

**INTERIM CONSOLIDATED FINANCIAL STATEMENTS OF THE
CAPITAL GROUP OF POWSZECHNY ZAKŁAD UBEZPIECZEŃ
SPÓŁKA AKCYJNA FOR THE PERIOD OF
6 MONTHS ENDED 30 JUNE 2013**



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

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INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Assets	Note	30 June 2013	31 December 2012
Intangible assets		200 705	183 238
Goodwill		8 651	8 474
Property, plant and equipment		969 986	992 317
Investment property		1 604 253	564 404
Companies measured using the equity method		604	-
Financial assets			
Financial instruments held to maturity	11.1.1	22 912 568	21 117 559
Financial instruments available for sale	11.1.2	2 641 177	3 924 501
Financial instruments measured at fair value through profit or loss	11.1.3	17 728 887	15 628 401
Loans	11.1.4	11 044 425	9 752 615
Receivables, including receivables from insurance contracts	11.3	3 555 561	1 835 793
Reinsurers' share in technical provisions	11.4	501 214	749 334
Estimated recoveries and recourses		104 664	121 632
Deferred tax assets		13 549	13 963
Current income tax receivables		87 321	80 646
Deferred acquisition costs		586 406	574 489
Prepayments	11.7	93 686	94 942
Other assets		85 236	83 704
Cash and cash equivalents		297 526	136 586
Assets used in continuing operations		62 436 419	55 862 598
Non-current assets held for sale and disposal groups	11.8	162 078	46 962
Total assets		62 598 497	55 909 560

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONT.)

Equity and liabilities	Note	30 June 2013	31 December 2012
Equity			
Issued share capital and other equity attributable to the shareholders of the parent			
Share capital		86 352	86 352
Other capitals		9 048 544	9 105 450
Supplementary capital		8 816 731	8 780 212
Revaluation reserve		263 495	363 242
Exchange differences from translation		(31 682)	(38 004)
Undistributed profit / uncovered loss		4 074 086	4 998 329
Previous year profit (loss)		2 398 738	1 743 148
Net profit (loss)		1 675 348	3 255 181
Non-controlling interest		79 724	79 138
Total equity		13 288 706	14 269 269
Liabilities			
Technical provisions	11.9		
Provision for unearned premiums and for unexpired risks		4 764 051	4 537 167
Life insurance provision		15 948 486	15 675 243
Provisions for outstanding claims and benefits		6 150 934	5 878 445
Provision for capitalized value of annuity claims		5 697 792	5 660 281
Provisions for bonuses and rebates for the insured		3 238	4 227
Other technical provisions		503 182	531 617
Unit linked technical provisions		3 450 439	3 113 798
Investment contracts	11.10		
- with guaranteed and fixed terms and conditions		1 298 985	1 297 224
- for the client and at the client's risk		903 249	1 001 923
Provisions for employee benefits		61 212	60 649
Other provisions	11.11	245 050	267 456
Provision for deferred income tax		310 048	357 557
Current income tax liabilities		78 719	21 658
Derivatives		258 316	129 921
Other liabilities	11.12	9 152 161	2 420 155
Accruals and deferred income	11.13		
Cost accruals		469 386	672 550
Deferred income		14 543	10 420
Liabilities related to continuing operations		49 309 791	41 640 291
Total liabilities		49 309 791	41 640 291
Total equity and liabilities		62 598 497	55 909 560

INTERIM CONSOLIDATED INCOME STATEMENT

Consolidated income statement	Note	1 April - 30 June 2013	1 January - 30 June 2013	1 April - 30 June 2012	1 January - 30 June 2012
Gross written premiums	11.14	4 069 328	8 495 251	3 923 527	8 246 274
Reinsurer's share in the written premium		(30 079)	(63 676)	(25 268)	(80 870)
Net written premium		4 039 249	8 431 575	3 898 259	8 165 404
Change in net provision for unearned premium					
Net earned premiums		30 264	(254 335)	99 619	(298 668)
Consolidated income statement		4 069 513	8 177 240	3 997 878	7 866 736
Revenue from commissions and fees	11.15	72 706	143 270	56 357	116 359
Net investment income	11.16	504 622	948 659	647 934	1 084 369
Net profit or loss on realization and impairment loss on investments	11.17	(134 815)	(181 767)	15 667	126 088
Net change in the fair value of assets and liabilities plus equity measured at fair value	11.18	170 500	202 426	(12 495)	313 447
Other operating revenue	11.19	75 675	280 593	88 477	163 923
Claims, benefits and change in technical provisions	11.20 11.22	(2 731 695)	(5 452 083)	(2 898 858)	(5 648 200)
Reinsurers' share in claims, benefits and change in technical provisions		2 987	(7 322)	161 105	133 565
Net insurance claims and benefits		(2 728 708)	(5 459 405)	(2 737 753)	(5 514 635)
Benefits and change in measurement of investment contracts	11.21	(471)	(11 695)	(11 654)	(86 961)
Acquisition expense	11.22	(492 072)	(972 660)	(498 143)	(998 877)
Administrative expense	11.22	(315 030)	(641 314)	(321 597)	(686 707)
Other operating expense	11.23	(142 695)	(339 654)	(123 787)	(248 186)
Operating profit (loss)		1 079 225	2 145 693	1 100 884	2 135 556
Financial expense	11.24	(23 426)	(37 826)	(7 047)	(12 805)
Share in net profit (loss) of companies measured using the equity method		(601)	1 856	-	-
Gross profit (loss)		1 055 198	2 109 723	1 093 837	2 122 751

INTERIM CONSOLIDATED INCOME STATEMENT (CONT.)

Consolidated income statement	Note	1 April - 30 June 2013	1 January - 30 June 2013	1 April - 30 June 2012	1 January - 30 June 2012
Income tax					
- current portion		(224 935)	(421 920)	(207 912)	(250 628)
- deferred portion		8 188	(12 087)	7 895	(155 674)
Net profit (loss) from continuing operations		838 451	1 675 716	893 820	1 716 449
Net profit (loss), including:		838 451	1 675 716	893 820	1 716 449
- profit (loss) attributable to equity holders of the parent		837 292	1 675 348	894 642	1 716 933
- Non-controlling interest profit (loss)		1 159	368	(822)	(484)
Net profit (loss) from continuing operations		837 292	1 675 348	894 642	1 716 933
Net profit (loss) from discontinued operations		-	-	-	-
Weighted average basic and diluted number of ordinary shares		86 352 300	86 352 300	86 352 300	86 352 300
Basic and diluted profit (loss) on continuing operations per ordinary share (in PLN)		9.70	19.40	10.36	19.88
Basic and diluted profit (loss) on discontinued operations per ordinary share (in PLN)		-	-	-	-
Basic and diluted profit (loss) per ordinary share (in PLN)		9.70	19.40	10.36	19.88

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Consolidated statement of comprehensive income	Note	1 April - 30 June 2013	1 January - 30 June 2013	1 April - 30 June 2012	1 January - 30 June 2012
Net profit (loss)		838 451	1 675 716	893 820	1 716 449
Other net comprehensive income	11.25	62 823	(91 130)	809	97 352
Amounts subject to subsequent transfer to profit or loss		62 823	(91 130)	809	97 352
Financial assets available for sale		50 746	(106 044)	(1 712)	99 226
Exchange differences from translation		3 505	6 342	2 521	(1 874)
Real property reclassified from property, plant and equipment to investment property		8 572	8 572	-	-
Net comprehensive income total		901 274	1 584 586	894 629	1 813 801
- comprehensive income attributable to holders of the parent's equity		900 102	1 584 198	895 448	1 814 289
- comprehensive income attributable to non-controlling interests		1 172	388	(819)	(488)

INTERIM STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

Statement of changes in consolidated Equity	Equity and provisions attributable to owners of the parent’s share capital							Non-controlling interest	Total equity
	Other capitals				Undistributed profit / uncovered loss		Total		
	Share capital	Supplementary capital	Revaluation reserve	Exchange differences from translation	Previous year profit (loss)	Net profit (loss)			
Balance as at 1 January 2013	86 352	8 780 212	363 242	(38 004)	4 998 329	-	14 190 131	79 138	14 269 269
Change in measurement of AFS financial assets	-	-	(106 044)	-	-	-	(106 044)	-	(106 044)
Exchange differences from translation	-	-	-	6 322	-	-	6 322	20	6 342
Real property reclassified from property, plant and equipment to investment property	-	-	8 572	-	-	-	8 572	-	8 572
Total increases (decreases) recognized directly in net capital (including income tax)	-	-	(97 472)	6 322	-	-	(91 150)	20	(91 130)
Net profit (loss)	-	-	-	-	-	1 675 348	1 675 348	368	1 676 716
Total increases (decreases)	-	-	(97 472)	6 322	-	1 675 348	1 584 198	388	1 584 586
Other changes, including:	-	36 519	(2 275)	-	(2 599 591)	-	(2 565 347)	198	(2 565 149)
Financial profit distribution/loss coverage	-	34 236	-	-	(2 599 584)	-	(2 565 348)	-	(2 565 348)
Other	-	2 283	(2 275)	-	(7)	-	1	198	199
Balance as at 30 June 2013	86 352	8 816 731	263 495	(31 682)	2 398 738	1 675 348	13 208 982	79 724	13 288 706

INTERIM STATEMENT OF CHANGES IN CONSOLIDATED EQUITY (CONT.)

Statement of changes in consolidated Equity	Equity and provisions attributable to owners of the parent's share capital							Non-controlling interest	Total equity
	Other capitals				Undistributed profit / uncovered loss		Total		
	Share capital	Supplementary capital	Revaluation reserve	Exchange differences from translation	Previous year profit (loss)	Net profit (loss)			
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 measurement of AFS financial assets	-	-	77 654	-	-	-	77 654	-	77 654
Exchange differences from translation	-	-	-	(5 741)	-	-	(5 741)	(10)	(5 751)
Real property reclassified from property, plant and equipment to investment property	-	-	16 757	-	-	-	16 757	-	16 757
Total increases (decreases) recognized directly in net capital (including income tax)	-	-	94 411	(5 741)	-	-	88 670	(10)	88 660
Net profit (loss)	-	-	-	-	-	3 255 181	3 255 181	(1 355)	3 253 826
Total increases (decreases)	-	-	94 411	(5 741)	-	3 255 181	3 343 851	(1 365)	3 342 486
Other changes, including:	-	1 068 394	-	-	(3 005 276)	-	(1 936 882)	(5 840)	(1 942 722)
Financial profit distribution/loss coverage	-	1 068 113	-	-	(3 004 995)	-	(1 936 882)	(5 860)	(1 942 742)
Other	-	281	-	-	(281)	-	-	20	20
Balance as at 31 December 2012	86 352	8 780 212	363 242	(38 004)	1 743 148	3 255 181	14 190 131	79 138	14 269 269

INTERIM STATEMENT OF CHANGES IN CONSOLIDATED EQUITY (CONT.)

Statement of changes in consolidated Equity	Equity and provisions attributable to owners of the parent’s share capital							Non-controlling interest	Total equity
	Other capitals				Undistributed profit / uncovered loss		Total		
	Share capital	Supplementary capital	Revaluation reserve	Exchange differences from translation	Previous year profit (loss)	Net profit (loss)			
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 measurement of AFS financial assets	-	-	99 226	-	-	-	99 226	-	99 226
Exchange differences from translation	-	-	-	(1 870)	-	-	(1 870)	(4)	(1 874)
Total increases (decreases) recognized directly in net capital (including income tax)	-	-	99 226	(1 870)	-	-	97 356	(4)	97 352
Net profit (loss)	-	-	-	-	-	1 716 933	1 716 933	(484)	1 716 449
Total increases (decreases)	-	-	99 226	(1 870)	-	1 716 933	1 814 289	(488)	1 813 801
Other changes, including:	-	1 068 216	-	-	(3 005 098)	-	(1 936 882)	(5 840)	(1 942 722)
Financial profit distribution/loss coverage	-	1 068 113	-	-	(3 004 995)	-	(1 936 882)	(5 860)	(1 942 742)
Other	-	103	-	-	(103)	-	-	20	20
Balance as at 31 December 2012	86 352	8 780 034	368 057	(34 133)	1 743 326	1 716 933	12 660 569	80 015	12 740 584

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

Consolidated statement of cash flows	1 January - 30 June 2013	1 January - 30 June 2012
Cash flows from operating activities		
Inflows	10 225 532	10 366 860
- gross inflows from insurance premiums	8 194 952	8 198 025
- inflows from investment contracts	857 719	1 545 039
- inflows from reinsurance commissions and share in reinsurers' profits	66 576	6 186
- reinsurers' payments due to share in claims	178 628	76 580
- inflows from claims handling services	153 505	130 258
- inflows from sale of units by investment fund	283 866	-
- other inflows from operating activities	490 286	410 772
Outflows	(8 539 870)	(9 139 292)
- insurance premiums paid due to reinsurance	(127 544)	(104 801)
- paid commissions and profit sharing due to outward reinsurance	(819)	(1 183)
- gross claims paid	(4 189 056)	(4 555 018)
- claims paid due to investment contracts	(957 278)	(1 619 983)
- outflows due to acquisition	(837 281)	(787 666)
- administrative outflows	(1 065 462)	(1 125 196)
- interest payments	(141)	(27)
- income tax payments	(359 448)	(107 055)
- outflows from claims handling services	(244 779)	(232 754)
- outflows from purchase of units by investment fund	(111 436)	-
- other operating outflows	(646 626)	(605 609)
Net cash flows generated by operating activities	1 685 662	1 227 568
Cash flows from investment activities		
Inflows	308 161 158	169 454 568
- disposal of investment property	385	-
- inflows from investment property	55 558	4 212
- disposal of intangible assets and property, plant and equipment	2 000	5 095
- disposal of shares	3 996 143	2 640 937
- redemption of debt securities	42 807 730	24 209 502
- sales of debt securities under buy-sell-back transactions	176 007 341	70 675 859
- withdrawal of term deposits at credit institutions	70 247 405	67 878 281
- cash from other investments	13 423 982	3 291 321
- interest received	1 097 051	685 693
- dividends received	43 812	63 668
- cash inflows due to consolidation of new entities	479 751	-

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (CONT.)

in PLN '000

Consolidated cash flow statement	1 January - 30 June 2013	1 January - 30 June 2012
Outflows	(310 308 818)	(169 915 129)
- acquisition of investment property	(392 587)	-
- payments for maintenance of investment property	(29 454)	(9 950)
- acquisition of intangible assets and property, plant and equipment	(112 643)	(60 356)
- acquisition of shares	(6 426 812)	(2 083 479)
- acquisition of debt securities	(44 643 303)	(25 082 460)
- purchase of debt securities under buy-sell-back transactions	(175 771 228)	(72 850 265)
- acquisition of term deposits at credit institutions	(70 029 687)	(67 407 809)
- acquisition of other investments	(12 897 293)	(2 416 178)
- other payments for investments	(5 811)	(4 632)
Net cash used in/generated by investment activities	(2 147 660)	(460 561)
Cash flows from financing activities		
Inflows	32 245 992	22 528 272
- loans and borrowings and issues of debt securities ¹⁾	32 245 992	22 528 261
- other financial inflows	-	11
Outflows	(31 623 249)	(23 361 320)
- dividends paid to holders of the parent's equity	(3)	(132)
- dividends paid to non-controlling interest	-	-
- repayment of loans and borrowings and redemption of debt securities	(31 615 775)	(23 358 685)
- interest on credit facilities, loans and issued debt securities	(7 471)	(2 503)
Net cash used in financing activities	622 743	(833 048)
Total net cash flows	160 745	(66 041)
Cash and cash equivalents at the beginning of the financial year	136 586	237 724
Change in cash due to exchange differences	195	(2 069)
Cash and cash equivalents at the end of the financial year, including:	297 526	169 614
- of limited disposability	51 783	8 979

¹⁾ These items above all include cash flows resulting from short term sell-buy-back transactions.

ADDITIONAL INFORMATION AND EXPLANATORY NOTES

1. About PZU and PZU Group

1.1. PZU

The Group's parent company is PZU, a joint stock company with its registered office in Warsaw at Al. Jana Pawła II 24. It was established as a result of transforming Państwowy Zakład Ubezpieczeń into a joint stock company wholly owned by the State Treasury pursuant to Article 97 of the Act on insurance activity of 28 July 1990 (consolidated text: Dz.U. No. 11 of 1996 item 62 with subsequent amendments).

PZU is entered to the register of entrepreneurs of the National Court Register kept by the District Court for the Capital City of Warsaw, XII Business Division, under number KRS 0000009831.

According to Polish NACE (PKD), the core business of PZU includes other casualty and property insurance (PKD 65.12) and according to NACE, non-life insurance (code 6603).

1.1 PZU Group Companies

No.	Entity's name	Registered office	Date of commencing control/ significant impact	% of share capital directly or indirectly held by PZU		% of votes directly or indirectly held by PZU		Business activity
				30 June 2013	31 December 2012	30 June 2013	31 December 2012	
Entities included in consolidation								
1	Powszechny Zakład Ubezpieczeń SA	Warsaw	n/a	n/a	n/a	n/a	n/a	Property and casualty insurance
2	Powszechny Zakład Ubezpieczeń na Życie SA („PZU Życie”)	Warsaw	18.12.1991	100.00%	100.00%	100.00%	100.00%	Life insurance
3	Powszechne Towarzystwo Emerytalne PZU SA („PTE PZU”)	Warsaw	08.12.1998	100.00%	100.00%	100.00%	100.00%	Pension fund management
4	PZU Centrum Operacji SA („PZU CO”)	Warsaw	30.11.2001	100.00%	100.00%	100.00%	100.00%	Auxiliary activity related to insurance and pension funds
5	Towarzystwo Funduszy Inwestycyjnych PZU SA („TFI PZU”)	Warsaw	30.04.1999	100.00%	100.00%	100.00%	100.00%	Creation, representing and management of investment funds
6	PZU Asset Management SA („PZU AM”)	Warsaw	12.07.2001	100.00%	100.00%	100.00%	100.00%	Management of securities portfolios for the account of third parties
7	PZU Pomoc SA	Warsaw	18.03.2009	100.00%	100.00%	100.00%	100.00%	Assistance services
8	Międzyzakładowe Pracownicze Towarzystwo Emerytalne PZU SA („MPTE PZU SA”)	Warsaw	13.08.2004	100.00%	100.00%	100.00%	100.00%	Management of employee pension fund
9	PrJSC IC PZU Ukraine („PZU Ukraine”)	Kiev (Ukraine)	01.07.2005	100.00%	100.00%	100.00%	100.00%	Property and casualty insurance
10	PrJSC IC PZU Ukraine Life Insurance („PZU Ukraine Life”)	Kiev (Ukraine)	01.07.2005	100.00%	100.00%	100.00%	100.00%	Life Insurance
11	UAB DK PZU Lietuva („PZU Lietuva”)	Vilnius (Lithuania)	26.04.2002	99.76%	99.76%	99.76%	99.76%	Property and casualty insurance
12	UAB PZU Lietuva Gyvybes Draudimas	Vilnius (Lithuania)	26.04.2002	99.34%	99.34%	99.34%	99.34%	Life Insurance

No.	Entity's name	Registered office	Date of commencing control / significant impact	% of share capital directly or indirectly held by PZU		% of votes directly or indirectly held by PZU		Business activity
				30 June 2013	31 December 2012	30 June 2013	31 December 2012	
13	Tower Inwestycje Sp. z o.o. („Tower Inwestycje”)	Warsaw	27.08.1998	100.00%	100.00%	100.00%	100.00%	Acquisition, operation, lease and disposal of real property
14	Ogrodowa-Inwestycje Sp. z o.o.	Warsaw	15.09.2004	100.00%	100.00%	100.00%	100.00%	Acquisition, operation, lease and disposal of real property
15	Armatura Kraków SA	Kraków	07.10.1999	63.83%	63.83%	63.83%	63.83%	Production of kitchen and bathroom mixing faucets.
16	Armatoora SA	Nisko	10.12.2008	63.83%	63.83%	63.83%	63.83%	Production of radiators and aluminum casts.
17	Armatoora SA i wspólnicy sp. k.	Kraków	10.02.2009	63.83%	63.83%	63.83%	63.83%	Use of free funds, development investments
18	Armagor SA	Kraków	06.09.2009	63.83%	63.83%	63.83%	63.83%	Manufacturing of bathroom (water and gas) and central heating fittings
19	Armadimp SA	Kraków	20.07.2012	63.83%	63.83%	63.83%	63.83%	Manufacturing of ceramic sanitary fixtures
20	Ipsilon Sp. z o.o.	Warsaw	02.04.2009	100.00%	100.00%	100.00%	100.00%	Business assistance services and medical services
21	Ipsilon Bis SA	Warsaw	02.09.2011	100.00%	100.00%	100.00%	100.00%	The Company does not conduct activities
22	Omicron SA	Warsaw	13.09.2011	100.00%	100.00%	100.00%	100.00%	The Company does not conduct activities
23	LLC SOS Services Ukraine	Kiev (Ukraine)	01.07.2005	100.00%	100.00%	100.00%	100.00%	Assistance services
24	PZU SFIO Dłużny	Warsaw	15.12.2009	n/a	n/a	n/a	n/a	Investment of funds collected from members
25	PZU FIZ Akcji	Warsaw	27.01.2010	n/a	n/a	n/a	n/a	As above
26	PZU FIZ Dynamiczny	Warsaw	27.01.2010	n/a	n/a	n/a	n/a	As above
27	PZU FIZ Sektora Nieruchomości ¹⁾	Warsaw	01.07.2008	n/a	n/a	n/a	n/a	As above
28	PZU FIZ Sektora Nieruchomości 2 ¹⁾	Warsaw	21.11.2011	n/a	n/a	n/a	n/a	As above
29	PZU FIZ Sektora Nieruchomości 3 ¹⁾	Warsaw	24.02.2012	n/a	n/a	n/a	n/a	As above
30	PZU FIZ Aktywów Niepublicznych BIS 1	Warsaw	12.12.2012	n/a	n/a	n/a	n/a	As above

No.	Entity's name	Registered office	Date of commencing control/ significant impact	% of share capital directly or indirectly held by PZU		% of votes directly or indirectly held by PZU		Business activity
				30 June 2013	31 December 2012	30 June 2013	31 December 2012	
31	PZU FIZ Aktywów Niepublicznych BIS 2	Warsaw	19.11.2012	n/a	n/a	n/a	n/a	As above
32	PZU Energia Medycyna Ekologia	Warsaw	20.12.2007	n/a	n/a	n/a	n/a	As above
33	PZU Dłużny Rynków Wschodzących	Warsaw	20.11.2006	n/a	n/a	n/a	n/a	As above
34	PZU FIZ Forte	Warsaw	27.12.2012	n/a	n/a	n/a	n/a	As above
35	PZU FIZ RE Income ¹⁾	Warsaw	08.11.2011	n/a	n/a	n/a	n/a	As above
36	PZU FIO Gotówkowy ²⁾	Warsaw	01.07.2005	n/a	n/a	n/a	n/a	As above
Non-consolidated entities								
37	Syta Development Sp. z o.o. w likwidacji	Warsaw	29.04.1996	100.00%	100.00%	100.00%	100.00%	Acquisition and disposal of real property, trade agency and administration of real property
Affiliates								
38	Kolej Gondolowa Jaworzyna Krynica SA	Krynica	17.08.1998	37.53%	37.53%	36.71%	36.71%	Operation of ski hoists
39	GSU Pomoc Górniczy Klub Ubezpieczonych SA	Tychy	08.06.1999	30.00%	30.00%	30.00%	30.00%	Insurance activities
40	EMC Instytut Medyczny SA ³⁾	Wrocław	18.06.2013	24,86%	9,95%	21,06%	8,43%	Health protection, R&D in medical sciences and pharmacy.

¹⁾ As at 30 June 2013, the funds PZU FIZ Sektora Nieruchomości, PZU FIZ Sektora Nieruchomości 2, PZU FIZ Sektora Nieruchomości 3, PZU FIZ RE Income carried out investment activities via subsidiaries, i.e. special purpose vehicles operating in the form of commercial companies investing in individual properties. Each investment fund invested in 34, 8, 12, 6 properties, respectively (1 January 2013: 33, 8, 12, 6).

²⁾ Consolidated from 1 April 2013.

³⁾ Purchase of the entity described in point 2.2

As at 30 June 2013, in addition to the aforementioned entities, the PZU Group had participation units and investment certificates in PZU Fundusz Inwestycyjny Otwarty Sejf+, PZU Akcji Rynków Rozwiniętych, PZU Akcji Rynków Wschodzących, PZU Akcji Spółek Dywidendowych, where the PZU Group holds over 20% of net assets (excluding assets held as a result of unit-linked insurance and investment contracts).

2. Changes in the organization of the PZU Group

2.1. Continuation of transfer of a portion of financial investments to funds

2.1.1. Debt instruments

On 25 February 2013 PZU and PZU Życie subscribed for investment certificates of PZU Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych BIS 1, making the following payments:

- PZU: debt financial instruments with a value of PLN 1,244,056 thousand and cash with the value of PLN 500,000 thousand;
- PZU Życie: debt financial instruments with a value of PLN 1,361,801 thousand and cash with the value of PLN 290,000 thousand;

On 5 March 2013, TFI PZU awarded investment certificates to PZU and PZU Życie with a value of PLN 1,744,056 thousand and PLN 1,651,801 thousand, respectively.

2.1.2. Equity instruments

On 27 March 2013, PZU and PZU Życie subscribed for investment certificates of PZU Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych BIS 2, making payments in shares with the following values:

- PZU: PLN 724,394 thousand;
- PZU Życie: PLN 421,273 thousand.

On 28 March 2013, TFI PZU awarded investment certificates to PZU and PZU Życie with a value equal to the payments made.

2.2. Acquisition of shares in EMC Instytut Medyczny SA

After the acquisition of shares at the stock exchange on 18 June 2013, the stake of the PZU Group entities (mainly investment funds managed by TFI PZU) went up to 1,969,817 shares in EMC Instytut Medyczny SA ("EMC"), accounting for 23.66% of interest in the share capital of that company and 20.04% of votes at its General Shareholders' Meeting. The acquisition value amounted to PLN 34,069 thousand.

As at the date of signing these interim consolidated financial statements, the PZU Group entities (mainly investment funds managed by TFI PZU) had a total of 2,487,268 shares in EMC Instytut Medyczny SA, accounting for 29.87% of interest in the share capital of that company and 25.31% of votes at its General Shareholders' Meeting. The acquisition value amounted to PLN 44,213 thousand.

EMC had not been measured using the equity method in these interim consolidated financial statements as at 30 June 2013, because the acquisition of EMC will be settled on the basis of the consolidated financial statements of EMC prepared as at 30 June 2013. The measurement of EMC using the equity method will be presented in the consolidated financial statements of the PZU Group effective from 1 July 2013.

2.3. Completion of liquidation of subsidiaries

On 26 March 2013, the General Shareholders' Meeting of Sigma Investments Sp. z o.o., in liquidation, adopted a resolution on the completion of liquidation of the company. On 11 May 2013, the company was deleted from the business register.

On 23 April 2013, the General Shareholders' Meeting of ICH Center SA, in liquidation, adopted a resolution on the completion of liquidation of the company. On 20 May 2013, the company was deleted from the business register.

3. Compliance with International Financial Reporting Standards

These interim consolidated financial statements of the PZU Group have been prepared in compliance with International Financial Reporting Standards as endorsed by the EC Commission as at 30 June 2013, including the requirements of IAS 34 "Interim Financial Reporting" and requirements of the Ordinance of the Minister of Finance of 19 February 2009 on current and periodic information submitted by issuers of securities and conditions for recognizing as equivalent information required by the laws of a non-member state (Journal of Laws No. 33 of 2009, item 259, as amended – „Ordinance on current and periodic information”).

3.1. Introduction of new IFRS

3.1.1. Standards and interpretations as well as amended standards effective from 1 January 2013

The following new standards, interpretations and revised standards have been applied to these interim consolidated financial statements for the first time:

Standard/Interpretation	Date of entry into force for periods beginning on	Regulation endorsing a standard or interpretation
Amendments to IAS 19 - Amendments to the accounting treatment of post-employment benefits	1 January 2013	475/2012
IFRS 13 – Fair value measurement	1 January 2013	1255/2012
Amendments to IAS 12 – Income Taxes	1 January 2012 ¹⁾	1255/2012
Severe hyperinflation and removal of fixed dates for first-time adopters (Amendments to IFRS 1)	1 July 2011 ¹⁾	1255/2012
IFRIC 20 – Stripping costs in the production phase of a surface mine	1 January 2013	1255/2012
Amendments to IFRS 7 – offsetting financial assets and financial liabilities	1 January 2013	1256/2012
Amendments to IFRS 1 – Government loans	1 January 2013	183/2013
Amendments to IFRS 2009 -2011	1 January 2013	301/2013

¹⁾ The EC voted in favor of the regulation to be applicable to annual periods beginning on or three days after publication, which took place on 29 December 2012, at the latest (periods beginning on or after 1 January 2013).

3.1.2. Standards, Interpretations and amended Standards issued but not effective as at the financial statements date

Standards, Interpretations and amended Standards issued but not effective as at the financial statements date:

Approved by European Commission:

Standard/Interpretation	Date of entry into force for periods beginning on	Regulation endorsing a standard or interpretation
IFRS 10 – Consolidated financial statements	1 January 2013 ¹⁾	1254/2012
IFRS 11 – Joint Arrangements	1 January 2013 ¹⁾	1254/2012
IFRS 12 – Disclosure of interests in other entities	1 January 2013 ¹⁾	1254/2012
Provisional guidelines (amendments to IFRS 10, IFRS 11 and IFRS 12)	1 January 2013 ¹⁾	313/2013
Revised IAS 27 – Separate financial statements	1 January 2013 ¹⁾	1254/2012
Revised IAS 28 - Investments in associates and joint ventures	1 January 2013 ¹⁾	1254/2012
Amendments to IAS 32 - offsetting financial assets and financial liabilities	1 January 2014	1256/2012

¹⁾ The EC voted in favor of the regulation to be applicable to annual periods beginning on 1 January 2014 at the latest (early application is allowed).

Not endorsed by European Commission:

Standard/Interpretation	Date of issuance by IASB	Date of entry into force for periods beginning on (by IASB)
IFRS 9 – Financial instruments	12 November 2009 16 December 2011 (update)	1 January 2015
Investment entities (amendments to IFRS 10, IFRS 11 and IFRS 12)	31 October 2012	1 January 2014
Amendments to IAS 36 – Disclosure of the recoverable value of non-financial assets	29 May 2013	1 January 2014
Amendments to IAS 39 – Regarding novation of derivatives	27 June 2013	1 January 2014
Interpretation of IFRIC 21 – Levies	20 May 2013	1 January 2014

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

- IFRS 9, for which, considering a remote effective date, expected further revisions regarding financial instruments, related among others to the current work aimed at replacement of IAS 39 with new regulations, the effects of application of IFRS 9 on the comprehensive income and equity of the PZU Group have not been estimated.
- IFRS 10 – if applied, the PZU Fundusz Inwestycyjny Otwarty Sejf+, PZU Akcji Rynków Rozwiniętych, PZU Akcji Rynków Wschodzących, PZU Akcji Spółek Dywidendowych fund would be included in consolidation at the beginning of 2014 (as at 31 December 2012). The full list of funds included in the consolidation as of the beginning of 2014 will be known after preparation of the statement of financial position of the PZU Group as at 31 December 2013.

Due to possible changes in the share of the PZU Group companies in the net assets of the aforesaid fund, possible purchase of units or investment certificates of other investment funds by the PZU Group companies and changes in the measurement of units or investment certificates of other investment funds held by the PZU Group companies it is not possible to estimate the effects of application of IFRS 10 on the comprehensive income and equity of the PZU Group as at 1 January 2014.

4. Accounting policy

Accounting policy was presented in detail in the annual consolidated financial statements of The Capital Group of Powszechny Zakład Ubezpieczeń Spółka Akcyjna for 2012, approved by Management Board on 12 March 2013, on which the certified auditor issued an unqualified opinion on the same date ("Consolidated financial statements of PZU for 2012").

The consolidated financial statements of the PZU Group for 2012 are available on the PZU website www.pzu.pl under "PZU Capital Group/Investor Relations/Periodic and current reports/Periodic reports".

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

In the period of 6 months ended 30 June 2013 no changes to the Accounting Policy were introduced.

The method of presentation of financial data in the consolidated financial statements did not change compared to the annual consolidated financial statements of the PZU Group for 2012, with the reservation that:

- these interim consolidated financial statements are condensed financial statements as understood by IAS 34;
- at the beginning of 2013, the Group changed the presentation method applied to segment reporting note, drawn up in accordance with IFRS 8. The method for aggregation of financial data described in point 14 includes consolidation of subsidiaries (companies and investment funds) which were not previously consolidated, and application of measurement of associates using the equity method, described in detail in points 6.1. and 9.1.

6. Key assumptions underlying accounting estimations and judgments used when selecting and applying accounting principles (policy)

Key assumptions underlying accounting estimations and judgments used when selecting and applying accounting principles (policy) were presented in consolidated financial statements of the PZU Group for 2012.

On 1 January 2013, the Group made the change described below.

6.1. Change in the principles of consolidation

In the previous years till the end of 2012, the PZU Group included all material subsidiaries in the consolidation. Materiality was determined on the basis of the revenue earned, absolute value of the profit/loss and balance sheet total.

Effective from 1 January 2013 the Group discontinued the materiality criterion and as a consequence, as of 1 January 2013, all PZU subsidiaries have been included in consolidation, i.e. the following were included in consolidation:

- Towarzystwo Funduszy Inwestycyjnych PZU SA;
- PZU Asset Management SA;
- PZU Pomoc SA;
- Międzyzakładowe Pracownicze Towarzystwo Emerytalne PZU SA;
- PrJSC IC PZU Ukraine Life Insurance;
- UAB PZU Lietuva Gyvybes Draudimas;
- Ipsilon Sp. z o.o.;
- Ipsilon Bis SA;
- Omicron SA;
- LLC SOS Services Ukraine;
- PZU FIZ Sektora Nieruchomości;
- PZU FIZ Sektora Nieruchomości 2;
- PZU FIZ Sektora Nieruchomości 3;
- PZU FIZ Aktywów Niepublicznych BIS 1;
- PZU FIZ Aktywów Niepublicznych BIS 2;
- PZU Energia Medycyna Ekologia;
- PZU Dłużny Rynków Wschodzących;

- PZU FIZ Forte;
- PZU FIZ RE Income.

In the previous years, until the end of 2012, the materiality criterion also applied to associates; as of 1 January 2013, when the materiality criterion was discontinued, the following companies were measured using the equity method:

- Kolej Gondolowa Jaworzyna Krynicka SA;
- GSU Pomoc Górniczy Klub Ubezpieczonych SA.

The aforesaid changes were recognized in the consolidated financial statements on 1 January 2013 and the effects (of the balance sheet measurement of those assets as at 31 December 2012 and the net assets of those entities as at 1 January 2013) were charged to the profit/loss the provision, which is presented in detail in point 9.1.

7. Restatement of prior year results

In the 6-month period from 1 January to 30 June 2013 no adjustments of prior year errors were made.

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

8.1. Period covered by the interim consolidated financial statements

These interim consolidated financial statements cover a period of 6 months from 1 January 2013 to 30 June 2013.

8.2. Functional and presentation currency

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

8.3. Going concern assumption

The interim consolidated financial statements have been prepared based on the assumption that the PZU Group entities will operate as a going concern during the period of at least 12 months following the balance sheet date. As at the date of signing the consolidated financial statements, no facts and circumstances indicate a risk to the Group entities' ability to operate as a going concern during 12 months after the balance sheet date due to the intended or forced discontinuation.

8.4. Discontinued activities

In the period of 6 months ended 30 June 2013, the entities in the PZU Group included in the consolidation did not discontinue any operations. Completion of liquidation of the companies Sigma Investments Sp. z o.o., in liquidation and ICH Center SA, in liquidation is described in point 1.2.

8.5. Seasonality or cyclicity of operations

Activity of the PZU Group is not subject to seasonal or cyclical nature as to justify the use of the suggestions made in point 21 of IAS 34.

8.6. Currency exchange rates

The following currency exchange rates have been adopted herein to translate data of foreign controlled entities:

Currency	1 January – 30 June 2013	30 June 2013	1 January – 31 December 2012	31 December 2012	1 January – 30 June 2012
LTL	1.2204	1.2538	1.2087	1.1840	1.2235
UAH	0.3947	0.4043	0.4001	0.3825	0.4044
EUR	4.2140	4.3292	4.1736	4.0882	4.2246

The rates are:

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

9. Significant events influencing the structure of financial statements

9.1. Inclusion of subsidiaries in consolidation or equity method

Since effective from 1 January 2013, the Group discontinued the materiality criterion for determination of a list of subsidiaries to be included in the consolidation or measurement of associates using the equity method – described in detail in point 6.1. - effective from 1 January 2013, the entities referred to in this point have been:

- included in consolidation (subsidiaries) – i.e. the assets and liabilities of those entities are recognized in the appropriate items of these consolidated financial statements, replacing the previous method for recognition of investments in a given subsidiary (companies: at cost less impairment loss, investment funds: at fair value) under the appropriate items of "Financial assets" in the consolidated statement of financial position;
- measured using the equity method (associates) – i.e. investments in a given associate measured using the equity method are recognized as a separate item of assets, i.e. "Associates measured at fair value", replacing the previous method for recognition, i.e. at cost less impairment loss under "Financial assets – financial instruments available for sale" in the consolidated statement of financial position.

Additional detailed information on the effects of discontinuation of the materiality criterion on the consolidated financial statements prepared as at 1 January 2013 is presented below.

9.1.1. Subsidiaries subject to consolidation

As at 1 January 2013, the differences between the net assets of the companies included in the consolidation and the carrying amount of investments in a given entity are presented in the consolidated financial statements as follows:

- Gains - under "Other operating income";
- Losses - under "Other operating expenses".

Reconciliation of the effect of consolidation of subsidiaries from 1 January 2013	Assets	Liabilities	Net assets	Carrying amount of shares (at historical cost including impairment)	PZU Group's share in the equity	PZU Group's share in net assets	Impact on the consolidated profit/loss of the PZU Group
Towarzystwo Funduszy Inwestycyjnych PZU SA	78 284	34 499	43 785	24 793	100.00%	43 785	18 992
PZU Asset Management SA	12 621	1 982	10 639	4 642	100.00%	10 639	5 997
Międzyzakładowe Pracownicze Towarzystwo Emerytalne PZU SA	1 578	226	1 352	500	100.00%	1 352	852
Total – impact on other operating income							25 841
PrJSC IC PZU Ukraine Life Insurance	32 884	26 105	6 779	25 921	100.00%	6 779	(19 142)
UAB PZU Lietuva Gyvybes Draudimas	79 680	52 639	27 041	40 235	99.34%	26 863	(13 372)
PZU Pomoc	19 729	3 564	16 165	18 565	100.00%	16 165	(2 400)
LLC SOS Services Ukraine	694	151	543	729	100.00%	543	(186)
Ipsilon Bis SA	87	3	84	100	100.00%	84	(16)
Ipsilon Sp. z o.o.	38	1	37	52	100.00%	37	(15)
Omicron SA	100	3	97	100	100.00%	97	(3)
Total – impact on other operating expenses							(35 134)
Total – impact on the consolidated profit/loss							(9 293)

9.1.2. Subsidiaries – investment funds subject to consolidation

As at 1 January 2013, the item “Other liabilities” in the consolidated statement of financial position includes amounts of investments made by investors from outside the PZU Group in the consolidated investment funds.

Until 31 December 2012, investments made in some of the investment funds were classified as assets available for sale, whereas changes in the fair value were recognized under “Revaluation reserve”. On 1 January 2013, the balances in this respect recognized under “Revaluation reserve” were reclassified to the consolidated profit and loss account and recognized under “Net change in the fair value of assets and liabilities measured to fair value”.

The table below presents the financial data of consolidated investment funds.

Investment fund	Total fund's consolidated assets as at 1 January 2013	The amount reclassified from the „Revaluation reserve” to the consolidated income statement as at 1 January 2013	Liabilities to investors outside the PZU Group included in „Other liabilities” as at 1 January 2013
PZU FIZ Sektora Nieruchomości ¹⁾	423 814	120 815	-
PZU FIZ Sektora Nieruchomości 2 ¹⁾	505 604	782	-
PZU FIZ Sektora Nieruchomości 3 ¹⁾	8 592	(1 408)	-
PZU FIZ Aktywów Niepublicznych BIS 1 ²⁾	500	-	-
PZU FIZ Aktywów Niepublicznych BIS 2 ²⁾	107 640	27 640	-
PZU Energia Medycyna Ekologia ³⁾	187 407	-	80 100
PZU Dłużny Rynków Wschodzących ²⁾	319 969	28 031	6 182
PZU FIZ Forte ²⁾	107 020	92	6 928
PZU FIZ RE Income ¹⁾	169 645	3 410	36 233
PZU FIO Gotówkowy ^{2) 4)}	473 008	5 265	151 072
Total	2 303 199	184 627	280 515

¹⁾ The amount was reclassified from “Revaluation reserve” to the consolidated income statement as a consequence of reclassification, as at the date of consolidation of the fund, of the fund's real property to property measured at fair value in accordance with the PZU Group's policy on investment property, in particular paragraph 35 of IAS 40 “Investment Property”

²⁾ The reclassification of the amount from „Revaluation reserve” to the consolidated income statement concerns those financial assets which were classified as measured at fair value through profit or loss – classified as such upon initial recognition.

³⁾ Investment in the fund was classified as financial instruments measures at fair value through profit or loss, therefore the amount reclassified to “Revaluation reserve” is zero.

⁴⁾ Data as at the date of inclusion in the consolidation, i.e. 1 April 2013.

9.1.3. Associates – companies measured using the equity method

As at 1 January 2013, the differences between the PZU Group's share in the net assets of the companies included in the measurement using the equity method and the carrying amount of investments in the associates are presented under “Other operating income” in the consolidated profit and loss statement.

Reconciliation of the effect of measurement of associates using the equity method	1 January 2013
Assets	47 875
Liabilities	6 275
Net assets	41 600
Carrying value of shares	5 888
PZU Group's share in net consolidated assets of companies	15 439
Total impact on the consolidated gross profit/loss	9 551

9.2. Distribution of profit for 2012

On 23 May 2013 General Shareholders Meeting of PZU passed a resolution regarding distribution of net profit for 2012. The matter was described in point 18.

9.3. Key dividends paid among the PZU Group companies

The following operations have no influence of the profit/loss of the PZU Group, but on the presentation of the results of individual segments.

9.3.1. Dividend from PZU Życie to PZU

On 21 June 2013 General Shareholders Meeting of PZU Życie passed a resolution regarding distribution of profit of PZU Życie for 2012 in amount of PLN 1,852,875 thousand as follows:

- Dividend for the sole shareholder (PZU): PLN 1,842,875 thousand;
- Allocation to the Social Benefit Fund: PLN 10,000 thousand

In addition, the General Shareholders' Meeting of PZU Życie decided to allocate a dividend for shareholders of PLN 2,000,000 thousand from the supplementary capital created from prior year profit.

A total dividend for the year ended 31 December 2012 amounted to PLN 3,842,875 thousand, including:

- PLN 1,842,875 thousand from the profit for the year ended 31 December 2012; and
- PLN 2,000,000 thousand from the supplementary capital created from prior year profit.

The cum dividend and dividend payment dates were set for, respectively, 21 June 2013 and 10 September 2013.

9.3.2. Dividend from PTE PZU to PZU Życie

On 19 June 2013 PTE PZU paid dividend to PZU Życie in the amount of PLN 51,776 thousand.

9.3.3. Dividend from PZU CO to PZU

On 29 April 2013 PZU CO paid dividend to PZU in the amount of PLN 31,124 thousand.

9.4. Agreement with AXA France IARD

On 25 January 2013, PZU made an agreement with AXA France IARD on final settlement of a reinsurance contract for the years 2001 to 2005 regarding the Green Card insurance, which a positive impact on gross profit and net profit amounted to PLN 53,207 thousand and PLN 43,098 thousand respectively and consisted of the following elements:

- final determination of PZU reinsurance commissions receivable - positive impact on gross profit and net profit amounted to PLN 73,231 thousand and PLN 59,317 thousand respectively;
- determination of the surrender value of technical provisions by the reinsurer - negative impact on gross profit and net profit amounted to PLN 20,024 thousand and PLN 16,219 thousand respectively.

10. Significant post-balance sheet events

At the end of reporting period there were no significant events requiring disclosure in these consolidated financial statements.

11. Explanatory notes to the interim consolidated financial statements

11.1. Financial assets

In the first half of 2013 and in 2012, financial instruments were not reclassified from groups carried at fair value to those carried at cost or amortized cost.

11.1.1. Financial instruments held to maturity

Financial instruments held to maturity	30 June 2013	31 December 2012
Instruments for which fair value may be determined	22 912 568	21 117 559
Debt securities	22 912 568	21 117 559
Government securities	22 687 226	20 906 285
Fixed rate	21 929 372	20 460 298
Floating rate	757 854	445 987
Other securities	225 342	211 274
Listed on a regulated market	101 360	91 256
Fixed rate	101 360	91 256
Not listed on a regulated market	123 982	120 018
Floating rate	123 982	120 018
Financial instruments held to maturity, total	22 912 568	21 117 559

11.1.2. Financial instruments available for sale

Financial instruments available for sale	30 June 2013	31 December 2012
Instruments for which fair value may be determined	2 636 040	3 798 153
Equity instruments	1 097 653	1 800 137
Listed on regulated market	1 063 846	429 482
Not listed on regulated market	33 807	1 370 655
Debt securities	1 538 387	1 998 016
Government securities	1 114 508	1 627 215
Fixed rate	1 061 900	1 488 118
Floating rate	52 608	139 097
Other securities	423 879	370 801
Listed on regulated market	137 229	81 061
Fixed rate	137 229	81 061
Not listed on regulated market	286 650	289 740
Floating rate	286 650	289 740
Instruments for which fair value may not be determined	5 137	126 348
Equity instruments	5 137	126 348
Not listed on regulated market*	5 137	126 348*
Total financial instruments available for sale	2 641 177	3 924 501

* This item includes shares in controlled entities not included under consolidation, whose carrying amount as at 31 December 2012 was PLN 121,347 thousand

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

Financial instruments measured at fair value through profit or loss – classified as such upon initial recognition	30 June 2013	31 December 2012
Instruments for which fair value may be determined	10 147 860	8 386 949
Equity instruments	700 728	172 252
Listed on a regulated market	674 886	5 319
Not listed on a regulated market	25 842	166 933
Debt securities	9 447 132	8 214 697
Government securities	9 370 410	8 144 078
Fixed rate	8 147 289	6 240 183
Floating rate	1 223 121	1 903 895
Other securities	76 722	70 619
Listed on a regulated market	33 095	26 647
Fixed rate	33 095	26 647
Floating rate	-	-
Not listed on a regulated market	43 627	43 972
Floating rate	43 627	43 972
Total financial instruments measured at fair value through profit or loss - classified as such upon initial recognition	10 147 860	8 386 949

Financial instruments measured at fair value through profit or loss – held for trading	30 June 2013	31 December 2012
Instruments for which fair value may be determined	7 581 027	7 241 452
Equity instruments	4 238 700	4 226 889
Listed on a regulated market	2 029 385	1 968 840
Not listed on a regulated market	2 209 315	2 258 049
Debt securities	3 051 902	2 850 493
Government securities	3 000 916	2 799 572
Fixed rate	2 888 206	2 551 501
Floating rate	112 710	248 071
Other securities	50 986	50 921
Not listed on a regulated market	50 986	50 921
Floating rate	50 986	50 921
Derivatives	290 425	164 070
Total financial instruments measured at fair value through profit or loss – held for trading	7 581 027	7 241 452

11.1.4. Loans

Loans	30 June 2013	31 December 2012
Debt securities	1 683 903	1 748 834
Government securities	47 088	17 296
Fixed rate	47 088	17 296
Other securities	1 636 815	1 731 538
Listed on a regular market	13 065	8 570
Fixed rate	13 065	8 570
Not listed on a regular market	1 623 750	1 722 968
Floating rate	1 623 750	1 722 968
Other securities, including:	9 360 522	8 003 781
- repo transactions	3 527 658	2 466 157
- term deposits with credit institutions	4 317 001*	4 516 174
- deposits with ceding undertakings	51	329
- loans	1 515 812	1 021 121
Total	11 044 425	9 752 615

* Over 95% of investments in credit institutions are deposits in PLN. Over 60% investments in credit institutions mature before the end of 2013.

Other loans

Type of loan	30 June 2013	31 December 2012
Mortgage loans	-	26 848
Loans with collaterals such as pledges on shares, liability portfolios as well as bank accounts, other loans or other forms of collateral	1 508 998	991 402
Not collateralized loans	6 814	2 871
Total	1 515 812	1 021 121

11.1.5. Exposure to debt securities issued by governments other than the Polish Government, as well as corporations and local government units

The tables present the exposure of the PZU Group companies to debt securities issued by governments other than the Polish government, as well as corporations and local government units. Acronyms of debt instruments assigned to individual portfolios: UTW – held to maturity, DDS – available for sale, WG_MPR – measured through profit/loss – classified to that category upon initial recognition, WG_PDO – measured at fair value through profit/loss – held for trading, POZ – loans.

11.1.5.1. Debt securities issued by governments other than Polish government

As at 30 June 2013	Currency	Classification	Purchase price	Carrying amount	Fair value	Adjusted acquisition price
Iceland	USD	WG_MPR	58 587	61 836	61 836	-
Iceland	USD	WG_PDO	259 359	269 974	269 974	-
Lithuania	EUR	WG_MPR	1 759	1 939	1 939	-
Lithuania	EUR	UTW	51 893	53 638	57 638	-
Lithuania	LTL	WG_MPR	9 058	9 562	9 562	-
Lithuania	LTL	UTW	68 703	78 244	81 416	-
Lithuania	USD	WG_MPR	14 354	16 730	16 730	-
Latvia	USD	WG_MPR	35 960	36 888	36 888	-
Germany	EUR	DDS	44 500	45 252	45 252	-
Germany	EUR	WG_PDO	84 459	84 839	84 839	-
Romania	EUR	WG_MPR	52 201	55 189	55 189	-
Romania	EUR	WG_PDO	332 073	350 059	350 059	-
Romania	RON	WG_MPR	15 011	16 471	16 471	-
Romania	USD	WG_MPR	43 427	46 154	46 154	-
Slovenia	EUR	WG_MPR	53 788	55 373	55 373	-
Slovenia	EUR	WG_PDO	335 387	334 632	334 632	-
Slovenia	USD	WG_MPR	21 902	21 613	21 613	-
Slovenia	USD	WG_PDO	116 357	115 355	115 355	-
Ukraine	UAH	POZ	25 095	18 788	n.d.	-
Ukraine	USD	WG_MPR	12 678	11 915	11 915	-
Ukraine	USD	POZ	28 896	28 300	n/a	-
Hungary	EUR	WG_MPR	42 638	45 913	45 913	-
Hungary	EUR	UTW	5 124	5 614	5 718	-
Hungary	EUR	WG_PDO	82 763	90 967	90 967	-
Italy	EUR	WG_PDO	86 213	87 261	87 261	-
Other	EUR/USD	WG_MPR	59 049	63 917	63 917	-
Total			1 941 234	2 006 423	n/a	-

As at 31 December 2012	Currency	Classification	Purchase price	Carrying amount	Fair value	Adjusted acquisition price
Germany	EUR	DDS	62 787	59 448	59 448	-
Romania	EUR	WG_PDO	340 284	344 041	344 041	-
Iceland	USD	WG_PDO	220 577	227 493	227 493	-
Slovenia	EUR	WG_PDO	109 990	115 576	115 576	-
Slovenia	USD	WG_PDO	77 104	81 735	81 735	-
Lithuania	LTL	UTW	57 395	63 981	67 105	-
Lithuania	EUR	UTW	39 989	39 909	43 200	-
Lithuania	LTL	WG_MPR	15 164	14 980	14 980	-
Lithuania	EUR	WG_MPR	4 455	4 455	4 455	-
Ukraine	UAH	POZ	17 114	14 090	n/a	-
Ukraine	USD	POZ	3 344	3 206	3 294	-
Hungary	EUR	UTW	2 278	2 430	2 459	-
Hungary	CHF	WG_PDO	8 685	8 613	8 613	-
Hungary	EUR	WG_PDO	37 319	41 157	41 157	-
Hungary	HUF	WG_PDO	270 683	264 689	264 689	-
Total			1 267 168	1 285 803	n/a	-

11.1.5.2. Debt securities issued by companies and local government authorities

As at 30 June 2013	Currency	Classification	Purchase price	Carrying amount	Fair value
Companies from WIG – Banki	DDS	134 249	139 980	139 980	-
	WG_MPR	43 588	43 627	43 627	-
	UTW	71 565	71 432	n/a	-
	POZ	840 000	853 322	n/a	-
	WG_PDO	25 000	25 300	25 300	-
Companies from WIG-Paliwa	DDS	243 489	256 764	256 764	-
	POZ	700 000	700 664	n/a	-
	WG_PDO	25 000	25 686	25 686	-
Domestic banks not listed	POZ	65 000	66 506	n/a	-
Foreign banks	WG_MPR	430	521	521	-
	UTW	79 457	85 072	n/a	-
	POZ	12 263	13 064	n/a	-
Local authorities	DDS	22 816	27 135	27 135	-
	WG_MPR	22 816	27 135	27 135	-
	UTW	50 000	50 857	n/a	-
Other	WG_MPR	5 154	5 439	5 439	-
	UTW	17 073	17 981	18 747	-
	POZ	3 600	3 259	n/a	-
Other impaired	DDS	11 630	-	-	11 630
Total		2 373 130	2 413 744	n/a	11 630

As at 31 December 2012	Currency	Classification	Purchase price	Carrying amount	Fair value
Companies from WIG – Banki	DDS	93 065	94 123	94 123	-
	WG_MPR	43 588	43 972	43 972	-
	UTW	64 838	64 150	n/a	-
	POZ	890 000	907 781	n/a	-
	WG_PDO	25 000	25 166	25 166	-
Companies from WIG-Paliwa	DDS	234 390	250 173	250 173	-
	POZ	700 000	701 234	n/a	-
	WG_PDO	25 000	25 755	25 755	-
Domestic banks not listed	POZ	65 000	66 866	n/a	-
Foreign banks	WG_MPR	102	142	142	-
	UTW	78 236	78 678	n/a	-
	POZ	8 700	8 570	n/a	-
Local authorities	DDS	22 816	26 505	26 505	-
	WG_MPR	22 816	26 505	26 505	-
	UTW	50 000	52 509	54 398	-
Other	UTW	15 805	15 937	15 842	-
	POZ	47 000	47 087	n/a	-
Other impaired	DDS	11 630	-	-	11 630
Total		2 397 986	2 435 153	n/a	11 30

11.1.6. Changes in the economic climate and business conditions affecting the fair value of financial assets and liabilities

11.1.6.1. Capital market

In the first half of 2013, the Polish capital market was strongly influenced by the situation on international markets. In addition the prices of assets on the Polish capital market were subject to high fluctuations, especially in Q2 2013. After the very positive end of 2012 for the Polish securities market, from January to April 2013 the Warsaw Stock Exchange saw a clear slump. In the second half of April, the WIG and WIG20 indexes dropped by

9.1% and 12.1%, respectively compared with the previous year, influenced by disappointing investors' expectations regarding the macroeconomic situation in Poland and euro zone in Q1 2013. In May, the positive signals regarding the economic situation in the euro zone triggered a rise at the Warsaw Stock Exchange. However, June saw more drops – mainly as a result of rumors of a possible reduction in quantitative easing in the USA before the end of the current year. Additionally concerns over the effects of changes in the Polish pension system on the capital market might also have negative impact. Throughout the whole first half of 2013, the WIG and WIG20 indices dropped by 5.7% and 13.1% respectively.

The first days of 2013 saw correction of the valuation of Polish treasury bonds. In particular, return on one-year instruments went up, possibly as a consequence of the Polish Monetary Policy Council's hints of an upcoming end of the period of easing of the monetary policy. In the subsequent weeks the profitability curve remain flat and stable. March and April 2013 were very successful months for Polish treasury bonds which saw record highs. The return on one-year and ten-year instruments dropped as much as 100 b.p. over that period. The increase in the bond prices was facilitated by data indicating a GDP drop in the USA and China, a lack of any improvement in the euro zone and the Bank of Japan's declaration regarding substantial quantitative easing. At the same time, the Polish Monetary Policy Council resumed interest rate cuts. From that moment, the Polish treasury bond market was influenced mainly by the global economic situation, although the local monetary policy also played a role, especially with respect to instruments with shorter maturity. May and June 2013 saw a big correction in the high prices of the Polish treasury bonds which reflected investors' concerns over Fed's suggestions of a reduction in the quantitative easing as well as rising uncertainty as to the timing of the interest rate rises in the USA. Ultimately, throughout the first half of 2013, the profitability of ten-year bonds went up to 4.25% compared with 3.73% at the end of 2012; in the same period, the profitability of five-year bonds went up 45 b.p. to 3.66%, whereas the profitability of two-year bonds went down 10 p.p. to 3.01%. As a consequence, the Polish yield curve became much steeper.

11.1.6.2. Interest rates and inflation

In the first half of 2013, the annual growth rate of the CPI went down systematically and reached a record low in the cycle in June (0.2% y-o-y compared to 2.4% y-o-y at the end of 2012). In the first half of 2013, the average CPI growth rate dropped to 0.9% y-o-y compared to 3.4% y-o-y in the second half of 2012 and 4.0% y-o-y in the first half of 2012. The drop in the aforesaid rate was mainly due to a slower growth in the energy process resulting from domestic (a drop in the regulated prices of natural gas) and global (lower prices of raw materials) factors. A drop in the inflation rate, demand in the economy and a lack of salary pressure contributed to a decrease in the prices of food. In June, the net inflation rate (excluding food and energy prices) dropped to 0.9% y-o-y compared to 1.4% y-o-y at the end of 2012. In the first half of the year, the average rate was 1.1% y-o-y compared to 1.9% y-o-y and 2.5% y-o-y in the first and second half of 2012, respectively.

Due to the inflation rate being lower than the inflation target, in the first half of 2013, the Polish Monetary Policy Council continued the monetary policy easing commenced in November 2012. In January and February, all the interest rates applicable at the National Bank of Poland dropped by 25 b.p.; in March they were reduced by 50 b.p. Even though the Monetary Policy Council suggested putting an end to the easing of the monetary policy, in May, June and July 2013, the rates were cut 25 b.p. in each month. In July, the Monetary Policy Council announced the end of a cycle of interest rate decreases with the reference interest rate of 2.50% compared to 4.75% in October 2012, i.e. before the easing of the monetary policy began.

11.1.6.3. Exchange rates

In the first half of 2013, the PLN rate was fluctuating less than in 2012 and the amplitude of the exchange rates for major currencies (EUR, USD) did not exceed PLN 0.30. Ultimately, between the end of 2012 and the end of June 2013, PLN lost 7.0% to the U.S. dollar and 5.9% to the euro. It seems that two factors played the key role: investors' withdrawal from our region in May and June and regular cuts to the reference rates of the National Bank of Poland which reduced the disparity between Poland's and foreign interest rates. On the other hand, the decrease in the ratio between the current deficit to GDP had a stabilizing effect on the Polish zloty.

11.1.7. Changes in classification of financial assets resulting from the change of purpose or use of such assets

In the 6-month period ended 30 June 2012 PZU or its subsidiaries did not change classification of any financial assets due to the change of the purpose or use of the assets.

11.2. Financial assets fair value classification

On the basis of the input data for fair value measurement, fair value measured financial instruments were classified to the following levels:

- Level I – Financial instruments measured based on listed prices (unadjusted) from active markets for identical assets and liabilities. The level includes:
 - listed liquid debt securities;
 - listed shares;
 - listed derivatives;
- Level II – financial instruments measured based on input data other than listed prices, classified to Level I, which can be directly (as prices) or indirectly (on the basis of prices) observed on the market. The level includes:
 - unlisted debt securities and non-liquid debt securities (including other than treasury debt securities issued by other financial entities, local government and entities from outside the financial sector);
 - other than listed derivatives;
 - investment fund units;
 - liabilities to participants in consolidated investment funds;
 - unit linked investment contracts.
- Level III – financial instruments measured based on input data unobserved on the existing markets (unobservable input data).

Assets and Financial liabilities measured at fair value as at 30 June 2013	Level I	Level II	Level III	Total
Assets				
Financial instruments available for sale	2 251 152	384 888	-	2 636 040
Equity instruments	1 063 846	33 807	-	1 097 653
Debt securities	1 187 306	351 081	-	1 538 387
Carrying amount of debt instruments measured at fair value through profit or loss - classified as such upon initial recognition	10 077 577	70 283	-	10 147 860
Equity instruments	674 886	25 842	-	700 728
Debt securities	9 402 691	44 441	-	9 447 132
Financial instruments measured at fair value held for trading	4 972 636	2 608 391	-	7 581 027
Equity instruments	2 029 385	2 209 315	-	4 238 700
Debt securities	2 943 251	108 651	-	3 051 902
Derivatives	-	290 425	-	290 425
Financial liabilities				
Derivatives	-	258 316	-	258 316
Liabilities to the participants in consolidated investment funds	-	463 199	-	463 199
Unit linked investment contracts	-	903 249	-	903 249

Assets and Financial liabilities measured at fair value as at 31 December 2012	Level I	Level II	Level III	Total
Assets				
Financial instruments available for sale	1 737 277	2 060 876	-	3 798 153
Equity instruments	429 482	1 370 655	-	1 800 137
Debt securities	1 307 795	690 221	-	1 998 016
Carrying amount of debt instruments measured at fair value through profit or loss - classified as such upon initial recognition	7 907 300	479 649	-	8 386 949
Equity instruments	5 319	166 933	-	172 252

Debt securities	7 901 981	312 716	-	8 214 697
Financial instruments measured at fair value held for trading	4 711 205	2 530 247	-	7 241 452
Equity instruments	1 968 840	2 258 049	-	4 226 889
Debt securities	2 742 365	108 128	-	2 850 493
Investment property	-	564 404	-	564 404
Financial liabilities				
Derivatives	-	129 921	-	129 921
Unit linked investment contracts	-	1 001 923	-	1 001 923

11.2.1. Reclassifications between Levels I and II

In the period of 6 months ended 30 June 2013, none of the assets or liabilities measured at fair value were reclassified Level I and Level II in the goodwill hierarchy.

11.2.2. Description of valuation techniques

11.2.2.1. Debt securities

The fair value of debt securities for which an active market does not exist, are measured using the discounted cash flow method. Discount rates are determined on the basis of the yield curve for government bonds adjusted by the credit spread calculated as a difference between the yield of listed debt securities of issuers with a similar rating operating in similar industries and the yield of government bonds (German government bonds for bonds denominated in Euro).

11.2.2.2. Assets and liabilities related to investment funds

Participation units and investment certificates of investment funds, liabilities under unit-linked contracts and liabilities to participants in the consolidated investment funds are measured at the fair value of assets of a given investment fund (net assets).

11.2.3. Changes in fair value measurement of financial instruments measured at fair value

In the period of 6 months ended 30 June 2013, PZU or its subsidiaries did not change the method of measuring fair value of financial instruments measured at fair value.

11.3. Receivables, including under insurance contracts

Receivables, including under insurance contracts – carrying amount	30 June 2013	31 December 2012
Receivables from direct insurance, including:	1 481 198	1 368 993
- receivables from policyholders	1 302 917	1 193 159
- receivables from insurance intermediaries	124 512	139 418
- other receivables	53 769	36 416
Receivables from reinsurance	44 132	15 099
Other receivables	2 030 231	451 701
Net receivables, including under insurance contracts	3 555 561	1 835 793

11.3.1. Other receivables

Other receivables	30 June 2013	31 December 2012
Receivables from the State Budget, other than due to income tax	78 296	4 946
Receivables from Metro Projekt sp. z o.o. claimed at court	98 373	98 373
Receivables relating to prevention activities	57 886	56 837
Receivables from claims handling services	5 817	5 452
Receivables from disposal of securities and collateral deposits	1 633 213	178 263

Trade receivables	105 582	79 370
Other	51 064	28 460
Other receivables	2 030 231	451 701

Receivables from Metro Projekt sp. z o.o. and related matters have been described in point 19.8.

11.4. Reinsurers' share in technical provisions

Reinsurers' share in technical provisions – property and casualty insurance	30 June 2013	31 December 2012
Provision for unearned premiums	143 942	190 865
Provision for unexpired risks	85	5
Provisions for claims outstanding, including:	207 681	304 051
- for claims reported	154 731	234 276
- for claims incurred but not reported (IBNR)	39 672	55 337
- for claims handling costs	13 278	14 438
Provision for capitalized value of annuity claims	149 401	254 413
Reinsurers' share in technical provisions	501 109	749 334

Reinsurers' share in technical provisions – life insurance	30 June 2013	31 December 2012
Provision for unearned premiums	105	-
Reinsurers' share in technical provisions (net)	105	-

11.5. Impairment of financial assets and receivables

Changes in impairment losses on financial assets in the period from 1 January 2013 to 30 June 2013	Impairment losses – opening balance	Impairment losses recognized in the income statement	Release of impairment losses recognized in the income statement	Derecognition of impairment losses from the accounting records (not recognized in the income statement)	Exchange differences	Impairment losses – closing balance	Impairment losses – opening balance
Financial assets available for sale	164 273	108	-	(9 429)	101	-	155 053
- equity instruments	164 273	108	-	(9 429)	101	-	155 053
Loans	24 582	-	-	-	579	-	25 161
Term deposits with credit institutions	9 657	-	-	-	570	-	10 227
Loans	14 925	-	-	-	9	-	14 934
Receivables, including under insurance contracts	606 747	61 989	(9 248)	(1 635)	688	1 361	659 902
Receivables from direct insurance	568 127	60 994	(7 986)	(1 561)	579	1 361	621 514
Receivables from reinsurance	3 959	465	(304)	-	-	-	4 120
Other receivables	34 661	530	(958)	(74)	109	-	34 268
Reinsurers' share in technical provisions	8 037	956	(4 046)	-	-	-	4 947
Total	803 639	63 053	(13 294)	(11 064)	1 368	1 361	845 063

Changes in impairment losses on financial assets in the period from 1 January 2013 to 30 June 2012	Impairment losses – opening balance	Impairment losses recognized in the income statement	Release of impairment losses recognized in the income statement	Derecognition of impairment losses from the accounting records (not recognized in the income statement)	Exchange differences	Impairment losses – closing balance
Financial assets available for sale	253 372	14 915	-	(103 814)	(200)	164 273
- equity instruments	253 372	14 915	-	(103 814)	(200)	164 273
Loans	28 770	-	-	(3 400)	(788)	24 582
Term deposits with credit institutions	10 434	-	-	-	(777)	9 657
Loans	18 336	-	-	(3 400)	(11)	14 925
Receivables, including under insurance contracts	581 209	96 860	(42 614)	(27 581)	(1 127)	606 747
Receivables from direct insurance	512 855	95 693	(37 340)	(2 160)	(921)	568 127
Receivables from reinsurance	4 848	89	(862)	(116)	-	3 959
Other receivables	63 506	1 078	(4 412)	(25 305)	(206)	34 661

Reinsurers' share in technical provisions	18 613	12 064	(22 640)	-	-	8 037
Total	881 964	123 839	(65 254)	(134 795)	(2 115)	803 639

Changes in impairment losses on financial assets in the year ended 31 December 2012	Impairment losses – opening balance	Impairment losses recognized in the income statement	Release of impairment losses recognized in the income statement	Derecognition of impairment losses from the accounting records (not recognized in the income statement)	Exchange differences	Other changes in impairment losses
Financial assets available for sale	253 372	15 441	-	(7 878)	(16)	260 919
- equity instruments	253 372	15 441	-	(7 878)	(16)	260 919
Loans	28 770	-	-	-	(373)	28 397
Term deposits with credit institutions	10 434	-	-	-	(368)	10 066
Loans	18 336	-	-	-	(5)	18 331
Receivables, including under insurance contracts	581 209	68 647	(6 317)	(107)	(191)	643 241
Receivables from direct insurance	512 855	68 009	(3 708)	(103)	(161)	576 892
Receivables from reinsurance	4 848	88	(451)	-	-	4 485
Other receivables	63 506	550	(2 158)	(4)	(30)	61 864
Reinsurers' share in technical provisions	18 613	10 124	(21 986)	-	-	6 751
Total	881 964	94 212	(28 303)	(7 985)	(580)	939 308

11.6. Degree of risk exposure in investment activity

The following table presents credit risk exposure of assets charged with credit risk in individual Fitch classes (in absence of these, Standard&Poors or Moody`s standards have been applied). The exposure to credit risk relating to repo transactions has been presented as an exposure towards the issuer.

The table does not list receivables, including insurance contract receivables due to high diversification of this portfolio resulting in a high share of receivables from small entities and individuals who do not have any ratings.

Assets exposed to credit risk as at 31 June 2013 (PLN million)	AAA	AA	A	BBB	BB	No rating or rating lower than BB	Assets at the client's risk	Total
Debt securities	132	13	34 028	1 674	581	43	2 163	38 634
- held to maturity	-	-	22 683	141	87	2	-	22 913
- available for sale	45	-	1 138	68	287	-	-	1 538
- valued at fair value	85	1	9 400	679	130	41	2 163	12 499
- loans	2	12	807	786	77	-	-	1 684
Bank deposits and repo transactions involving treasury securities	18	26	3 263	3 213	912	342	71	7 845
Other loans	-	-	-	-	50	1 466	-	1 516
Derivatives	4	7	186	89	-	4	-	290
Reinsurers' share in net claims provisions	-	149	129	22	-	57	-	357
Receivables from reinsurance	-	16	16	3	-	9	-	44
Total assets exposed to credit risk	154	211	37 622	5 001	1 543	1 921	2 234	48 686

Assets exposed to credit risk as at 31 December 2012 (PLN million)	AAA	AA	A	BBB	BB	No rating or rating lower than BB	Assets at the client's risk	Total
Debt securities	61	24	31 965	1 765	568	89	1 458	35 930
- held to maturity	-	-	20 856	254	8	-	-	21 118
- available for sale	59	-	1 637	57	245	-	-	1 998
- valued at fair value	-	-	8 656	636	315	-	1 458	11 065
- loans	2	24	816	818	-	89	-	1 749
Bank deposits and repo transactions involving treasury securities	15	55	4 282	1 837	315	144	334	6 982
Mortgage loans	-	-	-	-	-	27	-	27
Other loans	-	1	2	-	-	991	-	994
Derivatives	-	6	57	84	5	12	-	164
Reinsurers' share in net claims provisions	-	159	317	25	-	57	-	558
Receivables from reinsurance	-	5	5	1	-	4	-	15
Total assets exposed to credit risk	76	250	36 628	3 712	888	1 324	1 792	44 670

The following table presents credit risk ratios used to calculate credit risk amount.

Standard&Poor's rating	AAA	AA	A	BBB	BB	No rating or lower than BB*
Rate (%) for 30 June 2013	0.76	0.88	1.65	4.59	15.09	27.84
Rate (%) for 31 December 2012	0.78	0.86	1.77	4.88	15.59	28.70

* For exposure to mortgage loans without a rating, 2% ratio has been applied.

As at 30 June 2013, the credit risk for assets at the PZU Group's risk was PLN 1,621 million (31 December 2012: PLN 1,343 million; using the ratios from 30 June 2013: PLN 1,273 million).

11.7. Prepayments

Prepayments	30 June 2013	31 December 2012
IT expenses	10 308	11 274
Deferred acquisition costs relating to OFE PZU	1 737	5 625
Prepayments relating to reinsurance	49 727	54 335
Other	31 914	23 708
Prepayments total	93 686	94 942

11.8. Assets available for sale

Non-current assets held for sale before reclassification	30 June 2013	31 December 2012
Property, plant and equipment	56 442	42 492
Investment property	89 049	4 470
Associated companies valued using the equity method	16 587	-
Non-current assets held for sale and disposal groups total	162 078	46 962

"Property, plant and equipment" presents mainly the real property and technical equipment and machinery used previously by the Armatura Capital Group for its own purposes with a value of PLN 41,593 thousand (PLN 41,821 thousand as at 31 December 2012).

"Investment property" presents property held by PZU and PZU Życie for sale as part of the portfolio optimization project.

"Associates measured using the equity method" presents shares of the company Kolej Gondolowa Jaworzyna Krynica SA, for which the measurement and tender processes have been completed. Potential buyers have been chosen and negotiations are in progress. The sale is expected to be completed in 2013.

11.9. Technical provisions

11.9.1. Technical provisions – property and casualty insurance

Technical provisions - property and casualty insurance	30 June 2013	31 December 2012
Provision for unearned premiums	4 650 548	4 435 516
Provision for unexpired risks	11 577	8 202
Provisions for claims outstanding	5 634 600	5 362 089
Provision for capitalized value of annuity claims	5 697 792	5 660 281
Provisions for bonuses and rebates for the insured	1 566	2 812
Total	15 996 083	15 468 900

Change in technical provisions in property and casualty insurance

Change in provision for unearned premium in property and casualty insurance	1 January - 30 June 2013			1 January - 31 December 2012			1 January - 30 June 2012		
	gross	reinsurers' share	net of reinsurance	gross	reinsurers' share	net of reinsurance	gross	reinsurers' share	net of reinsurance
Opening balance	4 435 516	(190 865)	4 244 651	4 411 652	(163 937)	4 247 715	4 411 652	(163 937)	4 247 715
Increase (decrease) in provisions for policies concluded in the current year	3 222 907	(73 310)	3 149 597	4 193 481	(152 296)	4 041 185	3 242 791	(76 069)	3 166 722
Increase (decrease) in provisions for policies concluded in previous years	(3 016 360)	120 824	(2 895 536)	(4 158 221)	124 662	(4 033 559)	(2 972 667)	106 645	(2 866 022)
Exchange differences during the period	8 468	(591)	7 877	(11 396)	706	(10 690)	(2 974)	106	(2 868)
Change in composition of the group	17	-	17	-	-	-	-	-	-
Closing balance	4 650 548	(143 942)	4 506 606	4 435 516	(190 865)	4 244 651	4 678 802	(133 255)	4 545 547

Change in provision for unexpired risk in property and casualty insurance	1 January - 30 June 2013			1 January - 31 December 2012			1 January - 30 June 2012		
	gross	reinsurers' share	net of reinsurance	gross	reinsurers' share	net of reinsurance	gross	reinsurers' share	net of reinsurance
Opening balance	8 202	(5)	8 197	13 411	(167)	13 244	13 411	(167)	13 244
Increase (decrease) in provisions for policies concluded in the current year	6 526	(83)	6 443	2 330	157	2 487	13 047	(39)	13 008
Increase (decrease) in provisions for policies concluded in previous years	(3 698)	5	(3 693)	(6 609)	(5)	(6 614)	(11 607)	159	(11 448)
Exchange differences during the period	547	(2)	545	(930)	10	(920)	(351)	6	(345)
Closing balance	11 577	(85)	11 492	8 202	(5)	8 197	14 500	(41)	14 459

Change in provisions for claims outstanding in property and casualty insurance	1 January - 30 June 2013			1 January - 31 December 2012			1 January - 30 June 2012		
	gross	reinsurers' share	net of reinsurance	gross	reinsurers' share	net of reinsurance	gross	reinsurers' share	net of reinsurance
Opening balance, including:	5 362 089	(304 051)	5 058 038	4 817 359	(283 085)	4 534 274	4 817 359	(283 085)	4 534 274
- for claims reported	1 970 611	(234 276)	1 736 335	1 824 201	(233 774)	1 590 427	1 824 201	(233 774)	1 590 427
- for claims incurred but not reported (IBNR)	2 413 008	(55 337)	2 357 671	2 171 324	(37 503)	2 133 821	2 171 324	(37 503)	2 133 821
- for claims handling expenses	978 470	(14 438)	964 032	821 834	(11 808)	810 026	821 834	(11 808)	810 026
Paid claims concerning losses incurred in previous years, including	(978 700)	191 383	(787 317)	(1 479 312)	90 206	(1 389 106)	(1 029 847)	60 052	(969 795)
- claims paid	(841 227)	189 695	(651 532)	(1 264 643)	87 450	(1 177 193)	(893 477)	58 761	(834 716)
- claims handling expenses	(137 473)	1 688	(135 785)	(214 669)	2 756	(211 913)	(136 370)	1 291	(135 079)
Increase (decrease) in provisions, including:	1 242 567	(91 893)	1 150 674	2 036 969	(108 895)	1 928 074	1 367 233	(125 937)	1 241 296
- losses incurred in the current year	1 303 547	(12 667)	1 290 880	2 078 170	(111 127)	1 967 043	1 472 623	(145 757)	1 326 866
- losses incurred in the previous years	(60 980)	(79 226)	(140 206)	(41 201)	2 232	(38 969)	(105 390)	19 820	(85 570)
Other changes	-	(1 501)	(1 501)	-	(5 049)	(5 049)	-	(5 970)	(5 970)
Exchange differences during the period	8 644	(1 619)	7 025	(12 927)	2 772	(10 155)	(4 316)	827	(3 489)
Closing balance	5 634 600	(207 681)	5 426 919	5 362 089	(304 051)	5 058 038	5 150 429	(354 113)	4 796 316
- for claims reported	2 190 138	(154 731)	2 035 407	1 970 611	(234 276)	1 736 335	1 827 572	(218 410)	1 609 162
- for claims incurred but not reported (IBNR)	2 356 443	(39 672)	2 316 771	2 413 008	(55 337)	2 357 671	2 447 416	(122 452)	2 324 964
- for claims handling expenses	1 088 019	(13 278)	1 074 741	978 470	(14 438)	964 032	875 441	(13 251)	862 190

Change in provision for capitalized value of annuity claims – property and casualty insurance	1 January - 30 June 2013			1 January - 31 December 2012			1 January - 30 June 2012		
	gross	reinsurers' share	net of reinsurance	gross	reinsurers' share	net of reinsurance	gross	reinsurers' share	net of reinsurance
Opening balance	5 660 281	(254 413)	5 405 868	5 088 626	(253 524)	4 835 102	5 088 626	(253 524)	4 835 102
Paid claims concerning losses incurred in previous years	(90 352)	348	(90 004)	(174 797)	7 896	(166 901)	(86 186)	3 460	(82 726)
Increase (decrease) in provisions for losses incurred in the previous years	11 472	105 866	117 338	221 010	11 333	232 343	37 108	15 368	52 476
Discount recognized over time	(8 490)	387	(8 103)	-	-	-	-	-	-
Increase in provisions for losses incurred in the current year	124 881	-	124 881	265 864	-	265 864	107 355	-	107 355
Adjustments resulting from revision of technical rates	-	-	-	244 950	(13 889)	231 061	-	-	-
Other changes	-	(1 589)	(1 589)	14 628	(6 229)	8 399	-	(5 890)	(5 890)
Closing balance	5 697 792	(149 401)	5 548 391	5 660 281	(254 413)	5 405 868	5 146 903	(240 586)	4 906 317

11.9.2. Technical provisions – life insurance

Technical provisions - life insurance	30 June 2013	31 December 2012
Provision for unearned premiums	101 926	93 449
Life insurance provision	15 948 486	15 675 243
Provisions for claims outstanding	516 334	516 356
Provisions for bonuses and rebates for the insured	1 672	1 415
Other technical provisions	503 182	531 617
Unit-linked technical provision	3 450 439	3 113 798
Total	20 522 039	19 931 878

Change in technical provisions in life insurance

Change in provisions for unearned premium in life insurance	1 January - 30 June 2013			1 January - 31 December 2012			1 January - 30 June 2012		
	gross	reinsurers' share	net of reinsurance	gross	reinsurers' share	net of reinsurance	gross	reinsurers' share	net of reinsurance
Opening balance	93 449	-	93 449	96 333	-	96 333	96 333	-	96 333
Increases	101 780	2 490	104 270	93 449	1 488	94 937	93 115	(372)	92 743
Decreases	(93 568)	(2 593)	(96 161)	(96 333)	(1 488)	(97 821)	(96 333)	-	(96 333)
Foreign exchange difference	265	(2)	263	-	-	-	-	-	-
Closing balance	101 926	(105)	101 821	93 449	-	93 449	93 115	(372)	92 743

Change in provision in life insurance - insurance contacts with no DPF	1 January - 30 June 2013			1 January - 31 December 2012			1 January - 30 June 2012		
	gross	reinsurers' share	net of reinsurance	gross	reinsurers' share	net of reinsurance	gross	reinsurers' share	net of reinsurance
Opening balance	11 926 887	-	11 926 887	10 923 226	-	10 923 226	10 923 226	-	10 923 226
Net premiums received	686 811	-	686 811	1 414 039	-	1 414 039	693 336	-	693 336
Technical interest rate for the provisions	177 216	-	177 216	368 948	-	368 948	183 684	-	183 684
Released provisions due to maturity and survival, mortality, resignation/redemption and other fortuitous events	(1 000 854)	-	(1 000 854)	(2 007 403)	-	(2 007 403)	(1 000 018)	-	(1 000 018)
Impact of the sale of new policies and renegotiation of contracts existing at the beginning of the period	223 773	-	223 773	429 449	-	429 449	224 659	-	224 659
Foreign exchange difference	19	-	19	-	-	-	-	-	-
Adjustments resulting from revision of technical rates	631	-	631	798 628	-	798 628	-	-	-
Closing balance	12 014 483	-	12 014 483	11 926 887	-	11 926 887	11 024 887	-	11 024 887

Change in provisions in life insurance, provisions for low interest rates and provisions for revaluation and trials - insurance and investment contracts with DPF	1 January - 30 June 2013			1 January - 31 December 2012			1 January - 30 June 2012		
	gross	reinsurers' share	net of reinsurance	gross	reinsurers' share	net of reinsurance	gross	reinsurers' share	net of reinsurance
Opening balance	4 256 848	-	4 256 848	4 232 448	-	4 232 448	4 232 448	-	4 232 448
Net premiums received	228 199	-	228 199	368 056	-	368 056	211 016	-	211 016
Technical interest rate for the provisions	93 370	-	93 370	178 037	-	178 037	89 075	-	89 075
Increase in provisions for profit sharing	4 477	-	4 477	41 054	-	41 054	16 375	-	16 375
Released provisions due to maturity and survival, mortality, resignation/redemption and other fortuitous events	(252 775)	-	(252 775)	(596 842)	-	(596 842)	(260 245)	-	(260 245)
Changes in assumptions	17 082	-	17 082	41 653	-	41 653	-	-	-
Foreign exchange difference	544	-	544	-	-	-	-	-	-
Impact of the sale of new policies and renegotiation of contracts existing at the beginning of the period	(5 541)	-	(5 541)	(7 558)	-	(7 558)	(5 575)	-	(5 575)
Closing balance	4 342 204	-	4 342 204	4 256 848	-	4 256 848	4 283 094	-	4 283 094

Change in provisions in life insurance - unit-linked contracts	1 January - 30 June 2013			1 January - 31 December 2012			1 January - 30 June 2012		
	gross	reinsurers' share	net of reinsurance	gross	reinsurers' share	net of reinsurance	gross	reinsurers' share	net of reinsurance
Net assets of the fund at the beginning of the period	3 113 798	-	3 113 798	2 299 767	-	2 299 767	2 299 767	-	2 299 767
Increases in the fund due to premiums	588 606	-	588 606	894 952	-	894 952	357 297	-	357 297
Payments deducted from the fund for risk, administration and other	(33 301)	-	(33 301)	(46 716)	-	(46 716)	(21 115)	-	(21 115)
Revenue from the fund's investments	(53 772)	-	(53 772)	348 852	-	348 852	117 590	-	117 590
Fund decreases due to benefits, buyouts etc.	(181 077)	-	(181 077)	(350 060)	-	(350 060)	(159 837)	-	(159 837)
Foreign exchange difference	825	-	825	-	-	-	-	-	-
Other decreases	(19 713)	-	(19 713)	(63 147)	-	(63 147)	(6 886)	-	(6 886)
Other increases	35 073	-	35 073	30 150	-	30 150	6 247	-	6 247
Net assets of the fund at the end of the period	3 450 439	-	3 450 439	3 113 798	-	3 113 798	2 593 063	-	2 593 063

Change in provisions in life insurance - other insurance contracts	1 January - 30 June 2013			1 January - 31 December 2012			1 January - 30 June 2012		
	gross	reinsurers' share	net of reinsurance	gross	reinsurers' share	net of reinsurance	gross	reinsurers' share	net of reinsurance
Opening balance	24 540	-	24 540	21 553	-	21 553	21 553	-	21 553
Change in provisions during the period	72 113	-	72 113	2 987	-	2 987	1 354	-	1 354
Closing balance	96 653	-	96 653	24 540	-	24 540	22 907	-	22 907

Change in provisions for claims	1 January - 30 June 2013			1 January - 31 December 2012			1 January - 30 June 2012		
	gross	reinsurers' share	net of reinsurance	gross	reinsurers' share	net of reinsurance	gross	reinsurers' share	net of reinsurance
RBNP at the beginning of the period	115 394	-	115 394	125 937	-	125 937	125 937	-	125 937
IBNR at the beginning of the period	400 962	-	400 962	486 185	-	486 185	486 185	-	486 185
Total RBNP and IBNR at the beginning of the period	516 356	-	516 356	612 122	-	612 122	612 122	-	612 122
Provisions for claims applied during the year	(443 563)	-	(443 563)	(612 122)	-	(612 122)	(612 122)	-	(612 122)
Provisions for claims created during the year	443 480	-	443 480	516 356	-	516 356	574 186	-	574 186
Foreign exchange difference	61	-	61	-	-	-	-	-	-
Total RBNP and IBNR at the end of the period	516 334	-	516 334	516 356	-	516 356	574 186	-	574 186
RBNP at the end of the period	114 515	-	114 515	115 394	-	115 394	94 919	-	94 919
IBNR at the end of the period	401 819	-	401 819	400 962	-	400 962	479 267	-	479 267

11.10. Investment contracts

Investment contracts – carrying amount	30 June 2013	31 December 2012
Investment contracts with guaranteed and fixed terms and conditions	1 298 985	1 297 224
- measured at amortized cost	1 298 985	1 297 224
Unit linked investment contracts	903 249	1 001 923
Total	2 202 234	2 299 147

11.11. Other provisions

Changes in other provisions in the period from 1 January 2013 to 30 June 2013	Opening balance	Increases	Application	Release	Closing balance
Provision for restructuring expenses	58 194	-	(20 227)	-	37 967
Provisions created for potential liabilities relating to CLSiOR investments	916	-	-	-	916
Provision for disputed claims and potential liabilities under insurance contracts	2 687	90	-	-	2 777
Provision for the Office of Competition and Consumer Protection penalties	138 310	-	(3 968)	-	134 342
Provision for exit costs of the GraphTalk project	49 925	854	-	-	50 779
Provision for PTE's reimbursement of undue fees to the Social Insurance Institution	8 836	203	(187)	-	8 852
Other	8 588	1 506	(102)	(575)	9 417
Other provisions total	267 456	2 653	(24 484)	(575)	245 050

Changes in other provisions in the year ended 31 December 2012	Opening balance	Increases	Application	Release	Closing balance
Provision for restructuring expenses 2012	112 956	-	(75 862)	(27 253)	9 841
Provision for restructuring expenses 2013	-	48 353	-	-	48 353
Provisions created for potential liabilities relating to CLSiOR investments	916	-	-	-	916
Provision for disputed claims and potential liabilities under insurance contracts	4 019	352	-	(1 684)	2 687
Provision for the Office of Competition and Consumer Protection penalties	137 035	1 275	-	-	138 310
Provision for exit costs of the GraphTalk project	50 349	628	-	(1 052)	49 925
Provision for PTE's reimbursement of undue fees to the Social Insurance Institution	8 095	1 562	(821)	-	8 836
Other	8 693	6 367	(1 217)	(5 255)	8 588
Other provisions total	322 063	58 537	(77 900)	(35 244)	267 456

Changes in other provisions in the period from 1 January 2012 to 30 June 2012	Opening balance	Increases	Application	Release	Closing balance
Provision for restructuring expenses 2012	112 956	-	(37 364)	(6 005)	69 587
Provisions created for potential liabilities relating to CLSIOR investments	916	-	-	-	916
Provision for disputed claims and potential liabilities under insurance contracts	4 019	91	-	(694)	3 416
Provision for the Office of Competition and Consumer Protection penalties	137 035	-	-	-	137 035
Provision for exit costs of the GraphTalk project	50 349	-	-	(457)	49 892
Provision for PTE's reimbursement of undue fees to the Social Insurance Institution	8 095	164	(652)	-	7 607
Other	8 693	3 382	(13)	(1 848)	10 214
Other provisions total	322 063	3 637	(38 029)	(9 004)	278 667

Position „Provision for the Office of Competition and Consumer Protection penalties” are described in points 19.2. and 19.3.

Provisions for restructuring expenses are described in point 20.3.

11.12. Other liabilities

Other liabilities – carrying value	30 June 2013	31 December 2012
Liabilities due to direct insurance	612 175	649 023
Liabilities due to reinsurance	96 585	54 470
Liabilities to credit institutions	3 209 460	1 006 245
Liabilities to participants in the consolidated investment funds	463 199	-
Other liabilities	4 770 742	710 417
Other liabilities total	9 152 161	2 420 155

The major element of liabilities towards credit institutions are liabilities resulting from sell-buy-back transactions as at 30 June 2013 in the amount of PLN 2,835,517 thousand (31 December 2012: PLN 839,969 thousand).

Other liabilities	30 June 2013	31 December 2012
Liabilities to the State Budget, other than corporate income tax (CIT)	20 464	19 407
Regulatory liabilities – to the Social Insurance Institution (ZUS), State Fund for Rehabilitation of Persons with Disabilities (PFRON), the Company's Social Benefits Fund etc.	28 246	21 234
Insurance Guarantee Fund	9 257	7 373
Liabilities to National Headquarters of the State Fire Service and Volunteer Fire Service Association	2 810	3 380
Due to acquired securities and collateral deposits	1 985 256	438 840
Liabilities to the Shareholders (dividends)	2 568 009	3 453
Trade payables to suppliers	59 746	72 092
Estimated non-insurance liabilities	45 544	108 694
Other	51 410	35 944
Other liabilities total	4 770 742	710 417

11.13. Accruals and deferred income

Accruals and deferred income	30 June 2013	31 December 2012
Accrued expenses, including:	469 386	672 550
- accrued costs of agency commissions	203 014	194 341
- accrued payroll costs	74 254	128 296
- accrued costs and revenue from reinsurance	70 290	172 246
- provision for paid vacation	64 171	46 658
- accrued employee bonuses	30 566	102 403
- other	27 091	28 606
Deferred income	14 543	10 420
Total accruals and deferred income	483 929	682 970

11.14. Gross written premiums

Gross written premiums	1 April - 30 June 2013	1 January - 30 June 2013	1 April - 30 June 2012	1 January - 30 June 2012
Gross written premiums – property and casualty insurance	2 115 644	4 515 765	2 084 037	4 599 862
In direct insurance	2 104 784	4 494 088	2 077 407	4 588 749
In indirect insurance	10 860	21 677	6 630	11 113
Gross written premiums – life insurance	1 953 684	3 979 486	1 839 490	3 646 412
Individual premiums	826 414	1 726 682	726 647	1 410 085
In direct insurance	826 414	1 726 682	726 647	1 410 085
Group insurance premiums	1 127 270	2 252 804	1 112 843	2 236 327
In direct insurance	1 127 270	2 252 804	1 112 843	2 236 327
Gross written premiums total	4 069 328	8 495 251	3 923 527	8 246 274

Gross written premiums in direct property and casualty insurance (by classes specified in section II of the appendix to the Act on insurance activity)	1 April - 30 June 2013	1 January - 30 June 2013	1 April - 30 June 2012	1 January - 30 June 2012
Accident and sickness insurance (class 1 and 2)	94 695	200 375	97 713	266 792
Motor third-party liability insurance (class 10)	733 148	1 491 761	789 052	1 563 267
Other motor insurance (class 3)	535 664	1 073 676	572 638	1 158 229
Sea, aircraft and transport insurance (classes 4, 5, 6, 7)	14 703	33 318	22 299	39 154
Insurance against fire and other damage to property (classes 8, 9)	484 459	1 104 609	367 174	987 937
TPL insurance (classes 11, 12, 13)	152 112	419 711	138 645	400 679
Credit insurance and surety ship (classes 14, 15)	10 338	22 361	18 378	35 161
Assistance (class 18)	55 407	105 113	51 449	99 402
Legal protection (class 17)	395	664	242	564
Other (class 16)	23 863	42 500	19 817	37 564
Gross written premiums in direct property and casualty insurance (by classes specified in section II of the appendix to the Act on insurance activity)	2 104 784	4 494 088	2 077 407	4 588 749

11.15. Revenue from commissions and fees

Revenue from commissions and fees	1 April - 30 June 2013	1 January - 30 June 2013	1 April - 30 June 2012	1 January - 30 June 2012
Pension insurance	51 366	101 668	47 360	96 308
Commission on handling fees	9 651	20 591	7 969	17 760
Commission on asset management for open pension fund	41 715	81 077	39 391	78 548
Investment contracts	4 930	8 947	5 316	10 965
Revenue from unit-linked investment contract fees	4 930	8 947	5 316	10 965
Other	16 410	32 655	3 681	9 086
Revenue and payments received from funds and investment fund management companies	16 410	32 655	3 681	9 086
Total revenue from commissions and fees	72 706	143 270	56 357	116 359

11.16. Net investment income

Net investment income	1 April - 30 June 2013	1 January - 30 June 2013	1 April - 30 June 2012	1 January - 30 June 2012
Interest income, including:	440 399	874 820	570 937	1 029 851
- financial assets available for sale	8 392	25 651	91 577	147 729
- financial assets held to maturity	296 819	588 978	313 700	622 946
- loans	133 914	256 052	165 005	257 148
- cash and cash equivalents	1 274	4 139	655	2 028
Dividend income, including:	32 909	34 191	85 337	88 987
- financial assets measured at fair value through profit or loss – classified as such upon initial recognition	1 621	2 803	147	147
- financial assets held for trading	28 598	28 698	62 631	62 736
- financial assets available for sale	2 690	2 690	22 559	26 104
Income from property investments	30 692	56 238	6 077	12 584
Exchange differences, including:	20 872	30 828	2 132	(14 134)
- financial assets held to maturity	3 889	6 175	3 159	(5 363)
- financial assets available for sale	15 189	16 949	-	-
- loans	2 600	9 070	(1 312)	(6 635)
- receivables, including under insurance contracts	(806)	(1 366)	285	(2 136)
Other, including:	(20 250)	(47 418)	(16 549)	(32 919)
- costs of investing activities	(7 789)	(17 479)	(11 645)	(22 607)
- investment property maintenance costs	(12 461)	(29 939)	(4 904)	(10 312)
Total net investment income	504 622	948 659	647 934	1 084 369

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

Net profit/loss on realization and impairment loss on investments	1 April - 30 June 2013	1 January - 30 June 2013	1 April - 30 June 2012	1 January - 30 June 2012
Net profit/loss on realization of investments	(120 306)	(128 918)	65 048	203 859
Financial assets measured at fair value through profit or loss – classified as such upon initial recognition, including:	242	8 999	16 704	48 839
- equity instruments	(1 658)	(4 142)	(504)	10 894
- debt securities	1 900	13 141	17 208	37 945
Financial assets held for trading, including:	(113 464)	(138 198)	13 876	106 095
- equity instruments	(17 252)	(2 362)	937	63 089
- debt securities	(6 280)	(11 916)	(1 154)	(3 265)
- derivatives	(89 932)	(123 920)	14 093	46 271
Financial assets available for sale, including:	11 317	27 973	48 245	76 094
- equity instruments	1 068	(3)	39 021	40 981
- debt securities	10 249	27 976	9 224	35 113
Financial assets held to maturity, including:	126	2 973	295	901
- debt securities held to maturity	126	2 973	295	901
Receivables, including under insurance contracts	(11)	29	-	-
Investment property	(18 681)	(30 873)	(14 278)	(28 276)
Impairment losses	165	179	206	206
Financial assets available for sale, including:	(14 509)	(52 849)	(49 381)	(77 771)
- equity instruments	(22)	(108)	(15 441)	(15 441)
Loans	(22)	(108)	(15 441)	(15 441)
Receivables, including under insurance contracts	(14 487)	(52 741)	(33 940)	(62 330)
Total net profit/loss on realization and impairment loss on investments	(134 815)	(181 767)	15 667	126 088

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

Net change in the fair value of assets and liabilities measured at fair value	1 April - 30 June 2013	1 January - 30 June 2013	1 April - 30 June 2012	1 January - 30 June 2012
Financial instruments measured at fair value through profit or loss – classified as such upon initial recognition, including:	75 877	42 608	18 406	89 517
- equity instruments	92 671	100 477	91	1 318
- debt securities	(16 794)	(57 869)	18 315	88 199
Financial instruments held for trading, including:	101 544	21 750	(33 842)	226 367
- equity instruments	(15 602)	(103 984)	(88 200)	110 098
- debt securities	42 476	75 764	53 788	96 659
- derivatives	74 670	49 970	570	19 610
Investment property	4 989	(11 162)	2 941	(2 437)
Change in liabilities to participants in consolidated investment funds	(17 175)	(23 580)	-	-
Consolidation of investment funds, including:	5 265	172 810	-	-
- amount reclassified from „Revaluation reserve” to the consolidated income statement at the consolidation date	5 265	184 627	-	-
- amount resulting from consolidation of special purpose entities, controlled by consolidated investment funds	-	(11 817)	-	-
Net change in the fair value of assets and liabilities measured to fair value	170 500	202 426	(12 495)	313 447

11.19. Other operating revenue

Other operating revenue	1 April - 30 June 2013	1 January - 30 June 2013	1 April - 30 June 2012	1 January - 30 June 2012
Consolidation of new units or valuation using equity method	-	35 392	-	-
Reinsurers' commissions and share in reinsurers' profit	1 639	78 644	(10 418)	(12 802)
Revenue from sale of products, goods and services by non-insurance companies	72 754	124 630	67 069	121 448
Other	1 282	41 927	31 826	55 277
Total other operating revenue	75 675	280 593	88 477	163 923

The issue of consolidation of subsidiaries and affiliates valued under the equity method from 1 January 2013 was presented in point 9.1.

11.20. Insurance claims

Insurance claims	1 April - 30 June 2013	1 January - 30 June 2013	1 April - 30 June 2012	1 January - 30 June 2012
Claims and change in technical provisions - property and casualty insurance	1 332 168	2 471 356	1 538 401	2 824 476
Reinsurers' share in claims and change in technical provisions - property and casualty insurance	(2 951)	7 349	(161 066)	(133 526)
Claims and change in technical provisions - life insurance	1 399 527	2 980 727	1 360 457	2 823 724
Reinsurers' share in claims and change in technical provisions - life insurance	(36)	(27)	(39)	(39)
Total insurance claims	2 728 708	5 459 405	2 737 753	5 514 635

11.21. Benefits and change in measurement of investment contracts

Benefits and change in measurement of investment contracts	1 April - 30 June 2013	1 January - 30 June 2013	1 April - 30 June 2012	1 January - 30 June 2012
Resulting from investment contracts with guaranteed and fixed terms and conditions	9 536	21 025	28 920	53 521
- interest expenses included in the effective interest rate	9 536	21 025	28 920	53 521
Resulting from unit-linked investment contracts	(9 065)	(9 330)	(17 266)	33 440
Benefits and change in measurement of investment contracts total	471	11 695	11 654	86 961

11.22. Administrative expenses, acquisition costs and claim handling costs, by type

Claims handling costs, acquisition costs and administrative expenses, by type	1 April - 30 June 2013	1 January - 30 June 2013	1 April - 30 June 2012	1 January - 30 June 2012
Consumption of materials and energy	20 010	42 650	20 095	41 073
External services	115 517	226 363	113 512	250 132
Taxes and charges	13 039	28 242	13 416	27 655
Employee expenses	312 474	650 041	341 800	721 710
Depreciation of property, plant and equipment	17 253	36 355	20 915	39 367
Amortization of intangible assets	14 186	29 836	19 228	38 388
Other (by type), including:	473 277	914 610	459 336	904 427
- commissions from direct activity	347 263	707 281	330 328	680 188
- advertisement	27 827	40 189	22 569	53 378
- change in activated acquisition costs	6 614	(7 098)	14 643	(4 199)
- remuneration of people handling group insurance in companies	52 726	103 778	63 427	121 986
- other	38 847	70 460	28 369	53 074
Total claims handling costs, acquisition costs and administrative expenses	965 756	1 928 097	988 302	2 022 752

11.23. Other operating expenses

Other operating expenses	1 April - 30 June 2013	1 January - 30 June 2013	1 April - 30 June 2012	1 January - 30 June 2012
Consolidation of subsidiaries	-	35 134	-	-
Impairment of fixed and intangible assets	7 017	16 432	-	-
Insurance Guarantee Fund	8 787	18 784	15 222	15 222
National Headquarters of the State Fire Service and Volunteer Fire Service Association	2 810	23 921	2 508	23 041
Compulsory payments to the insurance market authorities	12 168	27 764	10 833	23 366
Expenses due to prevention activities	5 265	12 721	4 552	7 684
Non insurance companies' operating costs	71 603	126 446	77 563	128 516
Other	35 045	78 452	13 109	50 357
Total other operating expenses	142 695	339 654	123 787	248 186

The issue of consolidation of subsidiaries and affiliates valued under the equity method from 1 January 2013 was presented in point 9.1.

11.24. Financial expenses

Financial expenses	1 April - 30 June 2013	1 January - 30 June 2013	1 April - 30 June 2012	1 January - 30 June 2012
Interest, including:	14 489	22 269	6 234	13 045
- loans	10 083	14 481	4 705	10 564
- credit facilities	4 383	7 503	1 529	2 481
- other	23	285	-	-
Other, including:	8 937	15 557	813	(240)
- exchange differences	8 937	15 557	764	(289)
- other	-	-	49	49
Total financial expenses	23 426	37 826	7 047	12 805

11.25. Other comprehensive income

Tax relating to other comprehensive income	1 April - 30 June 2013	1 January - 30 June 2013	1 April - 30 June 2012	1 January - 30 June 2012
Net other comprehensive income (net)	62 823	(91 130)	809	97 352
Income tax	(12 081)	(56 105)	(348)	24 172
Financial assets available for sale	(13 557)	(57 581)	(348)	24 172
Real property reclassified from property, plant and equipment to investment property	1 476	1 476	-	-
Other comprehensive income (gross)	50 742	(147 235)	461	121 524

12. Contingent assets and liabilities

Contingent assets and liabilities	30 June 2013	31 December 2012
Contingent assets, including:	18 246	17 746
- guarantees and sureties received	18 246	17 746
Contingent liabilities	222 225	210 459
- guarantees and sureties issued	4 392	6 790
- disputable claims related to insurance	147 591	69 651
- other disputable claims	34 936	53 541
- other	35 306*	80 477**

* including PLN 34,628 thousand of contingent liabilities arising from credit agreements concluded by Armatura Group

** including PLN 49,702 thousand of contingent liabilities arising from credit agreements concluded by Armatura Group and PLN 30.000 thousand contingent liabilities arisen from real property sale by Armatura Group

13. Solvency

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

Detailed information regarding the manner of calculating the solvency margin has been presented in the consolidated financial statements of the PZU Group for 2012.

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

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

Calculation of own funds to cover the required solvency margin	30 June 2013	31 December 2012
PZU equity	12 465 060	13 452 581
Intangible assets	(149 445)	(129 729)
Value of shares in insurance companies operating within the insurance capital group of PZU	(3 776 398)	(6 847 006)
Deferred tax asset	(317 151)	(309 132)
Effect of other insurance companies operating within the insurance capital group of PZU on the value of PZU's own funds:	1 635 562	4 789 418
PZU Życie SA 100.00%	1 646 429	4 808 768
Own funds	3 404 313	6 551 153
Required solvency margin	1 757 884	1 742 385
Surplus of own funds to cover the required solvency margin	1 646 429	4 808 768
UAB DK PZU Lietuva 99.76%	3 133	2 769
Own funds	41 125	38 550
Required solvency margin	37 984	35 774
Surplus of own funds to cover the required solvency margin	3 141	2 776
UAB PZU Lietuva Gyvybes Draudimas 99.34%	7 182	7 201
Own funds	23 248	22 873
Required solvency margin	16 018	15 624
Surplus of own funds to cover the required solvency margin	7 230	7 249
PrJSC PZU Ukraine 100.00%	(13 603)	(15 721)
Own funds	10 279	5 987
Required solvency margin	23 882	21 708
Surplus/shortage of own funds to cover the required solvency margin	(13 603)	(15 721)
PrJSC IC PZU Ukraine Life Insurance 100.00%	(7 579)	(13 599)
Own funds	7 469	2 025
Required solvency margin	15 048	15 624
Surplus/shortage of own funds to cover the required solvency margin	(7 579)	(13 599)
Own funds of PZU	9 857 628	10 956 132
Required solvency margin of PZU	1 369 183	1 343 831
Guarantee fund of PZU	456 394	447 944
Surplus of own funds to cover the required solvency margin	8 488 445	9 612 301
Surplus of own funds to cover the guarantee fund	9 401 234	10 508 188

14. Segment reporting

14.1. Reportable segments

14.1.1. Key division criterion

IFRS 8 sets out requirements for disclosure of information about an entity's operating segments in their annual and interim financial statements. Operating segments are components of the entity for which separate financial information is available and that are regularly reviewed by the entity's chief operating decision maker ("CODM", i.e. the Management Board of PZU) in order to allocate resources to the segment and assess its performance.

The key segmentation pattern of the PZU Group is based on the criterion of consolidated entities with the exception of the key companies in the PZU Group (PZU and PZU Życie) where additional segments based on the criteria such as client groups, product lines and types of activities can be distinguished.

PZU segments:

- Corporate insurance (casualty and property insurance);
- Mass client insurance (casualty and property insurance);
- Investment activities – comprising investments using own funds.

PZU Życie segments:

- Group insurance and individually continued insurance (life insurance);
- Individual life insurance (life insurance);
- Investment activities – including investments using own funds;
- Investment contracts – described further in this chapter.

Due to the differences and operation in different regulatory environments, the internal financial reporting system used in the PZU Group, in accordance with the segmentation pattern of the PZU Group based on the criterion of consolidated entities and the usefulness for the users of financial statements, the additional following segments have been separated:

- Pension insurance;
- Ukraine (casualty and property insurance, life insurance; in 2012: casualty and property insurance only);
- Baltics - Lithuania, Latvia, Estonia - (casualty and property insurance and life insurance; in 2012: casualty and property insurance only).

Operating segments may be aggregated into a single reportable segment if the qualitative and quantitative criteria described in IFRS 8.12-19 are met. In these financial statements separate operating segments have not been aggregated into reportable segments with the exception of the "Investments" segment which comprises investment activities using the PZU Group companies' own funds.

14.1.2. Geographical areas

The PZU Group applies additional geographical segmentation as follows:

- Poland;
- Baltics;
- Ukraine.

14.2. Settlements among segments

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

The investment performance (the difference between realized and unrealized revenue and expenses) disclosed under corporate insurance (casualty and property insurance), mass client insurance (casualty and property insurance), group insurance and individually continued insurance (life insurance) is determined in accordance with the transfer pricing based on the interest rate of the curves of the treasury securities yield (risk-free rate), taking into account that for unit-linked insurance products with a guaranteed rate and for structured products, the net profit or loss on investments constituting coverage of the corresponding technical provisions is disclosed.

14.3. Measure of profit of a segment

The key measure of profit of a segment in the PZU Group:

- In insurance companies – a profit or loss on insurance in accordance with the accounting policies of the country of residence of the company, constituting the profit or loss before tax and other operating revenue and expenses (including borrowing costs), however taking into account the net profit or loss on investments covering 100% of technical provisions. A profit or loss on insurance is a similar measure to the technical result on insurance defined in Polish Accounting Standards, however it includes the net profit or loss on investments described in the previous sentence for property, casualty and life insurance.
- In non-insurance companies – an operating profit or loss in accordance with the accounting policies of the country of residence of the company or IFRS, constituting a profit or loss before tax and borrowing costs.

14.4. Information about segments

Description of all the reportable segments of the PZU Group, including presentation of the accounting policies used for presentation of financial data:

- Corporate insurance (casualty and property insurance) – reporting in accordance with Polish Accounting Standards – a wide range of property insurance products, third party and motor insurance products customized to meet clients' expectations and with individual risk assessment, offered by PZU to big enterprises;
- Mass client insurance (casualty and property insurance) – reporting in accordance with Polish Accounting Standards – a wide range of property insurance products, accident insurance products, third party and motor insurance products offered by PZU to retail clients and entities in the SME sector;
- Group insurance and individually continued insurance (life insurance) - reporting in accordance with Polish Accounting Standards – group insurance offered by PZU Życie to groups of employees and other formal groups (e.g. trade unions), intended for individuals who are in a legal relation with the insurer (e.g. employer, trade union) and individually continued insurance where the insurer has obtained the right to continue insurance individually under group insurance. The offer of PZU Życie comprises a wide range of group insurance coverage, investment insurance (other than investment contracts) and health insurance;
- Individual insurance (life insurance) - reporting in accordance with Polish Accounting Standards – insurance offered by PZU Życie to individual clients whereby an insurance contract covers a given

individual who is subject to separate risk assessment; the offer of PZU Życie comprises a wide range of group insurance coverage, investment insurance (other than investment contracts) and health insurance;

- Investments - reporting in accordance with Polish Accounting Standards – comprising investment activities in respect of the PZU Group's own funds constituting a surplus of investments over technical provisions in the key insurance companies of the PZU Group (PZU and PZU Życie, however the surplus is not the same as investments of own funds of insurance companies as defined in Polish Accounting Standards) and other funds available in the PZU Group;
- Pension insurance - reporting in accordance with Polish Accounting Standards – comprising the company PZU PTE;
- Ukraine (casualty, property and life insurances; 2012: only casualty and property insurance) – reporting in accordance with Ukrainian standards – comprising only Ukrainian companies PZU Ukraine and PZU Ukraine Life; 2012: only PZU Ukraine;
- Baltic States (casualty, property and life insurances; 2012: only casualty and property insurance) – reporting in accordance with Lithuanian standards – comprising PZU Lietuva, operating in Lithuania, and since 2012 also in Latvia and Estonia through its branches, and UAB PZU Lietuva Gyvybes Draudimas; 2012: only PZU Lietuva;
- Investment contracts - reporting in accordance with Polish Accounting Standards – comprising products of PZU Życie which do not result in a transfer of significant insurance risk in accordance with IFRS 4 and are not insurance contracts (i.e. some of the products with a guaranteed rate of return and some unit-linked products). In accordance with IFRS and as required by IAS 39, these products are accounted for using the deposit method and measured depending on the structure of a product – at amortized cost or fair value. Written premium on these products is not recognized in accordance with IFRS. In accordance with Polish Accounting Standards, all of the aforesaid products are disclosed as insurance products and written premium is recognized;
- Other – reporting in accordance with IFRS or PAS (presentation of a profit or loss of a segment under "other" is not required under IFRS 8) – comprises other consolidated entities which do not belong to any of the aforesaid segments and whose revenue is earned mainly from the manufacture of fittings, heaters, casting and services.

14.5. Polish Accounting Standards applied

14.5.1. PZU

PSR Polish Accounting Standards and the differences between PAS and IFRS in respect of financial reporting of PZU were presented in detail in the annual separate financial statements of Powszechny Zakład Ubezpieczeń Spółka 2012, approved by Management Board on 12 March 2013, on which the certified auditor issued an unqualified opinion on the same date ("Separate financial statements of PZU for 2012").

The separate financial statements of PZU for 2012 are available on the PZU website www.pzu.pl under "PZU Capital Group/Investor Relations/Periodic and current reports/Periodic reports".

14.5.2. PZU Życie

The accounting policies in accordance with PAS for PZU Życie coincide with PAS for PZU SA (excluding accounting of insurance contracts and investment contracts).

The accounting policies for insurance contracts and investment contracts of PZU Życie in accordance with IFRS have been presented in consolidated financial statements of the PZU Group for 2012 financial year.

The key differences between PAS and IFRS as regards accounting for insurance contracts and investment contracts of PZU Życie comprise:

- Classification of insurance contracts in accordance with instructions included in IFRS 4 regarding classification of products as insurance contracts under IFRS 4 or investment contracts valued in accordance with IAS 39. In accordance with IFRS 4, a contract is an insurance contract only when it could cause an insurer to pay significant additional benefits in any scenario, excluding scenarios lacking commercial substance (i.e. having no discernible effect on the economics of the transaction), therefore when significant insurance risk is transferred under the contract. Determination whether significant financial risk is transferred under a given contract requires an analysis of the cash flows associated with a given product in different scenarios and estimation of the likelihood of its occurrence.
- The technical interest rate used for determination of technical provisions. In line with IFRS 4, if the insurer already measures its insurance contracts with sufficient prudence, it should not introduce additional prudence in subsequent reporting periods. In line with Polish Accounting Standards, technical interest rates are decreased for some types of insurance due to maximum technical interest rates being announced by the Polish Financial Supervision Authority, which results in an increase in technical interest rates under PAS as compared with the same provisions under IFRS.

At the end of 2012, technical rates applied in accordance with PAS and IFRS were unified; in both cases this involved reduction of the technical rates.

The impact of the aforesaid differences between PAS and IFRS has been presented in a segment reporting note in separate columns.

14.6. Structure of the segment reporting note and reconciliations

Since the revenue measures of individual segments are based on local accounting standards applicable in the country of residence of the PZU Group's registered office, the financial data of the reporting segments is disclosed under a few different accounting standards. In addition, due to the differences in the formats of management reports submitted to the chief operating decision maker compared with the format of the financial statements prepared under IFRS, two separate reporting formats had to be used: the format of the management reports submitted to the chief operating decision maker (left-hand side of the note) and the format of the financial statements prepared under IFRS (right-hand side of the note).

As a consequence, reconciliation of the totals of revenue and profit or loss of the reportable segments with their consolidated counterparts as required by IFRS 8.28 included in the note is complex and comprises the following stages described in the segment note in the same order as the order of the reconciliation columns:

- Transition from the format of the management reports submitted to the chief operating decision maker to the format of the financial statements prepared under IFRS (the "Differences in presentation" column), resulting in a number of changes in the presentation, including reclassification of other operating revenue and expenses to items presented under "operating profit/(loss)" in accordance with IFRS;
- Reconciliation of differences between the accounting standards used for the presentation of financial data of the segments and IFRS, and separate presentation of the key accounting standards;
- Making consolidation adjustments (since it is the last phase of reconciliation – the adjustments have been presented in the format required under IFRS).

14.7. Simplifications in the segment note

Some simplifications in the segment note have been made, as compared with the requirements of IFRS 8.

Justification of the simplifications:

- Withdrawal from presentation of information about allocation of all assets and liabilities to individual segments – resulting from failure to prepare and present such information to the entity's chief operating decision maker. The key information submitted to the entity's chief operating decision maker is the profit or loss of given segments, on which basis management decisions, including decisions about allocation of resources are made. Analysis of assets and liabilities allocated to the segments is limited to the

monitoring of compliance with the regulatory requirement under PAS, i.e. having assets covering technical provisions exceed the sum of those provisions (analysis by individual insurance companies instead of product groups);

- Presentation of the net profit or loss on an investment with a single amount expressed as a difference between realized and unrealized revenue and expensed from investments – resulting from an internal assessment of the profit or loss of the segments on the basis of the total measure of the profit or loss on investments;
- Revenue and expenses other than realized and unrealized investment revenue and expenses not allocated to the “investments” segment – resulting from the method of analysis of data regarding that segment and from impracticality of such allocation;
- Presentation of other operating revenue and expenses and financial expenses of the companies PZU and PZU Życie for their operating segments combined (and as a result, not allocating any amounts in this respect to the “investment contracts” segment) – resulting from the measures of profit of the operating segments adopted and from impracticality of such allocation;
- Presentation of income tax charges expressed as a single sum of consolidated data – resulting from the measures of profit of the operating segments adopted and from impracticality of such allocation.

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(in PLN '000)

Income statement from 1 April 2013 to 30 June 2013	Corporate insurance (property and casualty insurance)	Individual insurance (property and casualty insurance)	Group and individual continuation insurance (life insurance)	Individual insurance (life insurance)	Investment	Pension insurance	Ukraine (property and casualty insurance)	Baltics	Investment contracts	Other activities	Presentation differences	Real property and investments	Investment contracts	Prevention fund, equalization reserve and designation to Social Benefit Fund	Consolidation adjustments	Consolidated value	Income statement from 1 April 2013 to 30 June 2013
	PL GAAP	PL GAAP	PL GAAP	PL GAAP	PL GAAP	PL GAAP	UA GAAP	IFRS	PL GAAP	PL GAAP	PL GAAP	PL GAAP - IFRS	PL GAAP - IFRS	PL GAAP - IFRS	IFRS	IFRS	
Gross written premiums - external	469 868	1 546 132	1 600 611	335 161	-	-	48 151	69 405	128 141	-	-	-	(128 141)	-	-	4 069 328	Gross written premiums - external
Gross written premiums - cross-segment	575	-	-	-	-	-	-	-	-	-	-	-	-	-	(575)	-	Gross written premiums - cross-segment
Gross written premiums	470 443	1 546 132	1 600 611	335 161	-	-	48 151	69 405	128 141	-	-	-	(128 141)	-	(575)	4 069 328	
Reinsurer's share in gross written premiums	(21 892)	1 825	(108)	(25)	-	-	(6 714)	(3 436)	-	-	-	-	-	-	271	(30 079)	Reinsurer's share in gross written premiums
Net written premiums	448 551	1 547 957	1 600 503	335 136	-	-	41 437	65 969	128 141	-	-	-	(128 141)	-	(304)	4 039 249	Net written premiums, including:
Change in provisions for unearned premiums and unexpired risks	(48 588)	116 106	(40)	285	-	-	2 901	(11 754)	198	-	(28 521)	-	(198)	-	(125)	30 264	Change in provision for unearned premiums net of reinsurance
Change in net provision for unearned premium	(16 029)	(10 839)	-	-	-	-	(1 276)	(377)	-	-	28 521	-	-	-	-	-	
Net earned premiums	383 934	1 653 224	1 600 463	335 421	-	-	43 062	53 838	128 339	-	-	-	(128 339)	-	(429)	4 069 513	Net earned premiums
Investment income, including:	40 721	155 840	158 216	38 539	4 133 259	3 057	5 570	(1 300)	7 485	36 888	(4 578 275)	-	8 919	-	(17 104)	72 706	Revenue from commissions and fees
Net investment income (external transactions)	40 721	155 840	158 216	38 539	191 716	3 057	5 570	(1 300)	7 485	36 888	(636 732)	-	-	-	-	-	
Net investment income (cross-segment transactions)	-	-	-	-	3 941 543	-	-	-	-	-	(3 941 543)	-	-	-	-	-	
											517 359	-	-	-	(4 750)	512 609	Net investment income (external transactions)
											3 941 543	-	-	-	(3 941 543)	-	Net investment income (cross-segment transactions)
											(143 815)	4 761	-	-	4 239	(134 815)	Net profit or loss on realization and impairment loss on investments
											240 922	(37 280)	-	-	(41 129)	162 513	Net change in the fair value of assets and liabilities plus equity measured at fair value
Other technical revenue net of reinsurance	1 435	7 319	(268)	4 187	-	-	-	-	3 995	-	(16 668)	-	-	-	-	-	
Revenue from non-insurance entities	-	-	-	-	-	51 366	-	-	-	106 408	(157 774)	-	-	-	-	-	
Other operating revenue (without insurance entities)	-	-	-	-	-	312	-	-	-	171	118 467	1 291	(3 994)	-	(40 572)	75 675	Other operating revenue
Gross claims paid	(205 354)	(823 696)	(1 042 289)	(155 269)	-	-	(18 990)	(41 061)	(188 786)	-	(385 264)	-	123 885	-	5 129	(2 731 695)	Claims, benefits and change in technical provisions
Change in provision for claims outstanding (gross)	35 739	(292 913)	(21 653)	(86)	-	-	(1 559)	813	3 026	-	276 633	-	-	-	-	-	
Reinsurers' share in claims paid	31 819	4 168	36	-	-	-	467	8 085	-	-	(38 054)	-	-	-	(3 534)	2 987	Reinsurers' share in claims, benefits and change in technical provisions
Reinsurers' share in change in provisions for claims outstanding	(40 048)	(53)	-	-	-	-	1 770	580	-	-	37 751	-	-	-	-	-	
Claims net of reinsurance	(177 844)	(1 112 494)	(1 063 906)	(155 355)	-	-	(18 312)	(31 583)	(185 760)	-	(108 934)	-	123 885	-	1 595	(2 728 708)	Net insurance claims and benefits
Change in other technical provisions net of reinsurance, provision for unit-linked insurance, equalization provisions	-	-	(21 780)	(150 087)	-	-	-	-	61 867	-	110 000	-	-	(471)	-	(471)	Benefits and change in measurement of investment contracts
Provisions for bonuses and rebates for the insured, including change in provisions	1 543	-	(174)	-	-	-	-	-	(1)	-	(1 368)	-	-	-	-	-	
Other technical charges, net of reinsurance	(13 634)	(50 145)	(19 945)	(2 491)	-	-	-	-	(870)	-	87 085	-	-	-	-	-	
Acquisition costs	(75 136)	(276 334)	(78 581)	(27 240)	-	(4 224)	(14 993)	(17 504)	(4 068)	-	-	-	-	-	6 008	(492 072)	Acquisition costs
Administrative costs	(24 628)	(106 615)	(126 322)	(11 135)	-	(16 532)	(8 333)	(6 216)	(2 330)	-	(1)	2 718	-	(20 000)	4 364	(315 030)	Administrative costs
Reinsurers' commissions and share in reinsurers' profit	1 654	341	(577)	-	-	-	-	-	-	-	(1 418)	-	-	-	-	-	
Non-insurance entities costs	-	-	-	-	-	-	-	-	-	(102 007)	102 007	-	-	-	-	-	
Other operating costs (without insurance entities)	-	-	-	-	-	(14)	-	-	-	5 324	(203 550)	2 833	-	15 704	37 008	(142 695)	Other operating costs
Insurance result / Operating profit (loss)	138 045	271 136	447 126	31 839	4 133 259	33 965	6 994	(2 765)	8 657	46 784	(13 529)	(25 677)	-	(4 296)	(3 992 313)	1 079 225	Operating profit (loss)
Other operating revenue	4 440	-	(4 239)	-	-	-	578	839	-	-	(1 618)	-	-	-	-	-	
Other operating costs	(18 343)	-	(5 663)	-	-	-	(518)	(1 417)	-	-	25 941	-	-	-	-	-	
Financial expense	-	-	-	-	-	-	-	-	-	(34 095)	(10 795)	-	-	-	-	(23 426)	Financial expense
																(601)	Share in profit (loss) of entities measured using the equity method
																1 055 198	Gross profit (loss)
																(216 747)	Income tax
																838 451	Net profit (loss)

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(in PLN '000)

Income statement for 1 January 2013 - 30 June 2013	Corporate insurance (property and casualty insurance)	Individual insurance (property and casualty insurance)	Group and individual continuation insurance (life insurance)	Individual insurance (life insurance)	Investment	Pension insurance	Ukraine (property and casualty insurance)	Baltics	Investment contracts	Other activities	Presentation differences	Real property and investments	Investment contracts	Prevention fund, equalization reserve and designation to Social Benefit Fund	Consolidation adjustments	Consolidated value	Income statement for 1 January 2013 - 30 June 2013
	PL GAAP	PL GAAP	PL GAAP	PL GAAP	PL GAAP	PL GAAP	UA GAAP	IFRS	PL GAAP	PL GAAP	PL GAAP	PL GAAP - IFRS	PL GAAP - IFRS	PL GAAP - IFRS	IFRS	IFRS	
Gross written premiums - external	954 693	3 380 840	3 198 857	744 794	-	-	90 928	125 139	857 718	-	-	-	-	(857 718)	-	8 495 251	Gross written premiums - external
Gross written premiums - cross-segment	1 470	-	-	-	-	-	-	-	-	-	-	-	-	-	(1 470)	-	Gross written premiums - cross-segment
Gross written premiums	956 163	3 380 840	3 198 857	744 794	-	-	90 928	125 139	857 718	-	-	-	-	(857 718)	-	8 495 251	
Reinsurer's share in gross written premiums	(39 214)	135	(1 405)	(45)	-	-	(13 348)	(11 241)	-	-	-	-	-	-	1 442	(63 676)	Reinsurer's share in gross written premiums
Net written premiums	916 949	3 380 975	3 197 452	744 749	-	-	77 580	113 898	857 718	-	-	-	-	(857 718)	(28)	8 431 575	Net written premiums, including:
Change in provisions for unearned premiums and unexpired risks	(99 413)	(100 154)	143	2 522	-	-	2 542	(12 404)	483	-	(46 856)	-	(483)	-	(715)	(254 335)	Change in provision for unearned premiums net of reinsurance
Change in net provision for unearned premium	(31 363)	(19 380)	-	-	-	-	148	3 739	-	-	46 856	-	-	-	-	-	
Net earned premiums	786 173	3 261 441	3 197 595	747 271	-	-	80 270	105 233	858 201	-	-	-	-	(858 201)	(743)	8 177 240	Net earned premiums
Investment income, including:	79 280	302 254	309 899	88 866	4 294 020	6 063	11 788	1 449	24 479	49 108	(5 167 206)	-	16 690	-	(27 364)	143 270	Revenue from commissions and fees
Net investment income (external transactions)	79 280	302 254	309 899	88 866	349 100	6 063	11 788	1 449	24 479	49 108	(1 222 286)	-	-	-	-	-	Net investment income (external transactions)
Net investment income (cross-segment transactions)	-	-	-	-	3 944 920	-	-	-	-	-	(3 944 920)	-	-	-	-	-	Net investment income (cross-segment transactions)
											962 937	-	-	-	(6 291)	956 646	Net profit or loss on realization and impairment loss on investments
											3 944 920	-	-	-	(3 944 920)	-	Net change in the fair value of assets and liabilities plus equity measured at fair value
											(115 464)	8 763	-	-	(75 066)	(181 767)	
											305 803	(60 214)	-	-	(51 150)	194 439	
Other technical revenue net of reinsurance	6 844	21 916	684	8 021	-	-	-	-	7 748	-	(45 213)	-	-	-	-	-	Other operating revenue
Revenue from non-insurance entities	-	-	-	-	-	101 668	-	-	-	192 027	(293 695)	-	-	-	-	-	
Other operating revenue (without insurance entities)	-	-	-	-	-	314	-	-	-	727	329 155	1 225	(7 748)	-	(43 080)	280 593	
Gross claims paid	(428 623)	(1 634 887)	(2 202 428)	(302 121)	-	-	(40 302)	(75 939)	(957 384)	-	(680 024)	-	860 954	-	8 671	(5 452 083)	Claims, benefits and change in technical provisions
Change in provision for claims outstanding (gross)	872	(319 689)	(4 278)	6 578	-	-	(1 635)	1 918	4 231	-	312 003	-	-	-	-	-	
Reinsurers' share in claims paid	43 343	145 017	27	-	-	-	660	10 052	-	-	(202 653)	-	-	-	(3 768)	(7 322)	Reinsurers' share in claims, benefits and change in technical provisions
Reinsurers' share in change in provisions for claims outstanding	(21 735)	(185 929)	-	-	-	-	3 432	(1 512)	-	-	205 744	-	-	-	-	-	
Claims net of reinsurance	(406 143)	(1 995 488)	(2 206 679)	(295 543)	-	-	(37 845)	(65 481)	(953 153)	-	(364 930)	-	860 954	-	4 903	(5 459 405)	Net insurance claims and benefits
Change in other technical provisions net of reinsurance, provision for unit-linked insurance, equalization provisions	-	-	(58 645)	(402 024)	-	-	-	-	92 193	-	368 476	-	-	(11 695)	-	(11 695)	Benefits and change in measurement of investment contracts
Provisions for bonuses and rebates for the insured, including change in provisions	711	-	(256)	-	-	-	-	-	(2)	-	(453)	-	-	-	-	-	
Other technical charges, net of reinsurance	(31 498)	(137 798)	(28 944)	(3 162)	-	-	-	-	(1 475)	-	202 877	-	-	-	-	-	
Acquisition costs, net of reinsurance	(151 863)	(542 357)	(156 434)	(53 684)	-	(8 300)	(28 896)	(32 433)	(8 422)	-	-	-	-	-	9 729	(972 660)	Acquisition costs
Administrative costs	(50 297)	(231 398)	(258 976)	(22 306)	-	(34 798)	(16 906)	(12 119)	(5 034)	-	(11)	1 005	-	(20 000)	9 516	(641 314)	Administrative costs
Reinsurers' commissions and share in reinsurers' profit	3 151	75 454	(381)	-	-	-	-	-	-	-	(78 224)	-	-	-	-	-	
Non-insurance entities costs	-	-	-	-	-	-	-	-	-	(181 401)	181 401	-	-	-	-	-	
Other operating costs (without insurance entities)	-	-	-	-	-	(336)	-	-	-	3 657	(374 834)	(5 297)	-	1 007	36 149	(339 654)	Other operating costs
Insurance result / Operating profit (loss)	236 358	754 024	797 863	67 439	4 294 020	64 611	8 411	(3 351)	14 535	64 118	9 493	(54 518)	-	(18 993)	(4 088 317)	2 145 693	Operating profit (loss)
Other operating revenue	22 850	-	8 387	-	-	-	1 209	1 595	-	-	(34 041)	-	-	-	-	-	
Other operating costs	(28 100)	-	(8 419)	-	-	-	(1 822)	(2 366)	-	-	40 707	-	-	-	-	-	
Financial expense	-	-	-	-	-	-	-	-	-	(52 649)	(16 160)	-	-	-	-	(37 826)	Financial expense
																1 856	Share in profit (loss) of entities measured using the equity method
																2 109 723	Gross profit (loss)
																(434 007)	Income tax
																1 675 716	Net profit (loss)

The Capital Group of Powszechny Zakład Ubezpieczeń Spółka Akcyjna
Interim financial statements in line with IFRS for the period of 6 months ended 30 June 2013

(in PLN '000)

Income statement for 1 April 2012 - 30 June 2012	Corporate insurance (property and casualty insurance)	Individual insurance (property and casualty insurance)	Group and individual continuation insurance (life insurance)	Individual insurance (life insurance)	Investment	Pension insurance	Ukraine (property and casualty insurance)	Lithuania (property and casualty insurance)	Investment contracts	Other activities	Presentation differences	Real property and investments	Investment contracts	Technical rate in life insurance	Prevention fund, equalization reserve and designation to Social Benefit Fund	Consolidation adjustments	Consolidated value	Income statement for 1 April 2012 - 30 June 2012
	PL GAAP	PL GAAP	PL GAAP	PL GAAP	PL GAAP	PL GAAP	UA GAAP	LT GAAP	PL GAAP	PL GAAP	PL GAAP	PL GAAP - IFRS	PL GAAP - IFRS	PL GAAP - IFRS	PL GAAP - IFRS	IFRS	IFRS	
Gross written premiums - external	423 524	1 571 949	1 579 594	259 896	-	-	33 238	55 326	520 816	-	-	-	-	(520 816)	-	-	-	3 923 527
Gross written premiums - cross-segment	(41)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	41	-
Gross written premiums	423 483	1 571 949	1 579 594	259 896	-	-	33 238	55 326	520 816	-	-	-	-	(520 816)	-	-	41	3 923 527
Reinsurer's share in gross written premiums	(15 306)	(3 825)	(493)	(22)	-	-	(4 356)	(1 616)	-	-	-	-	-	-	-	-	350	(25 268)
Net written premiums	408 177	1 568 124	1 579 101	259 874	-	-	28 882	53 710	520 816	-	-	-	-	(520 816)	-	-	391	3 898 259
Change in provisions for unearned premiums and unexpired risks	58 632	65 174	313	758	-	-	(304)	(13 085)	(145)	-	(11 887)	-	145	-	-	-	18	99 619
Change in net provision for unearned premium	(5 536)	(8 015)	(180)	(4)	-	-	377	1 471	-	-	11 887	-	-	-	-	-	-	-
Net earned premiums	461 273	1 625 283	1 579 234	260 628	-	-	28 955	42 096	520 671	-	-	-	-	(520 671)	-	-	409	3 997 878
Investment income, including:	40 361	151 808	201 786	60 351	1 445 555	3 003	3 766	1 147	17 834	92	(1 925 703)	47 360	-	8 997	-	-	-	56 357
Net investment income (external transactions)	40 361	151 808	201 786	60 351	217 881	3 003	3 766	1 147	17 834	92	(698 029)	-	-	-	-	-	-	-
Net investment income (cross-segment transactions)	-	-	-	-	1 227 674	-	-	-	-	-	(1 227 674)	646 465	-	-	-	-	1 469	647 934
											1 227 674	-	-	-	-	(1 227 674)	-	-
											14 885	5 140	-	-	-	(4 358)	15 667	Net profit or loss on realization and impairment loss on investments
											(9 970)	(6 086)	-	-	-	3 561	(12 495)	Net change in the fair value of assets and liabilities plus equity measured at fair value
Other technical revenue net of reinsurance	1 957	26 739	210	2 535	-	-	-	-	3 681	-	(35 122)	-	-	-	-	-	-	-
Revenue from non-insurance entities	-	-	-	-	-	47 360	-	-	-	90 307	(137 667)	-	-	-	-	-	-	-
Other operating revenue (without insurance entities)	-	-	-	-	-	10	-	-	-	1 394	115 191	1 618	(3 681)	-	-	(26 055)	88 477	Other operating revenue
Gross claims paid	(246 287)	(964 560)	(1 036 119)	(143 969)	-	-	(12 543)	(22 780)	(1 172 528)	-	173 206	(378)	527 009	(766)	-	857	(2 898 858)	Claims, benefits and change in technical provisions
Change in provision for claims outstanding (gross)	(272 447)	(22 726)	(5 433)	5 133	-	-	(1 124)	(296)	(1 186)	-	298 079	-	-	-	-	-	-	-
Reinsurers' share in claims paid	17 418	30 297	39	-	-	-	842	(630)	-	-	113 457	-	-	-	-	(318)	161 105	Reinsurers' share in claims, benefits and change in technical provisions
Reinsurers' share in change in provisions for claims outstanding	113 667	(15 571)	-	-	-	-	(450)	(2 035)	-	-	(95 611)	-	-	-	-	-	-	-
Claims net of reinsurance	(387 649)	(972 560)	(1 041 513)	(138 836)	-	-	(13 275)	(25 741)	(1 173 714)	-	489 131	(378)	527 009	(766)	-	539	(2 737 753)	Net insurance claims and benefits
Change in other technical provisions net of reinsurance, provision for unit-linked insurance, equalization provisions	-	-	(67 885)	(108 428)	-	-	-	-	646 048	-	(469 735)	-	-	(11 654)	-	-	-	(11 654)
Provisions for bonuses and rebates for the insured, including change in provisions	1 682	43	(174)	-	-	-	-	-	-	-	(1 551)	-	-	-	-	-	-	-
Other technical charges, net of reinsurance	(9 043)	(68 842)	(20 412)	(1 447)	-	-	-	-	(1 729)	-	101 473	-	-	-	-	-	-	-
Acquisition costs	(85 055)	(275 373)	(84 971)	(22 253)	-	(4 871)	(9 810)	(12 459)	(3 623)	-	-	6	-	-	-	266	(498 143)	Acquisition costs
Administrative costs	(20 838)	(115 549)	(145 007)	(13 427)	-	(15 262)	(6 885)	(4 561)	(3 780)	-	-	(946)	-	-	-	4 658	(321 597)	Administrative costs
Reinsurers' commissions and share in reinsurers' profit	(9 880)	(770)	15	-	-	-	-	-	-	-	10 635	-	-	-	-	-	-	-
Non-insurance entities costs	-	-	-	-	-	-	-	-	-	(94 570)	94 570	-	-	-	-	-	-	-
Other operating costs (without insurance entities)	-	-	-	-	-	(51)	-	-	-	(1)	(157 358)	(2)	-	-	-	14 658	18 967	Other operating costs
Insurance result / Operating profit (loss)	(7 192)	370 779	421 283	39 123	1 445 555	30 189	2 751	482	5 388	(2 778)	10 278	(648)	-	(766)	14 658	(1 228 218)	1 100 884	Operating profit (loss)
Other operating revenue	9 873	-	7 346	-	-	-	123	633	-	-	(17 975)	-	-	-	-	-	-	-
Other operating costs	(10 700)	-	(1 173)	-	-	-	286	(853)	-	-	12 440	-	-	-	-	-	-	-
Financial expense	-	-	-	-	-	-	-	-	-	(2 342)	(4 705)	-	-	-	-	-	(7 047)	Financial expense
																	1 093 837	Gross profit (loss)
																	(200 017)	Income tax
																	893 820	Net profit (loss)

The Capital Group of Powszechny Zakład Ubezpieczeń Spółka Akcyjna
Interim financial statements in line with IFRS for the period of 6 months ended 30 June 2013

(in PLN '000)

Income statement for 1 January 2012 - 30 June 2012	Corporate insurance (property and casualty insurance)	Individual insurance (property and casualty insurance)	Group and individual continuation insurance (life insurance)	Individual insurance (life insurance)	Investment	Pension insurance	Ukraine (property and casualty insurance)	Lithuania (property and casualty insurance)	Investment contracts	Other activities	Presentation differences	Real property and investments	Investment contracts	Technical rate in life insurance	Prevention fund, equalization reserve and designation to Social Benefit Fund	Consolidation adjustments	Consolidated value	Income statement for 1 January 2012 - 30 June 2012
	PL GAAP	PL GAAP	PL GAAP	PL GAAP	PL GAAP	PL GAAP	UA GAAP	LT GAAP	PL GAAP	PL GAAP	PL GAAP	PL GAAP - IFRS	PL GAAP - IFRS	PL GAAP - IFRS	PL GAAP - IFRS	IFRS	IFRS	
Gross written premiums - external	1 040 753	3 395 358	3 168 846	477 566	-	-	64 717	99 034	1 545 039	-	-	-	(1 545 039)	-	-	-	8 246 274	Gross written premiums - external
Gross written premiums - cross-segment	512	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(512)	-	Gross written premiums - cross-segment
Gross written premiums	1 041 265	3 395 358	3 168 846	477 566	-	-	64 717	99 034	1 545 039	-	-	-	(1 545 039)	-	-	(512)	8 246 274	
Reinsurer's share in gross written premiums	(56 170)	(4 446)	(1 276)	(62)	-	-	(13 448)	(6 916)	-	-	-	-	-	-	-	1 448	(80 870)	Reinsurer's share in gross written premiums
Net written premiums	985 095	3 390 912	3 167 570	477 504	-	-	51 269	92 118	1 545 039	-	-	-	(1 545 039)	-	-	936	8 165 404	Net written premiums, including:
Change in provisions for unearned premiums and unexpired risks	(88 510)	(171 042)	123	3 095	-	-	1 521	(12 491)	(807)	-	(30 061)	-	807	-	-	(1 303)	(298 668)	Change in provision for unearned premiums net of reinsurance
Change in net provision for unearned premium	(15 380)	(16 901)	339	33	-	-	377	1 471	-	-	30 061	-	-	-	-	-	-	
Net earned premiums	881 205	3 202 969	3 168 032	480 632	-	-	53 167	81 098	1 544 232	-	-	-	(1 544 232)	-	-	(367)	7 866 736	Net earned premiums
Investment income, including:	62 995	264 864	441 019	150 084	1 832 422	6 320	10 011	3 960	94 264	343	96 308	-	20 051	-	-	-	116 359	Revenue from commissions and fees
Net investment income (external transactions)	62 995	264 864	441 019	150 084	597 997	6 320	10 011	3 960	94 264	343	(2 866 282)	-	-	-	-	-	-	
Net investment income (cross-segment transactions)	-	-	-	-	1 234 425	-	-	-	-	-	(1 631 857)	-	-	-	-	-	-	
											1 081 155	-	-	-	-	3 214	1 084 369	Net investment income (external transactions)
											1 234 425	-	-	-	-	(1 234 425)	-	Net investment income (cross-segment transactions)
											118 380	5 140	-	-	-	2 568	126 088	Net profit or loss on realization and impairment loss on investments
											341 700	(25 111)	-	-	-	(3 142)	313 447	Net change in the fair value of assets and liabilities plus equity measured at fair value
Other technical revenue net of reinsurance	8 739	36 041	822	6 100	-	-	-	-	9 086	-	(60 788)	-	-	-	-	-	-	
Revenue from non-insurance entities	-	-	-	-	-	96 308	-	-	-	168 397	(264 705)	-	-	-	-	-	-	
Other operating revenue (without insurance entities)	-	-	-	-	-	90	-	-	-	3 650	223 867	2 282	(9 086)	-	-	(56 880)	163 923	Other operating revenue
Gross claims paid	(507 088)	(1 837 205)	(2 123 408)	(286 904)	-	-	(25 496)	(49 658)	(1 620 218)	-	(807 329)	(378)	1 620 228	(11 374)	-	630	(5 648 200)	Claims, benefits and change in technical provisions
Change in provision for claims outstanding (gross)	(220 792)	(190 555)	18 720	19 214	-	-	(1 124)	(296)	(1 453)	-	376 286	-	-	-	-	-	-	
Reinsurers' share in claims paid	28 029	44 851	39	-	-	-	946	1 215	-	-	58 744	-	-	-	-	(259)	133 565	Reinsurers' share in claims, benefits and change in technical provisions
Reinsurers' share in change in provisions for claims outstanding	83 010	(33 641)	-	-	-	-	(450)	(2 035)	-	-	(46 884)	-	-	-	-	-	-	
Claims net of reinsurance	(616 841)	(2 016 550)	(2 104 649)	(267 690)	-	-	(26 124)	(50 774)	(1 621 671)	-	(419 183)	(378)	1 620 228	(11 374)	-	371	(5 514 635)	Net insurance claims and benefits
Change in other technical provisions net of reinsurance, provision for unit-linked insurance, equalization provisions	-	-	(221 193)	(214 083)	-	-	-	-	1 446	-	433 830	-	-	-	-	-	(86 961)	Benefits and change in measurement of investment contracts
Provisions for bonuses and rebates for the insured, including change in provisions	3 032	112	(355)	-	-	-	-	-	-	-	(2 789)	-	(86 961)	-	-	-	(86 961)	
Other technical charges, net of reinsurance	(18 340)	(161 533)	(30 406)	(1 849)	-	-	-	-	(2 769)	-	214 897	-	-	-	-	-	-	
Acquisition costs, net of reinsurance	(171 873)	(558 903)	(162 975)	(40 497)	-	(11 222)	(17 711)	(24 153)	(13 552)	-	-	4	-	-	-	2 005	(998 877)	Acquisition costs
Administrative costs	(49 283)	(251 702)	(288 138)	(24 909)	-	(32 501)	(13 436)	(8 687)	(6 871)	-	-	2 322	-	-	(20 000)	6 498	(686 707)	Administrative costs
Reinsurers' commissions and share in reinsurers' profit	(9 428)	(3 806)	15	-	-	-	-	-	-	-	13 219	-	-	-	-	-	-	
Non-insurance entities costs	-	-	-	-	-	-	-	-	-	(171 266)	171 266	-	-	-	-	-	-	
Other operating costs (without insurance entities)	-	-	-	-	-	(287)	-	-	-	(549)	(301 462)	636	-	-	8 606	44 870	(248 186)	Other operating costs
Insurance result / Operating profit (loss)	90 206	511 492	802 172	87 788	1 832 422	58 708	5 907	1 444	4 165	575	13 838	(15 105)	-	(11 374)	(11 394)	(1 235 288)	2 135 556	Operating profit (loss)
Other operating revenue	25 040	-	12 119	-	-	-	222	1 253	-	-	(38 634)	-	-	-	-	-	-	
Other operating costs	(25 264)	-	(8 298)	-	-	-	(155)	(1 639)	-	-	35 356	-	-	-	-	-	-	
Financial expense	-	-	-	-	-	-	-	-	-	(2 241)	(10 564)	-	-	-	-	-	(12 805)	Financial expense
																	2 122 751	Gross profit (loss)
																	(406 302)	Income tax
																	1 716 449	Net profit (loss)

1 January – 30 June 2013 and as at 30 June 2013	Poland	Baltics	Ukraine	Consolidation eliminations	Consolidated value
Gross written premiums - external	8 279 184	125 139	90 928	-	8 495 251
Gross written premiums - cross-segment	477	-	-	(477)	-
Revenue from commissions and fees	143 270	-	-	-	143 270
Net investment income (external transactions)	932 059	4 215	12 385	-	948 659
Net profit or loss on realization and impairment loss on investments (external transactions)	(180 703)	(417)	(647)	-	(181 767)
Net change in the fair value of assets and liabilities measured at fair value (external transactions)	204 714	(2 349)	61	-	202 426
Non-current assets other than financial instruments*	1 151 739	13 995	6 489	(1 532)	1 170 691
Deferred tax assets	12 299	-	1 250	-	13 549
Assets	62 340 650	397 428	256 977	(396 558)	62 598 497

* Include intangible assets and property, plant and equipment

31 December 2012	Poland	Baltics	Ukraine	Consolidation eliminations	Consolidated value
Non-current assets other than financial instruments*	1 159 760	10 625	6 717	(1 547)	1 175 555
Deferred tax assets	12 753	-	1 210	-	13 963
Assets	55 025 653	284 912	158 151	440 844	55 909 560

* Include intangible assets and property, plant and equipment

1 January – 30 June 2012 and as at 30 June 2012	Poland	Baltics	Ukraine	Consolidation eliminations	Consolidated value
Gross written premiums - external	8 082 523	99 034	64 717	-	8 246 274
Gross written premiums - cross-segment	(75)	-	-	75	-
Revenue from commissions and fees	116 359	-	-	-	116 359
Net investment income (external transactions)	1 074 997	3 114	6 258	-	1 084 369
Net profit or loss on realization and impairment loss on investments (external transactions)	124 172	(175)	2 091	-	126 088
Net change in the fair value of assets and liabilities measured at fair value (external transactions)	312 417	1 022	8	-	313 447
Non-current assets other than financial instruments*	1 159 729	9 524	7 150	(1 808)	1 174 595
Deferred tax assets	17 315	-	1 300	-	18 615
Assets	54 059 294	288 684	151 396	(321 904)	54 177 470

* Include intangible assets and property, plant and equipment

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

In the period of 6 months ended 30 June 2013, PZU did not issue, redeem or repay any debt or equity securities.

16. Breach or default of significant provisions of the loans or other borrowing arrangements

In the period of 6 months ended 30 June 2012, PZU or its subsidiaries did not default under any credit facility or loan agreement nor did they breach any significant covenants or provisions of such agreements, which was not followed by appropriate remedial actions taken before the end of the reporting period.

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

In the period of 6 months ended 30 June 2013, neither PZU nor its subsidiaries gave credit facility/loan collateral or guarantees - to one entity or a subsidiary of such an entity - if the total value of the existing collateral or guarantees constituted the equivalent of at least 10% of the equity of PZU.

18. Dividends

Only the profit disclosed in the separate financial statements of the parent company, drawn up in accordance with the Polish Accounting Standards, is subject to distribution.

18.1. Distribution of 2012 profit

On 23 May the Ordinary General Shareholders' Meeting of PZU adopted a resolution on the following distribution of PLN 2,580,720 thousand of profit of PZU for the 2012 financial year:

- PLN 2,564,663 thousand to dividend for the shareholders, i.e. PLN 29.70 per share;
- reclassification to the supplementary capital - PLN 6,057 thousand;
- PLN 10,000 thousand to the Company's Social Benefits Fund.

The dividend record date was set at 23 August 2013, and the dividend payment date at 12 September 2013.

Proceedings against PZU set aside a resolution on distribution of profit of PZU was described in detail in point 19.1.

18.2. Advance payment for dividend expected at the end of 2013

In accordance with Art. 349 of the Code of Commercial Companies, the Management Board of PZU plans for paying a dividend for 2013 of PLN 1,727,046, i.e. PLN 20.00 per share from the profit for the period of six months ended 30 June 2013 of PLN 4,679,913 thousand disclosed in the separate financial statements of PZU for that period prepared in accordance with Polish Accounting Standards.

19. Dispute

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

proceedings and disputes are typical and repetitive and, usually, individually they are not significant for the PZU Group.

Most disputes the PZU Group companies are parties to pertain to two companies: PZU and PZU Życie. In addition PZU and PZU Życie participate in the proceedings before the President of the Office of Competition and Consumer Protection (UOKiK).

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

In the period of 6 months ended 30 June 2013 and by the date of submission of these consolidated financial statements, the PZU Group did not take part in any proceedings before court, body competent to hear arbitration proceedings or public authority body concerning liabilities or receivables of PZU or its direct or indirect subsidiary of the value or the total value of at least 10% of the equity of PZU.

As of 30 June 2013 the total value of all 50,690 cases held by courts, bodies competent to hear arbitration proceedings or public authority bodies involving the PZU Group companies was PLN 2,485.851 thousand. The amount includes PLN 1,890.015 thousand of liabilities and PLN 595.836 thousand of receivables of the PZU Group companies, which constituted 15.16 % and 4.78 % of PZU equity calculated in line with PAS, respectively.

19.1. Resolution of General Shareholders meeting of PZU regarding 2006 profit distribution

A petition of 30 July 2007 initiated an action of Manchester Securities Corporation against PZU regarding cancellation of GSM Resolution no. 8/2007 of 30 June 2007 regarding distribution of PZU profit for 2006 as non-compliant with good practices and acting to the detriment of the claimant, a shareholder of PZU.

The debated resolution of the General Shareholders Meeting of PZU distributed the 2006 profit of PLN 3,280,883 thousand in the following manner:

- PLN 3,260,883 thousand to the supplementary capital;
- PLN 20,000 thousand to the Social Benefit Fund.

In its decision of 22 January 2010, the District Court in Warsaw cancelled the above resolution. On 17 February 2010, PZU appealed against the decision of the District Court in Warsaw.

In a decision of 6 December 2011, the Appellate Court in Warsaw dismissed the complaint of PZU against the decision of the District Court in Warsaw of 22 January 2010. As of the date of decision by the Appellate Court, the decision issued by the District Court on 22 January 2010 that cancelled the above resolution of the General Shareholders Meeting became legally binding.

On 7 December 2011, PZU motioned for a written rationale for the decision of the Appellate Court in Warsaw of 6 December 2011. On 2 April 2012, the decision with rationale was delivered to PZU. On 29 May 2012, PZU lodged a cassation appeal regarding the entire decision of the Appellate Court of 6 December 2011. On 27 March 2013 the Supreme Court dismissed the motion for cassation and charged PZU with court fees, including costs of legal representation. Pursuant to the Code of Civil Proceedings, the verdict is binding and cannot be appealed against.

PZU believes that cancelation of the above GSM resolution does not give rise to shareholders' claim for dividend.

Regardless of the above, following the decision cancelling the above resolution becoming effective, the agenda of GSM of 30 May 2012 included a point regarding distribution of profit for 2006.

The Management Board recommended distributing the 2006 profit in a manner corresponding to the resolution cancelled with the above decisions, since after its passing, PZU paid dividend for 2009 using funds retained based on that resolution.

On 30 May 2012 GMS decided to distribute the profit for 2006 in a manner corresponding to the cancelled resolution. Manchester Securities Corporation objected against the resolution of 30 May 2012, which was recorded in the minutes.

On 20 August 2012, PZU received a copy of complaint lodged by Manchester Securities Corporation in the District Court in Warsaw, in which the plaintiff requested cancellation of the resolution of 30 May 2012 regarding distribution of 2006 profit with the value of the disputable object determined at PLN 5,054 thousand. The first hearing was planned for 12 March 2013, which finally was postponed to 5 April 2013. PZU responded to the complaint requesting its complete dismissal. Should argumentation of PZU be ignored, a decision may be issued cancelling the resolution objected against. The Court set the date of the first hearing for 12 March 2013 and then postponed it until 5 April 2013. The hearing was postponed until 10 September 2013.

As at the balance sheet date of 30 June 2013, no changes in presentation of PZU capitals were made that may result from cancellation of the resolution, including "Supplementary capital" and "Previous year profit (loss)". The funds appropriated to the Company's Social Benefit Fund were not adjusted or provisions recognized against any potential additional claims resulting from cancellation of the above resolution.

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

19.2.1. Fine imposed in 2009 for standard agreements

In a decision of 30 December 2009 the President of the Office of Competition and Consumer Protection imposed a fine on PZU of PLN 14,792 thousand for the use of practices that infringe the collective interest of consumers consisting in:

- including contractual provisions listed in the Register of prohibited contractual provisions in the standard agreements;
- including contractual provisions which infringe Article 813.1 of the Civil Code by citing the unused sum insured as the condition for the amount of premium reimbursed to the consumer by the insurance company due to unused insurance period whereas the Article does not refer to such condition.

PZU does not agree with the decision and its statement of reasons. On 18 January 2010 PZU appealed to the Court of Competition and Consumer Protection against the decision (this way the decision did not become valid). In a ruling of 14 November 2011 the Court of Competition and Consumer Protection dismissed the appeal of PZU. On 14 December 2011 PZU appealed to the Court of Appeals in Warsaw. On 5 July 2012 the Court of Appeals in Warsaw dismissed the decision of the Court of Competition and Consumer Protection dated 14 November 2011 until the case is re-examined. On 18 January 2013, the Court of Competition and Consumer Protection overruled the whole decision of the Chairman of the Office of Competition and Consumer Protection of 30 December 2009. On 6 March 2013 President of Office of Competition and Consumer Protection appealed to Court of Competition and Consumer Protection. On 27 March 2013, PZU responded to the appeal.

Regardless of the appeal measures, PZU recognized a provision for the fine totaling – as at 30 June 2013 and as at 31 December 2012 – PLN 14,792 thousand.

19.2.2. Fines imposed in 2011

19.2.2.1. Reimbursement of the costs of rental a replacement car

In a decision of 18 November 2011 the President of the Office of Competition and Consumer Protection imposed a fine on PZU of PLN 11,287 thousand for the use of practices that infringe the collective interest of consumers as set out in Article 24.1 and 24.2 of the Act on competition and consumer protection (Journal of Laws No. 50 of 2007, item 331, as amended) consisting in limitation of the scope of liability of PZU towards consumers that submit claims under the insurers' guarantee liability due to compulsory civil liability insurance of an owner of a motor vehicle by:

- refusing to acknowledge that the loss of the possibility to use the damaged car is a property damage and agreeing to pay damages for the rental of a replacement car only if the injured party presented specific circumstances necessitating the rental of a replacement car;
- leaving out the period necessary for the garage to obtain spare parts from the calculation of the reimbursement for the costs of rental of the replacement car;

and demanded that the practices be discontinued.

The Management Board of PZU does not agree with the decision and its legal and factual statement of reasons.

On 5 December 2011 PZU appealed against the decision (thus the decision did not become valid) citing a number of objections.

Regardless of the appeal measures, PZU recognized a provision for the fine totaling – as at 30 June 2013 and as at 31 December 2012 – PLN 11,287 thousand.

19.2.2.2. Sale of a group accident insurance

In a decision of 30 December 2011 the President of the Office of Competition and Consumer Protection imposed a fine on PZU of PLN 56,605 thousand for the use of practices that limit competition and infringe the prohibition specified in Article 6.1.3 of the Act on competition and consumer protection following an agreement concluded by PZU and Maximus Broker Sp. z o.o. with its registered office in Toruń ("Maximus Broker") that limited the competition in the domestic group accident insurance for children, youth and staff of educational institutions by dividing the market between the entities – the clients of PZU in the kujawsko-pomorskie region were serviced by Maximus Broker in exchange for recommendation of PZU insurance to those clients. The Office demanded that the practices be discontinued.

The Management Board of PZU does not agree with the facts and legal reasons presented in the decision. In the opinion of the Management Board of PZU the decision does not consider all the evidence and the legal classification was not correct.

On 18 January 2012 PZU appealed against the decision (thus the decision did not become valid) In the appeal PZU pointed that:

- PZU and Maximus Broker did not conclude any agreement apart from the agreement concerning brokerage fees;
- the President of the Office of Competition and Consumer Protection is wrong in the understanding of insurance contracts concluded via a broker.
- the majority of insurance contracts concluded via Maximus Broker was concluded with insurance companies other than PZU;
- PZU and Maximus Broker cannot and could not carry out competitive activities in their markets.

On 22 October 2012 PZU receives an answer from the Chairman of the Office of Competition and Consumer Protection to PZU's appeal, to which PZU replied on 5 November 2012.

Regardless of the appeal measures, PZU recognized a provision for the fine totaling – as at 30 June 2013 and as at 31 December 2012 – PLN 56,605 thousand.

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

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

The Management Board of PZU Życie disagrees both with the findings and legal arguments presented in the decision. According to the Management Board of PZU Życie, the decision did not take into account all the evidence and the legal qualification was incorrect, as a result of which it was assumed wrongly that the market position of PZU Życie was dominant.

PZU Życie appealed against the decision to the Court of Competition and Consumer Protection, presenting 38 substantive and formal charges with respect to the decision issued by the President of UOKiK. On 31 May 2010 the Court issued a ruling whereby it dismissed the appeal of PZU Życie on the grounds that the decision of the President of UOKiK of 25 October 2007 was not correctly served on PZU Życie and thus the period available to PZU Życie to appeal against the decision did not start. The ruling has been appealed against by both parties. Having considered the appeals placed by the plaintiff and the defendant, in a ruling of 26 October 2010, the court of second instance cancelled the disputed decision. In a ruling of 17 February 2011, the District Court in Warsaw – Consumer and Competition Protection Court – partly modified the decision in question, at the same time dismissing the appeal lodged by PZU Życie in relation to the amount of penalty. On 6 May 2011, PZU Życie appealed against the decision.

In a ruling of 9 May 2013, the Court of Appeals in Warsaw took PZU Życie's claims into consideration and dismissed the decision of the Court of Competition and Consumer Protection due to invalidity of the court proceedings, cancelled the invalid part of the proceedings and referred the case to be re-examined by the District Court in Warsaw - the Court of Competition and Consumer Protection.

Regardless of the appeal measures, PZU recognized a provision for the fine totaling – as at 30 June 2013 and as at 31 December 2012 PLN 50,384 thousand.

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

19.4.1. Proceedings before the Court of Arbitration at the National Chamber of Commerce in Warsaw

On 9 April 2010 the Court of Arbitration served on PZU Życie a statement of claim for payment. The case against PZU Życie was brought by CSC Computer Sciences Polska sp. z o. o. which demanded payment of EUR 8,437 thousand with respect to implementation of the GraphTalk system at PZU Życie. Following further amendments in claim, CSC is demanding the total of PLN 35,663 thousand including statutory interest from the date of filing a claim by CSC (i.e. 31 March 2010) until the date of the hearing.

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

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

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

On 31 January 2012, a hearing took place before the Court of Arbitration of the Polish Chamber of Commerce in Warsaw, and on 19 June 2012 the Court of Arbitration closed the case. The case was reopened when CSC submitted a court letter with another modification to the legal action.

On 18 December 2012, the Court of Arbitration of the Polish Chamber of Commerce in Warsaw passed a ruling (the "Decision") awarded damages to be paid by PZU to CSC of PLN 17,193 thousand and dismissed the main claim regarding payment of EUR 8,437 thousand with statutory interest calculated from the date of making the claim. The Court of Arbitration also dismissed also the remaining part of the main claim and the counterclaim and ordered PZU to pay PLN 199 thousand to CSC as court fees.

19.4.2. Enforcement-warrant proceedings

On 23 January 2013, CSC motioned to the District Court in Warsaw for a statement of enforcement of the Decision and providing it with a writ of execution.

As a result of CSC's motion of 23 January 2013, the District Court in Warsaw made a decision to enforce the Ruling on 15 March 2013.

On 18 March 2013, PZU Życie appealed against the aforesaid Ruling of 15 March 2013 before the District Court in Warsaw, requesting that the enforcement be suspended. As a consequence, on 22 March 2013, the Court made a decision to suspend enforcement of the aforesaid ruling until the appeal of PZU Życie of 18 March 2013 is resolved. On 4 April 2013, CSC filed a response to PZU Życie's appeal before the Court, requesting that it be dismissed in its entirety.

19.4.3. Proceedings regarding PZU Życie's complaint requesting cancellation of Ruling

On 1 February 2013, PZU Życie submitted a complaint to the District Court in Warsaw, motioning for cancellation of the Decision and suspend its execution with regard to the amount of PLN 17,193 thousand payable to CSC, dismissal of mutual action and adjudicating the payment of PLN 199 thousand to CSC as refund of the proceeding expenses. Further, PZU Życie motioned to adjudicate refund of the proceeding expenses from CSC, including the representation fees according to the prescribed norms and requesting the District Court in Warsaw to motion the Arbitration Court at Polish Chamber of Commerce to submit the arbitration proceeding files to allow the Court to decide whether any circumstances of the case support cancellation of the Decision.

After the exchange of pleadings between CSC and PZU Życie, by decision of 15 April 2013, the District Court in Warsaw dismissed the motion of PZU Życie requesting that the enforcement be suspended, as a premature motion because the District Court in Warsaw (case described in point 19.4.2) had not determined enforceability of the Ruling of an amicable court and enforcement of a ruling that is not subject to enforcement cannot be cancelled.

19.4.4. Proceedings before the Court of Arbitration of the Polish Chamber of Commerce in Warsaw regarding payment and arrangement proceedings before the District Court for the capital city of Warsaw in a case regarding payment

On 29 March 2013, CSC filed a case against PZU Życie to the Court of Arbitration at the National Chamber of Commerce in Warsaw demanding payment of a sum of PLN 6,690 thousand including interest calculated from the date of filing the case until the date of payment, comprising:

- PLN 6,064 thousand – payment of statutory interest (on the amounts awarded by the arbitration ruling of 18 December 2012, described in point 19.4.1) from 1 April 2010 (one day after the date after CSC filed the lawsuit in the aforesaid case referred to in point 19.4.1., to 18 December 2012);
- PLN 626 thousand – payment of statutory interest on the amounts awarded by the aforementioned arbitration ruling from 19 December 2012 to the date of filing the lawsuit.

On 15 May 2013, PZU Życie appealed against the lawsuit. The Court of Arbitration set a hearing date for 3 September 2013.

19.5. Submission of PZU claims to the bankruptcy estate of PBG Capital Group companies

PZU, PBG SA with the registered office in Wysogotowo near Poznań (at present: PBG SA in arrangement bankruptcy, henceforth: PBG) and Hydrobudowa Polska SA (at present: Hydrobudowa Polska SA in arrangement bankruptcy, henceforth: Hydrobudowa) with the registered office in Wysogotowo near Poznań concluded contracts of mandate regarding periodic insurance guarantees (contractual guarantees). Based on these contracts PZU issued insurance guarantees. Should PZU perform on these guarantees, its clients: PBG and Hydrobudowa, were obliged to refund amounts paid.

In 2012 bankruptcy proceedings (with possibility of arrangement) were initiated before District Court in Poznań against PBG and Hydrobudowa.

On 21 September 2012 PZU joined the above proceedings submitting its claims to the bankruptcy estate of both companies (including amounts payable in future). The amounts payable in future mean potential liabilities of PZU related to performance of the insurance guarantees not performed yet (arising from the existing payment reminders issued by beneficiaries of the insurance guarantees or from the guarantees themselves, if the deadline for their beneficiaries to submit a reminder has not passed yet).

PZU submitted the following claims:

- In relation to the bankruptcy estate of PBG: the total of PLN 105,428 thousand, out of which PLN 90,745 thousand of future liabilities;
- In relation to the bankruptcy estate of Hydrobudowa: the total of PLN 100,996 thousand, out of which PLN 86,443 thousand of future liabilities.

Later, following payments made in relation to subsequent guarantee contracts granted to Hydrobudowa, PZU submitted additional claims. The total amount of claims to the bankruptcy estate of both companies did not change, though, since subsequent claims only modified the amount of debt classified by PZU as future liabilities in initial claims.

PBG and Hydrobudowa belong to the same capital group with PBG as the parent. They granted sureties to each other.

All claims submitted to the bankruptcy estate of Hydrobudowa in the amount of PLN 100,996 thousand have been therefore submitted in relation to the bankruptcy estate of PBG as well. Out of the above claims:

- PBG granted sureties regarding PLN 33,747 thousand arising from guarantees issued for Hydrobudowa;
- Hydrobudowa granted sureties regarding PLN 67,249 thousand arising from guarantees issued for PBG.

PZU's liabilities to the bankruptcy estate of PBG of PLN 103,014 thousand, including future liabilities of PLN 71,156 thousand, were checked by a judge-commissioner and verified by a court appointed supervisor, and were entered in a register of liabilities.

19.6. Dispute with Comarch SA

On 12 November 2012, PZU received a copy of payment order issued on 26 October 2012 by the District Court in Warsaw under the writ of payment proceedings, along with a copy of complaint and appendices regarding the action of Comarch SA against PZU. Based on the above order, PZU was levied with the amount of PLN 19,758 thousand with interest and PLN 32 thousand as refund of costs of proceedings. The claim made by Comarch SA includes costs calculated by the company in relation to work and tasks performed following a commission of PZU in the project regarding an IT system to maintain financial insurance policies.

On 26 November 2012 PZU submitted an objection against the payment order, challenged it and requested dismissal of the entire case. The case was referred to the mediation.

On 10 April 2013, PZU and Comarch SA reached an amicable agreement whereby the parties waive their claims and retain the benefits obtained. On 9 May 2013 the District Court in Warsaw issued a decision to approve the aforementioned amicable agreement, which became binding on 25 May 2013. The aforementioned amicable agreement did not influence financial results.

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

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

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

On 15 September 2004, the receiver of Universal SA in bankruptcy ("Universal") brought an action to the District Court in Warsaw demanding exclusion of the property located in Warsaw at Al. Jerozolimskie 44 from the bankruptcy assets of Metro-Projekt due to an entry in section III of the land and mortgage register of a warning

regarding the proceedings pending between Universal and BI Code SA ("BI Code") for cancellation of a transaction involving sales of the property by Universal to BI Code from which Metro-Projekt acquired the property. In view of the above, on 21 September 2004 the District Court in Warsaw issued a decision suspending the liquidation of assets of Metro-Projekt until the lawsuit for exclusion of the aforementioned property from the bankruptcy assets is settled.

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

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

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

On 11 September 2009, the District Court issued a judgment in the lawsuit filed by the receiver of Universal against the receiver of BI Code for cancellation of the sales agreement for the land perpetual usufruct right and the ownership title to the building, entered into between Universal and BI Code, pursuant to which the aforementioned sales agreement was cancelled. The receiver of BI Code appealed against the judgment and on 29 July 2010 the appeal was dismissed. The receiver of BI Code SA appealed against the judgment which was dismissed in a decision of 29 July 2010. The receiver of BI Code made a final appeal to the District Court but it has not been accepted to consider. Therefore the proceeding was terminated.

In January 2011 the receiver of Metro-Projekt requested that the proceedings before the District Court brought by the receiver of Universal for exclusion of the land perpetual usufruct right and the separate title to the building on that land suspended in 2005 were resumed. On 30 May 2011, the Regional Court dismissed the claim of Universal.

The decision was not final and it was appealed against on 12 September 2011 by the receiver in bankruptcy of Universal. On 23 February 2012 the Regional Court in Warsaw dismissed the petition of Universal's receiver demanding exclusion of the property located in Warsaw at Al. Jerozolimskie 44 from the bankruptcy assets of Metro-Projekt. The case was closed with a final court decision.

On 9 May 2012 the receiver of Metro-Projekt filed a petition to the Judge Commissioner for a permission to conclude an amicable settlement with the receiver of Universal concerning disputed claims concerning the two bankruptcy assets. Following the settlement, the bankruptcy assets of Metro-Projekt were to be charged with an additional amount of PLN 5,722 thousand for the benefit of bankruptcy assets of Universal, and in return, the receiver of bankruptcy assets of Universal was to waive all claims. Judge Commissioner consented to the settlement in line with the decision of 31 May 2012. The decision is final and valid.

The receiver of Universal made an irreversible statement in the form of a notarized deed waiving all claims against Metro-Projekt. Consequently, the receiver of Metro-Projekt made a payment for the benefit of bankruptcy assets of Universal on 5 July 2012.

On 10 January 2013 and 18 March 2013, the Receiver of Metro-Projekt announced the sale of enterprise of the bankrupt company without the proper auction procedure, provided it will have the form of a tender. The starting price for the enterprise was, respectively, PLN 110 million and PLN 99 million. Due to a lack of purchase offers, the procedure was not completed.

On 19 June 2013, the Receiver of Metro-Projekt announced the sale of enterprise again for a starting price of PLN 93 million, no proposals had been submitted by the deadline of 19 August 2013.

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

20. Other information

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

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

As at the date of submission of this report, PZU and PZU Życie SA had an A long-term credit rating and financial strength rating (assigned by Standard & Poor's Ratings Services on 16 July 2009) and a stable rating outlook. Every year, Standard & Poor's Ratings Services confirmed the above rating and Outlook (on 23 July 2012, 22 July 2011 and 5 July 2010, respectively). The table below presents the ratings on the PZU Group companies by Standard&Poor's, together with the previous year ratings.

Company name	Rating and outlook	Assignment date	Previous rating and outlook	Assignment date
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

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

20.2.1. Management Board of PZU

Composition of the Management Board as at 1 January 2013:

Andrzej Klesyk - Chairman of the Board;
Przemysław Dąbrowski - Member of the Board;
Bogusław Skuza - Member of the Board;
Tomasz Tarkowski - Member of the Board;
Ryszard Trepczyński - Member of the Board.

On 12 March 2013, the Supervisory Board of PZU appointed Dariusz Krzewina and Barbara Smalska for the positions of Members of the Management Board of PZU effective from 15 March 2013.

In the period from 15 March 2013 until the date of signing these interim financial statements, the composition of PZU Management Board was as follows:

Andrzej Klesyk - Chairman of the Board;
Przemysław Dąbrowski - Member of the Board;
Dariusz Krzewina - Member of the Board;
Bogusław Skuza - Member of the Board;
Barbara Smalska - Member of the Board;
Tomasz Tarkowski - Member of the Board;
Ryszard Trepczyński - Member of the Board.

20.2.2. Supervisory Board of PZU

Composition of the Supervisory Board as at 1 January 2013 was as follows:

Waldemar Maj - Chairman;

Zbigniew Ćwiąkalski - Vice-Chairman;
Tomasz Zganiacz – Secretary of the Board;
Dariusz Daniluk – Member;
Zbigniew Derdziuk – Member;
Dariusz Filar - Member;
Włodzimierz Kiciński - Member;
Alojzy Nowak – Member;
Maciej Piotrowski - Member.

Till the date of these interim consolidated financial statements there were no changes in the composition of the Supervisory Board.

20.2.3. Directors of the Group

Directors at the PZU Group as at 1 January 2013:

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

On 5 February 2013, the Management Board of PZU appointed Barbara Smalska for the position of Director of the PZU Group. On 14 March 2013 she was dismissed from the aforesaid position because she had been appointed Member of the Management Board of PZU. For the same reason, on 19 March 2013, Dariusz Krzewina was dismissed from the position of Director of the PZU Group with effect from 14 March 2013.

Directors of the PZU Group from 14 March 2013 to the date of submission of this interim report:

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

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

20.3. Further employment restructuring at PZU and PZU Życie

On 27 December 2012, the Management Boards of PZU and PZU Życie published assumptions of the restructuring plan for 2013 to include mainly claim adjustment and finance areas, as well as auxiliary functions, but to much lower extent. On 13 February 2013, the Management Board of PZU and PZU Życie announced their intention to carry out group redundancies in accordance with the provisions of the Act of 13 March 2003 on special principles applicable to termination of employment contracts for reasons other than through the fault of employees, Journal of Laws No. 90 of 2003 item 844 as amended (Act on special principles applicable to termination of employment contracts).

The restructuring was planned for a period from 18 March to 15 June 2013. The restructuring program was to affect 3,145 employees of PZU and PZU Życie and it was estimated that 630 employees of PZU and PZU Życie would be made redundant, which constitutes 5.5% of the total number of employees of both companies.

On 28 February 2013 PZU and PZU Życie and their trade unions concluded an agreement concerning the terms and conditions of staff restructuring. The final version of the document was based on experience gained and solutions developed during similar negotiations in previous years.

The restructuring was carried out in the period planned and ultimately affected 2,250 employees of PZU and PZU Życie, including 544 employees of PZU and PZU Życie who were made redundant.

In all the stages of the restructuring (i.e. in 2010-2012), individuals who were made redundant or refused to accept the proposed terms and conditions of change of employment, were offered better terms of leaving the

company than those provided by the relevant law (the Act on special principles of employment termination for reasons not related to employees). The amount of additional redundancy pay depended on the salary of each employee and their time of employment at the PZU Group.

The total restructuring costs charged to the restructuring provision in the first half of 2013 amounted to PLN 20,227 thousand (throughout 2012: PLN 75,862 thousand).

As at 30 June 2013, provisions for restructuring costs amounted to PLN 37,967 (vs. PLN 58,194 thousand as at 31 December 2012).

20.4. Related party transactions

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

In the period of 6 months ended 30 June 2013, PZU or its subsidiaries did not conclude any related party transactions which could be considered significant (individually or jointly) and would be concluded on non-arm's length basis.

20.6. Balances and turnovers of transactions between the PZU Group and related parties

Balances and turnovers of transactions between the PZU Group and related parties	Gross written premiums					Receivables					
	in property and casualty insurance	in life insurance (including investment contracts)	Other revenue	Expenses	Including write-offs for receivables recognized in current period	gross value	write-offs	net value	Liabilities	Contingent assets	Contingent liabilities
1 January – 30 June 2013 and as at 30 June 2013											
Key members of the management of consolidated entities ¹⁾	-	-	-	-	-	-	-	-	-	-	-
Other related entities ²⁾	-	-	11	-	-	8 309	(8 306)	3	-	-	-
1 January – 31 December 2012 and as at 31 December 2012											
Key members of the management of consolidated entities ¹⁾	-	-	-	-	-	-	-	-	-	-	-
Other related entities	278	-	58 157	33 379	-	11 068	(8 306)	2 762	2 528	-	-
1 January – 30 June 2012 and as at 30 June 2012											
Key members of the management of consolidated entities ¹⁾	-	-	-	-	-	-	-	-	-	-	-
Other related entities	75	-	16 557	11 757	-	11 124	(9 806)	1 318	2 241	-	-

¹⁾ Members of the Management Boards of consolidated entities and Directors of the PZU Group.

²⁾ Syta Development Sp. z o.o. in liquidation (not included in consolidation).

20.7. Transactions with entities associated with the State Treasury

Considering the provisions of the Articles of Association of PZU (in particular those concerning the limitations of the voting rights of the shareholders other than the State Treasury and the rules of appointing Supervisory Board of PZU), for the purpose of presentation of turnovers and balances for related party transactions, it is assumed that, the State Treasury maintained control over PZU as understood by IAS 27 and thus PZU remains an entity controlled by the State Treasury and is still obliged to present in its financial statements transactions with related parties of the State Treasury.

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

The PZU Group applied the exemption from the obligation to disclose certain related party transactions due to control, joint control or significant influence of the same government, referred to in point 25 of IAS 24.

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

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

Entities controlled by, co-subsiaries of and entities associated with the State Treasury	1 April - 30 June 2013	1 April - 30 June 2013	1 April - 30 June 2012	1 April - 30 June 2012
Gross written premium at property and casualty insurance	46 542	66 287	26 580	40 769
Gross written premium at life insurance	6 687	12 758	3 590	7 037
PZU Życie investment contract volumes	-	-	-	584 564
Total	53 229	79 045	30 170	632 370

The table below shows the written premiums and investment contracts in bancassurance transactions with banks controlled and associated with the State Treasury.

Written premium and volumes of investment contracts	1 April - 30 June 2013	1 April - 30 June 2013	1 April - 30 June 2012	1 April - 30 June 2012
Bank Powszechna Kasa Oszczędności	10 435	23 936	7 785	598 367
PZU Gross written premium	3 748	11 178	4 195	6 766
PZU Życie Gross written premium	6 687	12 758	3 590	7 037
Volumes from investment contracts of PZU Życie	-	-	-	584 564
Bank Ochrony Środowiska SA	-	-	11	31
PZU Gross written premium	-	-	11	31
Bank Gospodarstwa Krajowego SA	100	171	-	3
PZU Gross written premium	100	171	-	3

The interim financial statements of PZU Group for the period of 6 months ended 30 June 2013 was signed by:

Date	Name	Position	
26 August 2013	Andrzej Klesyk	Chairman of the Management Board (signature)
26 August 2013	Przemysław Dąbrowski	Member of the Board (signature)
26 August 2013	Dariusz Krzewina	Member of the Board (signature)
26 August 2013	Bogusław Skuza	Member of the Board (signature)
26 August 2013	Barbara Smalska	Member of the Board (signature)
26 August 2013	Tomasz Tarkowski	Member of the Board (signature)
26 August 2013	Ryszard Trepczyński	Member of the Board (signature)
26 August 2013	Piotr Marczyk	Director of Accounting Office (signature)