
b) decreases	-	-	-
6.2. Other reserve capital at the end of the period	-	-	-
7. Profit (loss) brought forward at the beginning of the period	2,582,303	3,516,709	3,516,709
7.1. Profit carried forward at the beginning of the period	2,582,303	3,516,709	3,516,709
a) changes in the accepted accounting policies	-	-	-
b) corrections of errors	-	-	-
7.2. Profit brought forward at the beginning of the period, after reconciliation with comparable data	2,582,303	3,516,709	3,516,709
a) increases	-	-	-
b) decreases (by virtue of)	2,582,303	3,516,709	3,516,709
- transfers to reserve capital	635,421	1,271,549	1,271,549
- disbursement of dividends	1,936,882	2,245,160	2,245,160
- transfers to / charges for the Company Employee Benefit Fund	10,000	-	-
7.3. Profit brought forward at the end of the period	-	-	-
7.4. Loss brought forward at the beginning of the period	-	-	-
a) changes in the accepted accounting policies	-	-	-
b) corrections of errors	-	-	-
7.5. Losses brought forward at the beginning of the period, after reconciliation with comparable data	-	-	-
a) increases	-	-	-
b) decreases	-	-	-
7.6. Losses brought forward at the end of the period	-	-	-
7.7. Profit (loss) brought forward at the end of the period	-	-	-
8. Net result	2,269,892	2,582,303	2,569,441
a) net profit	2,269,892	2,582,303	2,569,441
b) net loss	-	-	-
c) charges to profits	-	-	-
II. Equity at the end of the period (Closing Balance)	12,681,670	11,745,410	11,409,847

6. Interim cash flow statement

000s PLN

Cash Flow Statement	1 January - 30 September 2012	1 January - 31 December 2011	1 January - 30 September 2011
A. Cash flow on operating activity			
I. Proceeds	6,984,271	9,714,683	7,119,458
1. Proceeds on direct activity and inward reinsurance	6,448,946	8,407,305	6,203,090
1.1. Proceeds on gross premiums	6,296,758	8,197,909	6,084,976
1.2. Proceeds on recovery, salvage and claim refunds	127,304	172,166	102,809
1.3. Other proceeds on direct activity	24,884	37,230	15,305
2. Proceeds on outward reinsurance	146,295	411,549	285,878
2.1. Payments received from reinsurers for their share of claims paid	115,388	385,175	270,426
2.2. Proceeds on reinsurance commissions and profit-sharing	11,691	20,418	9,953
2.3. Other proceeds from outward reinsurance	19,216	5,956	5,499
3. Proceeds on other operating activity	389,030	895,829	630,490
3.1. Proceeds for acting as an emergency adjuster	178,622	220,906	167,522
3.2. Sale of other intangible assets and tangible components of non-current assets besides investments	2,119	1,269	447
3.3. Other proceeds	208,289	673,654	462,521
II. Expenditures	6,128,681	8,987,756	6,645,760
1. Expenditures on direct activity and inward reinsurance	5,212,912	7,269,288	5,527,350
1.1. Returns of gross premiums	122,188	147,561	111,498
1.2. Gross claims paid	3,040,345	4,515,214	3,463,785
1.3. Acquisition expenditures	726,227	1,018,273	745,289
1.4. Administrative expenditures	1,122,257	1,343,812	1,028,308
1.5. Expenditures for claims handling and pursuit of recoveries	98,365	118,751	87,104
1.6. Commissions paid and profit-sharing on inward reinsurance	1,726	4,679	2,907
1.7. Other expenditures on direct activity and inward reinsurance	101,804	120,998	88,459
2. Expenditures on outward reinsurance	166,937	213,605	167,754
2.1. Premiums paid for reinsurance	146,606	154,873	138,676
2.2. Other expenditures on outward reinsurance	20,331	58,732	29,078
3. Expenditures on other operating activity	748,832	1,504,863	950,656
3.1. Expenditures for acting as an emergency adjuster	334,846	423,401	330,735
3.2. Purchase of other intangible assets and tangible components of non-current assets besides investments	63,663	88,770	57,006
3.3. Other operating expenditures	350,323	992,692	562,915
III. Net cash flow on operating activity (I-II)	855,590	726,927	473,698

Interim cash flow statement (continued)

000s PLN

Cash Flow Statement	1 January - 30 September 2012	1 January - 31 December 2011	1 January - 30 September 2011
B. Cash flow on investing activity			
I. Proceeds	129,484,793	122,440,185	82,698,625
1. Sale of real estate	-	-	-
2. Sale of ownership interests and shares in subordinated entities	-	76,457	76,457
3. Sale of ownership interests and shares in other entities and participation units and investment certificates in mutual funds	1,039,447	1,076,012	872,377
4. Realization of debt securities issued by subordinated entities and amortization of granted to these entities	-	-	-
5. Realization of debt securities issued by other entities	21,542,666	37,241,036	29,941,244
6. Liquidation of term deposits in credit institutions	48,431,645	57,019,467	39,831,545
7. Realization of other investments	56,873,786	24,949,182	9,938,091
8. Proceeds from real estate	5,390	7,524	5,773
9. Interest received	358,265	55,876	20,354
10. Dividends received	1,233,594	2,014,631	2,012,784
11. 11.Other investment proceeds	-	-	-
II. Expenditures	129,242,677	121,192,637	82,909,658
1. Purchase of real estate	-	-	-
2. Purchase of ownership interests and shares in subordinated entities	8,505	84,871	84,871
3. Purchase of ownership interests and shares in other entities, participation units and investment certificates in mutual funds	1,231,493	1,122,246	920,754
4. Purchase of debt securities issued by subordinated entities and extension of loans to these entities	-	-	-
5. Purchase of debt securities issued by other entities	22,002,222	36,098,609	28,592,413
6. Purchase of term deposits in credit institutions	48,812,065	58,536,895	40,931,244
7. Purchase of other investments	57,172,511	25,327,650	12,363,074
8. Expenditures to maintain real estate	9,573	9,410	7,480
9. Other expenditures for investments	6,308	12,956	9,822
III. Net cash flow on investing activity (I-II)	242,116	1,247,548	(211,033)

Interim cash flow statement (continued)

000s PLN

Cash Flow Statement	1 January - 30 September 2012	1 January - 31 December 2011	1 January - 30 September 2011
C. Cash flow on financing activity			
I. Proceeds	21,863,386	19,813,174	16,799,317
1. Net proceeds from issuing shares and additional capital contributions	-	-	-
2. Loans, borrowings and issues of debt securities	21,863,386	19,813,174	16,799,317
3. Other financial proceeds	-	-	-
II. Expenditures	23,009,730	21,846,772	17,131,440
1. Dividends	1,873,396	2,163,206	140
2. Other expenditures for distribution of profits besides disbursement of dividends	-	-	-
3. Purchase of treasury stock	-	-	-
4. Amortization of loans and borrowings and redemption of own debt securities	21,136,334	19,683,566	17,131,300
5. Interest on loans and borrowings and issued debt securities	-	-	-
6. Other financial expenditures	-	-	-
III. Net cash flow on financing activity (I-II)	(1,146,344)	(2,033,598)	(332,123)
D. Total net cash flow (A.III±B.III±C.III)	(48,638)	(59,123)	(69,458)
E. Balance sheet change in cash balance, including:	(49,965)	(58,421)	(70,435)
- movement in cash on account of FX gains	(1,327)	702	(977)
F. Cash at the beginning of the period	107,868	166,289	166,289
G. Cash at the end of the period (F±D), including:	57,903	107,868	95,854
- restricted cash	49,691	34,973	71,798

7. Introduction

This quarterly standalone financial information of PZU was prepared in accordance with the Polish Accounting Standards for reasons described in the part entitled Introduction, in which PAS were also defined.

8. Key accounting principles (accounting policy)

Detailed accounting principles (accounting policy) are presented in the annual standalone financial statements of Powszechny Zakład Ubezpieczeń Spółka Akcyjna for 2011 prepared according to the PAS, signed by the PZU Management Board on 14 March 2012 for which the auditor issued an unqualified opinion on the same date ("standalone financial statements of PZU for 2011").

PZU's standalone financial statements for 2011 are available on PZU's website www.pzu.pl under the tab "PZU Group / Investor Relations / Periodic and Current Reports / Periodic Reports".

9. Changes in accounting policies

In the 9-month period ended 30 September 2012 no changes were made to the accounting principles (policy).

The consolidated interim financial statements of PZU for the period of 9 months ended 30 September 2012 has been signed by:

Date	Full name	Position / Function	
14 November 2012	Andrzej Klesyk	CEO (signed)
14 November 2012	Przemysław Dąbrowski	PZU Management Board Member (signed)
14 November 2012	Witold Jaworski	PZU Management Board Member (signed)
14 November 2012	Bogusław Skuza	PZU Management Board Member (signed)
14 November 2012	Tomasz Tarkowski	PZU Management Board Member (signed)
14 November 2012	Ryszard Trepczyński	PZU Management Board Member (signed)
14 November 2012	Piotr Marczyk	Director of the Accounting Department (signed)