



Letter from the CEO of PZU

Dear Stakeholders,

On behalf of the PZU Management Board I hereby convey to you the 2012 standalone financial statements.

Last year was a period in which PZU steadfastly continued to restructure the company while implementing its new strategy for 2012 – 2014, entailing measures to maintain profitable growth and its leading position on the Polish insurance services market.

Within the framework of pursuing its strategy in 2012 PZU implemented a new mass market sales management model focused on enhancing effectiveness. In addition, the New Sales Era was rolled out in the multi-agency channel and work was launched to devise and implement a direct sales model for PZU's corporate clients as one of the measures taken to support the strategy of transforming PZU into a business partner with a strong position as an expert. The framework for introducing a new product system was also laid, the vendor was selected and implementation began. PZU SA's investment activity concentrated on pursuing a new strategy calling for greater diversification in the Company's investment portfolio. This contributed to a higher percentage of non-treasury debt securities and loans as well as higher exposure to real estate and the real estate funds managed by TFI PZU. In addition, more than 350 joint PZU and PZU Życie outlets were transformed in the reporting period enabling customers to handle all their life and non-life insurance needs in a single venue. This is an important qualitative change and a clear sign of how we focus on satisfying customer needs.

Fundamental changes also took place in the HR area. To build a performance-oriented culture a system to assess employees and the achievement of objectives was rolled out in 2012. Implementing this system will strengthen employee compensation and development policy while helping to build an effective organization. Looking at us from the outside in, the project of refreshing our logo, rebranding our branches and outlets and changing how we communicate through advertising was the most visible element of the dynamic changes taking place in PZU.

Compared to last year, PZU's technical result grew by 307.8 m PLN to 640.1 m PLN. The decline of the loss ratio in motor business and the absence of catastrophic claims were the most important factors contributing to the positive technical result. PZU's net profit in 2012 was 2,580.7 m PLN. Our ROE remained high at 20.5%.

In 2012 PZU retained its long-term credit rating and financial strength rating (awarded by Standard & Poor's Ratings Services) at the level of A with a stable rating outlook.

We anticipate that 2013 will be a more difficult year for the insurance market than the previous one. Forecasts of moderate GDP growth, consumer demand and the pace of investment growth indicate that the macroeconomic environment will not be favorable to the insurance sector. The attenuation of uncertainty on the financial markets associated with curtailing the risk of the Eurozone collapsing is most assuredly a positive factor.

Here I would like to thank PZU's employees for their efforts in changing our company. I would like to thank the Supervisory Board for effective cooperation and support in building PZU 2.0, a modern and effective organization focused on satisfying customer needs.