

# The Powszechny Zakład Ubezpieczeń Spółka Akcyjna Group

Condensed interim  
consolidated financial statements  
for Q1 2015



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# Introduction

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## Compliance statement

These condensed interim consolidated financial statements of Powszechny Zakład Ubezpieczeń Spółka Akcyjna Group ("condensed consolidated financial statements" and "PZU Group", respectively) have been prepared in line with International Financial Reporting Standards as endorsed by the Commission of European Communities ("IFRS"), published and in force as at 31 March 2015, including the requirements of International Accounting Standard 34 "Interim Financial Reporting" and the requirements of the Regulation issued by the Finance Minister on 19 February 2009 on the Current and Periodic Information Transmitted by Securities Issuers and the Conditions for Recognizing the Information Required by the Regulations of a Non-Member State as Equivalent (consolidated version: Journal of Laws of 2014 Item 133) ("Regulation on Current and Periodic information").

PZU Group companies keep their ledgers in accordance with the accounting standards adopted in the country of the registered office of each company, and these condensed financial statements include adjustments whose purpose was to make them IFRS-compliant.

## Parent company's interim standalone financial information

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

According to Article 45 Section 1a of the Accounting Act of 29 September 1994 (consolidated version: Journal of Laws of 2013 Item 330) ("Accounting Act"), financial statements of issuers of securities admitted into trading on one of the regulated markets of European Economic Area states may be prepared in accordance with IFRS.

As the PZU Shareholder Meeting has not made the decision referred to in Article 45 Section 1c of the Accounting Act in the matter of preparation of financial statements pursuant to IFRS, PZU's separate statements are prepared in accordance with Polish Accounting Standards ("PAS"), as defined in the Accounting Act, and in the executive regulations issued on its basis, including:

- Finance Minister's Regulation of 28 December 2009 on the special accounting principles for insurance and reinsurance companies (Journal of Laws of 2009 Item 1825);
- Finance Minister's Regulation of 12 December 2001 on the detailed principles of recognition, valuation methods, scope of disclosure and presentation of financial instruments (Journal of Laws of 2001 Item 1674, as amended).

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

## Period covered by these condensed interim consolidated financial statements

These condensed interim consolidated financial statements cover the period of 3 months from 1 January to 31 March 2015.

The financial statements of the subsidiaries have been prepared for the same reporting period as the statements of the parent entity.

## Functional and presentation currency

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

## FX rates

Financial data of the foreign subsidiaries are converted into Polish zloty as follows:

- assets and liabilities – at the average exchange rate set by the National Bank of Poland as at the end of the reporting period;
- items of the profit and loss account and other comprehensive income – at the arithmetic mean of average exchange rates set by the National Bank of Poland as at the dates ending each month of the reporting period.

Currency	1 January – 31 March 2015	31 March 2015	1 January – 31 December 2014	31 December 2014	1 January – 31 March 2014	31 March 2014
Euro	4.1489	4.0890	4.1892	4.2623	4.1894	4.1713
Lithuanian lit	n/a	n/a	1.2133	1.2344	1.2134	1.2081
Ukrainian hryvnia	0.1700	0.1623	0.2637	0.2246	0.3080	0.2693

## Going concern assumption

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

## Discontinued activity

In the period of 3 months ended 31 March 2015, the PZU Group companies did not discontinue any type of activity.

## Seasonal or cyclical business

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



## Financial highlights

### 1. Selected consolidated financial data of the PZU Group

<b>Data from the consolidated statement of financial position</b>	<b>PLN 000s 31 March 2015</b>	<b>PLN 000s 31 December 2014</b>	<b>PLN 000s 31 March 2014</b>	<b>EUR 000s 31 March 2015</b>	<b>EUR 000s 31 December 2014</b>	<b>EUR 000s 31 March 2014</b>
Assets	71,741,982	67,572,761	65,044,581	17,545,117	15,853,591	15,593,360
Share capital	86,352	86,352	86,352	21,118	20,259	20,701
Capital and reserves attributed to holders of the parent company's equity	14,083,247	13,166,336	13,887,303	3,444,179	3,089,021	3,329,251
Non-controlling interests	1,213	1,292	357	297	303	86
Total equity	14,084,460	13,167,628	13,887,660	3,444,475	3,089,325	3,329,336
Basic and diluted weighted average number of ordinary shares	86,351,949	86,351,949	86,351,949	86,351,949	86,351,949	86,351,949
Book value per ordinary share (in PLN/EUR)	163.09	152.47	160.83	39.89	35.77	38.56

<b>Data from the consolidated income statement</b>	<b>PLN 000s 1 January – 31 March 2015</b>	<b>PLN 000s 1 January – 31 March 2014</b>	<b>EUR 000s 1 January – 31 March 2015</b>	<b>EUR 000s 1 January – 31 March 2014</b>
Gross written premiums	4,680,827	4,353,979	1,128,209	1,039,285
Net earned premiums	4,307,040	3,989,741	1,038,116	952,342
Revenue from commissions and fees	48,444	64,923	11,676	15,497
Net investment result	951,033	542,647	229,225	129,529
Net insurance claims and benefits	(3,045,858)	(2,664,166)	(734,136)	(635,930)
Gross profit	1,154,205	979,569	278,195	233,821
Net profit attributed to holders of the parent company's equity	941,332	760,446	226,887	181,517
Profit (loss) attributed to holders of non-controlling interest	8	(3)	2	(1)
Basic and diluted weighted average number of ordinary shares	86,351,949	86,351,949	86,351,949	86,351,949
Basic and diluted earnings per ordinary share (in PLN/EUR)	10.90	8.81	2.63	2.10



<b>Data from the consolidated cash flow statement</b>	<b>PLN 000s 1 January – 31 March 2015</b>	<b>PLN 000s 1 January – 31 March 2014</b>	<b>EUR 000s 1 January – 31 March 2015</b>	<b>EUR 000s 1 January – 31 March 2014</b>
Net cash flow on operating activity	549,789	717,617	132,514	171,293
Net cash flow on investing activity	(1,642,182)	(592,630)	(395,811)	(141,459)
Net cash flow on financing activity	1,269,852	(117,227)	306,070	(27,982)
Total net cash flow	177,459	7,760	42,773	1,852

## 2. Selected separate financial data of PZU (according to PAS)

<b>Data from the balance sheet</b>	<b>PLN 000s 31 March 2015</b>	<b>PLN 000s 31 December 2014</b>	<b>PLN 000s 31 March 2014</b>	<b>EUR 000s 31 March 2015</b>	<b>EUR 000s 31 December 2014</b>	<b>EUR 000s 31 March 2014</b>
Assets	34,752,886	34,629,778	31,881,959	8,499,116	8,124,669	7,643,171
Share capital	86,352	86,352	86,352	21,118	20,259	20,702
Total equity	13,203,846	12,328,724	13,058,372	3,229,114	2,892,505	3,130,528
Weighted average basic and diluted number of ordinary shares	86,352,300	86,352,300	86,352,300	86,352,300	86,352,300	86,352,300
Book value per ordinary share (in PLN/EUR)	152.91	142.77	151.22	37.40	33.50	36.25

<b>Data from the technical non-life insurance account and the non-technical profit and loss account</b>	<b>PLN 000s 1 January – 31 March 2015</b>	<b>PLN 000s 1 January – 31 March 2014</b>	<b>EUR 000s 1 January – 31 March 2015</b>	<b>EUR 000s 1 January – 31 March 2014</b>
Gross written premiums	2,229,893	2,282,005	537,466	544,709
Technical result of non-life insurance	355,676	366,064	85,728	87,379
Net investment result (*)	(79,593)	86,488	(19,184)	20,644
Net profit	232,002	300,596	55,919	71,752
Basic and diluted weighted average number of ordinary shares	86,352,300	86,352,300	86,352,300	86,352,300
Basic and diluted earnings per ordinary share (in PLN/EUR)	2.69	3.48	0.65	0.83

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



### 3. Selected separate financial data of Powszechny Zakład Ubezpieczeń na Życie Spółka Akcyjna (according to PAS)

<b>Data from the balance sheet</b>	<b>PLN 000s 31 March 2015</b>	<b>PLN 000s 31 December 2014</b>	<b>PLN 000s 31 March 2014</b>	<b>EUR 000s 31 March 2015</b>	<b>EUR 000s 31 December 2014</b>	<b>EUR 000s 31 March 2014</b>
Assets	30,269,383	29,503,727	28,658,797	7,402,637	6,922,020	6,870,471
Total equity	4,711,680	4,374,594	4,808,763	1,152,282	1,026,346	1,152,821

  

<b>Data from the technical life insurance account and the non-technical profit and loss account</b>	<b>PLN 000s 1 January – 31 March 2015</b>	<b>PLN 000s 1 January – 31 March 2014</b>	<b>EUR 000s 1 January – 31 March 2015</b>	<b>EUR 000s 1 January – 31 March 2014</b>
Gross written premiums	2,043,366	2,122,812	492,508	506,710
Technical life insurance result	377,247	444,348	90,927	106,065
Net investment result	579,217	288,952	139,607	68,972
Net profit/(loss)	441,001	340,654	106,293	81,313



## 4. Summary of consolidated financial results

The net financial result of the PZU Group for the period of 3 months ended 31 March 2015 was PLN 941,340 thousand and was 23.8% higher from the net result in the corresponding period of the previous year. The net result of one-off events<sup>1</sup> increased 25.2% compared to last year.

ROE for the period from 1 January to 31 March 2015 was 27.6%, up 5.1 percentage points from the corresponding period of the previous year.

The following factors also affected PZU Group's activity after 3 months ended 31 March 2015, as compared to the corresponding period of the previous year:

- increase in gross written premium thanks to the development of business in foreign markets, premiums acquired by Link4 and the development of group protection insurance partly offset by a decrease in premiums in the group of other third party liability insurance and property third party liability insurance;
- improved profitability in the corporate insurance segment, mainly as a result of a lower loss ratio in the group of general third party liability and financial risk insurance;
- lower profitability in the segment of group and individually continued insurance associated mainly with a higher loss ratio of protective products due to a higher incidence of deaths (according to Central Statistics Office [GUS] data the frequency of deaths in Poland for the three consecutive months ending in February 2014 and 2015 was 0.254% and 0.274%, respectively);
- lower profitability in the mass insurance segment associated mainly with an increase in the loss ratio in motor insurance;
- higher investment income, in particular due to better market conditions on the Warsaw Stock Exchange ("WSE").

The comparability of YoY results was affected by the expansion of business in Poland and the Baltic states in 2014. Last year, the acquired companies contributed to the PZU Group's result from the date of acquisition (the first acquired company, AAS Balta, starting from 30 June 2014), whereas in the results of the current year they are captured starting from 1 January, contributing to higher levels, relative to 2014, of individual items of the financial performance and the assets and liabilities.

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<sup>1</sup> One-off events include the effect of conversion of long-term policies into yearly renewable term agreements in type P group insurance.

# Interim consolidated financial statements

## 1. Interim consolidated profit and loss account

Consolidated profit and loss account	Note	1 January – 31 March 2015	1 January – 31 March 2014
Gross written premiums	9.1	4,680,827	4,353,979
Reinsurers' share in gross written premium		(69,530)	(60,974)
<b>Net written premiums</b>		<b>4,611,297</b>	<b>4,293,005</b>
Change in the net provision for unearned premiums		(304,257)	(303,264)
<b>Net earned premiums</b>		<b>4,307,040</b>	<b>3,989,741</b>
Revenue from commissions and fees	9.2	48,444	64,923
Net investment income	9.3	354,845	371,252
Net result on the realization of investments and impairment charges	9.4	117,784	(111,665)
Net change in the fair value of assets and liabilities measured at fair value	9.5	478,404	283,060
Other operating revenues	9.6	166,740	101,850
Claims and change in technical provisions		(3,107,535)	(2,695,268)
Reinsurers' share in claims and change in technical provisions		61,677	31,102
<b>Net insurance claims and benefits</b>	<b>9.7</b>	<b>(3,045,858)</b>	<b>(2,664,166)</b>
Change in measurement of investment contracts	9.8	(22,111)	(4,917)
Acquisition expenses	9.9	(553,106)	(507,624)
Administrative expenses	9.9	(408,016)	(334,083)
Other operating expenses	9.10	(350,137)	(176,690)
<b>Operating profit</b>		<b>1,094,029</b>	<b>1,011,681</b>
Financial expenses	9.11	59,993	(32,198)
Share of the net profit of entities measured by the equity method		183	86
<b>Gross profit</b>		<b>1,154,205</b>	<b>979,569</b>
Income tax			
- current part		(257,925)	(125,616)
- deferred part		45,060	(93,510)
<b>Net profit, including:</b>		<b>941,340</b>	<b>760,443</b>
- profit attributed to holders of the parent company's equity		941,332	760,446
- profit (loss) attributed to holders of non-controlling interest		8	(3)
Net profit on continuing operations attributed to holders of the parent company's equity		941,332	760,446
Net profit (loss) on discontinued operations		-	-
Weighted average basic and diluted number of ordinary shares	9.12	86,351,949	86,351,949
Basic and diluted profit (loss) per ordinary share (in PLN)	9.12	10.90	8.81

## 2. Interim consolidated statement of comprehensive income

Consolidated statement of comprehensive income	Note	1 January – 31 March 2015	1 January – 31 March 2014
Net profit		941,340	760,443
Other comprehensive income	9.13	(24,423)	9,475
Subject to subsequent transfer to profit or loss		(24,727)	8,337
Valuation of financial instruments available for sale		28,954	13,871

FX conversion differences		(53,681)	(5,534)
Not to be reclassified to profit or loss in the future		304	1,138
Reclassification of real property from property, plant and equipment to investment property		304	1,138
<b>Total net comprehensive income</b>		<b>916,917</b>	<b>769,918</b>
- comprehensive income attributed to holders of the parent company's equity		916,930	769,919
- comprehensive income attributed to holders of non-controlling interest		(13)	(1)

### 3. Interim consolidated statement of financial position

<b>Assets</b>	<b>Note</b>	<b>31 March 2015</b>	<b>31 December 2014</b>	<b>31 March 2014</b>
Intangible assets	9.14	795,299	868,692	294,524
Goodwill	9.15	749,340	785,663	8,557
Property, plant and equipment		984,606	1,001,609	947,973
Investment properties		2,299,677	2,236,062	1,438,875
Entities measured using the equity method	9.16	66,482	66,311	68,141
Financial assets		60,129,993	56,759,976	56,541,725
Financial instruments held to maturity	9.17.1, 9.22	20,435,452	19,983,689	19,914,955
Financial instruments available for sale	9.17.2, 9.22	3,214,674	2,985,322	1,989,491
Financial instruments measured at fair value through profit or loss	9.17.3, 9.22	20,290,405	19,096,484	20,492,161
Borrowings	9.17.4, 9.22	16,189,462	14,694,481	14,145,118
Receivables, including receivables due under insurance agreements	9.20, 9.22	3,633,345	3,068,813	3,392,458
Reinsurers' share in technical provisions	9.21, 9.22	771,784	753,115	532,493
Estimated salvage and subrogation		123,168	127,262	122,698
Deferred income tax assets		20,632	26,957	21,199
Current income tax receivables		1,777	368	35,513
Deferred acquisition expenses		815,839	712,066	638,379
Other assets	9.23	291,647	235,250	230,556
Cash and cash equivalents		493,857	324,007	577,933
Assets held for sale	9.24	564,536	606,610	193,557
<b>Total assets</b>		<b>71,741,982</b>	<b>67,572,761</b>	<b>65,044,581</b>

## Interim consolidated statement of financial position (cont'd)

Liabilities and equity	Note	31 March 2015	31 December 2014	31 March 2014
<b>Equity</b>				
Issued share capital and other capital attributed to the parent company's shareholders				
Share capital		86,352	86,352	86,352
Other equity		9,861,674	9,885,791	9,076,939
Treasury shares		(110)	(110)	(110)
Reserve capital		9,682,614	9,678,921	8,866,385
Revaluation reserve		274,393	248,543	253,035
Other reserve capital		66	66	-
Actuarial gains and losses related to provisions for employee benefits		(6,179)	(6,179)	902
FX conversion differences		(89,110)	(35,450)	(43,273)
Retained earnings		4,135,221	3,194,193	4,724,012
Profit carried forward		3,193,889	226,462	3,963,566
Net profit		941,332	2,967,731	760,446
Non-controlling interests		1,213	1,292	357
<b>Total equity</b>		<b>14,084,460</b>	<b>13,167,628</b>	<b>13,887,660</b>
<b>Liabilities</b>				
Technical provisions	9.25	40,616,405	40,166,885	37,914,662
Provision for unearned premiums and for unexpired risks		5,513,081	5,250,103	4,824,745
Provision for life insurance		16,300,538	16,281,625	16,136,550
Provisions for outstanding claims		7,687,728	7,770,351	6,549,807
Provision for capitalized value of annuities		5,966,013	5,997,595	5,826,199
Provisions for bonuses and discounts for insureds		2,668	2,291	3,223
Other technical provisions		428,956	439,364	463,809
Unit-linked reserve		4,717,421	4,425,556	4,110,329
Investment contracts	9.26	953,615	1,108,107	1,468,118
- with guaranteed and fixed terms and conditions		412,670	520,840	677,104
- for the client's account and risk		540,945	587,267	791,014
Provision for employee benefits		129,304	120,070	133,056
Other provisions	9.27	213,467	191,206	192,663
Deferred income tax provision		350,638	398,433	356,668
Current income tax liabilities		30,841	53,770	19,919
Derivatives	9.17.7	597,721	625,844	281,136
Liabilities on the issue of own debt securities	9.28	2,048,883	2,127,527	-
Other liabilities	9.29	12,487,124	9,361,277	10,790,699
Liabilities related directly to assets classified as held for sale	9.24	229,524	252,014	-
<b>Total liabilities</b>		<b>57,657,522</b>	<b>54,405,133</b>	<b>51,156,921</b>
<b>Total liabilities and equity</b>		<b>71,741,982</b>	<b>67,572,761</b>	<b>65,044,581</b>



#### 4. Interim statement of changes in consolidated equity

Statement of changes in consolidated equity	Share capital	Capital and reserves attributed to holders of the parent company's equity								Total	Non-controlling interests	Total equity
		Other equity						Retained earnings				
		Treasury shares	Reserve capital	Revaluation reserve	Other reserve capital	Actuarial gains and losses related to provisions for employee benefits	FX differences from translation	Profit carried forward	Net profit			
<b>Balance as at 1 January 2015</b>	<b>86,352</b>	<b>(110)</b>	<b>9,678,921</b>	<b>248,543</b>	<b>66</b>	<b>(6,179)</b>	<b>(35,450)</b>	<b>3,194,193</b>	<b>-</b>	<b>13,166,336</b>	<b>1,292</b>	<b>13,167,628</b>
Valuation of financial instruments available for sale	-	-	-	28,954	-	-	-	-	-	28,954	-	28,954
FX conversion differences	-	-	-	-	-	-	(53,660)	-	-	(53,660)	(21)	(53,681)
Reclassification of real property from property, plant and equipment to investment property	-	-	-	304	-	-	-	-	-	304	-	304
<b>Total other net comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>29,258</b>	<b>-</b>	<b>-</b>	<b>(53,660)</b>	<b>-</b>	<b>-</b>	<b>(24,402)</b>	<b>(21)</b>	<b>(24,423)</b>
Net profit/(loss)	-	-	-	-	-	-	-	-	941,332	941,332	8	941,340
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>29,258</b>	<b>-</b>	<b>-</b>	<b>(53,660)</b>	<b>-</b>	<b>941,332</b>	<b>916,930</b>	<b>(13)</b>	<b>916,917</b>
<b>Other changes, including:</b>	<b>-</b>	<b>-</b>	<b>3,693</b>	<b>(3,408)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(304)</b>	<b>-</b>	<b>(19)</b>	<b>(66)</b>	<b>(85)</b>
Purchase of Prof-Med shares	-	-	(19)	-	-	-	-	-	-	(19)	(66)	(85)
Sale of revalued real estate	-	-	3,712	(3,408)	-	-	-	(304)	-	-	-	-
<b>As at 31 March 2015</b>	<b>86,352</b>	<b>(110)</b>	<b>9,682,614</b>	<b>274,393</b>	<b>66</b>	<b>(6,179)</b>	<b>(89,110)</b>	<b>3,193,889</b>	<b>941,332</b>	<b>14,083,247</b>	<b>1,213</b>	<b>14,084,460</b>



## Interim statement of changes in consolidated equity (cont'd)

Statement of changes in consolidated equity	Share capital	Capital and reserves attributed to holders of the parent company's equity								Total	Non-controlling interests	Total equity
		Other equity					Retained earnings					
		Treasury shares	Reserve capital	Revaluation reserve	Other reserve capital	Actuarial gains and losses related to provisions for employee benefits	FX differences from translation	Profit carried forward	Net profit			
<b>Balance as at 1 January 2014</b>	<b>86,352</b>	<b>(110)</b>	<b>8,855,999</b>	<b>242,297</b>	-	<b>902</b>	<b>(37,737)</b>	<b>3,963,587</b>	-	<b>13,111,290</b>	<b>16,341</b>	<b>13,127,631</b>
Valuation of financial instruments available for sale	-	-	-	8,475	-	-	-	-	-	8,475	-	8,475
Other comprehensive income of entities measured using the equity method	-	-	-	-	-	(190)	8	-	-	(182)	-	(182)
FX conversion differences	-	-	-	-	-	-	2,279	-	-	2,279	8	2,287
Actuarial gains and losses related to provisions for employee benefits	-	-	-	-	-	(6,891)	-	-	-	(6,891)	-	(6,891)
Reclassification of real property from property, plant and equipment to investment property	-	-	-	13,504	-	-	-	-	-	13,504	-	13,504
<b>Total other net comprehensive income</b>	-	-	-	<b>21,979</b>	-	<b>(7,081)</b>	<b>2,287</b>	-	-	<b>17,185</b>	<b>8</b>	<b>17,193</b>
Net profit/(loss)	-	-	-	-	-	-	-	-	2,967,731	2,967,731	(104)	2,967,627
<b>Total comprehensive income</b>	-	-	-	<b>21,979</b>	-	<b>(7,081)</b>	<b>2,287</b>	-	<b>2,967,731</b>	<b>2,984,916</b>	<b>(96)</b>	<b>2,984,820</b>
<b>Other changes, including:</b>	-	-	<b>822,922</b>	<b>(15,733)</b>	<b>66</b>	-	-	<b>(3,737,125)</b>	-	<b>(2,929,870)</b>	<b>(14,953)</b>	<b>(2,944,823)</b>
Distribution of financial result	-	-	800,257	-	66	-	-	(3,736,288)	-	(2,935,965)	-	(2,935,965)
Recapitalization of PZU Lietuva	-	-	-	-	-	-	-	-	-	-	138	138
Purchase of Armatura Kraków SA shares	-	-	6,095	-	-	-	-	-	-	6,095	(15,983)	(9,888)
Acquisitions of subsidiaries	-	-	-	-	-	-	-	-	-	-	892	892
Sale of revalued real estate	-	-	16,570	(15,733)	-	-	-	(837)	-	-	-	-
<b>Balance as at 31 December 2014</b>	<b>86,352</b>	<b>(110)</b>	<b>9,678,921</b>	<b>248,543</b>	<b>66</b>	<b>(6,179)</b>	<b>(35,450)</b>	<b>226,462</b>	<b>2,967,731</b>	<b>13,166,336</b>	<b>1,292</b>	<b>13,167,628</b>



## Interim statement of changes in consolidated equity (cont'd)

Statement of changes in consolidated equity	Share capital	Capital and reserves attributed to holders of the parent company's equity							Total	Non- controlli ng interests	Total equity
		Other equity					Retained earnings				
		Treasury shares	Reserve capital	Revaluation reserve	Actuarial gains and losses related to provisions for employee benefits	FX conversion differences	Profit carried forward	Net profit			
<b>Balance as at 1 January 2014</b>	<b>86,352</b>	<b>(110)</b>	<b>8,855,999</b>	<b>242,297</b>	<b>902</b>	<b>(37,737)</b>	<b>3,963,587</b>	<b>-</b>	<b>13,111,290</b>	<b>16,341</b>	<b>13,127,631</b>
Valuation of financial instruments available for sale	-	-	-	13,871	-	-	-	-	13,871	-	13,871
FX conversion differences	-	-	-	-	-	(5,536)	-	-	(5,536)	2	(5,534)
Reclassification of real property from property, plant and equipment to investment property	-	-	-	1,138	-	-	-	-	1,138	-	1,138
<b>Total other net comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>15,009</b>	<b>-</b>	<b>(5,536)</b>	<b>-</b>	<b>-</b>	<b>9,473</b>	<b>2</b>	<b>9,475</b>
Net profit/(loss)	-	-	-	-	-	-	-	760,446	760,446	(3)	760,443
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>15,009</b>	<b>-</b>	<b>(5,536)</b>	<b>-</b>	<b>760,446</b>	<b>769,919</b>	<b>(1)</b>	<b>769,918</b>
<b>Other changes, including:</b>	<b>-</b>	<b>-</b>	<b>10,386</b>	<b>(4,271)</b>	<b>-</b>	<b>-</b>	<b>(21)</b>	<b>-</b>	<b>6,094</b>	<b>(15,983)</b>	<b>(9,889)</b>
Purchase of Armatura Kraków SA shares	-	-	6,095	-	-	-	-	-	6,095	(15,983)	(9,888)
Sale of revalued real estate	-	-	4,291	(4,271)	-	-	(21)	-	(1)	-	(1)
<b>As at 31 March 2014</b>	<b>86,352</b>	<b>(110)</b>	<b>8,866,385</b>	<b>253,035</b>	<b>902</b>	<b>(43,273)</b>	<b>3,963,566</b>	<b>760,446</b>	<b>13,887,303</b>	<b>357</b>	<b>13,887,660</b>



## 5. Interim consolidated cash flow statement

Consolidated cash flow statement	Note	1 January – 31 March 2015	1 January – 31 March 2014
Cash flow on operating activity			
Inflows		5,588,678	5,675,017
- proceeds on gross insurance premiums		4,631,583	4,320,882
- proceeds on investment contracts		43,488	166,624
- proceeds on reinsurance commissions and profit-sharing		61	2,252
- payments received from reinsurers for their share of claims paid		20,706	14,935
- proceeds for acting as an emergency adjuster		60,152	55,363
- proceeds on the sale of units by mutual fund		350,562	776,311
- other operating proceeds	9.30	482,126	338,650
Outflows		(5,038,889)	(4,957,400)
- insurance premiums paid for reinsurance		(88,935)	(77,544)
- commissions paid and profit-sharing on inward reinsurance		(7,928)	(2,223)
- gross claims paid		(2,539,238)	(2,103,004)
- claims paid on investment contracts		(217,666)	(820,139)
- acquisition expenditures		(502,617)	(451,599)
- administrative expenditures		(566,081)	(506,926)
- interest expenditures		(98)	(29)
- income tax expenditures		(297,951)	(141,236)
- expenditures for acting as an emergency adjuster		(137,261)	(123,597)
- expenditures on redemption of units by mutual fund		(117,945)	(222,506)
- other operating expenditures	9.30	(563,169)	(508,597)
<b>Net cash flow on operating activity</b>		<b>549,789</b>	<b>717,617</b>
Cash flow on investing activity			
Inflows		179,883,445	162,482,561
- sale of investment property		6,258	9,112
- proceeds from investment property		59,267	35,274
- sale of intangible assets and components of property, plant and equipment		3,892	438
- sale of ownership interests and shares		853,666	2,176,165
- realization of debt securities		14,289,875	18,682,145
- closing of buy-sell-back transactions		93,733,610	95,174,147
- closing of term deposits in credit institutions		59,344,061	43,104,395
- realization of other investments		11,492,274	3,184,947
- interest received		91,236	108,372
- dividends received		482	1,132
- other investment proceeds		8,824	6,434

## Interim consolidated cash flow statement (cont'd)

Consolidated cash flow statement	Note	1 January – 31 March 2015	1 January – 31 March 2014
Outflows		(181,525,627)	(163,075,191)
- purchase of investment property		(67,694)	(70,302)
- expenditures for the maintenance of investment property		(102,574)	(43,258)
- purchase of intangible assets and components of property, plant and equipment		(77,442)	(56,543)
- purchase of ownership interests and shares		(1,155,617)	(3,059,617)
- purchase of debt securities		(14,792,094)	(19,472,672)
- opening of buy-sell-back transactions		(96,674,801)	(95,657,133)
- purchase of term deposits in credit institutions		(56,988,528)	(41,038,726)
- purchase of other investments		(11,662,911)	(3,668,439)
- other expenditures for investments		(3,966)	(8,501)
<b>Net cash flow on investing activity</b>		<b>(1,642,182)</b>	<b>(592,630)</b>
Cash flow on financing activity			
Inflows		77,860,142	95,363,672
- proceeds from loans and borrowings		19,854	10,746
- opening of sell-buy-back transactions		77,840,288	95,352,926
Outflows		(76,590,290)	(95,480,899)
- dividends paid to holders of the parent company's equity		(1,468,017)	-
Repayment of loans and borrowings		(1,729)	(4,435)
- closing of sell-buy-back transactions		(75,118,518)	(95,474,247)
- interest on loans and borrowings		(1,920)	(2,217)
- other financial expenditures		(106)	-
<b>Net cash flow on financing activity</b>		<b>1,269,852</b>	<b>(117,227)</b>
<b>Total net cash flow</b>		<b>177,459</b>	<b>7,760</b>
Cash and cash equivalents at the beginning of the period		324,007	569,157
Change in cash due to foreign exchange differences		(7,609)	1,016
Cash and cash equivalents at the end of the period, including:		493,857	577,933
- restricted cash		14,377	95,794

# Notes to the condensed consolidated financial statements

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## 1. Information on PZU and the PZU Group

### 1.1 PZU

The parent company in the PZU Group is PZU – a joint stock company with a registered office in Warsaw at Al. Jana Pawła II 24.

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

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



## 1.2 PZU Group companies

No.	Name of the company	Registered office	Date of obtaining control / material influence	% of share capital held directly or indirectly by PZU		% of votes held directly or indirectly by PZU		Line of business
				31 March 2015	31 December 2014	31 March 2015	31 December 2014	
<b>Consolidated companies</b>								
1	Powszechny Zakład Ubezpieczeń SA	Warsaw	n/a	n/a	n/a	n/a	n/a	Non-life insurance <a href="http://www.pzu.pl/">http://www.pzu.pl/</a>
2	Powszechny Zakład Ubezpieczeń na Życie SA ("PZU Życie")	Warsaw	18.12.1991	100.00%	100.00%	100.00%	100.00%	Life insurance. <a href="http://www.pzu.pl/grupa-pzu/pzu-zycie">http://www.pzu.pl/grupa-pzu/pzu-zycie</a>
3	Link4 Towarzystwo Ubezpieczeń SA ("Link4") <sup>1)</sup>	Warsaw	15.09.2014	100.00%	100.00%	100.00%	100.00%	Non-life insurance <a href="http://www.link4.pl/">http://www.link4.pl/</a>
4	Lietuvos Draudimas AB	Vilnius (Lithuania)	31.10.2014	99.98%	99.98%	99.98%	99.98%	Non-life insurance <a href="http://www.ld.lt/">http://www.ld.lt/</a>
5	Apdrošināšanas Akciju Sabiedrība Balta ("AAS Balta")	Riga (Latvia)	30.06.2014	99.99%	99.99%	99.99%	99.99%	Non-life insurance. <a href="http://www.balta.lv/">http://www.balta.lv/</a>
6	PrJSC IC PZU Ukraine ("PZU Ukraine")	Kiev (Ukraine)	01.07.2005	100.00%	100.00%	100.00%	100.00%	Non-life insurance. <a href="http://www.pzu.com.ua/">http://www.pzu.com.ua/</a>
7	PrJSC IC PZU Ukraine Life Insurance ("PZU Ukraine Life")	Kiev (Ukraine)	01.07.2005	100.00%	100.00%	100.00%	100.00%	Life insurance. <a href="http://www.pzu.com.ua/">http://www.pzu.com.ua/</a>
8	UAB DK PZU Lietuva ("PZU Lietuva")	Vilnius (Lithuania)	26.04.2002	99.88%	99.88%	99.88%	99.88%	Non-life insurance. <a href="https://www.pzu.lt/">https://www.pzu.lt/</a>
9	UAB PZU Lietuva Gyvybes Draudimas	Vilnius (Lithuania)	26.04.2002	99.34%	99.34%	99.34%	99.34%	Life insurance. <a href="https://www.pzu.lt/">https://www.pzu.lt/</a>
10	Powszechnie Towarzystwo Emerytalne PZU SA ("PTE PZU")	Warsaw	08.12.1998	100.00%	100.00%	100.00%	100.00%	Management of pension funds. <a href="http://www.pzu.pl/grupa-pzu/pte-pzu">http://www.pzu.pl/grupa-pzu/pte-pzu</a>
11	PZU Centrum Operacji SA ("PZU CO")	Warsaw	30.11.2001	100.00%	100.00%	100.00%	100.00%	Auxiliary activity associated with insurance and pension funds.



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				31 March 2015	31 December 2014	31 March 2015	31 December 2014	
<b>Consolidated entities – continued</b>								
12	Towarzystwo Funduszy Inwestycyjnych PZU SA ("TFI PZU")	Warsaw	30.04.1999	100.00%	100.00%	100.00%	100.00%	Creation, representing and management of mutual funds. <a href="http://www.pzu.pl/grupa-pzu/tfi-pzu">http://www.pzu.pl/grupa-pzu/tfi-pzu</a>
13	PZU Pomoc SA	Warsaw	18.03.2009	100.00%	100.00%	100.00%	100.00%	Provision of assistance services. <a href="http://www.pzu.pl/grupa-pzu/pzu-pomoc">http://www.pzu.pl/grupa-pzu/pzu-pomoc</a>
14	PZU Finance AB (publ.)	Stockholm (Sweden)	02.06.2014	100.00%	100.00%	100.00%	100.00%	Financial services.
15	PZU Finanse sp. z o.o.	Warsaw	08.11.2013	100.00%	100.00%	100.00%	100.00%	No business conducted.
16	Tower Inwestycje sp. z o.o. ("Tower Inwestycje")	Warsaw	27.08.1998	100.00%	100.00%	100.00%	100.00%	Other services activity, excluding insurance and pension funds.
17	Ogrodowa-Inwestycje sp. z o.o.	Warsaw	15.09.2004	100.00%	100.00%	100.00%	100.00%	Buying, operating, renting and selling real estate. <a href="http://www.ogrodowainwestycje.pl/">http://www.ogrodowainwestycje.pl/</a>
18	Armatura Kraków SA	Kraków	07.10.1999	100.00%	100.00%	100.00%	100.00%	Distribution of Armatura Group products, administration and management of the group. <a href="http://www.grupa-armatura.pl/">http://www.grupa-armatura.pl/</a>
19	Armatoora SA	Nisko	10.12.2008	100.00%	100.00%	100.00%	100.00%	Production and sale of radiators and sanitary fittings.
20	Armaton SA	Kraków	10.02.2009	100.00%	100.00%	100.00%	100.00%	Utilization of available funds, growth investments.
21	Arm Property sp. z o.o.	Kraków	26.11.2014	100.00%	100.00%	100.00%	100.00%	Purchase and sale of real estate.
22	Aquaform SA <sup>2)</sup>	Środa Wlkp.	15.01.2015	98.95%	n/a	98.95%	n/a	Production and sale of bathroom accessories and fittings
23	Aquaform Badprodukte GmbH <sup>2)</sup>	Anhausen (Germany)	15.01.2015	98.95%	n/a	98.95%	n/a	Wholesale trade
24	Aquaform Ukraine TOW <sup>2)</sup>	Zhytomyr (Ukraine)	15.01.2015	100.00%	n/a	100.00%	n/a	Wholesale trade
25	Aquaform Romania SRL <sup>2)</sup>	Prejmer (Romania)	15.01.2015	100.00%	n/a	100.00%	n/a	Wholesale trade
26	Morehome.pl sp. z o.o. <sup>2)</sup>	Środa Wlkp.	15.01.2015	98.95%	n/a	98.95%	n/a	Retail sales via electronic channels



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				31 March 2015	31 December 2014	31 March 2015	31 December 2014	
<b>Consolidated entities – continued</b>								
27	PZU Zdrowie SA	Warsaw	02.09.2011	100.00%	100.00%	100.00%	100.00%	Medical services. <a href="http://www.pzu.pl/pzu-zdrowie">http://www.pzu.pl/pzu-zdrowie</a>
28	Centrum Medyczne Medica sp. z o.o. ("CM Medica")	Płock	09.05.2014	100.00%	100.00%	100.00%	100.00%	Medical services. <a href="http://cmmedica.pl/">http://cmmedica.pl/</a>
29	Specjalistyczna Przychodnia Przemysłowa Prof-Med sp. z o.o. ("Prof-Med")	Włocławek	12.05.2014	100.00%	96.45%	100.00%	96.45%	Medical services. <a href="http://cmprofmed.pl/">http://cmprofmed.pl/</a>
30	Sanatorium Uzdrawiskowe "Krystynka" sp. z o.o. ("SU Krystynka")	Ciechocinek	09.05.2014	98.58%	98.58%	98.58%	98.58%	Hospitalization, rehabilitation and sanatorium services. <a href="http://www.sanatoriumkrystynka.pl/">http://www.sanatoriumkrystynka.pl/</a>
31	Przedsiębiorstwo Świadczeń Zdrowotnych i Promocji Zdrowia ELVITA – Jaworzno III sp. z o.o. ("Elvita")	Jaworzno	01.12.2014	98.82%	98.82%	98.82%	98.82%	Medical services. <a href="http://www.elvita.pl/">http://www.elvita.pl/</a>
32	Przedsiębiorstwo Usług Medycznych PROELMED sp. z o.o. ("Proelmed")	Łaziska Górne	01.12.2014	57.00%	57.00%	57.00%	57.00%	Medical services. <a href="http://www.proelmed.pl/">http://www.proelmed.pl/</a>
33	Ipsilon Sp. z o.o.	Warsaw	02.04.2009	100.00%	100.00%	100.00%	100.00%	Provision of assistance services and medical services.
34	PZU Asset Management SA ("PZU AM")	Warsaw	12.07.2001	100.00%	100.00%	100.00%	100.00%	Provision of managed account services.
35	Międzyzakładowe Pracownicze Towarzystwo Emerytalne PZU SA in liquidation ("MPTE PZU SA")	Warsaw	13.08.2004	100.00%	100.00%	100.00%	100.00%	No business conducted.
36	Omicron SA	Warsaw	13.09.2011	100.00%	100.00%	100.00%	100.00%	No business conducted.
37	Omicron Bis SA	Warsaw	28.08.2014	100.00%	100.00%	100.00%	100.00%	No business conducted.
38	LLC SOS Services Ukraine	Kiev (Ukraine)	01.07.2005	100.00%	100.00%	100.00%	100.00%	Assistance services.



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				31 March 2015	31 December 2014	31 March 2015	31 December 2014	
<b>Consolidated entities – continued</b>								
39	L4C sp. z o.o.	Warsaw	15.09.2014	100.00%	100.00%	100.00%	100.00%	No business conducted.
40	PZU SFIO Universum	Warsaw	15.12.2009	n/a	n/a	n/a	n/a	Investment of funds collected from fund members.
41	PZU FIZ Dynamiczny	Warsaw	27.01.2010	n/a	n/a	n/a	n/a	as above
42	PZU FIZ Sektora Nieruchomości <sup>3)</sup>	Warsaw	01.07.2008	n/a	n/a	n/a	n/a	as above
43	PZU FIZ Sektora Nieruchomości 2 <sup>3)</sup>	Warsaw	21.11.2011	n/a	n/a	n/a	n/a	as above
44	PZU FIZ Aktywów Niepublicznych BIS 1	Warsaw	12.12.2012	n/a	n/a	n/a	n/a	as above
45	PZU FIZ Aktywów Niepublicznych BIS 2 ("PZU FIZ AN BIS 2")	Warsaw	19.11.2012	n/a	n/a	n/a	n/a	as above
46	PZU Dłużny Rynków Wschodzących	Warsaw	20.11.2006	n/a	n/a	n/a	n/a	as above
47	PZU Akcji Rynków Wschodzących	Warsaw	20.11.2006	n/a	n/a	n/a	n/a	as above
48	PZU Akcji Spółek Dywidendowych	Warsaw	20.11.2006	n/a	n/a	n/a	n/a	as above
49	PZU FIZ Forte	Warsaw	27.12.2012	n/a	n/a	n/a	n/a	as above
50	PZU FIZ Sektora Nieruchomości 3 in liquidation <sup>3)</sup>	Warsaw	24.02.2012	n/a	n/a	n/a	n/a	as above
51	PZU FIZ Aktywów Niepublicznych RE Income in liquidation <sup>3)</sup>	Warsaw	08.11.2011	n/a	n/a	n/a	n/a	as above
52	PZU FIO Gotówkowy	Warsaw	01.07.2005	n/a	n/a	n/a	n/a	as above
<b>Co-subsidiary</b>								
53	Armatura Tower sp. z o.o.	Kraków	08.11.2013	50.00%	50.00%	50.00%	50.00%	Execution of construction projects.



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				31 March 2015	31 December 2014	31 March 2015	31 December 2014	
<b>Associates</b>								
54	GSU Pomoc Górniczy Klub Ubezpieczonych SA	Tychy	08.06.1999	30.00%	30.00%	30.00%	30.00%	Insurance services.
55	EMC Instytut Medyczny SA	Wroclaw	18.06.2013	28.58%	28.58%	25.41%	25.41%	Human health activities, research and development on medical sciences and pharmaceutical practice.

<sup>1)</sup> Information on the acquisition of Link4 is presented in item 1.4.1.1.

<sup>2)</sup> Information on the acquisition of Aquaform SA is presented in item 1.4.1.2.

<sup>3)</sup> As at 31 March 2015, the funds PZU FIZ Sektora Nieruchomości, PZU FIZ Sektora Nieruchomości 2, PZU FIZ Sektora Nieruchomości 3 in liquidation, PZU FIZ Aktywów Niepublicznych RE Income in liquidation conducted their investment activity through subsidiary companies established under commercial law as special purpose entities the number of which for the respective funds was: 40, 12, 1, 6 (as at 31 December 2014: 39, 13, 7, 6).

As at 31 March 2015, besides the companies listed in the table the PZU Group held a 100% stake in Syta Development sp. z o.o. in liquidation, control over which is exercised by a liquidator independent of the PZU Group and for this reason the company is not subject to consolidation. The value of these shares in the consolidated statement of financial position of the PZU Group was zero.



### 1.3 Non-controlling interests

In the PZU Group, there are no subsidiaries that would hold non-controlling interests of material importance to the PZU Group. The following table presents subsidiaries with non-controlling interests:

Name of the company	31 March 2015	31 December 2014
Proelmed	43.00%	43.00%
SU Krystynka	1.42%	1.42%
Elvita	1.18%	1.18%
Aquaform SA	1.05%	n/a
Aquaform Badprodukte GmbH	1.05%	n/a
Morehome.pl sp. z o.o.	1.05%	n/a
UAB PZU Lietuva Gyvybes Draudimas	0.66%	0.66%
PZU Lietuva	0.12%	0.12%
Lietuvos Draudimas AB	0.02%	0.02%
AAS Balta	0.01%	0.01%
Prof-Med	0.00%	3.55%

### 1.4 Changes in the scope of consolidation and structure of the PZU Group

#### 1.4.1. Business combination transactions

Business combinations are accounted for using the acquisition method in accordance with IFRS 3 "Business combinations". Its application requires, among others, identifying the acquirer, determining the acquisition date, recognizing and measuring identifiable acquired assets, acquired liabilities measured at fair value as at the acquisition date and all non-controlling interests in the acquiree as well as recognizing and measuring goodwill.

Detailed accounting rules for the recognition of acquisition transactions are presented in the annual consolidated financial statements of the Powszechny Zakład Ubezpieczeń Spółka Akcyjna Group for 2014.

##### 1.4.1.1. Purchase of Link4 shares

Under the agreement of 17 April 2014 on the purchase of shares in Link4, PZU purchased from Royal & Sun Alliance Insurance plc, a limited liability company incorporated in England and Wales with its registered office in West Sussex, the United Kingdom ("RSA"), 111,354,305 registered shares in Link4 representing 100% of Link4's share capital and 100% of votes at the Shareholder Meeting of Link4 ("Link4 shares") with a par value of PLN 1.00 each.

The Link4 acquisition transaction was closed and the assumption of control took place on 15 September 2014 and since that day Link4 has been subject to consolidation. The payment made for the Link4 shares on the transaction closing date was EUR 93,886 thousand (PLN 393,917 thousand at the exchange rate announced by the National Bank of Poland for the day preceding the transaction).

On 11 March 2015, the final settlement of the transaction was prepared. Due to the difference between the final net asset value and its notional amount, RSA paid PZU the difference of EUR 2,070 thousand. The final payment was EUR 91,816 thousand (PLN 385,378 thousand, including PLN 6,897 thousand in acquired settlements between Link4 and RSA).

### Final settlement of the Link4 share purchase transaction

The final settlement of the Link4 share purchase was based on company data prepared as at 31 August 2014. There were no significant differences in accounting data between 31 August 2014 and 15 September 2014 (date of the assumption of control).

During the calculation of goodwill, the book value of Link4's assets and liabilities was updated to fair value and new intangible assets previously unreported by the company were identified.

Fair value of acquired assets and liabilities as at the date of the assumption of control	Provisional settlement (PLN 000s)	Adjustment	Final settlement (PLN 000s)
Intangible assets	8,552	-	8,552
Property, plant and equipment	10,698	-	10,698
Financial assets	476,439	-	476,439
Receivables	65,354	-	65,354
Reinsurers' share in technical provisions	28,961	-	28,961
Other assets	26,634	-	26,634
New intangible assets identified during the acquisition, including:	117,266	-	117,266
- trademark	50,000	-	50,000
- future gains from the purchased portfolio of insurance agreements	67,266	-	67,266
<b>Total assets</b>	<b>733,904</b>	-	<b>733,904</b>
Technical provisions	493,973	-	493,973
Liabilities	82,827	-	82,827
<b>Share in the fair value of net assets acquired</b>	<b>157,104</b>	-	<b>157,104</b>
Fair value of the payment made – cash	393,917	(15,436) <sup>1)</sup>	378,481
<b>Calculated goodwill</b>	<b>236,813</b>	<b>(15,436)</b>	<b>221,377</b>

- 1) The refund remitted by RSA in the amount of EUR 2,070 thousand (PLN 8,539 thousand) and the diminishment in the acquisition price by the value of the acquired settlements between Link4 and RSA in the amount of PLN 6,897 thousand account for the amount of the adjustment of PLN 15,436 thousand.

Goodwill will not decrease taxable income.

#### 1.4.1.2. Purchase of Aquaform SA shares

Pursuant to the Aquaform SA share purchase agreement signed on 15 January 2015, PZU subsidiaries Armatura Kraków SA and Armatoora SA (Buyers) purchased from Saniku SA and Shower Star B.V. (Sellers) a total of 8,421,053 shares in Aquaform SA with a par value of PLN 0.38 per share.

Under other Aquaform SA share purchase agreements signed on 31 March 2015, PZU subsidiary Armatura Kraków SA purchased from non-controlling shareholders an additional 1,473,684 shares in Aquaform SA with a par value of PLN 0.38 per share.

PZU also became an indirect owner of Aquaform Badprodukte GmbH, Aquaform Romania SRL, Aquaform Ukraine TOW and Morehome.pl sp. z o.o., subsidiaries of Aquaform SA.

The purchase price consists of a fixed price of EUR 5,300 thousand and an additional price which is equal to 6.5% of the total value of sales in excess of EUR 24,000 thousand obtained by Aquaform SA in the markets of Germany, Austria, Switzerland, France, the Netherlands and Luxembourg in the period from 2015 to 2017.

The total share of Armatura Kraków SA and Armatoora SA in Aquaform SA's share capital is 98.95%, which translates into 98.95% of votes at the Shareholder Meeting.

The Aquaform SA share purchase transaction was closed and the assumption of control took place on 15 January 2015, and since that day Aquaform SA and its subsidiaries have been subject to consolidation.

The final settlement of the Aquaform SA share purchase was based on company data prepared as at 31 December 2014. There were no significant differences in accounting data between 31 December 2014 and 15 January 2015 (date of the assumption of control).

Fair value of acquired assets and liabilities as at the date of the assumption of control	Provisional settlement (PLN 000s)
Intangible assets	334
Property, plant and equipment	2,123
Deferred income tax assets	2,608
Receivables	13,275
Other assets	19,802
New intangible assets identified during the acquisition, including:	7,061
- trademark	6,120
- favorable agreement	941
<b>Total assets</b>	<b>45,203</b>
Liabilities	12,302
Non-controlling interests	346
<b>Share in the fair value of net assets acquired</b>	<b>32,555</b>
Fair value of the payment made – cash	25,705
<b>Gain on the bargain purchase</b>	<b>6,850</b>

## 1.5 Business combinations of entities under common control

On 26 March 2015 and 27 March 2015, CM Medica and Prof-Med share purchase agreements were entered into by and between PZU FIZ AN BIS 2 and PZU Zdrowie SA.

The transaction had no impact on the condensed interim consolidated financial statements.

## 2. Shareholder structure

As at the date of submission of this interim report, PZU's shareholder structure, taking into consideration the shareholders with at least 5% of the votes at the PZU Shareholder Meeting is as follows:

No.	Shareholder's name	Number of shares and votes at the Shareholder Meeting	Percentage share in the share capital and in the total number of votes at the Shareholder Meeting
1	State Treasury	30,385,253	35.1875%
2	Aviva Otwarty Fundusz Emerytalny Aviva BZ WBK	4,317,691 <sup>1)</sup>	5.0001%
3	Other shareholders	51,649,356	59.8124%
<b>Total</b>		<b>86,352,300</b>	<b>100.00%</b>

<sup>1)</sup> As at the date of provision of information by Aviva Otwarty Fundusz Emerytalny Aviva BZ WBK, i.e. as at 29 May 2014.

### 2.1.1. Changes in the issuer's ownership structure of significant shareholdings

In the period from 1 January 2015 to the date of submission of this interim report, no material changes have taken place in PZU's shareholder structure.

### 2.1.2. Superior parent of PZU

As at 31 March 2015, the State Treasury of the Republic of Poland held 35.1875% of PZU shares giving it the right to exercise 35.1875% of votes at the Shareholder Meeting. Therefore, there was no superior parent of PZU that would be required to prepare consolidated financial statements.

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

No.	Body / Name and surname	Number of shares / rights to shares as at the date of this interim report (i.e. 13 May 2015)	No. of shares / entitlements as at the date of the annual report (i.e. 17 March 2015)	Change between the two dates
<b>Management Board</b>				
1	Andrzej Klesyk	-	-	-
2	Przemysław Dąbrowski	-	-	-
3	Dariusz Krzewina	-	-	-
4	Tomasz Tarkowski	80	80	-
5	Ryszard Trepczyński	-	-	-
<b>Group Directors</b>				
1	Rafał Grodzicki	-	-	-
2	Przemysław Henschke	-	-	-
3	Sławomir Niemierka	-	-	-
4	Tobiasz Bury	50	50	-
<b>Supervisory Board</b>				
1	Aleksandra Magaczewska	-	-	-
2	Zbigniew Cwiąkański	-	-	-
3	Tomasz Zganiacz	-	-	-
4	Zbigniew Derdziuk	-	-	-
5	Dariusz Filar	-	-	-
6	Dariusz Kacprzyk	-	-	-
7	Jakub Karnowski	71	28	43
8	Alojzy Nowak	-	-	-
9	Maciej Piotrowski	-	-	-
<b>Total</b>		<b>201</b>	<b>158</b>	<b>43</b>

## 3. Composition of the Management Board and the Supervisory Board and Directors of the PZU Group

### 3.1 Composition of the parent company's Management Board

From 1 January 2015 to the date of this interim report, the PZU Management Board consisted of the following persons:

- Andrzej Klesyk – President of the PZU Management Board (CEO);
- Przemysław Dąbrowski – Member of the PZU Management Board;
- Dariusz Krzewina – Member of the PZU Management Board;
- Tomasz Tarkowski – Member of the PZU Management Board;
- Ryszard Trepczyński – Member of the PZU Management Board.

By its resolution of 16 March 2015 the PZU Supervisory Board appointed Andrzej Klesyk to the PZU Management Board's new term of office and entrusted him with acting in the capacity of PZU's Chief Executive Officer. This appointment is for

the term of the joint term of office to begin after holding PZU's Ordinary Shareholder Meeting approving the 2014 financial statements. The term of office is for three consecutive full financial years. 2016 is the first full financial year during the term of office.

### **3.2 Composition of the parent company's Supervisory Board**

From 1 January 2015 to the date of this interim report, the PZU Supervisory Board consisted of the following persons:

- Aleksandra Magaczewska – Supervisory Board Chairwoman;
- Zbigniew Cwiąkański – Supervisory Board Deputy Chairman;
- Tomasz Zganiacz – Supervisory Board Secretary;
- Zbigniew Derdziuk – Supervisory Board Member;
- Dariusz Filar – Supervisory Board Member;
- Dariusz Kacprzyk – Supervisory Board Member;
- Jakub Karnowski – Supervisory Board Member;
- Alojzy Nowak – Supervisory Board Member;
- Maciej Piotrowski – Supervisory Board Member.

### **3.3 PZU Group Directors**

Apart from Management Board Members, key managers in the PZU Group also comprise Group Directors who also sit on the Management Board of PZU Życie.

From 1 March 2015 to the date of this interim report, the following persons were the PZU Group Directors:

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

## **4. Key accounting principles (accounting policy)**

Detailed accounting principles (accounting policy) are presented in the annual consolidated financial statements of the Powszechny Zakład Ubezpieczeń Spółka Akcyjna Group for 2014, signed by the PZU Management Board on 16 March 2015 ("Consolidated financial statements of the PZU Group for 2014").

The PZU Group's consolidated financial statements for 2014 are available on the PZU website at [www.pzu.pl](http://www.pzu.pl) in the "Investor Relations" tab.

### **4.1 Changes in accounting principles, estimates, previous years' errors**

#### 4.1.1. Amendments to the applied IFRS

##### 4.1.1.1. Standards, interpretations and amended standards effective from 1 January 2015

In these condensed interim consolidated financial statements, the following new standards and interpretations and amendments to standards have been applied:

Standard/interpretation	Date of entry into effect for annual periods starting from	Regulation approving the standard or interpretation	Commentary
IFRIC 21 Interpretation – Levies	17 June 2014 or later	634/2014	<p>IFRIC 21 is an interpretation of IAS 37 – Provisions, contingent liabilities and contingent assets. IAS 37 specifies the criteria for recognizing a liability, with one of them being the requirement to have a current obligation following from past events (referred to as an obligating event). The interpretation explains that an event leading to the emergence of a liability to remit a public fee is an activity subject to a public fee prescribed by the appropriate legal regulations.</p> <p>The change did not affect the PZU Group's consolidated financial statements.</p>
Amendments to IFRS in 2011-2013	1 July 2014	1361/2014	<p>Changes to various standards and interpretations under the procedure for making annual corrections to Standards (IFRS 1, IFRS 3, IFRS 13 and IAS 40), mostly directed at solving incongruences and tightening terminology. The changes made state more precisely the required accounting recognition in situations in which previously it was permissible to have an arbitrary interpretation. The most important ones are new or changed requirements concerning: the significance of the IFRS in force in IFRS 1; the scope of exemptions concerning joint ventures; the scope of paragraph 52 of IFRS 13 (net exposure exemption) and stating more precisely the relationship between IFRS 3 and IAS 40 (additional services).</p> <p>The change did not affect the PZU Group's consolidated financial statements.</p>
Amendments to IFRS in 2010-2012	1 July 2014	28/2015	<p>Changes to various standards and interpretations under the procedure for making annual corrections to Standards (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38), mostly directed at solving incongruences and tightening terminology. The changes made state more precisely the required accounting recognition in situations in which previously it was permissible to have an arbitrary interpretation. The most important ones are new or changed requirements concerning: the definition of a "condition to acquire rights"; accounting recognition of a conditional payment in the combination of ventures; aggregation of operating segments and reconciliation of the assets of reporting segments with the entity's assets; measurement of short-term receivables and payables; proportionate transformation of accumulated depreciation in the revaluation model and the definition of management personnel.</p> <p>The change did not affect the PZU Group's consolidated financial statements.</p>



<b>Standard/interpretation</b>	<b>Date of entry into effect for annual periods starting from</b>	<b>Regulation approving the standard or interpretation</b>	<b>Commentary</b>
Amendments to IAS 19 "Employee Benefits – Defined Benefit Plans – Employee Contributions"	1 July 2014	29/2015	Minor changes concern the scope of application of IAS 19 to contributions from employees or third parties paid in favor of defined benefits schemes. The purpose of the changes is to simplify the settlement of contributions that do not depend on the number of years worked (e.g. employee contributions computed as a fixed percentage of salary).  The change did not affect the PZU Group's consolidated financial statements.

#### 4.1.1.2. Standards, interpretations and amended standards not yet effective

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

- Not approved by the European Commission:

<b>Standard/interpretation</b>	<b>Date of issue by the International Accounting Standards Board</b>	<b>Date of entry into effect for annual periods starting (according to the International Accounting Standards Board)</b>	<b>Commentary</b>
IFRS 9 – Financial Instruments	24 July 2014	1 January 2018	This standard replaces IAS 39 and specifies the requirements for recognition and measurement of impairment, derecognition and hedge accounting. The standard introduces a new approach to the classification of financial assets, based on the nature of cash flows and the business model associated with the relevant assets. The standard also unifies the impairment model for all financial instruments. The new model of expected loss from impairment requires a quicker recognition of expected credit losses. The standard introduces a reformed hedge accounting model with enhanced requirements concerning disclosures of risk management activities.  Due to the remote effective date, the effect of application of IFRS 9 on the PZU Group's comprehensive income and equity has not been estimated.



Standard/interpretation	Date of issue by the International Accounting Standards Board	Date of entry into effect for annual periods starting (according to the International Accounting Standards Board)	Commentary
IFRS 14 – Regulatory Deferral Accounts	30 January 2014	1 January 2016	<p>Enabling entities applying IFRS for the first time, which currently recognize regulatory deferral account balances in accordance with their previous, generally accepted accounting standards to continue recognizing these balances after switching to IFRS.</p> <p>This amendment does not apply to the PZU Group.</p>
IFRS 15 – Revenue from Contracts with Customers	28 May 2014	1 January 2018 <sup>1)</sup>	<p>IFRS 15 specifies how and when to recognize revenues and requires the presentation of more detailed disclosures. The standard replaces IAS 18 “Revenue”, IAS 11 “Construction Contracts” and a number of interpretations related to revenue recognition. The standard applies to almost all agreements with customers (the main exceptions concern lease agreements, financial instruments and insurance agreements). The fundamental principle of the new standard is to recognize revenues in a manner that reflects the transfer of goods or services to customers and in an amount that reflects the value of consideration (i.e. the payment) which the company expects to obtain in exchange for the goods or services. The standard also provides guidelines for recognizing transactions that were not regulated in detail in previous standards (e.g. revenues from services or modification of agreements) and contains more comprehensive explanations on the recognition of agreements with multiple deliverables.</p> <p>Due to the remote effective date and the inapplicability to the PZU Group’s insurance companies, the effect of application of the new standard on the PZU Group’s comprehensive income and equity has not been estimated.</p>
Amendments to IFRS in 2012-2014	25 September 2014	1 January 2016	<p>Amendments to IFRS 5 – supplemented with guidelines concerning reclassification of assets from held for sale to held for distribution to owners and vice versa and cases of the cessation of classification of assets held for distribution to owners. Amendments to IFRS 7 – supplemented with guidelines concerning disclosures related to asset handling agreements and explanations regarding the application of compensation-related amendments to IFRS 7 in condensed interim financial statements. Amendment to IAS 19 – clarification that high-quality corporate bonds used for the purposes of estimating the discount rate used in the calculation of post-employment benefits should be denominated in the same currency as the currency of the future payment of the benefits (and hence market activity on such bonds should be evaluated at the currency level). Amendments to IAS 34 – provision of greater detail for the concepts covered.</p> <p>The change will not affect the PZU Group’s consolidated financial statements.</p>





Standard/interpretation	Date of issue by the International Accounting Standards Board	Date of entry into effect for annual periods starting (according to the International Accounting Standards Board)	Commentary
Amendments to IFRS 10 and IFRS 28 – Sale or transfer of assets between the investor and an associate or a joint venture	11 September 2014	1 January 2016	<p>The main consequence of the amendment is the recognition of the whole profit or loss in a situation where the transaction concerns an organized business (regardless of whether or not it is located in a subsidiary), whereas partial profits or losses are recognized in the transaction concerns separate assets that do not form an organized business, even if they are located in a subsidiary.</p> <p>The change will not affect the PZU Group's consolidated financial statements.</p>
Amendments to IFRS 11 – Settlement of the acquisition of a share in a joint business	6 May 2014	1 January 2016	<p>The amendment clarifies that the buyers of shares in joint operations should apply all the rules pertaining to acquisition accounting resulting from IFRS 3 and other IFRSs that are not in conflict with IFRS 11 and should disclose the information required by these standards.</p> <p>This amendment should not influence the PZU Group's consolidated financial statements.</p>
Amendments to IAS 16 and IAS 38 – clarification of permissible depreciation methods	12 May 2014	1 January 2016	<p>The amendment clarifies that the adoption of depreciation methods based on revenues generated by assets is inappropriate.</p> <p>This amendment should not affect the PZU Group's consolidated financial statements.</p>
Amendments to IAS 16 and IAS 41 – production plants	30 June 2014	1 January 2016	<p>The amendment introduces a definition of productive assets and removes them from the scope of application of IAS 41 by moving them to IAS 16, which will result in a change in the valuation method.</p> <p>The change will not affect the PZU Group's consolidated financial statements.</p>
Amendment to IAS 27 – equity method in separate financial statements	12 August 2014	1 January 2016	<p>The amendment permits entities to apply the equity method for the valuation of investments in subsidiaries, associates and joint ventures in separate financial statements.</p> <p>The change will not affect the PZU Group's consolidated financial statements.</p>
Amendments to IAS 1 – initiative on disclosures	18 December 2014	1 January 2016	<p>Introduction of requirements for a structured layout of financial statements, the requirement for reconciliation of subtotals in the profit and loss account, in the statement of comprehensive income and the statement of financial position, and additional guidelines for materiality, level of detail in presentations and accounting principles.</p> <p>The change may result in minor modifications in the layout of basic tables in the PZU Group's consolidated financial statements.</p>



<b>Standard/interpretation</b>	<b>Date of issue by the International Accounting Standards Board</b>	<b>Date of entry into effect for annual periods starting (according to the International Accounting Standards Board)</b>	<b>Commentary</b>
Amendments to IFRS 10, IFRS 12 and IFRS 28 – Investment entities: Application of exemptions from consolidation	18 December 2014	1 January 2016	IFRS 10 – Supplemented with additional guidelines requiring investment entities to apply mandatory consolidation of non-investment subsidiaries providing investment-related services; supplemented with guidelines on the absence of a duty to prepare consolidated statements by parent companies of a lower level controlled by investment entities. IAS 28 – supplemented with guidelines on the application of valuation using the equity method by an investor that is not an investment entity in relation to an associate investment entity or joint venture.  The change will not affect the PZU Group's consolidated financial statements.

1) On 28 April 2015 the International Accounting Standards Board voted to defer the effective date by one year to 1 January 2018.

In summary, in the opinion of the PZU Group, the introduction of the above standards and interpretations will have no material effect on the accounting principles followed by the PZU Group, except for IFRS 9 and IFRS 15 the impact of which on the accounting principles applied by the PZU Group is yet to be assessed.

## 5. Key estimates and judgments

The critical estimates and assessments were presented in the PZU Group's consolidated financial statements for 2014.

## 6. Corrections of errors from previous years

During the 3-month period from 1 January to 31 March 2015, no corrections were made of errors from previous years.

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

### 7.1 Key dividends paid between PZU Group companies

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

#### 7.1.1. Dividend from PTE PZU to PZU Życie

On 30 March 2015, the Shareholder Meeting of PTE PZU made a decision to pay a dividend of PLN 229,426 thousand. The dividend was paid on 6 May 2015.

## 8. Material events after the end of the reporting period

### 8.1.1.1. Purchase of Rezo-Medica sp. z o.o. shares

Pursuant to a share purchase agreement signed on 23 April 2015, CM Medica acquired 2,000 shares in Rezo-Medica sp. z o.o. representing 100% of the share capital of Rezo-Medica sp. z o.o. and 100% of votes at the shareholder meeting with a par value of PLN 500 each.

## 9. Supplementary notes to the condensed interim consolidated financial statements

### 9.1 Gross written premiums

Gross written premiums	1 January – 31 March 2015	1 January – 31 March 2014
Gross written premiums in non-life insurance	2,664,131	2,377,655
In direct insurance	2,652,935	2,359,824
In indirect insurance	11,196	17,831
Gross written premiums in life insurance	2,016,696	1,976,324
Individual premiums	837,885	822,488
Group insurance premiums	1,178,811	1,153,836
<b>Gross written premiums, total</b>	<b>4,680,827</b>	<b>4,353,979</b>

Gross written premiums in direct non-life insurance (by accounting classes prescribed by section II of the attachment to the Insurance Activity Act)	1 January – 31 March 2015	1 January – 31 March 2014
Accident and sickness insurance (class 1 and 2)	159,138	103,455
Motor third party liability insurance (class 10)	783,515	698,831
Other motor insurance (class 3)	639,176	528,835
Marine, air and cargo insurance (classes 4, 5, 6, 7)	18,504	19,138
Insurance against fire and other property damage (classes 8 and 9)	727,199	650,062
TPL insurance (classes 11, 12, 13)	223,297	271,321
Credit and guarantee insurance (classes 14, 15)	18,408	16,802
Assistance (class 18)	71,301	54,334
Legal protection (class 17)	347	304
Other (class 16)	12,050	16,742
<b>Total</b>	<b>2,652,935</b>	<b>2,359,824</b>

### 9.2 Revenues from commissions and fees

Revenues from commissions and fees	1 January – 31 March 2015	1 January – 31 March 2014
<b>Pension insurance</b>	<b>26,355</b>	<b>43,374</b>
Commissions on distribution fees	1,348	9,323
Commissions on managing assets of an open-end pension fund	25,007	34,051
<b>Investment contracts</b>	<b>2,415</b>	<b>4,311</b>
Revenues from fees relating to investment contracts for the client's account and risk	2,415	4,311
<b>Other</b>	<b>19,674</b>	<b>17,238</b>
Revenues and payments received from funds and mutual fund companies	19,674	17,238
<b>Revenues from commissions and fees, total</b>	<b>48,444</b>	<b>64,923</b>

### 9.3 Net investment income

Net investment income	1 January – 31 March 2015	1 January – 31 March 2014
Interest income, including:	328,159	353,338
- financial assets available for sale	21,194	14,924
- financial assets held to maturity	232,835	235,359
- loans	73,147	102,362
- receivables, including receivables due under insurance agreements	375	-
- cash and cash equivalents	608	693
Dividend income, including:	399	2,084
- financial assets measured at fair value through profit or loss upon first recognition	304	1,608
- financial assets held for trading	37	476
- financial assets available for sale	58	-
Income on investment property	48,871	31,607
Foreign exchange differences, including:	18,053	(1,290)
- financial assets held to maturity	(2,946)	410
- financial assets available for sale	(10,786)	(486)
- loans	6,107	(214)
- receivables, including receivables due under insurance agreements	(9,508)	(1,000)
- cash and cash equivalents	35,186	-
Other, including:	(40,637)	(14,487)
- investment activity expenses	(7,687)	(6,434)
- investment property maintenance expenses	(39,526)	(16,486)
- other	6,576	8,433
<b>Net investment income, total</b>	<b>354,845</b>	<b>371,252</b>

## 9.4 Net result on the realization of investments and impairment charges

Net result on the realization of investments and impairment charges	1 January – 31 March 2015	1 January – 31 March 2014
<b>Net result on the realization of investments</b>	<b>132,897</b>	<b>(90,468)</b>
Financial assets measured at fair value through profit or loss – classified as such upon first recognition, including:	52,632	(26,713)
- equity instruments	(28,226)	20,734
- debt securities	80,858	(47,447)
Financial assets held for trading, including:	72,292	(59,160)
- equity instruments	19,832	(3,517)
- debt securities	5,157	(12,788)
- derivatives	47,303	(42,855)
Financial assets available for sale, including:	17,361	6,569
- equity instruments	25	-
- debt securities	17,336	6,569
Financial assets held to maturity, including:	(58)	1,445
- debt securities held to maturity	(58)	1,445
Borrowings	24	-
Receivables, including receivables under insurance agreements	(11,808)	(13,116)
Cash and cash equivalents	(74)	-
Investment properties	2,528	507
<b>Impairment charges</b>	<b>(15,113)</b>	<b>(21,197)</b>
Financial assets available for sale, including:	-	(3,400)
- equity instruments	-	(3,400)
Borrowings	(935)	-
Receivables, including receivables under insurance agreements	(12,814)	(17,797)
Cash and cash equivalents	(1,364)	-
<b>Net result on the realization of investments and impairment charges, total</b>	<b>117,784</b>	<b>(111,665)</b>

## 9.5 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 January – 31 March 2015	1 January – 31 March 2014
Financial instruments measured at fair value through profit or loss – classified in that category upon first recognition, including:	246,661	177,545
- equity instruments	202,673	56,740
- debt securities	61,109	149,478
- measurement of liabilities to members of consolidated mutual funds	(17,121)	(28,673)
Financial instruments held for trading, including:	239,424	109,050
- equity instruments	175,107	68,499
- debt securities	15,600	31,784
- derivatives	48,717	8,767
Investment properties	(7,681)	(3,535)
<b>Net change in the fair value of assets and liabilities measured at fair value</b>	<b>478,404</b>	<b>283,060</b>

## 9.6 Other operating revenues

Other operating revenues	1 January – 31 March 2015	1 January – 31 March 2014
Commissions for acting as an emergency adjuster	2,076	1,955
Reinsurance commissions and profit-sharing	5,864	3,990
Revenues on the sales of products, merchandise and services by non-insurance companies	82,089	53,658
Co-insurance settlements	23,471	-
Revenues from direct liquidation on behalf of other insurance companies	32,534	-
Other	20,706	42,247
<b>Other operating income, total</b>	<b>166,740</b>	<b>101,850</b>

## 9.7 Claims and change in technical provisions

Claims and change in technical provisions	1 January – 31 March 2015	1 January – 31 March 2014
Claims and change in technical provisions in non-life insurance	1,322,364	1,137,028
Reinsurers' share in claims and in the change in technical provisions in non-life insurance	(61,642)	(31,027)
Claims and change in technical provisions in life insurance	1,785,171	1,558,240
Reinsurers' share in claims and change in the balance of technical reserves in life insurance	(35)	(75)
<b>Claims and change in technical provisions, total</b>	<b>3,045,858</b>	<b>2,664,166</b>

## 9.8 Change in measurement of investment contracts

Change in measurement of investment contracts	1 January – 31 March 2015	1 January – 31 March 2014
Under investment contracts with guaranteed and fixed terms and conditions	3,715	6,170
- interest expenses calculated using the effective interest rate	3,715	6,170
Under investment contracts for client's account and risk (unit-linked)	18,396	(1,253)
<b>Change in measurement of investment contracts, total</b>	<b>22,111</b>	<b>4,917</b>

## 9.9 Administrative, acquisition and claims handling expenses, by type

Administrative, acquisition and claims handling expenses, by type	1 January – 31 March 2015	1 January – 31 March 2014
Consumption of energy and materials	33,412	19,707
Third party services	159,453	114,034
Taxes and fees	18,247	36,531
Employee expenses	380,059	329,081
Depreciation of property, plant and equipment	19,213	17,294
Amortization of intangible assets	22,268	16,792
Other, including:	577,166	499,126
- commission on direct activity	445,422	407,454
- advertising	23,659	7,585
- commission on indirect activity	53,158	53,066
- other	54,927	31,021
Change in capitalized acquisition expenses	(50,984)	(31,634)
<b>Administrative, acquisition and claims handling expenses, total</b>	<b>1,158,834</b>	<b>1,000,931</b>

## 9.10 Other operating expenses

Other operating expenses	1 January – 31 March 2015	1 January – 31 March 2014
Amortization of intangible assets purchased in company acquisition transactions	59,579	-
Costs of direct liquidation on behalf of other insurance companies	33,981	-
Provisions established	27,588	1,467
Expenses of the core business of the non-insurance companies	104,692	61,035
Expenditures for prevention activity	25,938	8,416
Compulsory payments to insurance market institutions	19,002	16,537
Insurance Guarantee Fund	9,646	8,894
National Fire Brigade Headquarters and Association of Voluntary Fire Brigades	21,944	20,756
Other	47,767	59,585
<b>Other operating expenses, total</b>	<b>350,137</b>	<b>176,690</b>

## 9.11 Financial expenses

Financial expenses	1 January – 31 March 2015	1 January – 31 March 2014
Interest, including:	31,712	31,632
- sell-buy-back transactions	21,689	29,088
- own debt securities issued	7,974	-
- bank loans	1,996	2,520
- other	53	24
Other, including:	(91,705)	566
- FX gains and losses on own debt securities	(86,496)	-
- foreign exchange differences	(5,229)	374
- other	20	192
<b>Financial expenses, total</b>	<b>(59,993)</b>	<b>32,198</b>



## 9.12 Earnings per share

Earnings per share	1 January – 31 March 2015	1 January – 31 March 2014
Net profit on continuing operations attributed to holders of the parent company's equity	941,332	760,446
Weighted average basic and diluted number of ordinary shares	86,351,949	86,351,949
Number of shares issued	86,352,300	86,352,300
Number of treasury shares (held by consolidated mutual funds)	(351)	(351)
Basic and diluted earnings (losses) per ordinary share (in PLN)	10.90	8.81

In the 3-month period ended 31 March 2015, there were no discontinued operations of any kind.

In the 3-month period ended 31 March 2015, there were no transactions or events resulting in the dilution of earnings per share.

## 9.13 Income tax in other comprehensive income

Income tax on other total income items	1 January – 31 March 2015	1 January – 31 March 2014
Gross other comprehensive income	(19,218)	12,583
Income tax	(5,205)	(3,108)
Valuation of financial instruments available for sale	(5,134)	(2,841)
Provisions for retirement severance pays and post-mortem benefits	-	-
Reclassification of real property from property, plant and equipment to investment property	(71)	(267)
<b>Other net comprehensive income</b>	<b>(24,423)</b>	<b>9,475</b>

## 9.14 Intangible assets

The decrease in intangible assets between 31 December 2014 and 31 March 2015 was chiefly due to the amortization of intangible assets purchased in company acquisition transactions (relations with customers, relationships with brokers, future gains on the purchased portfolio of insurance agreements) in the amount of PLN 59,579 thousand.

## 9.15 Goodwill

Goodwill	31 March 2015	31 December 2014	31 March 2014
Lietuvos Draudimas AB	345,380	360,018	-
Link4	221,377	236,813	-
Codan branch	107,752	112,319	-
AAS Balta	36,703	38,258	-
Medical companies	29,580	29,580	-
Other	8,548	8,675	8,557
<b>Goodwill, total</b>	<b>749,340</b>	<b>785,663</b>	<b>8,557</b>



## 9.16 Entities measured using the equity method

Associates and joint ventures	31 March 2015	31 December 2014	31 March 2014	31 March 2015	31 December 2014	31 March 2014	31 March 2015	31 December 2014	31 March 2014
Name of the unit	EMC Instytut Medyczny SA			GSU Pomoc Górniczy Klub Ubezpieczonych SA			Armatura Tower Sp. z o.o.		
Nature of PZU's relationship with the entity	Associate – non-strategic			Associate – non-strategic			Joint venture – non-strategic		
Registered office of the entity	Wrocław			Tychy			Kraków		
Equity stake in the entity	28.58%	28.58%	28.58%	30.00%	30.00%	30.00%	50.00%	50.00%	50.00%
Share in the votes in the entity	25.41%	25.41%	25.41%	30.00%	30.00%	30.00%	50.00%	50.00%	50.00%
Valuation method in the consolidated financial statements	Equity method			Equity method			Equity method		
Accounting standard used by the entity	IFRS			PAS			IFRS		
Carrying amount of exposure to the entity	65,900	65,707	67,492	566	586	624	16	18	25
Fair value of exposure to the entity	54,077	52,737	55,692	None – unlisted entity			None – unlisted entity		
Value of dividends received from an entity	-	-	-	-	36	-	-	-	-
<b>Key financial information</b>									
Assets, including:	243,182	242,652	248,149	2,621	2,513	2,698	34	35	46
Short-term assets, including:	51,097	50,469	69,153	2,045	2,003	2,664	34	35	46
Cash and cash equivalents	17,752	16,931	36,877	1,652	1,752	2,553	30	32	45
Long-lived assets.	192,085	192,183	178,996	576	510	34	-	-	-



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Associates and joint ventures	31 March 2015	31 December 2014	31 March 2014	31 March 2015	31 December 2014	31 March 2014	31 March 2015	31 December 2014	31 March 2014
Equity	137,144	137,249	139,045	1,888	1,960	2,079	31	35	45
Liabilities, including:	106,038	105,403	109,104	733	553	619	3	-	1
Short-term liabilities, including:	55,777	60,168	62,694	733	553	619	-	-	1
Short-term financial liabilities	14,688	23,930	24,957	-	-	-	-	-	-
Long-term liabilities, including:	50,261	45,235	46,410	-	-	-	-	-	-
Long-term financial liabilities	30,325	24,286	24,487	-	-	-	-	-	-
Revenues on core business	66,749	243,132	59,022	509	1,076	192	-	-	-
Depreciation	3,345	12,608	3,158	40	49	5	-	-	-
Interest revenues	48	831	236	22	133	37	-	-	-
Interest expenses	542	2,419	685	-	-	-	-	-	-
Income tax	676	(1,211)	299	-	29	14	-	-	-
Comprehensive income, incl.:	(106)	(6,459)	32	(72)	27	26	(4)	(15)	(5)
Net financial result, including:	(64)	(5,817)	22	(72)	27	26	(4)	(15)	(5)
Net financial result on continuing operations	(64)	(5,817)	22	(72)	27	26	(4)	(15)	(5)
Net financial result on discontinued operations	-	-	-	-	-	-	-	-	-
Other comprehensive income	(42)	(642)	10	-	-	-	-	-	-

There are no restrictions (e.g. resulting from any findings regarding borrowings, regulatory requirements or agreements) as to the ability of transferring funds by the associates or the joint venture in the form of cash dividends.

## 9.17 Financial assets

Due to a change in the purpose of use of certain assets, from 1 January 2015 some of the assets were reclassified from assets held for sale to assets held to maturity. The carrying amount of the assets at the time of reclassification was PLN 83,620 thousand. The carrying amount as at 31 March 2015 was PLN 84,121 thousand.

In 2014, no financial instruments were reclassified from groups measured at fair value to groups carried at cost or amortized cost.

### 9.17.1. Financial instruments held to maturity

Financial instruments held to maturity	31 March 2015	31 December 2014	31 March 2014
<b>Instruments for which fair value can be determined</b>	<b>20,435,452</b>	<b>19,983,689</b>	<b>19,914,955</b>
Debt securities	20,435,452	19,983,689	19,914,955
Government securities	20,253,435	19,796,986	19,689,094
Fixed rate	19,017,786	18,555,389	18,492,590
Floating rate	1,235,649	1,241,597	1,196,504
Other	182,017	186,703	225,861
Listed on a regulated market	61,131	63,909	103,393
Fixed rate	61,131	63,909	103,393
Not listed on a regulated market	120,886	122,794	122,468
Floating rate	120,886	122,794	122,468
<b>Financial instruments held to maturity, total</b>	<b>20,435,452</b>	<b>19,983,689</b>	<b>19,914,955</b>

The fair value of financial instruments held to maturity as at 31 March 2015 was PLN 24,315,167 thousand (as at 31 December 2014: PLN 23,524,392 thousand).

### 9.17.2. Financial instruments available for sale

Financial instruments available for sale	31 March 2015	31 December 2014	31 March 2014
<b>Instruments for which fair value can be determined</b>	<b>3,211,516</b>	<b>2,982,164</b>	<b>1,986,363</b>
Equity instruments	599,091	547,299	423,640
Listed on a regulated market	376,706	357,732	387,144
Not listed on a regulated market	222,385	189,567	36,496
Debt instruments	2,612,425	2,434,865	1,562,723
Government securities	2,171,228	1,922,939	1,080,770
Fixed rate	2,067,030	1,868,605	979,410
Floating rate	104,198	54,334	101,360
Other	441,197	511,926	481,953
Listed on a regulated market	205,291	272,564	241,452
Fixed rate	163,265	221,413	199,582
Floating rate	42,026	51,151	41,870
Not listed on a regulated market	235,906	239,362	240,501
Floating rate	235,906	239,362	240,501
<b>Instruments, for which fair value cannot be determined</b>	<b>3,158</b>	<b>3,158</b>	<b>3,128</b>
Equity instruments	3,158	3,158	3,128
Not listed on a regulated market	3,158	3,158	3,128
<b>Financial instruments available for sale, total</b>	<b>3,214,674</b>	<b>2,985,322</b>	<b>1,989,491</b>

### 9.17.3. Financial instruments measured at fair value through profit or loss

Financial instruments measured at fair value through profit or loss	31 March 2015	31 December 2014	31 March 2014
<b>Instruments classified into this category upon first recognition</b>	<b>13,333,857</b>	<b>12,571,137</b>	<b>13,509,938</b>
Equity instruments	1,982,861	1,482,597	1,637,215
Listed on a regulated market	1,942,273	1,443,739	1,612,519
Not listed on a regulated market	40,588	38,858	24,696
Debt instruments	11,350,996	11,088,540	11,872,723
Government securities	11,188,922	11,005,221	11,839,645
Fixed rate	9,112,144	9,814,334	10,554,020
Floating rate	2,076,778	1,190,887	1,285,625
Other	162,074	83,319	33,078
Listed on a regulated market	162,074	83,319	33,078
Fixed rate	162,074	83,319	33,078
<b>Instruments held for trading</b>	<b>6,956,548</b>	<b>6,525,347</b>	<b>6,982,223</b>
Equity instruments	4,719,502	4,463,405	4,886,169
Listed on a regulated market	1,608,776	1,572,464	2,249,654
Not listed on a regulated market	3,110,726	2,890,941	2,636,515
Debt instruments	1,697,556	1,515,539	1,812,188
Government securities	1,622,623	1,441,296	1,737,318
Fixed rate	1,616,247	1,409,570	1,712,215
Floating rate	6,376	31,726	25,103
Other	74,933	74,243	74,870
Not listed on a regulated market	74,933	74,243	74,870
Floating rate	74,933	74,243	74,870
Derivatives	539,490	546,403	283,866
<b>Financial instruments measured at fair value through profit or loss – held for trading, total</b>	<b>20,290,405</b>	<b>19,096,484</b>	<b>20,492,161</b>

### 9.17.4. Borrowings

Borrowings	31 March 2015	31 December 2014	31 March 2014
<b>Debt securities</b>	<b>2,955,217</b>	<b>2,990,555</b>	<b>2,079,436</b>
Government securities	22,686	35,146	25,132
Fixed rate	22,686	35,146	25,132
Other	2,932,531	2,955,409	2,054,304
Listed on a regulated market	841	3,882	8,018
Fixed rate	841	3,882	8,018
Not listed on a regulated market	2,931,690	2,951,527	2,046,286
Floating rate	2,931,690	2,951,527	2,046,286
<b>Other, including:</b>	<b>13,234,245</b>	<b>11,703,926</b>	<b>12,065,682</b>
- buy-sell-back transactions	6,715,609	3,250,173	4,853,369
- term deposits with credit institutions	4,160,669 <sup>1)</sup>	6,143,781	5,357,593
- deposits with ceding companies	-	-	11
- loans	2,357,967 <sup>2)</sup>	2,309,972	1,854,709
<b>Total loans</b>	<b>16,189,462</b>	<b>14,694,481</b>	<b>14,145,118</b>

<sup>1)</sup> PLN deposits represent over 78% of term deposits in credit institutions and EUR deposits represent over 19%. Over 92% of term deposits will mature before the end of September 2015.

<sup>2)</sup> 100% of borrowings are borrowings secured by pledges on shares, on accounts receivable portfolios and on bank accounts, other loans or otherwise.

As at 31 March 2015, the fair value of debt securities was PLN 3,023,835 thousand (as at 31 December 2014: PLN 3,091,685 thousand) and the fair value of borrowings was PLN 2,435,377 thousand (as at 31 December 2014: PLN 2,398,454 thousand). The fair value of buy-sell-back transactions and term deposits with credit institutions did not differ significantly from their carrying amounts due to their short-term nature.

### 9.17.5. Exposure to debt securities issued by governments other than the Polish Government, by corporations and local government units

The following tables present the exposure of the PZU Group companies to debt securities issued by governments other than the Polish government, by corporations and by local government units. Financial instruments classified as belonging to portfolios held to maturity and borrowings have been presented as measured at amortized cost while financial assets classified as held for sale and measured at fair value through the financial result (classified to this category at the time of initial recognition and held for trading) have been presented as measured at fair value.

#### Debt securities issued by governments other than the Polish government

As at 31 March 2015	Currency	Valuation method	Acquisition price	Carrying amount	Fair value measurement	Impairment charges
Bulgaria	EUR	at fair value	44,927	46,015	46,015	-
Bulgaria	EUR	at amortized cost	8,203	8,316	8,343	-
Croatia	USD	at fair value	13,489	17,171	17,171	-
Croatia	EUR	at fair value	32,659	31,878	31,878	-
Croatia	EUR	at amortized cost	11,165	11,416	11,441	-
Cyprus	EUR	at fair value	20,663	21,817	21,817	-
Montenegro	EUR	at fair value	26,573	26,859	26,859	-
France	EUR	at fair value	39,542	38,632	38,632	-
France	CHF	at fair value	17,160	15,266	15,266	-
Iceland	USD	at fair value	24,745	32,090	32,090	-
Lithuania	EUR	at fair value	432,118	469,200	469,200	-
Lithuania	USD	at fair value	4,927	6,949	6,949	-
Lithuania	EUR	at amortized cost	44,956	44,922	47,593	-
Latvia	EUR	at fair value	69,755	72,387	72,387	-
Latvia	USD	at fair value	31,236	39,067	39,067	-
Latvia	EUR	at amortized cost	16,883	16,869	17,001	-
Mexico	EUR	at fair value	32,635	34,385	34,385	-
Germany	EUR	at fair value	233,343	232,427	232,427	-
Romania	EUR	at fair value	124,150	136,921	136,921	-
Romania	RON	at fair value	17,163	17,867	17,867	-
Romania	USD	at fair value	15,631	22,148	22,148	-
Romania	EUR	at amortized cost	11,035	11,230	11,206	-
Serbia	USD	at fair value	26,865	32,008	32,008	-
Ukraine	USD	at fair value	1,589	1,572	1,572	-
Ukraine	UAH	at fair value	9,475	5,999	5,999	-
Ukraine	UAH	at amortized cost	26,126 <sup>1)</sup>	6,482 <sup>1)</sup>	6,319	-
Ukraine	USD	at amortized cost	13,814	16,203	16,218	-
Hungary	EUR	at fair value	135,476	136,097	136,097	-
Hungary	HUF	at fair value	271,095	278,040	278,040	-
Hungary	USD	at fair value	7,801	11,030	11,030	-
Hungary	EUR	at amortized cost	9,085	9,214	9,270	-
other	EUR/USD	at fair value	42,792	47,366	47,366	-
other	EUR	at amortized cost	2,724	2,727	2,718	-
<b>Total</b>			<b>1,819,800</b>	<b>1,900,570</b>	<b>1,903,300</b>	-

<sup>1)</sup> In the case of these bonds, every 6 months the par value of the bonds in a fixed amount of UAH 100 is repaid (i.e. 10% of the par value of the bonds). The purchase price shows the actual price paid and does not take into account any repayments of the par value.

As at 31 December 2014	Currency	Valuation method	Acquisition price	Carrying amount	Fair value measuremen t	Impairm ent charges
Bulgaria	EUR	at fair value	12,589	13,941	13,941	-
Croatia	USD	at fair value	13,489	15,555	15,555	-
Croatia	EUR	at amortized cost	2,418	2,447	2,478	-
Cyprus	EUR	at fair value	20,663	21,585	21,585	-
Iceland	USD	at fair value	24,745	29,246	29,246	-
Lithuania	EUR	at fair value	61,935	68,565	68,565	-
Lithuania	LTL	at fair value	436,696	458,145	458,145	-
Lithuania	USD	at fair value	14,178	17,113	17,113	-
Lithuania	EUR	at amortized cost	12,964	14,050	15,380	-
Lithuania	LTL	at amortized cost	14,857	15,196	15,786	-
Latvia	EUR	at fair value	66,277	70,051	70,051	-
Latvia	USD	at fair value	31,236	35,048	35,048	-
Latvia	EUR	at amortized cost	1,631	1,679	1,781	-
Romania	EUR	at fair value	143,607	156,896	156,896	-
Romania	RON	at fair value	48,545	50,882	50,882	-
Romania	USD	at fair value	15,631	20,436	20,436	-
Turkey	USD	at fair value	449	477	477	-
Ukraine	USD	at fair value	1,458	1,663	1,663	-
Ukraine	UAH	at fair value	10,183	9,343	9,343	-
Ukraine	UAH	at amortized cost	25,181 <sup>1)</sup>	9,231 <sup>1)</sup>	9,196	-
Ukraine	USD	at amortized cost	23,692	25,916	25,785	-
Hungary	EUR	at fair value	17,308	20,230	20,230	-
Hungary	HUF	at fair value	160,882	163,499	163,499	-
Hungary	USD	at fair value	7,801	9,456	9,456	-
Hungary	EUR	at amortized cost	570	655	721	-
other	EUR/USD	at fair value	53,492	59,279	59,279	-
<b>Total</b>			<b>1,222,477</b>	<b>1,290,584</b>	<b>1,292,537</b>	<b>-</b>

<sup>1)</sup> In the case of these bonds, every 6 months the par value of the bonds in a fixed amount of UAH 100 is repaid (i.e. 10% of the par value of the bonds). The purchase price shows the actual price paid and does not take into account any repayments of the par value.

As at 31 March 2014	Currency	Valuation method	Acquisition price	Carrying amount	Fair value measuremen t	Impairm ent charges
Croatia	EUR	at fair value	142	136	136	-
Croatia	EUR	at amortized cost	1,225	1,227	1,228	-
Croatia	USD	at fair value	22,626	23,017	23,017	-
Iceland	USD	at fair value	31,362	32,375	32,375	-
Lithuania	EUR	at fair value	14,319	14,966	14,966	-
Lithuania	EUR	at amortized cost	75,112	77,039	80,384	-
Lithuania	LTL	at fair value	3,560	3,666	3,666	-
Lithuania	LTL	at amortized cost	85,493	86,948	89,346	-
Lithuania	USD	at fair value	14,495	15,156	15,156	-
Latvia	EUR	at fair value	59	60	60	-
Latvia	USD	at fair value	35,960	34,425	34,425	-
Germany	EUR	at fair value	171,246	169,689	169,689	-
Romania	EUR	at fair value	277,345	282,667	282,667	-
Romania	RON	at fair value	174,989	179,075	179,075	-
Romania	USD	at fair value	27,985	28,800	28,800	-
Slovenia	EUR	at fair value	83,589	103,384	103,384	-
Slovenia	USD	at fair value	12,791	13,233	13,233	-
Turkey	USD	at fair value	33,837	33,425	33,425	-
Ukraine	UAH	at fair value	1,881	1,687	1,687	-
Ukraine	USD	at fair value	2,969	2,909	2,909	-

As at 31 March 2014	Currency	Valuation method	Acquisition price	Carrying amount	Fair value measurement	Impairment charges
Ukraine	UAH	at amortized cost	24,695 <sup>1)</sup>	8,012 <sup>1)</sup>	8,222 <sup>1)</sup>	-
Ukraine	USD	at amortized cost	18,618	17,120	16,648	-
Hungary	EUR	at fair value	42,638	44,742	44,742	-
Hungary	EUR	at amortized cost	2,845	2,912	2,987	-
Hungary	HUF	at fair value	27,916	27,538	27,538	-
Hungary	USD	at fair value	23,992	24,400	24,400	-
Other	EUR/USD	at fair value	57,363	62,229	62,229	-
<b>Total</b>			<b>1,269,052</b>	<b>1,290,837</b>	<b>1,296,394</b>	

<sup>1)</sup> In the case of these bonds, every 6 months the par value of the bonds in a fixed amount of UAH 100 is repaid (i.e. 10% of the par value of the bonds). The purchase price shows the actual price paid and does not take into account any repayments of the par value.

All debt securities issued by governments other than the Republic of Poland which have been measured at fair value or for which the fair value has been presented (classified in the portfolio of debt securities held to maturity) are in Level I of the fair value hierarchy.

#### 9.17.6. Debt securities issued by corporations and local government units

As at 31 March 2015	Valuation method	Acquisition price	Carrying amount	Fair value measurement	Impairment charges
Companies from the WIG-Banks Index	at fair value	207,496	204,417	204,417	-
	at amortized cost	1,616,283	1,626,206	1,686,317	-
Companies from the WIG-Fuels Index	at fair value	303,226	310,686	310,686	-
	at amortized cost	700,000	706,425	721,466	-
Companies from the WIG-Chemicals Index	at amortized cost	1,211	1,174	1,193	-
Companies from the WIG-Energy Index	at amortized cost	380,000	384,371	364,601	-
Privately held domestic banks	at amortized cost	20,000	20,555	23,582	-
Foreign banks	at fair value	23,713	23,252	23,252	-
	at amortized cost	72,778	72,252	77,212	-
Mortgage banks	at fair value	41,983	42,026	42,026	-
Domestic local governments	at fair value	45,632	59,706	59,706	-
	at amortized cost	50,000	50,055	58,540	-
Other	at fair value	38,703	38,117	38,117	-
	at amortized cost	62,704	62,692	63,315	-
Companies from the WIG-Raw Materials Index covered by write-offs	at amortized cost	200,000	190,818	204,324	10,144
Other - covered by full write-offs	at fair value	11,630	-	-	11,630
International banks - covered by full write-offs	at amortized cost	1,142	-	-	1,142
<b>Total</b>		<b>3,776,501</b>	<b>3,792,752</b>	<b>3,878,754</b>	<b>22,916</b>



As at 31 December 2014	Valuation method	Acquisition price	Carrying amount	Fair value measurement	Impairment charges
Companies from the WIG-Banks Index	at fair value	184,224	190,676	190,676	-
	at amortized cost	1,616,283	1,630,862	1,711,036	-
Companies from the WIG-Fuels Index	at fair value	303,226	314,558	314,558	-
	at amortized cost	700,000	700,746	715,642	-
Companies from the WIG-Chemicals Index	at amortized cost	1,211	1,236	1,229	-
Companies from the WIG-Energy Index	at amortized cost	400,000	401,778	399,721	-
Privately held domestic banks	at amortized cost	20,000	20,271	23,594	-
Foreign banks	at fair value	23,600	24,081	24,081	-
	at amortized cost	76,359	77,813	82,944	-
Mortgage banks	at fair value	41,983	42,623	42,623	-
Domestic local governments	at fair value	45,632	58,608	58,608	-
	at amortized cost	50,000	52,504	60,884	-
Other	at fair value	38,427	38,942	38,942	-
	at amortized cost	62,751	63,760	64,409	-
Companies from the WIG-Raw Materials Index covered by write-offs	at amortized cost	200,000	193,142	201,339	10,144
Other - covered by full write-offs	at fair value	11,630	-	-	11,630
International banks - covered by full write-offs	at amortized cost	1,142	-	-	1,142
<b>Total</b>		<b>3,776,468</b>	<b>3,811,600</b>	<b>3,930,288</b>	<b>22,916</b>

As at 31 March 2014	Valuation method	Acquisition price	Carrying amount	Fair value measurement	Impairment charges
Companies from the WIG-Banks Index	at fair value	203,645	208,374	208,374	-
	at amortized cost	1,336,121	1,342,163	n/a	-
Companies from the WIG-Fuels Index	at fair value	268,489	279,775	279,775	-
	at amortized cost	700,000	707,684	n/a	-
Privately held domestic banks	at amortized cost	65,000	66,033	n/a	-
Foreign banks	at fair value	552	650	650	-
	at amortized cost	90,548	90,779	n/a	-
Mortgage banks	at fair value	41,983	41,870	41,870	-
Domestic local governments	at fair value	45,632	53,608	53,608	-
	at amortized cost	50,000	50,058	n/a	-
Other	at fair value	5,289	5,624	5,624	-
	at amortized cost	23,657	23,448	n/a	-
Other - covered by full write-offs	at fair value	11,630	-	-	11,630
International banks - covered by full write-offs	at amortized cost	1,142	-	-	1,142
<b>Total</b>		<b>2,843,688</b>	<b>2,870,066</b>	<b>n/a</b>	<b>12,772</b>

### 9.17.7. Derivatives

<b>Derivatives – assets</b>	<b>31 March 2015</b>	<b>31 December 2014</b>	<b>31 March 2014</b>
<b>Interest rate derivatives</b>	<b>470,619</b>	<b>506,919</b>	<b>246,566</b>
Unlisted (OTC) instruments, including:	470,619	506,919	246,566
- forward contracts	4,628	7,203	6,171
- SWAP transactions	465,991	499,716	240,395
<b>Foreign exchange derivatives</b>	<b>30,771</b>	<b>14,975</b>	<b>8,263</b>
Listed instruments, including:	-	-	2,723
- call options	-	-	1,912
- put options	-	-	811
Unlisted (OTC) instruments, including:	30,771	14,975	5,540
- forward contracts	5,391	720	5,426
- SWAP transactions	24,710	13,016	114
- call options	669	994	-
- put options	1	245	-
<b>Equity and commodity derivatives</b>	<b>38,100</b>	<b>24,509</b>	<b>29,037</b>
Listed instruments, including:	9,188	1,843	11,384
- forward contracts	8,260	-	11,384
- call options	928	1,843	-
Unlisted (OTC) instruments, including:	28,912	22,666	17,653
- call options	28,912	22,666	17,653
<b>Derivatives – assets, total</b>	<b>539,490</b>	<b>546,403</b>	<b>283,866</b>

<b>Derivatives – liabilities</b>	<b>31 March 2015</b>	<b>31 December 2014</b>	<b>31 March 2014</b>
<b>Interest rate derivatives</b>	<b>591,975</b>	<b>556,426</b>	<b>274,982</b>
Listed instruments, including:	20,788	-	-
- forward contracts	20,788	-	-
Unlisted (OTC) instruments, including:	571,187	556,426	274,982
- forward contracts	4,223	5,735	16,977
- SWAP transactions	566,964	550,691	258,005
<b>Foreign exchange derivatives</b>	<b>5,626</b>	<b>57,782</b>	<b>2,192</b>
Listed instruments, including:	-	9,516	-
- forward contracts	-	9,516	-
Unlisted (OTC) instruments, including:	5,626	48,266	2,192
- forward contracts	82	15,633	1,676
- SWAP transactions	5,544	32,633	516
<b>Equity and commodity derivatives</b>	<b>120</b>	<b>11,636</b>	<b>3,962</b>
Listed instruments, including:	120	9,516	3,962
- forward contracts	120	9,516	3,962
Unlisted (OTC) instruments, including:	-	2,120	-
- forward contracts	-	2,120	-
<b>Derivatives – liabilities, total</b>	<b>597,721</b>	<b>625,844</b>	<b>281,136</b>

### **9.17.8. Changes in the economic situation and business conditions with material effect on the fair value of financial assets and liabilities**

Information on changes in the economic situation and business conditions affecting the fair value of financial assets and liabilities is presented in items 16 and 24.5.

### **9.17.9. Changes in classification of financial assets resulting from the change of purpose or use of such assets**

Information in changes in the classification of financial assets is presented in item 9.17.

## **9.18 Fair value**

### **9.18.1. Description of valuation techniques**

#### 9.18.1.1. Debt securities

Fair values of debt securities are determined on the basis of quotations publicly available on the active market, and if there are no such quotations – using valuation models containing references to published price quotations of the underlying financial instruments, interest rates and stock exchange indices.

The fair value of debt securities for which an active market does not exist is 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. It is calculated as the 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 EUR).

#### 9.18.1.2. Equity-based financial assets

Fair values of equity-based financial instruments are determined on the basis of quotations publicly available on the active market.

Fair values of participation units and investment certificates of mutual funds are measured using the value of the participation units and investment certificates published by the mutual fund companies. Such valuation reflects the PZU Group's share in net assets of these funds.

#### 9.18.1.3. Derivatives

For derivative instruments listed on an active market, the fair value is considered to be the closing price as at the balance-sheet date.

The fair value of derivative instruments not quoted on an active market, including forward contracts and interest rate swaps is measured using the discounted future cash flow method. For the discounting of cash flows, interest rates are used from the yield curves assigned to the relevant type of financial instrument and currency, drawn on the basis of available market data.

The fair value of options related to structured deposits is measured based on valuations provided by the issuers of such options, taking into account a verification of these valuations performed by the PZU Group companies, based on their own valuation models.

#### 9.18.1.4. Liabilities under investment contracts for the client's account and risk

Liabilities under investment contracts for the client's account and risk are measured at the fair value of assets covering the liabilities of the unit-linked fund associated with the relevant investment contract.

#### 9.18.1.5. Liabilities to members of consolidated mutual funds

Liabilities to members in the consolidated mutual funds are measured at the fair value of assets of the relevant mutual fund (according to the share in the mutual fund's net assets).

### 9.18.2. Fair value hierarchy

On the basis of the input data for fair value measurement, the individual assets and liabilities for which fair value has been presented have been classified to the following levels:

- Level 1 – financial instruments measured based on listed prices (unadjusted) from active markets for identical assets or liabilities. This level includes:
  - liquid listed debt securities;
  - listed shares and investment certificates;
  - listed derivatives;
- Level II – financial instruments measured based on input data other than listed prices included within level I, which can be observed on the market, either directly (as prices) or indirectly (derived from prices). This level includes:
  - unlisted debt securities and non-liquid listed debt securities (including non-treasury debt securities issued by other financial entities, local government and non-financial entities);
  - derivatives other than those listed on stock exchanges;
  - mutual fund units;
  - liabilities to members of consolidated mutual funds;
  - investment contracts for client's account and risk;
- Level III – assets measured based on input data unobserved on the existing markets (unobservable input data).

In a situation where the measurement of an asset or liability is based on input data classified in different levels of the fair value hierarchy, the measured asset is assigned to the lowest level from which the input data are taken, provided that they have a significant impact on the overall measurement.

<b>Assets and liabilities measured at fair value as at 31 March 2015</b>	<b>Level I</b>	<b>Level II</b>	<b>Level III</b>	<b>Total</b>
<b>Assets</b>				
Financial instruments available for sale	2,681,346	530,170	-	3,211,516
Equity instruments	376,706	222,385	-	599,091
Debt securities	2,304,640	307,785	-	2,612,425
Financial instruments measured at fair value through profit or loss – classified as such upon first recognition	13,263,439	70,418	-	13,333,857
Equity instruments	1,942,296	40,565	-	1,982,861
Debt securities	11,321,143	29,853	-	11,350,996
Financial instruments measured at fair value through profit or loss – held for trading	3,240,587	3,715,961	-	6,956,548
Equity instruments	1,608,776	3,110,726	-	4,719,502
Debt securities	1,622,623	74,933	-	1,697,556
Derivatives	9,188	530,302	-	539,490
<b>Liabilities</b>				
Derivatives	20,908	576,813	-	597,721
Liabilities to members of consolidated mutual funds	-	1,098,437	-	1,098,437

Investment contracts for client's account and risk (unit-linked)	-	540,945	-	540,945
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<b>Assets and liabilities measured at fair value as at 31 December 2014</b>	<b>Level I</b>	<b>Level II</b>	<b>Level III</b>	<b>Total</b>
<b>Assets</b>				
Financial instruments available for sale	2,523,930	458,234	-	2,982,164
Equity instruments	357,732	189,567	-	547,299
Debt securities	2,166,198	268,667	-	2,434,865
Financial instruments measured at fair value through profit or loss – classified as such upon first recognition	12,503,393	67,744	-	12,571,137
Equity instruments	1,444,157	38,440	-	1,482,597
Debt securities	11,059,236	29,304	-	11,088,540
Financial instruments measured at fair value through profit or loss – held for trading	2,990,261	3,535,086	-	6,525,347
Equity instruments	1,572,464	2,890,941	-	4,463,405
Debt securities	1,415,953	99,586	-	1,515,539
Derivatives	1,844	544,559	-	546,403
<b>Liabilities</b>				
Derivatives	19,032	606,812	-	625,844
Liabilities to members of consolidated mutual funds	-	856,865	-	856,865
Investment contracts for client's account and risk (unit-linked)	-	587,267	-	587,267

<b>Assets and liabilities measured at fair value as at 31 March 2014</b>	<b>Level I</b>	<b>Level II</b>	<b>Level III</b>	<b>Total</b>
<b>Assets</b>				
Financial instruments available for sale	1,709,366	276,997	-	1,986,363
Equity instruments	387,144	36,496	-	423,640
Debt securities	1,322,222	240,501	-	1,562,723
Financial instruments measured at fair value through profit or loss – classified as such upon first recognition	13,485,242	24,696	-	13,509,938
Equity instruments	1,612,519	24,696	-	1,637,215
Debt securities	11,872,723	-	-	11,872,723
Financial instruments measured at fair value through profit or loss – held for trading	3,944,703	3,037,520	-	6,982,223
Equity instruments	2,249,654	2,636,515	-	4,886,169
Debt securities	1,680,942	131,246	-	1,812,188
Derivatives	14,107	269,759	-	283,866
<b>Liabilities</b>				
Derivatives	3,962	277,174	-	281,136
Liabilities to members of consolidated mutual funds	-	1,009,451	-	1,009,451
Investment contracts for client's account and risk (unit-linked)	-	791,014	-	791,014

### 9.18.3. Shifts between different levels of the fair value hierarchy

In the event of a change in the method of measurement of assets or liabilities resulting, for instance, from losing (or gaining) access to quotations observed on the active market, such assets or liabilities are shifted between Levels I and II.

Both in the period of 3 months ended 31 March 2015 and in 2014, there were no significant shifts between Levels I and II.

Assets or liabilities are shifted between Levels II and III (or, as appropriate, between Levels III and II) when:

- there is a change in the measurement model resulting from the application of new unobservable factors (or observable ones, respectively); or

- the previously used factors which had a significant impact on the measurement cease to be (or become, respectively) observable on the active market.

Shifts between different levels of the fair value hierarchy are effected on the date ending each reporting period according to the value as at that date.

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

In the 3-month period ended 31 March 2015, there were no changes in the fair value measurement method for financial instruments measured at fair value which would be of material significance for the consolidated financial statements.

#### 9.19 The most extensive and best usage of a component of non-financial assets and its current usage

As at 31 March 2015, 31 December 2014 and 31 March 2014, in the case of one investment property (with a carrying amount of PLN 2,822 thousand), its current usage is not its most extensive or best usage, however the balance sheet measurement takes into account its most extensive and best usage.

This real estate entails developed land with a structure that must be razed, while the optimum usage would be to build new facilities.

#### 9.20 Receivables, including receivables due under insurance agreements

Receivables, including receivables due under insurance agreements – carrying amount	31 March 2015	31 December 2014	31 March 2014
Receivables on direct insurance, including:	1,732,519	1,710,083	1,433,772
- receivables from policyholders	1,572,687	1,557,003	1,296,078
- receivables from insurance intermediaries	131,643	127,271	113,352
- other receivables	28,189	25,809	24,342
Reinsurance receivables	39,851	28,682	36,124
Other receivables	1,860,975	1,330,048	1,922,562
<b>Receivables, including receivables due under insurance agreements (net)</b>	<b>3,633,345</b>	<b>3,068,813</b>	<b>3,392,458</b>

As at 31 March 2015, 31 December 2014 and 31 March 2014, the fair value of receivables did not differ significantly from their carrying amount, primarily due to their short-term nature and the policy of creating impairment charges.

### 9.20.1. Other receivables

Other receivables	31 March 2015	31 December 2014	31 March 2014
Receivables from the state budget, other than income tax receivables	52,538	153,174	15,431
Receivables from Metro Projekt Sp. z o.o.	109,478	109,478	83,203
Receivables relating to prevention activities	55,512	64,647	54,949
Receivables for acting as an emergency adjuster	10,115	9,081	7,154
Receivables from transactions on securities and security deposits	1,408,774	758,394	1,633,399
Trade receivables	125,238	117,242	88,213
Receivables from direct liquidation on behalf of other insurance companies	49,252	34,086	-
Receivables from payments for the purchase of shares	-	20,890	-
Other	50,068	63,056	40,213
<b>Other receivables, total</b>	<b>1,860,975</b>	<b>1,330,048</b>	<b>1,922,562</b>

The issues associated with the receivables from Metro Projekt sp. z o.o. are described in item 23.623.6.

The line item "Receivables from disposal of securities and security deposits" presents receivables associated with executed but unsettled transactions on financial instruments.

### 9.21 Reinsurers' share in technical provisions

Reinsurers' share in technical provisions	31 March 2015	31 December 2014	31 March 2014
Provision for unearned premiums	291,219	302,173	208,337
Provision for unexpired risk	-	-	15
Provisions for outstanding claims, including:	318,538	296,900	178,819
- for reported claims	259,680	228,795	135,058
- for claims not reported (IBNR)	36,970	46,259	24,723
- for claims handling costs	21,888	21,846	19,038
Provision for capitalized value of annuities	162,027	154,042	145,311
Provisions for bonuses and discounts	-	-	11
<b>Reinsurers' share in technical reserves, total</b>	<b>771,784</b>	<b>753,115</b>	<b>532,493</b>



## 9.22 Impairment of financial assets and receivables

Change in impairment charges for financial asset in the period of 1 January – 31 March 2015	Impairment charges at the beginning of the period	Creation of impairment charges recognized in the profit and loss account	Release of impairment charges recognized in the profit and loss account	Derecognition of impairment charges from accounting ledgers (sale, writing down etc.)	Foreign exchange differences	Other changes in impairment charges	Impairment charges at the end of the period
<b>Available-for-sale financial assets</b>	<b>158,163</b>	-	-	-	(291)	-	<b>157,872</b>
Equity instruments	158,163	-	-	-	(291)	-	157,872
<b>Financial assets held to maturity</b>	<b>1,235</b>	-	-	-	(49)	-	<b>1,186</b>
Debt instruments	1,235	-	-	-	(49)	-	1,186
<b>Borrowings</b>	<b>25,020</b>	<b>935</b>	-	-	(65)	-	<b>25,890</b>
Debt securities	10,144	-	-	-	-	-	10,144
Term deposits with credit institutions	-	935	-	-	(42)	-	893
Borrowings	14,876	-	-	-	(23)	-	14,853
<b>Receivables, including receivables under insurance agreements</b>	<b>593,647</b>	<b>42,676</b>	<b>(29,862)</b>	<b>(153)</b>	<b>(1,712)</b>	<b>(1,906)</b>	<b>602,690</b>
Receivables on direct insurance	565,901	41,618	(27,668)	(33)	(1,386)	5	578,437
Reinsurance receivables	5,021	454	(2,112)	-	-	-	3,363
Other receivables	22,725	604	(82)	(120)	(326)	(1,911)	20,890
<b>Reinsurers' share in technical provisions</b>	<b>17,531</b>	<b>1,487</b>	<b>(1,540)</b>	-	-	-	<b>17,478</b>
<b>Cash and cash equivalents</b>	<b>-</b>	<b>1,364</b>	-	-	<b>(62)</b>	-	<b>1,302</b>
<b>Total</b>	<b>795,596</b>	<b>46,462</b>	<b>(31,402)</b>	<b>(153)</b>	<b>(2,179)</b>	<b>(1,906)</b>	<b>806,418</b>





The Powszechny Zakład Ubezpieczeń Spółka Akcyjna Group  
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Change in impairment charges for financial assets in the year ended 31 December 2014	Impairment charges at the beginning of the period	Creation of impairment charges recognized in the profit and loss account	Release of impairment charges recognized in the profit and loss account	Derecognition of impairment charges from accounting ledgers (sale, writing down etc.)	Foreign exchange differences	Change in composition of the Group	Other changes in impairment charges <sup>2)</sup>	Impairment charges at the end of the period
<b>Available-for-sale financial assets</b>	<b>154,899</b>	<b>3,945</b>	-	-	<b>(681)</b>	-	-	<b>158,163</b>
Equity instruments	154,899	3,945	-	-	(681)	-	-	158,163
<b>Financial assets held to maturity</b>	<b>1,202</b>	-	-	-	<b>33</b>	-	-	<b>1,235</b>
Debt instruments	1,202	-	-	-	33	-	-	1,235
<b>Borrowings</b>	<b>24,725</b>	<b>10,242</b>	-	-	<b>86</b>	-	<b>(10,033)</b>	<b>25,020</b>
Debt securities	-	10,144	-	-	-	-	-	10,144
Term deposits with credit institutions	9,797	-	-	-	100	-	(9,897)	-
Borrowings	14,928	98	-	-	(14)	-	(136)	14,876
<b>Receivables, including receivables under insurance agreements</b>	<b>651,579</b>	<b>66,974</b>	<b>(128,024)</b>	<b>(4,269)</b>	<b>(3,216)</b>	<b>13,273</b>	<b>(2,670)</b>	<b>593,647</b>
Receivables on direct insurance	597,608	58,748	(94,279)	(1,418)	(2,616)	10,143	(2,285)	565,901
Reinsurance receivables	4,619	5,319	(4,938)	-	-	21	-	5,021
Other receivables	49,352	2,907	(28,807) <sup>1)</sup>	(2,851)	(600)	3,109	(385)	22,725
<b>Reinsurers' share in technical provisions</b>	<b>4,828</b>	<b>21,880</b>	<b>(9,178)</b>	-	<b>1</b>	-	-	<b>17,531</b>
<b>Total</b>	<b>837,233</b>	<b>103,041</b>	<b>(137,202)</b>	<b>(4,269)</b>	<b>(3,777)</b>	<b>13,273</b>	<b>(12,703)</b>	<b>795,596</b>

<sup>1)</sup> Including the reversal of an impairment charge for receivables in the amount of PLN 26,275 thousand related to a mortgage-secured loan granted to Metro-Projekt sp. z o.o., as described in item 23.6.

<sup>2)</sup> This line item presents the transfer of impairment charges for PZU Lietuva's assets to assets held for sale in connection with the transaction described in item 24.6.



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Change in impairment charges for financial asset in the period of 1 January – 31 March 2014	Impairment charges at the beginning of the period	Creation of impairment charges recognized in the profit and loss account	Release of impairment charges recognized in the profit and loss account	Derecognition of impairment charges from accounting ledgers (sale, writing down etc.)	Foreign exchange differences	Impairment charges at the end of the period
<b>Available-for-sale financial assets</b>	<b>154,899</b>	<b>3,400</b>	-	-	<b>(472)</b>	<b>157,827</b>
Equity instruments	154,899	3,400	-	-	(472)	157,827
<b>Financial assets held to maturity</b>	<b>1,202</b>	-	-	-	<b>7</b>	<b>1,209</b>
Debt instruments	1,202	-	-	-	7	1,209
<b>Borrowings</b>	<b>24,725</b>	-	-	-	<b>58</b>	<b>24,783</b>
Term deposits with credit institutions	9,797	-	-	-	57	9,854
Borrowings	14,928	-	-	-	1	14,929
<b>Receivables, including receivables under insurance contracts</b>	<b>651,579</b>	<b>31,747</b>	<b>(13,950)</b>	<b>(506)</b>	<b>(2,281)</b>	<b>666,589</b>
Receivables on direct insurance	597,608	30,366	(9,286)	(19)	(1,851)	616,818
Reinsurance receivables	4,619	116	(934)	-	-	3,801
Other receivables	49,352	1,265	(3,730)	(487)	(430)	45,970
<b>Reinsurers' share in technical provisions</b>	<b>4,828</b>	<b>6,419</b>	<b>(5,171)</b>	-	<b>1</b>	<b>6,077</b>
<b>Total</b>	<b>837,233</b>	<b>41,566</b>	<b>(19,121)</b>	<b>(506)</b>	<b>(2,687)</b>	<b>856,485</b>

### 9.23 Other assets

Other assets	31 March 2015	31 December 2014	31 March 2014
Reinsurance settlements	60,110	79,010	49,280
Deferred IT expenses	27,268	25,963	23,129
Inventory	110,078	84,762	120,184
Other asset components	94,191	45,515	37,963
<b>Other assets, total</b>	<b>291,647</b>	<b>235,250</b>	<b>230,556</b>

### 9.24 Assets held for sale

Assets held for sale before reclassification	31 March 2015	31 December 2014	31 March 2014
<b>Groups held for sale</b>	<b>180,243</b>	<b>188,747</b>	-
Assets	409,767	440,761	-
Intangible assets	4,935	4,745	-
Property, plant and equipment	6,608	6,864	-
Financial assets	312,948	342,639	-
Receivables, including receivables due under insurance agreements	30,446	32,106	-
Reinsurers' share in technical provisions	20,167	19,864	-
Estimated subrogation	6,412	6,988	-
Deferred income tax assets	1,632	1,591	-
Deferred acquisition expenses	14,859	15,399	-
Prepayments, accruals and deferred income	1,304	2,216	-
Other assets	-	2	-
Cash and cash equivalents	10,456	8,347	-
Liabilities related directly to assets classified as held for sale	229,524	252,014	-
Technical provisions	205,542	215,057	-
Provision for employee benefits	1,877	1,464	-
Current income tax liabilities	106	-	-
Other liabilities	21,999	35,493	-
<b>Other assets held for sale</b>	<b>154,769</b>	<b>165,849</b>	<b>193,557</b>
Property, plant and equipment	53,129	51,534	53,212
Investment properties	101,640	114,315	140,345
<b>Assets and groups of assets held for sale</b>	<b>564,536</b>	<b>606,610</b>	<b>193,557</b>
<b>Liabilities related directly to assets classified as held for sale</b>	<b>229,524</b>	<b>252,014</b>	-

The line item "Groups held for sale" presents PZU Lietuva's assets and liabilities which will be sold as part of the transaction described in 24.6. The sale price for the PZU Lietuva shares is higher than the value of net assets held for sale, which is why they were not re-measured to their fair value less the costs of sale.

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

## 9.25 Technical provisions

Technical provisions	31 March 2015	31 December 2014	31 March 2014
<b>Technical provisions in non-life insurance</b>	<b>18,543,071</b>	<b>18,410,647</b>	<b>16,581,555</b>
Provision for unearned premiums	5,388,342	5,133,390	4,718,316
Provision for unexpired risk	30,328	19,257	9,180
Provisions for outstanding claims	7,156,410	7,258,764	6,025,446
Provision for capitalized value of annuities	5,966,013	5,997,595	5,826,199
Provisions for bonuses and discounts for insureds	1,978	1,641	2,414
<b>Technical provisions in life insurance</b>	<b>22,073,334</b>	<b>21,756,238</b>	<b>21,333,107</b>
Provision for unearned premiums	94,411	97,456	97,249
Provision for life insurance	16,300,538	16,281,625	16,136,550
Provisions for outstanding claims	531,318	511,587	524,361
Provisions for bonuses and discounts for insureds	690	650	809
Other technical provisions	428,956	439,364	463,809
Unit-linked reserve	4,717,421	4,425,556	4,110,329
<b>Technical provisions, total</b>	<b>40,616,405</b>	<b>40,166,885</b>	<b>37,914,662</b>

## 9.26 Investment contracts

Investment contracts – carrying amount	31 March 2015	31 December 2014	31 March 2014
Investment contracts with guaranteed and fixed terms and conditions	412,670	520,840	677,104
- carried at amortized cost	412,670	520,840	677,104
Investment contracts for client's account and risk (unit-linked)	540,945	587,267	791,014
<b>Investment contracts – carrying amount, total</b>	<b>953,615</b>	<b>1,108,107</b>	<b>1,468,118</b>



## 9.27 Other provisions

<b>Movement in other reserves in the period 1 January – 31 March 2015</b>	<b>Opening balance</b>	<b>Increase</b>	<b>Utilization</b>	<b>Reversal</b>	<b>Business combinations</b>	<b>Foreign exchange differences</b>	<b>Closing balance</b>
Provisions for restructuring expenses	9,354	-	(3,645)	-	-	-	5,709
Provision for co-insurance settlements	-	23,471	-	-	-	-	23,471
Provision for disputed claims and potential liabilities under insurance agreements	781	27	-	-	-	-	808
Provision for the Office of Competition and Consumer Protection penalties	119,551	2	-	-	-	-	119,553
Provision for exit costs of the Graphtalk project	22,668	79	-	-	-	-	22,747
Provision for PTE's reimbursement of undue fees to the Social Insurance Institution	7,234	-	-	-	-	-	7,234
Other	31,618	4,009	(2,517)	(306)	1,594	(453)	33,945
<b>Other provisions, total</b>	<b>191,206</b>	<b>27,588</b>	<b>(6,162)</b>	<b>(306)</b>	<b>1,594</b>	<b>(453)</b>	<b>213,467</b>

<b>Change in other reserves in the year ended 31 December 2014</b>	<b>Opening balance</b>	<b>Increase</b>	<b>Utilization</b>	<b>Reversal</b>	<b>Business combinations</b>	<b>Foreign exchange differences</b>	<b>Closing balance</b>
Provisions for restructuring expenses	-	17,687	(8,333)	-	-	-	9,354
Provisions established for the potential liabilities on account of CLSIOR-related investments	916	-	-	(916)	-	-	-
Provision for disputed claims and potential liabilities under insurance agreements	3,075	289	-	(2,583)	-	-	781
Provision for the Office of Competition and Consumer Protection penalties	119,549	2	-	-	-	-	119,551
Provision for exit costs of the Graphtalk project	50,944	509	-	(28,785)	-	-	22,668
Provision for PTE's reimbursement of undue fees to the Social Insurance Institution	7,401	-	(167)	-	-	-	7,234
Other	11,021	14,878	(4,506)	(2,489)	12,522	192	31,618
<b>Other provisions, total</b>	<b>192,906</b>	<b>33,365</b>	<b>(13,006)</b>	<b>(34,773)</b>	<b>12,522</b>	<b>192</b>	<b>191,206</b>



<b>Movement in other reserves in the period 1 January – 31 March 2014</b>	<b>Opening balance</b>	<b>Increase</b>	<b>Utilization</b>	<b>Reversal</b>	<b>Closing balance</b>
Provisions established for the potential liabilities on account of CLSiOR-related investments	916	-	-	-	916
Provision for disputed claims and potential liabilities under insurance agreements	3,075	44	-	-	3,119
Provision for the Office of Competition and Consumer Protection penalties	119,549	-	-	-	119,549
Provision for exit costs of the Graphtalk project	50,944	137	-	-	51,081
Provision for PTE's reimbursement of undue fees to the Social Insurance Institution	7,401	-	(19)	-	7,382
Other	11,021	1,286	(1,296)	(395)	10,616
<b>Other provisions, total</b>	<b>192,906</b>	<b>1,467</b>	<b>(1,315)</b>	<b>(395)</b>	<b>192,663</b>

The line item "Provision for the Office of Competition and Consumer Protection penalties" is explained in items 23.2 and 23.3.

## 9.28 Liabilities on the issue of own debt securities

On 3 July 2014, PZU (through its subsidiary PZU Finance AB (publ.)) issued 5-year Eurobonds for EUR 500,000 thousand (the par value of a bond is EUR 100 thousand).

The bonds bear interest at a fixed rate of 1.375% per annum. The coupon is paid once a year (3 July).

Measurement of liabilities on the issue of own debt securities	31 March 2015	31 December 2014
Carrying amount	2,048,883	2,127,527
Model-based fair value estimate	2,113,920	2,180,294

The liabilities of PZU Finance AB (publ.) arising from the bonds are secured by a guarantee granted by PZU which covers all issue-related liabilities of the issuer (including the obligation to pay the par value of the bonds and interest on the bonds) in favor of all bondholders. The maximum value of the guarantee has not been specified. The guarantee will expire upon expiration of bondholders' claims against PZU Finance AB (publ.).

## 9.29 Other liabilities

Other liabilities	31 March 2015	31 December 2014	31 March 2014
<b>Costs to be remitted</b>	<b>653,786</b>	<b>743,655</b>	<b>537,324</b>
Accrued costs of agency commissions	252,972	250,867	219,180
Accrued payroll costs	105,568	131,759	95,848
Accrued reinsurance costs	159,425	214,268	128,677
Accrued employee bonuses	78,245	94,558	66,944
Other	57,576	52,203	26,675
<b>Revenues charged in advance</b>	<b>44,502</b>	<b>33,374</b>	<b>23,043</b>
<b>Other current liabilities</b>	<b>11,788,836</b>	<b>8,584,248</b>	<b>10,230,332</b>
Liabilities on direct insurance	714,476	686,714	658,438
Reinsurance liabilities	121,498	94,384	95,334
Liabilities due to sell-buy-back transactions	7,581,364	4,411,497	5,754,399
Liabilities under loans	231,290	219,452	234,200
Liabilities under loans	12,103	53,952	-
Liabilities to members of consolidated mutual funds	1,098,437	856,865	1,009,451
Liabilities to the state budget, other than income tax liabilities	39,609	30,001	26,423
Regulatory settlements:	41,262	25,701	34,333
Liabilities to the employees	12,757	13,106	2,153
Insurance Guarantee Fund	10,300	11,794	8,894
Liabilities to the National Fire Brigade Headquarters and Voluntary Fire Brigades	21,944	3,533	20,756
Liabilities due under transactions on financial instruments	1,712,743	444,089	2,175,143
Liabilities to PZU shareholders on account of dividends	3,137	1,471,120	3,317
Trade payables	90,433	89,787	72,997
Estimated non-insurance liabilities	56,273	133,359	34,019
Other	41,210	38,894	100,475
<b>Other liabilities, total</b>	<b>12,487,124</b>	<b>9,361,277</b>	<b>10,790,699</b>

## 9.30 Notes to other operating income and expenses

Other operating proceeds	1 January – 31 March 2015	1 January – 31 March 2014
Suspense accounts for unsettled contributions of fund members under PPE, IKE and IP programs	136,052	78,042
Revenues from the core business of the non-insurance companies	137,575	125,872

Tax refunds (including CIT, VAT)	123,603	79,291
Other	84,896	55,445
<b>Total</b>	<b>482,126</b>	<b>338,650</b>

<b>Other operating expenditures</b>	<b>1 January – 31 March 2015</b>	<b>1 January – 31 March 2014</b>
Suspense accounts for unsettled contributions of fund members under PPE, IKE and IP programs	133,432	79,037
Returns of gross premiums	119,687	113,938
Expenditures of the core business of the non-insurance companies	167,356	132,478
Income tax	35,038	108,822
Other	107,656	74,322
<b>Total</b>	<b>563,169</b>	<b>508,597</b>

## 10. Contingent assets and liabilities

<b>Contingent assets and liabilities</b>	<b>31 March 2015</b>	<b>31 December 2014</b>	<b>31 March 2014</b>
Contingent assets, including:	20,570	20,976	27,887
- guarantees and sureties received	20,570	20,976	21,259
- other	-	-	6,628
Contingent Liabilities	336,329	265,709	131,012
- guarantees and sureties given	6,058	7,133	5,147
- disputed insurance claims	243,289	185,109	87,534
- other disputed claims	55,457	36,264	19,912
- other, including:	31,525	37,203	18,419
- potential liabilities under loan agreements concluded by the Armatura Group	28,527	34,115	18,018

## 11. Commentary to the condensed interim consolidated financial statements

In the period of 3 months ended 31 March 2015, gross written premium was PLN 4,680,827 thousand compared to PLN 4,353,979 thousand in the same period of the previous year (+7.5%). The increase in sales applied above all to the following:

- foreign operations (PLN 209,057 thousand), mainly due to premium collected by the companies acquired in 2014;
- regular premium in the group and individually-continued insurance segment (PLN +30,695 thousand), mainly as a result of expanding protection group insurance (a higher average premium and number of insureds, including a high level of new sales);
- business in group health insurance products (new clients in outpatient health insurance and sale of different options of the medicine product);
- motor insurance in the mass client segment (PLN +81,077 thousand), mainly due to premium collected by Link4;
- MOD insurance in the corporate client segment due to a significant increase in the number of insurance agreements coupled with a decrease in the average premium;
- written premium in agricultural insurance, mainly insurance of farm buildings.

At the same time, a decrease in gross written premium was recorded in:

- third party liability insurance and fire and other property insurance in the corporate client segment as a result of the finalization of several big tenders and the execution of agreements for insurance in 2015 in December 2014;
- individual investment products in the bancassurance channel.



Investment income (including investment contracts, i.e. contracts that involve no material insurance risk) for Q1 2015 and Q1 2014 was PLN 951,033 thousand and PLN 542,647 thousand, respectively, having increased mainly due to a higher valuation of equity instruments (in Q1 2015, the WIG index went up 5.2% compared to only 2.1% in the same period of the previous year).

The increase in net claims paid (taking into account a change in the technical provisions) by PLN 381,692 thousand (+14.3%) as compared to the same period of the previous year resulted in particular from the following:

- a higher loss ratio in protective products as a result of a sharp increase in the incidence of deaths in comparison to the previous year (confirmed by GUS data);
- an increase in mathematical reserves in unit-linked products due to stronger results on investment activity, which, given a higher valuation of investments, had no impact on the PZU Group's results;
- a higher loss ratio in motor insurance as a result of a greater average damage.

In turn, the decrease in the above category of net claims paid was affected by a lower loss ratio in the corporate insurance segment in the general third party liability and various financial risk insurance groups as a result of a lower level of provisions for claims from previous years.

In Q1 2015, acquisition expenses increased by PLN 45,482 thousand (+9.0%) compared to the same period of the previous year. This increase was driven by the following factors in particular:

- a higher level of commissions as a result of changes to commission rates in the broker channel and indirect acquisition expenses (competitions, overriding commissions) on account of sales-related measures in the multi-agency channel in the mass client segment;
- a growing protection product portfolio, including high new sales of agreements and upselling riders and further growth in the share held by the brokerage and agency channels in the portfolio;
- consolidation of the insurance companies acquired in 2014.

At the same time, decreases in certain acquisition expenses were driven by:

- a higher level of deferred expenses (due to the execution of multi-year contracts in previous years) in the corporate client segment;
- the regular premium savings product Plan na Życie with a protection element retracted from sale and lower sales in the bancassurance channel.

The increase in administrative expenses by PLN 73,933 thousand (+ 22.1%) was driven mainly by:

- rising expenses related to implementing strategy 3.0 to develop the PZU Group's key areas, i.e. Retail and Corporate Client Area, PZU Health, distribution and operational support;
- inclusion of administrative expenses incurred by newly acquired insurance companies in the PZU Group's results.

At the same time, a positive effect was recorded compared to the previous year in the pension insurance segment as a result of higher costs in 2014 related to an additional contribution to the Guarantee Fund (a statutory increase in the required level of funds from 0.1% to 0.3% of the net asset value ("NAV") of open-end pension funds).

The net balance of other operating revenues and expenses in the 3-month period ended 31 March 2015 increased by PLN 108,557 thousand compared to the corresponding period of the previous year. The main reason for the change was an increase in other operating expenses of the newly acquired companies, mainly due to amortization of intangible assets identified as a result of the acquisitions of insurance and medical companies and higher expenses related to prevention activities.

The result on financing operations (the line item "Financial expenses") in Q1 2015 was positive and amounted to PLN 59,993 thousand (PLN -32,198 thousand in the same period of the previous year) as a result of recognition of positive FX differences on own debt securities denominated in EUR.

The operating profit in Q1 2015 was PLN 1,094,029 thousand, up by PLN 82,348 thousand (+8.1%) compared to the same period in the previous year. This change resulted in particular from:

- a better net result on investment activity associated with higher valuations of equity instruments;

- deterioration in the profitability of the mass insurance segment in comparison with Q1 2014 (PLN -110,726 thousand) – a higher loss ratio in motor insurance as a result of an increase in the average damage and an increase in insurance activity expenses, including administrative expenses – higher costs of implementing strategy 3.0;
- improvement in the profitability of the corporate insurance segment (PLN +44 571 thousand), mainly in the group of other third party liability insurance (due to a lower loss ratio);
- lower profitability in the segment of group and individually continued insurance (PLN -117,951 thousand), mainly as a result of a higher loss ratio in protection products due to a greater frequency of deaths (the frequency of deaths in Poland for the 3 consecutive months ending in February 2014 and 2015 was 0.254% and 0.274%, respectively);
- a stronger result in the pension insurance segment (PLN +9,389 thousand), mainly due to lower administrative expenses related to the mandatory additional contribution to the Guarantee Fund in the National Depository for Securities (impact on the gross result on a YoY basis: PLN +18,634 thousand), partially offset by lower revenues from contributions and on account of asset management.

The net profit grew in comparison to Q1 2014 by PLN 180,897 thousand (+23.8%) to PLN 941,340 thousand.

IFRS-compliant consolidated equity as at 31 March 2015 was PLN 14,084,460 thousand compared to PLN 13,887,660 thousand as at 31 March 2014. The return on equity (ROE<sup>2</sup>) for the period from 1 January 2015 to 31 March 2015 was 27.6% making it 5.1 p.p. higher than in the same period of the previous year. In comparison with consolidated equity as at 31 December 2014, equity rose PLN 916,832 thousand (+7.0%), while ROE<sup>2</sup> was 5.0 percentage points higher as compared to the ratio for the period from 1 January 2014 to 31 December 2014.

Total equity and liabilities as at 31 March 2015 increased compared to 31 December 2014 by PLN 4,169,221 thousand, i.e. by 6.2% (to PLN 71,741,982 thousand), mainly as a result of executed sell-buy-back transactions, unsettled securities purchase transactions and higher equity.

The investment portfolio<sup>3</sup> as at 31 March 2015 and 31 December 2014 was PLN 54,250,585 thousand and PLN 53,958,697 thousand, respectively. The increase by PLN 291,888 thousand was associated mainly with the higher valuation of equity instruments. At the same time, in January 2015 the second installment of the dividend for 2013 was paid in the amount of PLN 1,468,000 thousand.

The value of technical provisions together with investment contracts as at the end of Q1 2015 was PLN 41,570,020 thousand and accounted for 57.9% of total assets. In comparison with 31 December 2014, provisions increased by PLN 295,028 thousand. This change was mainly the result of:

- higher technical provisions unit-linked products - sales exceeding the level of claims and high positive result on investment activity;
- development of type P continued insurance, including indexation of sums insured by clients;
- compensated by decrease of technical provisions in structured and deposit products - the level of claims paid significantly exceeded the gross written premium and;
- decrease of provisions for compensations in the corporate insurance segment in the general third party liability and various financial risk insurance groups as a result of the review of claims from previous years.

## 12. Equity management

On 26 August 2013, the Management Board and Supervisory Board approved the Capital and Dividend Policy for the PZU Group for 2013-2015. The assumptions of the Capital and Dividend Policy were presented in the consolidated financial statements for 2014.

<sup>2</sup> Annualized ratio.

<sup>3</sup> The investment portfolio contains financial assets, investment property and the negative valuation of derivatives as well as liabilities due to sell-buy-back transactions.

## **12.1 External capital requirements**

Capital management is associated with monitoring of the key solvency parameters of insurance companies, e.g. the level of shareholder funds and solvency margin and guarantee capital coverage ratios. IFRS do not regulate the method of calculation of the solvency margin and shareholder funds to cover the solvency margin.

In accordance with the Insurance Activity Act, an insurance company with its registered office on the territory of Poland is obliged to maintain its own funds at an amount of no less than the solvency margin and no less than the guarantee capital.

To calculate the amount of shareholder funds, assets are decreased by intangible assets, deferred income tax assets, assets to cover all the expected liabilities and the shares and other assets held (granted subordinated loans) financing the equity of insurance companies belonging to the insurance capital group. The figure calculated this way is adjusted pro rata to the shares held by PZU by the sum of the surpluses or deficits of shareholder funds of subordinated insurance companies in relation to their solvency requirements.

The rules for calculating shareholder funds to cover the solvency margin are defined in the Insurance Activity Act and the rules for calculating the solvency margin and the minimum amount of the guarantee capital are defined in the Regulation of 28 November 2003 on the method of calculating the solvency margin and the minimum amount of the guarantee capital for insurance sections and groups (Journal of Laws of 2003, No. 211, Item 2060, as amended) ("Solvency Margin Regulation").

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

Calculation of shareholder funds covering PZU's solvency margin is presented below.

Calculation of shareholder funds covering the solvency margin	31 March 2015	31 December 2014	31 March 2014
<b>PZU equity</b>	<b>13,203,846</b>	<b>12,328,724</b>	<b>13,058,372</b>
Intangible assets	(282,508)	(283,999)	(233,366)
Assets financing the capitals of other insurance companies in the PZU insurance capital group	(6,270,801)	(6,065,985)	(4,922,079)
Deferred tax assets	(438,285)	(408,388)	(326,185)
<b>Contribution of other insurance companies in the PZU insurance capital group to the value of PZU's shareholder funds:</b>	<b>2,584,348</b>	<b>2,411,116</b>	<b>2,779,270</b>
PZU Życie SA 100.00%	2,401,185	2,213,301	2,791,502
Equity	4,194,847	3,996,487	4,556,799
Solvency margin	1,793,662	1,783,186	1,765,297
Surplus of shareholder funds covering the solvency margin	2,401,185	2,213,301	2,791,502
Link4 SA 100.00%	43,128	55,638	n/a
Equity	117,788	124,938	n/a
Solvency margin	74,660	69,300	n/a
Surplus of shareholder funds covering the solvency margin	43,128	55,638	n/a
Lietuvos Draudimas AB 99.98%	138,038	127,853	n/a
Equity	222,394	214,515	n/a
Solvency margin	84,328	86,636	n/a
Surplus of shareholder funds covering the solvency margin	138,066	127,879	n/a
AAS Balta 99.99%	20,008	22,216	n/a
Equity	60,723	62,207	n/a
Solvency margin	40,713	39,989	n/a
Surplus of shareholder funds covering the solvency margin	20,010	22,218	n/a
UAB DK PZU Lietuva 99.88% (31 March 2014: 99.76%)	3,679	4,692	2,299
Equity	71,111	76,220	46,656
Solvency margin	67,428	71,522	44,351
Surplus of shareholder funds covering the solvency margin	3,683	4,698	2,305
UAB PZU Lietuva Gyvybes Draudimas 99.34%	4,297	5,696	6,287
Equity	20,265	21,504	21,763
Solvency margin	15,939	15,770	15,434
Surplus of shareholder funds covering the solvency margin	4,326	5,734	6,329
PrJSC PZU Ukraine 100.00%	(16,445)	(12,314)	(13,535)
Equity	(506)	5,199	4,084
Solvency margin	15,939	17,513	17,619
Deficiency of shareholder funds covering the solvency margin	(16,445)	(12,314)	(13,535)
PrJSC IC PZU Ukraine Life Insurance 100.00%	(9,542)	(5,966)	(7,283)
Equity	6,397	9,437	8,120
Solvency margin	15,939	15,403	15,403
Deficiency of shareholder funds covering the solvency margin	(9,542)	(5,966)	(7,283)
<b>PZU shareholder funds</b>	<b>8,796,600</b>	<b>7,981,468</b>	<b>10,356,012</b>
PZU solvency margin	1,351,521	1,362,353	1,351,521
PZU guarantee capital	450,507	454,118	450,507
<b>Surplus of shareholder funds covering the solvency margin</b>	<b>7,445,079</b>	<b>6,619,115</b>	<b>9,004,491</b>
<b>Surplus of shareholder funds covering the guarantee capital</b>	<b>8,346,093</b>	<b>7,527,350</b>	<b>9,905,505</b>

## 13. Segment reporting

### 13.1 Reportable segments

#### 13.1.1. Key classification criterion

Operating segments are components of an entity for which separate financial information is available and is subject to regular assessment by the main corporate body responsible for making operating decisions ("MCBRMOD", in practice this is the PZU Management Board), related to allocating resources and assessing operating results.

The main PZU Group segmentation is based on the criterion of entities subject to consolidation, with the reservation that in reference to the insurance companies of the PZU Group seated in Poland (PZU, PZU Życie and Link4) segments are additionally distinguished according to the following criteria: customer groups, product lines and nature of the business.

PZU and Link4 have distinguished the following segments:

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

PZU Życie has distinguished the following segments:

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

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

- pension insurance;
- Baltics – Lithuania, Latvia and Estonia (non-life and life insurance);
- Ukraine (non-life and life insurance).

If the qualitative or quantitative prerequisites described by IFRS 8 items 12-19 are met, operating segments may be combined into reportable segments. The consolidated financial statements do not combine distinct operating segments into reportable segments save for the segment called investments encompassing investing activity of the own funds of the PZU Group companies and the Baltics segment; the countries from the segment were combined due to similarity of the products and services offered and similar regulatory environment.

#### 13.1.2. Information relating to geographical areas

The PZU Group applies additional segmentation by geographic location, according to which the following segments were identified:

- Poland;
- Baltic states;
- Ukraine.

### 13.2 Inter-segment settlements

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

### 13.3 Segment's measure of profit

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

- in insurance companies seated in Poland – insurance result, which is the financial result before tax and other operating revenues and costs (including costs of financing), however including investment income (corresponding to the value of technical provisions) determined using the risk free rate. The insurance result is a measure approximately equivalent to the technical result on insurance defined in the Accounting Act and regulations issued on its basis ("PAS") with the exception that both non-life and life insurance have a net result on investments as described in the previous sentence;
- in the case of insurance companies seated abroad - just like above, taking into account the company's whole investment result, i.e. without adjustment of the investment income described above, calculated in accordance with IFRS;
- in non-insurance companies – the operating result according to local accounting standards in the country of the company's registered offices or according to IFRS, which is the financial result before tax and costs of financing.

### 13.4 Description of the segments

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

- corporate insurance (non-life) – reporting according to PAS – covering a broad scope of property insurance, TPL and motor insurance customized to a customer's needs entailing individual underwriting offered to large economic agents;
- mass insurance (non-life) - reporting according to PAS – covering a broad scope of property, accident, TPL and motor insurance offered to individual clients and entities in the small and medium enterprise sector;
- group and individually continued insurance (life) - reporting according to PAS – covering group insurance addressed by PZU Życie to groups of employees and other formal groups (for instance trade unions), under which persons under a legal relationship with the policyholder (for instance employer, trade union) enroll in the insurance and individually continued insurance in which the policyholder acquired the right to individual continuation during the group phase. PZU Życie's offer covers a wide range of protection, investment (not investment contracts) and health insurance;
- individual insurance (life) - reporting according to PAS – covering insurance offered by PZU Życie to individual clients under which the insurance contract applies to a specific insured and this insured is subject to individual underwriting. PZU Życie's offer covers a wide range of protection, investment (not investment contracts) and health insurance;
- investments - reporting according to PAS - comprising investments of the PZU Group's own funds, understood as the surplus of investments over technical provisions in the PZU Group insurance companies seated in Poland (PZU, Link4 and PZU Życie) plus the surplus of income earned over the risk-free rate on investments reflecting the value of technical provisions in insurance products, i.e. surplus of investment income allocated at transfer prices to insurance segments. Additionally, the investment segment includes income from other free funds in the PZU Group;

- pension insurance – reporting according to PAS – covering PTE PZU;
- Ukraine (non-life and life insurance) – reporting according to IFRS – covering PZU Ukraine and PZU Ukraine Life;
- Baltics (non-life and life insurance) – reporting according to IFRS – including Lietuvos Draudimas AB, AAS Balta, PZU Lietuva, UAB PZU Lietuva Gyvybes Draudimas and their branches in Latvia and Estonia;
- investment contracts – reporting according to PAS – covering PZU Życie products that do not transfer material insurance risk within the meaning of IFRS 4 and that do not meet the definition of an insurance agreement (i.e. some products with a guaranteed rate of return and some unit-linked products), described in item 13.5.2;
- other – reporting jointly according to IFRS or PAS (IFRS 8 does not require the presentation of the results of segments qualified to the category „other” according to cohesive accounting rules) – covers other entities not qualified as belonging to any other segment above, whose revenues predominantly originate from the manufacturing activity of bathroom and sink fixtures, heaters, foundry molds and service activity.

## 13.5 Accounting standards employed according to PAS

### 13.5.1. PZU

PAS and the differences between PAS and IFRS in respect of PZU’s standalone financial reporting have been portrayed in detail in the annual standalone financial statements of Powszechny Zakład Ubezpieczeń Spółka Akcyjna for 2014 prepared according to PAS, signed by the PZU Management Board on 16 March 2015 (“PZU’s standalone financial statements for 2014”).

PZU's separate financial statements for 2014 are available on the PZU website at [www.pzu.pl](http://www.pzu.pl) in the "Investor Relations" tab.

### 13.5.2. PZU Życie

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

The rules of accounting for insurance agreements and investment contracts at PZU Życie according to IFRS have been presented in the consolidated financial statements for 2014.

The fundamental difference between PAS and IFRS in respect of accounting for insurance agreements and investment contracts at PZU Życie is the classification of contracts. There is no term “investment contract” in PAS, as a consequence of which all agreements are classified as insurance agreements. According to IFRS agreements are classified according to the guidelines set forth under IFRS 4 on the classification of products as insurance agreements (subject to IFRS 4) or investment contracts (measured according to IAS 39). In the case of the latter the written premium is not recognized.

## 13.6 Construction of the segmental note and the reconciliations it contains

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

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

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

### 13.7 Simplifications in the segmental note

The segmental note has applied certain simplifications permitted by IFRS 8. The justification for their usage is portrayed below:

- withdrawing from presenting data related to the allocation of all assets and liabilities to various segments – resulting from not preparing and not presenting such tables to the PZU Management Board. The main information delivered to the PZU Management Board consists of data regarding the results of given segments and managerial decisions are made on this basis, including decisions on resource allocation. The analysis of the segmental allocation of assets and liabilities is limited to monitoring the fulfillment of the PAS regulatory requirements pertaining to capital adequacy ratios and holding assets covering technical provisions (analysis split into the various insurance companies, not product groups);
- presenting the net result on investments as a single amount as the difference between the realized and unrealized revenues and the costs of investments – stemming from the internal assessment of the segmental results based on such a combined measure of investment results;
- not allocating other revenues and costs to the segment called „investments” besides realized and unrealized revenues and costs of investments – stemming from the method of analyzing this segment’s data and the impracticality of such an allocation;
- presenting other operating revenues and expenses and financial expenses for PZU, Link4 and PZU Życie jointly for the operating segments distinguished in them (as a consequence also not allocating any amounts in this area to the segment called investment contracts) – stemming from the accepted measures of operating segments’ profit and the impracticality of such an allocation;
- presenting the income tax burden as a single amount at the level of the consolidated data – stemming from the accepted measures of operating segments’ profit and the impracticality of conducting an allocation exercise in this respect.

### 13.8 Information on key customers

Due to the nature of the activities of PZU Group companies, there are no business partners bringing revenues which would constitute 10% or more of the PZU Group’s total revenues (understood as gross written premium).





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Profit and loss account for the period from 1 January 2015 to 31 March 2015	Corporate insurance (non- life)	Mass insurance (non-life)	Group and individually continued insurance (life)	Individual insurance (life)	Investments	Pension insurance	Ukraine	Baltic Countries	Investment contracts	Other operations	Presentation differences	Real estate and capital instruments	Investment contracts	Prevention fund, equalization reserve and designation to the Company Social Benefit Fund	Consolidation adjustments and unallocated items	Consolidated value	Profit and loss account for the period from 1 January 2015 to 31 March 2015
	PAS	PAS	PAS	PAS	PAS	PAS	IFRS	IFRS	PAS	PAS	PAS	PAS-IFRS	PAS-IFRS	PAS-IFRS	IFRS	IFRS	
Gross premium written externally	410 481	1 945 465	1 661 216	338 662	-	-	35 239	289 764	43 488	-	-	-	(43 488)	-	-	4 680 827	Gross insurance premium written externally
Gross premium written between segments	1 871	3 912	-	-	-	-	-	-	-	-	-	-	-	-	(5 783)	-	Gross insurance premium written between segments
<b>Gross written insurance premium</b>	<b>412 352</b>	<b>1 949 377</b>	<b>1 661 216</b>	<b>338 662</b>	<b>-</b>	<b>-</b>	<b>35 239</b>	<b>289 764</b>	<b>43 488</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(43 488)</b>	<b>-</b>	<b>(5 783)</b>	<b>4 680 827</b>	
Reinsurers' share in gross written premium	(56 753)	(5 390)	750	4	-	-	(9 948)	(19 828)	-	-	(1)	-	-	-	21 636	(69 530)	Reinsurers' share in gross written insurance premium
<b>Net written premium</b>	<b>355 599</b>	<b>1 943 987</b>	<b>1 661 966</b>	<b>338 666</b>	<b>-</b>	<b>-</b>	<b>25 291</b>	<b>269 936</b>	<b>43 488</b>	<b>-</b>	<b>(1)</b>	<b>-</b>	<b>(43 488)</b>	<b>-</b>	<b>15 853</b>	<b>4 611 297</b>	<b>Net written premium</b>
Movement in the unearned premium reserve and gross unexpired risk reserve	(6 979)	(282 751)	(641)	1 442	-	-	(2 925)	(3 307)	(11)	-	1 649	-	11	-	(10 745)	(304 257)	Movement in net unearned premium reserve
Reinsurer's share in the unearned premium reserve and gross unexpired risk reserve	4 864	(8 138)	-	-	-	-	769	4 153	-	-	(1 648)	-	-	-	-	-	
<b>Net earned premium</b>	<b>353 484</b>	<b>1 653 098</b>	<b>1 661 325</b>	<b>340 108</b>	<b>-</b>	<b>-</b>	<b>23 135</b>	<b>270 782</b>	<b>43 477</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(43 477)</b>	<b>-</b>	<b>5 108</b>	<b>4 307 040</b>	<b>Net earned premium</b>
Investment income, including:	21 762	102 697	196 357	165 847	359 846	2 674	24 763	14 720	24 849	13 358	67 649	-	2 411	-	(21 616)	48 444	Fee and commission income
Net result on investments (external activity)	21 762	102 697	196 357	165 847	338 191	2 674	24 763	14 720	24 849	13 358	(926 873)	-	-	-	-	-	
Net result on investments (inter-segment activity)	-	-	-	-	21 655	-	-	-	-	-	(21 655)	-	-	-	-	-	
											342 650	-	-	-	11 509	354 845	Net investment income (external activity)
											240 277	-	-	-	(240 277)	-	Net investment income (inter-segment activity)
											126 954	(1 056)	-	-	(8 114)	117 784	Net result on the realization of investments and impairment charges
											228 677	211 881	-	-	37 846	478 404	Net change in the fair value of assets and liabilities carried at fair value
Other net technical income	8 441	42 585	353	-	-	-	-	-	(1)	-	(51 378)	-	-	-	-	-	
Revenues on core business of non-insurance entities	-	-	-	-	-	26 356	-	-	-	118 542	(144 898)	-	-	-	-	-	
Other operating income (not applicable to insurance entities)	-	-	-	-	-	33	-	-	-	9 949	236 461	(4 112)	5	-	(75 596)	166 740	Other operating income
Gross claims paid	(219 087)	(1 033 837)	(1 225 976)	(196 289)	-	-	(37 074)	(187 556)	(217 676)	-	(68 344)	-	63 172	-	15 132	(3 107 535)	Claims and movement in technical reserves
Movement in the gross claims reserve	42 574	62 313	(15 565)	(358)	-	-	151	9 373	(1 927)	-	(96 561)	-	-	-	-	-	
Reinsurers' share in claims paid	6 523	8 717	35	-	-	-	1 571	8 542	-	-	36 174	-	-	-	115	61 677	Claims and movement in insurance liabilities ceded to re-insurers
Reinsurer's share in the movement in reserves	32 582	6 213	-	-	-	-	(637)	(2 037)	-	-	(36 121)	-	-	-	-	-	
<b>Net insurance claims</b>	<b>(137 408)</b>	<b>(956 594)</b>	<b>(1 241 506)</b>	<b>(196 647)</b>	<b>-</b>	<b>-</b>	<b>(35 989)</b>	<b>(171 678)</b>	<b>(219 603)</b>	<b>-</b>	<b>(164 852)</b>	<b>-</b>	<b>63 172</b>	<b>-</b>	<b>15 247</b>	<b>(3 045 858)</b>	<b>Net insurance claims</b>
Movement in other net technical reserves, life insurance reserves where the policyholder bears the investment risk, loss ratio (risk) equalization reserves	-	-	(101 001)	(218 827)	-	-	-	-	156 432	-	163 396	-	-	-	-	-	
Net premiums and rebates for insureds including the movement in reserves	(630)	(836)	(40)	-	-	-	-	-	(3)	-	1 509	-	(22 111)	-	-	(22 111)	Claims and changes in valuation of investment contracts
Other net technical income	(9 349)	(98 247)	(8 538)	(179)	-	-	-	-	(65)	-	116 378	-	-	-	-	-	
Acquisition cost	(62 234)	(322 432)	(92 686)	(31 015)	-	(740)	(9 979)	(74 394)	(2 628)	-	-	-	-	-	43 002	(553 106)	Acquisition cost
Administrative costs	(32 593)	(162 229)	(146 826)	(16 008)	-	(11 318)	(4 083)	(36 398)	(2 515)	-	-	(10)	-	-	3 964	(408 016)	Administrative costs
Reinsurance commissions and profit-sharing	4 435	250	(136)	-	-	-	-	-	-	-	(4 549)	-	-	-	-	-	
Expenses of the core business of non-insurance entities	-	-	-	-	-	-	-	-	-	(122 916)	122 916	-	-	-	-	-	
Other operating expenses (not applicable to insurance entities)	-	-	-	-	-	(11)	-	-	-	(5 907)	(305 859)	256	-	(25 837)	(12 779)	(350 137)	Other operating expenses
<b>Result on insurance / Operating profit (loss)</b>	<b>145 908</b>	<b>258 292</b>	<b>267 302</b>	<b>43 279</b>	<b>359 846</b>	<b>16 994</b>	<b>(2 153)</b>	<b>3 032</b>	<b>(57)</b>	<b>13 026</b>	<b>48 458</b>	<b>207 645</b>	<b>-</b>	<b>(25 837)</b>	<b>(241 706)</b>	<b>1 094 029</b>	<b>Operating profit (loss)</b>
Other operating income	180 510	-	20 391	-	-	-	922	5 693	-	-	(207 516)	-	-	-	-	-	
Other operating expenses	(82 620)	-	(9 210)	-	-	-	(1 280)	(18 247)	-	-	111 357	-	-	-	-	-	
Financial costs	-	-	-	-	-	-	-	-	(647)	47 701	-	-	-	-	12 939	59 993	Financial costs
																183	Share of profits (losses) of entities accounted for using the equity method
																1 154 205	Gross profit (loss)
																(212 865)	Income tax
																941 340	<b>Net profit (loss)</b>



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	PAS	PAS	PAS	PAS	PAS	PAS	IFRS	IFRS											IFRS	IFRS		
Gross premium written externally	485 964	1 795 882	1 630 521	325 666	-	-	39 247	76 699	166 625	-	-	-	-	-	-	-	(166 625)	-	-	-	4 353 979	Gross insurance premium written externally
Gross premium written between segments	385	(226)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(159)	-	Gross insurance premium written between segments
<b>Gross written insurance premium</b>	<b>486 349</b>	<b>1 795 656</b>	<b>1 630 521</b>	<b>325 666</b>	<b>-</b>	<b>-</b>	<b>39 247</b>	<b>76 699</b>	<b>166 625</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(166 625)</b>	<b>-</b>	<b>(159)</b>	<b>-</b>	<b>4 353 979</b>	
Reinsurers' share in gross written premium	(43 146)	(439)	(1 152)	(72)	-	-	(7 684)	(9 700)	-	-	-	-	-	-	-	-	-	-	-	1 219	(60 974)	Reinsurers' share in gross written insurance premium
<b>Net written premium</b>	<b>443 203</b>	<b>1 795 217</b>	<b>1 629 369</b>	<b>325 594</b>	<b>-</b>	<b>-</b>	<b>31 563</b>	<b>66 999</b>	<b>166 625</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(166 625)</b>	<b>-</b>	<b>1 060</b>	<b>4 293 005</b>	<b>Net written premium</b>	
Movement in the unearned premium reserve and gross unexpired risk reserve	(88 443)	(208 866)	234	1 861	-	-	3 907	(10 938)	4	-	-	-	-	393	-	(4)	-	-	(1 412)	(303 264)	-	Movement in net unearned premium reserve
Reinsurer's share in the unearned premium reserve and gross unexpired risk reserve	4 368	(8 565)	-	-	-	-	-	4 589	-	-	-	-	-	(392)	-	-	-	-	-	-	-	-
<b>Net earned premium</b>	<b>359 128</b>	<b>1 577 786</b>	<b>1 629 603</b>	<b>327 455</b>	<b>-</b>	<b>-</b>	<b>35 470</b>	<b>60 650</b>	<b>166 629</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1</b>	<b>-</b>	<b>(166 629)</b>	<b>-</b>	<b>(352)</b>	<b>3 989 741</b>	<b>Net earned premium</b>		
Investment income, including:	33 672	137 612	186 385	80 474	96 081	2 382	4 969	2 439	13 087	19 108	-	-	-	74 956	-	4 311	-	-	(14 344)	64 923	-	Fee and commission income
Net result on investments (external activity)	33 672	137 612	186 385	80 474	93 180	2 382	4 969	2 439	13 087	19 108	-	-	-	(576 209)	-	-	-	-	-	-	-	(573 308)
Net result on investments (inter-segment activity)	-	-	-	-	2 901	-	-	-	-	-	-	-	-	(2 901)	-	-	-	-	-	-	-	-
Other net technical income	8 145	11 821	1 110	431	-	-	-	-	-	-	-	-	-	369 365	-	-	-	-	1 887	371 252	-	Net investment income (external activity)
Revenues on core business of non-insurance entities	-	-	-	-	-	43 374	-	-	-	77 782	(121 156)	-	-	6 464	-	-	-	-	(6 464)	-	-	Net investment income (inter-segment activity)
Other operating income (not applicable to insurance entities)	-	-	-	-	-	49	-	-	-	10 380	130 560	(598)	-	(109 850)	(1 814)	-	-	-	(1)	(111 665)	(111 665)	Net result on the realization of investments and impairment charges
Gross claims paid	(184 357)	(841 567)	(1 109 119)	(172 537)	-	-	(32 717)	(36 918)	(820 151)	-	327 885	-	167 234	298 281	(279)	-	-	-	(14 942)	283 060	-	Net change in the fair value of assets and liabilities carried at fair value
Movement in the gross claims reserve	(31 384)	(36 131)	(4 719)	25 774	-	-	2 035	(2 907)	(1 404)	-	48 736	-	-	(109 850)	-	-	-	-	-	-	-	-
Reinsurers' share in claims paid	13 411	4 669	11	(1)	-	-	678	3 396	-	-	8 585	-	-	298 281	-	-	-	-	-	353	31 102	Claims and movement in insurance liabilities ceded to re-insurers
Reinsurer's share in the movement in reserves	16 121	(2 271)	-	-	-	-	(1 361)	(2 656)	-	-	(9 833)	-	-	(279)	-	-	-	-	-	-	-	-
<b>Net insurance claims</b>	<b>(186 209)</b>	<b>(875 300)</b>	<b>(1 113 827)</b>	<b>(146 764)</b>	<b>-</b>	<b>-</b>	<b>(31 365)</b>	<b>(39 085)</b>	<b>(821 555)</b>	<b>-</b>	<b>375 373</b>	<b>-</b>	<b>167 234</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7 332</b>	<b>(2 664 166)</b>	<b>Net insurance claims</b>	
Movement in other net technical reserves, life insurance reserves where the policyholder bears the investment risk, loss ratio (risk) equalization reserves	-	-	(97 385)	(179 844)	-	-	-	-	654 319	-	(377 090)	-	-	-	-	(4 917)	-	-	-	-	(4 917)	Claims and changes in valuation of investment contracts
Net premiums and rebates for insureds including the movement in reserves	(275)	-	(194)	-	-	-	-	-	(1)	-	470	-	-	-	-	-	-	-	-	-	-	-
Other net technical income	(15 313)	(76 142)	(6 465)	(612)	-	-	-	-	(203)	-	98 735	-	-	-	-	-	-	-	-	-	-	-
Acquisition cost	(73 955)	(282 850)	(86 239)	(31 282)	-	(977)	(12 954)	(16 940)	(6 103)	-	(2)	-	-	-	-	-	-	-	-	3 678	(507 624)	Acquisition cost
Administrative costs	(26 969)	(124 418)	(127 833)	(12 355)	-	(37 176)	(6 930)	(6 522)	(2 440)	-	1	5 092	-	-	-	-	-	-	-	5 467	(334 083)	Administrative costs
Reinsurance commissions and profit-sharing	3 113	509	98	-	-	-	-	-	-	-	(3 720)	-	-	-	-	-	-	-	-	-	-	-
Expenses of the core business of non-insurance entities	-	-	-	-	-	-	-	-	-	(82 946)	82 946	-	-	-	-	-	-	-	-	-	-	-
Other operating expenses (not applicable to insurance entities)	-	-	-	-	-	(47)	-	-	-	(1 366)	(183 223)	(5 929)	-	(13 939)	-	-	-	-	27 814	(176 690)	-	Other operating expenses
<b>Result on insurance / Operating profit (loss)</b>	<b>101 337</b>	<b>369 018</b>	<b>385 253</b>	<b>37 503</b>	<b>96 081</b>	<b>7 605</b>	<b>(10 810)</b>	<b>542</b>	<b>3 733</b>	<b>22 958</b>	<b>44 395</b>	<b>(3 528)</b>	<b>(1)</b>	<b>(13 939)</b>	<b>(28 466)</b>	<b>1 011 681</b>	<b>Operating profit (loss)</b>					
Other operating income	20 992	-	1 893	-	-	-	12 767	1 780	-	-	(37 432)	-	-	-	-	-	-	-	-	-	-	-
Other operating expenses	(14 767)	-	(2 869)	-	-	-	(3 966)	(2 073)	-	-	23 675	-	-	-	-	-	-	-	-	-	-	-
Financial costs	-	-	-	-	-	-	-	-	(18 127)	(30 637)	-	-	-	-	-	-	-	-	16 566	(32 198)	-	Financial costs
																					86	Share of profits (losses) of entities accounted for using the equity method
																					979 569	Gross profit (loss)
																					(219 126)	Income tax
																					760 443	<b>Net profit (loss)</b>

<b>1 January – 31 March 2015 and as at 31 March 2015</b>	<b>Poland</b>	<b>Baltic States</b>	<b>Ukraine</b>	<b>Not allocated (consolidation adjustments and other)</b>	<b>Consolidated value</b>
Gross externally written insurance premium	4,355,824	289,764	35,239	-	4,680,827
Gross insurance premium written between segments	5,107	-	-	(5,107)	-
Revenue from commissions and fees	48,444	-	-	-	48,444
Net investment income	323,640	3,821	27,384	-	354,845
Net result on the realization of investments and impairment charges	118,404	2,435	(3,055)	-	117,784
Net change in the fair value of assets and liabilities measured at fair value	469,506	8,464	434	-	478,404
Non-current assets, other than financial instruments <sup>1)</sup>	1,404,311	373,125	2,938	(469)	1,779,905
Deferred tax assets	19,039	-	1,593	-	20,632
Assets	70,723,500	2,059,358	172,609	(1,213,485)	71,741,982

<sup>1)</sup> applies to intangible assets and property, plant and equipment

<b>31 December 2014</b>	<b>Poland</b>	<b>Baltic States</b>	<b>Ukraine</b>	<b>Not allocated (consolidation adjustments and other)</b>	<b>Consolidated value</b>
Non-current assets, other than financial instruments <sup>1)</sup>	1,425,655	441,425	3,887	(666)	1,870,301
Deferred tax assets	16,639	9,300	1,018	-	26,957
Assets	66,803,450	2,169,983	224,704	(1,625,376)	67,572,761

<sup>1)</sup> applies to intangible assets and property, plant and equipment

<b>1 January – 31 March 2014 and as at 31 March 2014</b>	<b>Poland</b>	<b>Baltic States</b>	<b>Ukraine</b>	<b>Not allocated (consolidation adjustments and other)</b>	<b>Consolidated value</b>
Gross externally written insurance premium	4,238,033	76,699	39,247	-	4,353,979
Gross insurance premium written between segments	(31)	-	-	31	-
Revenue from commissions and fees	64,923	-	-	-	64,923
Net investment income	364,189	2,074	4,989	-	371,252
Net result on the realization of investments and impairment charges	(111,811)	363	(217)	-	(111,665)
Net change in the fair value of assets and liabilities measured at fair value	282,861	2	197	-	283,060
Non-current assets, other than financial instruments <sup>1)</sup>	1,223,879	15,083	4,044	(509)	1,242,497
Deferred tax assets	20,288	-	911	-	21,199
Assets	64,800,423	439,451	202,955	(398,248)	65,044,581

<sup>1)</sup> applies to intangible assets and property, plant and equipment

## 14. Commentary to segment reporting

### 14.1 Corporate insurance – non-life insurance

Gross written premium by product group	1 January – 31 March 2015	1 January – 31 March 2014	% change
Motor TPL insurance	81,796	81,543	0.3%
MOD insurance	118,901	108,783	9.3%
Total motor insurance	200,697	190,326	5.4%
Insurance against fire and other damage to property	101,814	119,080	(14.5)%
Other liability insurance (groups 11, 12, 13)	73,578	138,397	(46.8)%
ADD and other insurance <sup>1)</sup>	36,263	38,546	(5.9)%
Total non-life insurance without motor insurance	211,655	296,023	(28.5)%
<b>Total corporate insurance segment (non-life insurance)</b>	<b>412,352</b>	<b>486,349</b>	<b>(15.2)%</b>

<sup>1)</sup> This line item includes loan guarantees and financial insurance, assistance, travel, marine, railway and air insurance.

In Q1 2015, in the corporate insurance segment, the fall in gross written premium by PLN 73,997 thousand (-15.2%) as compared to Q1 2014. The following was recorded within the premium:

- lower sales of insurance of fire and other property damages and third party liability - the outcome of finalization of several big tenders in December 2014 and conclusion of insurance agreements in 2015 mainly concerns medical entities (without impact on the level of premium earned in 2014);
- increase of sales of motor insurance sales, mainly MOD (+9.3%) as a result of significant increase of the volume of insurance, compensated partly by decrease of average premium. Despite the recorded increase of sales, strong price pressure is still felt.

Data from the income statement – corporate insurance (non-life insurance)	1 January – 31 March 2015	1 January – 31 March 2014	% change
Gross written premiums	412,352	486,349	(15.2)%
Net earned premiums	353,484	359,128	(1.6)%
Investment income	21,762	33,672	(35.4)%
Net insurance claims and benefits	(137,408)	(186,209)	(26.2)%
Acquisition expenses	(62,234)	(73,955)	(15.8)%
Administrative expenses	(32,593)	(26,969)	20.9%
Reinsurance commissions and profit-sharing	4,435	3,113	42.5%
Other	(1,538)	(7,443)	(79.3)%
<b>Operating profit (loss)</b>	<b>145,908</b>	<b>101,337</b>	<b>44.0%</b>
acquisition expenses ratio (including reinsurance commission) <sup>1)</sup>	16.43%	19.7%	(3.4) p.p.
administrative expense ratio <sup>1)</sup>	9.2%	7.5%	1.7 p.p.
loss ratio <sup>1)</sup>	38.9%	51.9%	(13.0) p.p.
combined ratio (COR) <sup>1)</sup>	64.4%	79.1%	(14.7) p.p.

<sup>1)</sup> ratios calculated with net premium earned

The comparability of individual components of the segment's operating result is affected by the commencement of consolidation of the newly acquired company Link4 as of 15 September 2014.

Net insurance claims and benefits in Q1 2015 decreased by dropped by 26.2% as compared to Q1 2014, which, at the lower earned premium growth rate by 1.6%, translates into a significant improvement of the loss ratio by 13.0 percentage points.

The lower level of net claims was caused mainly by:

- lower claims with a high unit value in the catastrophic insurance group;
- decrease of provisions for claims in the general third party liability and financial risk insurance groups as a result of lower level of provisions for claims from previous years.

These positive changes were partly offset by:

- higher claims and benefits in motor insurance, mainly as a result of increase of the average disbursement and increase of the number of reported claims.

Decrease of revenues from investments allocated to the corporate insurance segment by 35.4% y/y, which was dictated by lower market interest rates and decrease of the EUR exchange rate.

Acquisition expenses in the corporate insurance segment decreased by 15.8% as compared to Q1 2014, which resulted from higher deferred costs (incl. conclusion of long-term agreements in previous years, mainly in the catastrophic insurance group and other material losses) with simultaneous decrease of direct acquisition expenses, offset partly by an increase of indirect costs.

Increase of administrative costs by PLN 5,624 thousand (i.e. by 20.9%) compared to Q1 2014 was associated primarily with higher costs of implementation of the strategy of development of key areas of the PZU Group.

Increase of reinsurance commissions by PLN 1,322 thousand pertained mainly to catastrophic insurance, other material losses (group 8 and 9) and third party liability insurance (group 13).

Operating profit in the corporate insurance segment was higher than in the corresponding period of the previous year, at PLN 145,908 thousand and PLN 101,337 thousand, respectively, for Q1 2015 and Q1 2014. The increase of operating profit was attributable mainly to increased profitability in the general third party liability insurance and various financial risk insurance, compensated by decrease of the result in motor insurance (as a result of increase of loss ratio and claims).

## 14.2 Mass insurance – non-life insurance

Gross written premium by product group	1 January – 31 March 2015	1 January – 31 March 2014	% change
Motor TPL insurance	629,508	585,904	7.4%
MOD insurance	436,290	398,817	9.4%
Total motor insurance	1,065,798	984,721	8.2%
Insurance against fire and other damage to property	555,114	526,924	5.4%
Other liability insurance (groups 11, 12, 13)	136,584	126,738	7.8%
ADD and other insurance <sup>1)</sup>	191,881	157,273	22.0%
Total non-life insurance without motor insurance	883,579	810,935	9.0%
<b>Total mass insurance segment (non-life insurance)</b>	<b>1,949,377</b>	<b>1,795,656</b>	<b>8.6%</b>

<sup>1)</sup> This line item includes loan guarantees and financial insurance, assistance, travel, marine, railway and air insurance.

In Q1 2015, in the mass insurance segment, gross written premium increased by PLN 153,721 thousand (+8.6%) as compared to Q1 2014. This growth resulted primarily from:

- higher written premium in motor insurance, mainly as a result of the acquisition of Link4 which contributed to the segment's result from the time of the acquisition (15 September 2014) and led to various elements of the operating result surpassing the levels recorded in Q1 2014. After incorporation of this change, sale of motor products decreased slightly, reaching PLN 975,661 thousand (-0.9% in relation to Q1 2014);
- higher written premium in agricultural insurance, mainly insurance of farm buildings;
- increase of sale of catastrophic insurance, including mainly apartment insurance, such as: PZU DOM or Assistance Dom;
- higher premium in third party liability insurance, mainly PZU DOM TPL and TPL insurance for legal advisors.

Data from the income statement – mass insurance (non-life insurance)	1 January – 31 March 2015	1 January – 31 March 2014	% change
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Gross written premiums	1,949,377	1,795,656	8.6%
Net earned premiums	1,653,098	1,577,786	4.8%
Investment income	102,697	137,612	(25.4)%
Net insurance claims and benefits	(956,594)	(875,300)	9.3%
Acquisition expenses	(322,432)	(282,850)	14.0%
Administrative expenses	(162,229)	(124,418)	30.4%
Reinsurance commissions and profit-sharing	250	509	x
Other	(56,498)	(64,321)	(12.2)%
<b>Operating profit (loss)</b>	<b>258,292</b>	<b>369,018</b>	<b>(30.0)%</b>
acquisition expenses ratio (including reinsurance commission) <sup>1)</sup>	19.5%	17.9%	1.6 p.p.
administrative expense ratio*	9.8%	7.9%	1.9 p.p.
loss ratio <sup>1)</sup>	57.9%	55.5%	2.4 p.p.
combined ratio (COR) <sup>1)</sup>	87.2%	81.3%	5.9 p.p.

<sup>1)</sup> ratios calculated with net premium earned

In Q1 2015, the result was affected by the acquisition of Link4 which contributed to the segment's result from the time of the acquisition (15 September 2014). After the effect of this change has been eliminated, in 2015 operating profit in the mass segment was PLN 268,469 m.

Net insurance claims and benefits in Q1 2015 increased by 9.3%, with net earned premium 4.8% higher, which translates into an improvement of the loss ratio by 2.4 percentage points.

This change resulted from:

- increase of claims and benefits in motor insurance (+11.8%, after incorporation of Link4, +2.9%), mainly as a result of increase of the average claim;
- lower claims and benefits in the third party liability insurance, including decrease of the annuity provision.

Decrease of revenues from investments allocated to the mass segment was 25.4% y/y, which was dictated by lower market interest rates and decrease of the EUR exchange rate.

Acquisition expenses in the mass insurance segment increased by 14.0% as compared to Q1 2014, mainly due to higher commissions, including inward reinsurance commissions and indirect acquisition expenses. Additionally, an increase of the share of commissions in written premium was recorded as a result of changes of the commission rates in the broker channel and the sales-related actions taken in the multi-agency channel aimed at improvement of the sales network efficiency.

Increase of administrative costs by PLN 37,811 thousand (i.e. by 30.4%) compared to Q1 2014, as a result of higher costs associated with implementation of the strategy of development of key areas of the PZU Group.

The decrease of operating profit in the mass insurance segment by PLN 110,726 thousand (-30.0%) compared to Q1 2014 was attributable mainly to lower profitability in motor insurance (significant increase of claims and benefits +11.8%, with earned premium up by +5.1% faced with fierce price competition, accident insurance (several claims with high unit value) and assistance insurance.

### 14.3 Group and individually continued insurance – life insurance

Gross written premium by payment type -group and individually continued insurance	1 January – 31 March 2015	1 January – 31 March 2014	% change
Regular premium	1,661,216	1,630,521	1.9%
Single premium	-	-	x
<b>Total</b>	<b>1,661,216</b>	<b>1,630,521</b>	<b>1.9%</b>

The increase in regular gross written premium by PLN 30,695 thousand (+1.9%) was mainly due to:

- growth in group protection insurance (higher average premium and more insureds, including high new sales levels);
- acquisition of premium in group health insurance products (new clients in outpatient health insurance and sale of different options of the medicine product);
- up-selling of riders and increase of sums insured in individually continued insurance products.

The positive effects were compensated partly by decreasing premium in unit-linked insurance, resulting from transfer of PPE agreements of PZU employees to the PPE operated by TFI PZU.

Data from the income statement – group and individually continued insurance	1 January – 31 March 2015	1 January – 31 March 2014	% change
Gross written premiums	1,661,216	1,630,521	1.9%
Group insurance	1,178,359	1,153,544	2.2%
Individually continued insurance	482,857	476,977	1.2%
Net earned premiums	1,661,325	1,629,603	1.9%
Investment income	196,357	186,385	5.4%
Net insurance claims and benefits	(1,241,506)	(1,113,827)	11.5%
Movement in the balance of other net technical provisions	(101,001)	(97,385)	3.7%
Acquisition expenses	(92,686)	(86,239)	7.5%
Administrative expenses	(146,826)	(127,833)	14.9%
Other	(8,361)	(5,451)	53.4%
<b>Operating profit (loss)</b>	<b>267,302</b>	<b>385,253</b>	<b>(30.6)%</b>
<b>Operating profit (loss) excluding the conversion effect</b>	<b>243,871</b>	<b>356,043</b>	<b>(31.5)%</b>
acquisition expense ratio <sup>1)</sup>	5.6%	5.3%	0.3 p.p.
administrative expense ratio <sup>1)</sup>	8.8%	7.8%	1.0 p.p.
operating margin excluding the conversion effect <sup>1)</sup>	14.7%	21.8%	(7.1) p.p.

<sup>1)</sup> ratios calculated with gross premium written

Increase of net insurance claims and benefits (by PLN 127,679 thousand, i.e. 11.5%) resulted primarily from:

- in protection insurance, strong growth of the frequency of deaths in relation to the year before; confirmed by GUS data for the whole population - the frequency of deaths in Poland for the consecutive months ended in February 2012, 2013, 2014 and 2015 amounted to 0.259%, 0.283%, 0.254% and 0.274%, respectively - significant annual volatility is visible;
- higher level of payouts linked to reaching the endowment age in short-term endowment insurance products in the bancassurance channel - maturity of individual tranches of the product; without impact on the result - compensated by the change in mathematical provisions.

The difference in the change in technical provisions (increase in technical provisions by PLN 3,616 thousand more than during the corresponding period of the year before) was mainly due to a stronger growth of the mathematical provisions

in unit-linked products as a result of better investment results and lower pace of conversion of long-term agreements into renewable annual agreements in type P group insurance (the conversion effect during Q1 2015 was reflected in the release of PLN 23,431 thousand of provisions, i.e. PLN 5,779 thousand less than in the corresponding period of 2014). The above effects were compensated by a decrease of technical provisions in the endowment insurance products in the bancassurance channel (maturity of individual tranches of the product without sales; without impact on the result - compensated by payment of claims).

The investment result consists of income allocated according to transfer prices and income on investment products. In the group and individually continued insurance segment, investment income increased PLN 9,972 thousand, mainly due to the higher investment activity result in unit-linked products - primarily as a result of good situation in the capital market. Income allocated according to transfer prices in the period in question dropped by PLN 15,197 thousand as a result of lower level of market interest rates on the basis of which the income of portfolios replicating insurance liabilities are calculated.

Acquisition expenses in the group and individually continued insurance segment in the three months of 2015 were PLN 92,686 thousand, and rose by PLN 6,447 thousand (7.5%) compared to Q1 last year. Factors determining the increase of the cost was the increasing protection product portfolio, including high new sales of agreements and upselling of additional insurance and further growth of the share of the brokerage and agency channel in the portfolio.

Increase of administrative expenses by PLN 18,993 thousand (+14.9%) in Q1 2015 compared to the corresponding period of 2014 resulted primarily from expenditures associated with implementation of the strategy of development of key areas of the PZU Group, i.e. Retail and Corporate Client Area, PZU Health, distribution and operational support.

The decrease of the result in the other income item by PLN 2,910 thousand y/y results from higher costs associated with financing the premium by PZU Życie (higher sale of riders to individually continued insurance on promotional terms) and higher revaluation charges for receivables from the insured.

Operating profit in the group and continued insurance segment in the three months of 2015 dropped compared to the corresponding period of 2014 by PLN 117,951 thousand (-30.6%) to PLN 267,302 thousand. Operating profit, excluding the effects of conversion of long-term contracts into renewable contracts in type P group insurance, decreased by PLN 112,172 thousand y/y (-31.5%) – mainly as a result of increase of the loss ratio in the protection portfolio as a result of higher frequency of deaths.

#### 14.4 Individual insurance - life insurance

Gross written premium by payment type – individual insurance	1 January – 31 March 2015	1 January – 31 March 2014	% change
Regular premium	131,045	114,109	14.8%
Single premium	207,617	211,557	(1.9)%
<b>Total</b>	<b>338,662</b>	<b>325,666</b>	<b>4.0%</b>

The increase in gross written premium in comparison with the three months of 2014 by PLN 12,996 thousand (+4.0%) was a result of:

- record-breaking subscription of the structured product in the dedicated channel;
- higher average payments to IKE accounts;
- high sale of protection products - result of the change of the commission system and improvement of the offering through introduction of a new rider "Pomoc dla Serca".

Negative impacts included: withdrawal from sale of the regular premium savings product called "Plan na Życie" with a protection element and no sale of structured and deposit products in cooperation with banks.



Data from the income statement – individual insurance	1 January – 31 March 2015	1 January – 31 March 2014	% change
Gross written premiums	338,662	325,666	4.0%
Net earned premiums	340,108	327,455	3.9%
Investment income	165,847	80,474	106.1%
Net insurance claims and benefits	(196,647)	(146,764)	34.0%
Movement in the balance of other net technical provisions	(218,827)	(179,844)	21.7%
Acquisition expenses	(31,015)	(31,282)	(0.9)%
Administrative expenses	(16,008)	(12,355)	29.6%
Other	(179)	(181)	(1.1)%
<b>Operating profit (loss)</b>	<b>43,279</b>	<b>37,503</b>	<b>15.4%</b>
acquisition expense ratio <sup>1)</sup>	9.2%	9.6%	(0.4) p.p.
administrative expense ratio <sup>1)</sup>	4.7%	3.8%	0.9 p.p.
/operating profit margin <sup>1)</sup>	12.8%	11.5%	1.3 p.p.

<sup>1)</sup> ratios calculated with gross premium written

The increase of net insurance claims and benefits (by PLN 49,883 thousand, i.e. by 34.0%) was the effect of a higher level of disbursements on account of reaching the endowment age in structured products, both in the bancassurance channel and in the proprietary channel (maturity of the next product tranches) and increase of redemptions in the regular premium Plan na Życie savings product with a protection element after withdrawal of redemption fees (all of the above factors on the operating result level are compensated by adequate change of mathematical provisions).

The difference in the change in the technical provisions (provisions increased in the period by PLN 218,827 thousand, i.e. PLN 38,983 thousand more than in the corresponding period of 2014) was driven primarily by higher increase in unit-linked products in the bancassurance channel, IKE and the structured product sold in the proprietary channel. In each case this is attributable to better results on investment activity in the current period and for IKE and the structured product, also increase of the gross written premium y/y. At the same time a decrease of the provision in banking structured and deposit products was recorded as a result of lower sales of these products than last year, with increase of payouts linked to reaching the endowment age in these types of policies. A significant decrease of the provision applied also to the regular premium savings product called Plan na Życie with a protection element - retraction from sale and increase of redemptions after the related fees were waived.

The investment result consists of income allocated according to transfer prices and income on investment products. In the individual insurance segment, they increased year over year by PLN 85,373 thousand, mainly due to higher profits associated with investment products – which resulted from good situation in the capital market (the WIG index increased in Q1 2015 by 5.2%, whereas in the comparable period of last year it grew only by 2.1%) and as a result of lower profitability of Polish treasury bonds. Income allocated according to transfer prices decreased slightly.

Slight decrease of acquisition expenses in this segment (by PLN 267 thousand, i.e. by 0.9%) resulted primarily from changes in the offering and focus of the sales network - the decrease resulting from retraction of the Plan na Życie regular premium product with a protection element - and lower sales in the bancassurance channel compensated by an increase of acquisition expenses thanks to sale of protection products.

Administrative expenses in the three months of 2015 increased by PLN 3,653 thousands (+29.6%) in relation to the corresponding period of 2014 primarily as a result of expenditures associated with implementation of the strategy, including increase of the involvement of the agency network in improvement of the quality of service for individual products and increase of marketing expenditures among others in connection with introduction of a new rider "Pomoc dla Serca".

The segment's operating result rose in comparison to last year by PLN 5,776 thousand to PLN 43,279 thousand mainly due to the increase of the portfolio in this segment and positive result generated on investment products, in particular on account of participation in the management fee.

## 14.5 Investments

The net result on investment activity of the PZU Group increased in Q1 2015 by 75.3% compared to Q1 the year before.

<b>Result on investment activity</b>	<b>1 January – 31 March 2015</b>	<b>1 January – 31 March 2014</b>	<b>% change</b>
Equity instruments	369,810	141,140	162.0%
Interest-bearing financial assets	498,642	481,396	3.6%
Investment properties	4,192	12,093	(65.3)%
Derivatives	96,020	(34,088)	x
Receivables	(33,755)	(31,913)	x
Other	16,124	(25,981)	x
<b>Total</b>	<b>951,033</b>	<b>542,647</b>	<b>75.3%</b>

Increase of the result was caused, among other things, by higher valuation of equity instruments on financial markets (in Q1 2015, the WIG index grew by 5.2%, while in the comparable period last year it increased by only 2.1%) and better results generated on derivative instruments.

The result in the "Financial expenses" item in Q1 2015 was positive and amounted to PLN 59,993 thousand (PLN -32,198 thousand

in the comparable period last year) as a result of recognition of positive FX differences on own securities denominated in euro.

<b>Financial expenses</b>	<b>1 January – 31 March 2015</b>	<b>1 January – 31 March 2014</b>	<b>% change</b>
Sell-buy-back transactions	(21,689)	(29,088)	(25.4)%
Own debt securities, including:	78,522	-	x
FX gains and losses on own debt securities	86,496	-	x
Other	3,160	(3,110)	x
<b>Total</b>	<b>59,993</b>	<b>(32,198)</b>	<b>x</b>

Income in the Investments segment in Q1 2015 increased by PLN 245,011 thousand compared to income from Q1 last year.

<b>Investment income – by segment</b>	<b>1 January – 31 March 2015</b>	<b>1 January – 31 March 2014</b>	<b>% change</b>
Investment Segment (external operations)	338,191	93,180	262.9%
Insurance activity segments (PZU / PZU Życie / Link4)	486,663	438,143	11.1%
Other segments and adjustments	126,179	11,324	x
<b>Total</b>	<b>951,033</b>	<b>542,647</b>	<b>75.3%</b>

In March 2015 the value of the PZU Group's investments portfolio amounted to PLN 54,250,585 thousand compared with PLN 53,958,697 thousand as at the end of 2014.

The PZU Group's investment activity complies with the statutory requirements while maintaining an adequate level of safety, liquidity and profitability therefore government debt securities constituted over 60% of the investment portfolio both as at 31 March 2015 and 31 March 2014.

The increase of the balance of equity instruments, investment properties and non-Treasury debt securities and borrowings resulted from the PZU Group's investment strategy involving, among other things, the further diversification of the investment portfolio. In Q1 2015, the value of equity instruments increased by PLN 808,153 thousand, investment properties by PLN 63,615, and the value of non-Treasury debt securities and borrowings increased by PLN 29,147 thousand.

<b>Investments (including investment contracts)</b>	<b>31 March 2015</b>	<b>31 December 2014</b>
<b>Equity instruments, including:</b>	<b>7,304,612</b>	<b>6,496,459</b>
Equity instruments, for which fair value can be determined – listed	3,927,755	3,373,935
Equity instruments, for which fair value can be determined – other	3,373,699	3,119,366
Equity instruments, for which fair value cannot be determined	3,158	3,158

<sup>4</sup>The investment portfolio covers financial assets (including investment contracts), investment properties and financial liabilities (negative valuation of derivative instruments and sell-buy-back transactions).

<b>Interest-bearing financial assets, including:</b>	<b>52,285,891</b>	<b>49,717,114</b>
Debt securities – government	35,258,894	34,201,588
Debt securities – other	3,792,752	3,811,600
Reverse repo transactions and term deposits with credit institutions	10,876,278	9,393,954
Borrowings	2,357,967	2,309,972
<b>Investment properties</b>	<b>2,299,677</b>	<b>2,236,062</b>
<b>Derivatives (net value)</b>	<b>(58,231)</b>	<b>(79,441)</b>
<b>Sell - buy back transaction liabilities</b>	<b>(7,581,364)</b>	<b>(4,411,497)</b>
<b>Total</b>	<b>54,250,585</b>	<b>53,958,697</b>

## 14.6 Pension insurance

<b>Data from the income statement – pension segment</b>	<b>1 January – 31 March 2015</b>	<b>1 January – 31 March 2014</b>	<b>% change</b>
Revenues on core business of non-insurance entities	26,356	43,374	(39.2%)
Acquisition and administrative expenses	(740)	(977)	(24.3%)
Administrative expenses	(11,318)	(37,176)	(69.6%)
Other	2,696	2,384	13.1%
<b>Operating profit (loss)</b>	<b>16,994</b>	<b>7,605</b>	<b>123.5%</b>

Revenues on fees and commissions in the pension insurance segment for Q1 2015 and Q1 2014 were PLN 26,356 thousand and PLN 43,374 thousand, respectively. The change by PLN 17,018 thousand (-39.2%) resulted mainly from statutory changes pertaining to transfer, as of February 2014, of some of the OFE assets to ZUS corresponding to 51.5% of the settlement units recorded on the account of each PZU OFE member and reduction of the fee on the contributions from 3.5% to 1.75%, as well as introduction of voluntary payment of part of the future pension contributions to OFE and the so-called slider mechanism.

Acquisition and administrative expenses were PLN 237 thousand (-24.3%) lower, mainly due to higher correspondence costs for agreements and information materials for OFE members incurred in Q1 2014.

Administrative expenses of PTE PZU dropped by PLN 25,878 thousand (-69.6%). The main driver of the deviation was the payment towards the Guarantee Fund administered by KDPW in Q1 2014 together with the statutory increase of the required level of funds from 0.1% to 0.3% of WAN. The difference in the payment towards the Fund between Q1 2015 and Q1 2014 amounted to PLN -18,634 thousand. Also the costs of administration of accounts of OFE members by the Transfer Agent (PLN -3,723 thousand) changed due to reduction of the rate for administration of individual registers from the beginning of 2015 and waiver of the additional fee for the transfer agent, in connection with satisfaction of the assumptions regarding improvement of the quality of services provided. In addition, the payments towards ZUS contributions decreased (PLN -1,806 thousand) due to reduction of the rate from 0.8% to 0.4%.

Increase of the operating profit by PLN 9,389 thousand y/y resulted from higher costs in the previous year associated with the payment towards the Guarantee Fund.

At the end of Q1 2015, OFE PZU had 2,221 thousand members, i.e. 13.4% of the total number of members of all existing open-end pension funds, ranking OFE PZU third on the market in this respect. Compared to the balance as at the end of March of the previous year, the number of OFE PZU members decreased by 18.6 thousand, i.e. 0.8%, while the total number of members of all open-end pension funds decreased by 0.6% y/y.

At the end of March 2015 the total value of net assets of all OFEs in the market was PLN 155.2 billion, up 2.2% from the end of March 2014. In the same period OFE PZU's assets grew slightly by 0.02% up to PLN 20.4 billion. In the period from January to March 2015, ZUS transferred to OFE PZU premiums in the amount of PLN 76.3 million, over 80.5% more than in the corresponding period of 2014, which was caused by statutory changes (starting from premiums for July 2014 ZUS transfers them only for persons who have submitted pertinent declarations). The rate of return in the period of 3 months of 2015 amounted to 5.1%.

## 14.7 Ukraine

Data from the profit and loss account – Ukraine segment – non-life and life insurance together	1 January – 31 March 2015	1 January – 31 March 2014	% change
Gross written premiums	35,239	39,247	(10.2)%
Net earned premiums	23,135	35,470	(34.8)%
Investment income	24,763	4,969	398.3%
Net insurance claims and benefits	(35,989)	(31,365)	14.7%
Acquisition expenses	(9,979)	(12,954)	(23.0)%
Administrative expenses	(4,083)	(6,930)	(41.1)%
<b>Operating profit (loss)</b>	<b>(2,153)</b>	<b>(10,810)</b>	<b>x</b>
Other operating revenues	922	12,767	(92.8)%
Other operating expenses	(1,280)	(3,966)	(67.7)%
exchange rate UAH/PLN	0.1700	0.3080	(44.8)%
<b>Non-life insurance</b>			
acquisition expense ratio <sup>1)</sup>	42.7%	34.9%	7.8 p.p.
administrative expense ratio <sup>1)</sup>	19.3%	24.2%	(4.9) p.p.
loss ratio <sup>1)</sup>	53.1%	50.2%	2.9 p.p.
combined ratio (COR) <sup>1)</sup>	115.1%	109.3%	5.8 p.p.
<b>Life insurance</b>			
acquisition expense ratio <sup>2)</sup>	44.4%	39.4%	5.0 p.p.
administrative expense ratio <sup>2)</sup>	14.1%	9.7%	4.4 p.p.
loss ratio <sup>2)</sup>	388.1%	164.5%	223.6 p.p.
operating profit margin	(4.8)%	(92.0)%	87.2 p.p.

<sup>1)</sup> ratios calculated with net premium earned

<sup>2)</sup> ratios calculated with gross premium written

As part of the Ukrainian operations, the PZU Group offers non-life insurance and life insurance products through the following companies: PZU Ukraine and PZU Ukraine Life.

The negative growth rate of gross written premium (-10.2%) resulted from depreciation of the exchange rate. However as a result of, among other things, reorientation of clients towards companies with participation of Western capital, the gross written premium in the original currency in non-life insurance increased by 85.8% and in life insurance by 8.9%. In the original currency an increase of the sales growth rate was recorded in most channels:

- in non-life insurance - in all channels - in corporate (+114.9%), alternative (+63.3%), agency (+57.4%) and direct (+52.9%);
- in life insurance - bancassurance (+29.9%) and brokerage (+13.6%) however in the agency and corporate channel the written premium decreased by 20.6% and 7.9% respectively.

In 1Q 2015 a negative operating result of PLN 2,153 thousand was recorded. Consequently, the gross result (increased by other income and operating expenses) was at minus PLN 2,511 thousand.

The results of the Ukraine segment was affected by the depreciation of the hryvnia exchange rate, i.a. against PLN (by 44.8%), but it had the opposite impact on non-life insurance and life insurance. In non-life insurance - investments and provisions are maintained in the local currency, which contributed to a decrease of the result. In life insurance, in turn, a significant part of the insurance products and investments at the company's risk depends on the USD exchange rate, which contributed to increase of investment income by PLN 21,440 thousand, partly compensated by an increase of mathematical provisions. In 1Q 2015 the administrative expense ratio decreased by 1.9 p.p. compared to last year. In non-life insurance, in turn, a higher level of acquisition expenses was recorded as a result of change of the product mix (towards increase of the sale of property, motor and travel insurance, characterized by higher commission on acquired sales).

## 14.8 Baltic States

Data from the income statement – Baltics segment	1 January – 31 March 2015	1 January – 31 March 2014	% change
Gross written premiums	289,764	76,699	277.8%
Net earned premiums	270,782	60,650	346.5%
Investment income	14,720	2,439	503.6%
Net insurance claims and benefits	(171,678)	(39,085)	339.2%
Acquisition expenses	(74,394)	(16,940)	339.2%
Administrative expenses	(36,398)	(6,522)	458.1%
<b>Operating profit (loss)</b>	<b>3,032</b>	<b>542</b>	<b>459.4%</b>
Other operating revenues	5,693	1,780	219.8%
Other operating expenses	(18,247)	(2,073)	780.2%
<b>Non-life insurance</b>			
acquisition expense ratio <sup>1)</sup>	27.3%	27.2%	0.1 p.p.
administrative expense ratio <sup>1)</sup>	13.6%	11.0%	2.6 p.p.
loss ratio <sup>1)</sup>	61.6%	65.2%	(3.6) p.p.
combined ratio (COR) <sup>1)</sup>	102.5%	103.3%	(0.8) p.p.
<b>Life insurance</b>			
acquisition expense ratio <sup>2)</sup>	33.1%	32.6%	0.5 p.p.
administrative expense ratio <sup>2)</sup>	8.8%	9.3%	(0.5) p.p.
loss ratio <sup>2)</sup>	110.7%	59.4%	51.3 p.p.
operating profit margin	5.1%	1.7%	3.4 p.p.

<sup>1)</sup> ratios calculated with net premium earned

<sup>2)</sup> ratios calculated with gross premium written

The Baltics segment (Lithuania, Latvia and Estonia) consists of four companies offering life insurance and non-life insurance.

As part of the Baltic operations, the PZU Group offers non-life insurance and life insurance products through the following companies: PZU Lietuva in Lithuania, together with its branches in Latvia and Estonia, UAB PZU Lietuva Gyvybes Draudimas. In addition, as part of implementation of the international expansion strategy, in 2014 the following companies were acquired: leader of the Latvian market - AAS Balta (acquired on 1 July 2014), Lietuvos Draudimas – leader of the Lithuanian market (from 1 November 2014) and Estonian branch of Codan Forsikring A/S (from 1 November 2014). Consequently, the share in the Lithuanian non-life market amounted to 28.5% (only Lietuvos Draudimas), in life insurance 4.6%, in the Latvian market 24.3% and in the Estonian market 13.9%.

According to the agreement entered into February 2015, PZU Lietuva's shares will be sold to Norwegian insurer Gjensidige Forsikring ASA. The transaction should be closed by 30 November 2015. Ultimately, the branches in Latvia and Estonia will become part of the companies AAS Balta and Lietuvos Draudimas, respectively.

In connection with acquisition of new companies in the region, the data for the Baltics segment for Q1 2015 comprise the data of all companies, including the newly purchased ones. However for Q1 2014 the data of the non-life and the life and non-life company were presented (PZU Lietuva and UAB PZU Lietuva Gyvybes Draudimas).

In Q1 2015, in the Baltics segment, premium amounting to PLN 289,764 thousand was accumulated, including PLN 227,492 thousand in companies not consolidated in Q1 2014, of which:

- 40.8% was the premium generated by Lietuvos Draudimas - largely pertaining to motor and property insurance;
- 25.1% was the premium collected in Latvia - pertaining primarily to motor, health and property insurance;
- 18.1% was the premium collected by PZU Lietuva in Lithuania - compared to last year a decrease by 6.6% was recorded;
- 12.6% was the premium obtained in Estonia - mainly pertaining to motor and property insurance;
- 3.4% from life insurance.

The operating result amounted to PLN 3,032 thousand and was higher than in the corresponding period of last year by PLN 2,490 thousand, in particular thanks to positive results generated by PZU Lietuva and the newly acquired

companies. Net result on investing activity amounted to PLN 14,720 thousand and was PLN 12,281 thousand higher than last year - the result of the newly purchased entities amounted to PLN 4,048 thousand. Compared to the corresponding period of the previous year the loss ratio was 1.0 p.p. lower and amounted to 63.4%. Claims reached the level of PLN 171,678 thousand, however the share of claims in the companies not consolidated last year in total claims amounted to 76.0%. The acquisition expense ratio was similar to that in Q1 2014 and amounted to 27.5%. The respective expenses of the segment amounted to PLN 74,394 thousand, including PLN 60,849 thousand of acquisition expenses incurred by the companies acquired in 2014. As a result of the acquisitions in 2014, administrative expenses also significantly increased and reached PLN 36,398 thousand, however the costs of newly acquired companies amounted to PLN 28,703 thousand.

## 14.9 Investment contracts

In the consolidated financial statements investment contracts are recognized in accordance with the requirements of IAS 39.

The results of the investment contracts segment are presented according to Polish Accounting Standards, which means that they included, among other things, gross written premium, claims paid and change of technical provisions. The above categories are eliminated on the consolidated level.

Volumes obtained on investment contracts by payment type	1 January – 31 March 2015	1 January – 31 March 2014	% change
Regular premium	13,981	10,360	35.0%
Single premium	29,507	156,265	(81.1)%
<b>Total</b>	<b>43,488</b>	<b>166,625</b>	<b>(73.9)%</b>

Gross written premium generated on investment contracts during Q1 2015 decreased by PLN 123,137 thousand (-73.9%) compared to the corresponding period in 2014 to PLN 43,488 thousand. The changes in gross written premium were caused mainly by:

- lower sale of short-term endowment insurance products through proprietary sales channels;
- withdrawal from the offering of short-term endowment insurance products through the bancassurance channel.

In both cases the underlying cause was the low profitability of this type of agreements for clients after the market interest rate drops to historic lows.

Data from the income statement – investment contracts	1 January – 31 March 2015	1 January – 31 March 2014	% change
Gross written premiums	43,488	166,625	(73.9)%
Group insurance	856	29,648	(97.1)%
Individual insurance – life insurance	42,632	136,977	(68.9)%
Net earned premiums	43,477	166,629	(73.9)%
Investment income	24,849	13,087	89.9%
Net insurance claims and benefits	(219,603)	(821,555)	(73.3)%
Movement in the balance of other net technical provisions	156,432	654,319	(76.1)%
Acquisition expenses	(2,628)	(6,103)	(56.9)%
Administrative expenses	(2,515)	(2,440)	3.1%
Other	(69)	(204)	(66.2)%
<b>Operating profit (loss)</b>	<b>(57)</b>	<b>3,733</b>	<b>x</b>
/operating profit margin <sup>1)</sup>	(0.1)%	2.2%	(2.3) p.p.

<sup>1)</sup> ratios calculated with gross premium written

Investment income in the investment contract segment increased by PLN 11,762 thousand, mainly due to good situation in the capital market (the WIG index increased in Q1 2015 by 5.2%, whereas in the comparable period of last year it grew only by 2.1%) and as a result of lower profitability of Polish Treasury bonds.

The PLN 601,952 thousand y/y decrease in net claims resulted mainly from much lower endowment payments under short-term investment endowment products, mainly in the bancassurance channel (no sales of these products).

The decrease of technical provisions, PLN 497,887 thousand than last year, was the derivative of lack of sale of short-term investment products, combined with high level of payouts as a result of reaching the endowment age in these products last year - most provisions from this kind products in this segment have already been reversed.

Acquisition expenses were at PLN 2,628 thousand, which means that the y/y decrease was PLN 3,475 thousand (-56.9%). This results primarily from much lower sales and decrease of assets in unit-linked products (lower commissions on assets).

Administrative expenses remained in principle unchanged compared to the corresponding period of the previous year.

The y/y difference in the other income and expenses category (expenses lower by PLN 135 thousand) as a result of decrease of mandatory expenses (KNF, PIU) in connection with lower sales volumes.

The operating result of the segment was PLN -57 thousand, compared to PLN 3,733 thousand in the 3 month period of 2014, among others as a result of decrease of the management fee resulting from lower assets under management.

## 15. Impact of non-recurring events on operating results

In addition to the effect of conversion of long-term policies into yearly renewable term agreements in type P group insurance, in Q1 2015 and in Q1 2014, no major non-recurring events were identified.

## 16. Macroeconomic environment

### Basic trends in the economy and pace of economic growth

One can estimate that the GDP growth rate in Q1 2015 was at least the same as in Q4 2014, when it amounted to 3.3% y/y. Sold industrial output increased in Q1 2014 by 5.3% y/y, compared to 2.8% y/y in the previous quarter. This acceleration was achieved thanks to recovery of the processing industry, with decrease of production in mining, and generation and supply of electricity, gas, steam and hot water. One could also see symptoms of increase of construction and assembly production where the growth rate in this period amounted to 3.5% y/y. At the same time, the growth rate of retail sales at fixed prices accelerated to 4.2% y/y compared to 3.0% y/y in Q4 last year.

In Q1 domestic demand was the most important economic growth driver. Increase of employment and the accompanying decrease of unemployment rate and sound increase of real household incomes create favorable

conditions for sustainable and stable growth of consumption. Also savings of households increase. Improvement of the economic situation in the eurozone supported the recovery in Poland's industrial production and exports. Better prospects for demand, with relatively high utilization of production capacity and still good financial standing of companies, should facilitate corporate investments. The growth rate of investments, although likely to slightly slow down, should remain relatively high.

### **The labor market and consumption**

In Q1 2015, the situation on the labor market continued to improve. Employment in the company sector increased by 26.5 thousand compared to 24.4 thousand in the corresponding period last year. The annual growth rate of employment in enterprises slightly increased in Q1 to 1.1% y/y, compared to 1.0% y/y in Q4 2014. Although the registered unemployment rate in Q1 increased due to seasonal decrease of demand for labor, reaching 11.7% in March, but the unemployment rate adjusted for seasonal fluctuations systematically decreased in Q1, reaching in March the lowest level since mid-2009.

Despite the unemployment rate falling trend, pressure on increase of salaries in a deflationary environment remained low in Q1. Average nominal remuneration in the enterprise sector increased in Q1 by 4.0% y/y, compared to 3.3% y/y in the previous two quarters. Price decrease in this period contributed to acceleration of the pace of remuneration increase in real terms to 5.7% y/y from 4.0% y/y the quarter before. The remuneration fund in the enterprise sector grew even stronger in real terms (6.7% y/y).

Real increase of remunerations was the highest since the autumn of 2008, creating favorable conditions for increase of household consumption. Also household savings grew in Q1. It seems that the individual consumption growth rate in Q1 should remain similar to that in Q4 2014 (approx. 3.0% y/y).

### **Monetary policy, interest rates and inflation**

In Q1 the prices of consumer goods and services (CPI) dropped 1.5% y/y, compared to the 0.7% drop y/y in Q4 2014. The deflation was exacerbated by a decrease of fuel prices and very low increase of good prices in relation to Q4, with high stability of other prices. Net inflation (excluding prices of food and energy) was in Q1 2015 the same as in Q4 last year (0.4% y/y) - there was no demand and cost pressure on price increase. Inflation expectations remain very low.

In January and February the parameters of the monetary policy remained unchanged. In March, the Monetary Policy Council cut interest rates by 50 basis points - including the reference rate to 1.50% - justifying it by continuation of the deflation period and clear increase of the inflation remaining below the target in medium term. At the same time MPC pointed out that the cycle of easing the monetary policy was closed. As a consequence, in April and May no changes were made to the monetary policy parameters.

### **Public finance**

Central Statistical Office (GUS) announced that in 2014 the debt of the central government and local government institutions sector amounted to 50.1% of GDP and the deficit of this sector dropped to 3.2% of GDP (according to the ESA 2010 standard). After an additional adjustment by the costs of systemic pension reform, this deficit to GDP ratio makes it possible to take Poland of the excessive deficit procedure - which is expected by the Ministry of Finance. In Poland's Long-term Financial Plan for 2015-2018 it has been assumed that the deficit of the central government and local government institutions sector will amount in 2015-2016 to 2.7% and 2.3% of the GDP respectively.

The state budget deficit after March this year amounted to PLN 16.7 bn, which was accounted for approx 36% of the plan for 2015 and was an average result from historical standpoint. According to the Ministry of Finance, the low annual growth rate of direct tax revenues in Q1 2015 resulted from non-recurring factors.

The borrowing needs for 2015 were at the end of March financed in 57%.



## The situation on the financial markets

A key factor of the Polish Treasury bond market and for global markets was announcement of the quantitative easing program by the European Central Bank, and then commencement of purchase of Treasury bonds of euro zone countries. As a consequence, in Q1 2015, the yield of German bonds continued the downward trend and reached historic lows.

In the US, in turn, the previously observed downward trend slowed down, although ultimately during Q1 this year the yields on 10 year US Treasury bonds dropped by approx. 25 basis points. Financial market participants still expect FED to increase interest rates in 2015.

The decrease of yields in Poland also slowed down, although the yields of 10-year Polish Treasury bonds dropped in January 2015 even to 2.0%. However finally in Q1 2015 they decreased only by approx. 20 basis points to approx. 2.30%. High demand from abroad continued. According to Ministry of Finance data, the share of foreign investors in market Treasury bonds issued in the domestic market slightly decreased from the end of 2014 and amounted to 40.4% at the end of March 2015.

What was very important for Polish Treasury securities with shorter maturities was the reduction of the NBP reference rate by the Monetary Policy Council to 1.50% in March, ending the monetary policy easing cycle.

The differences in monetary policy and perception of the economic prospects of the euro zone and the US increased the difference between the yields of 10-year Treasury bonds in Germany and the US to the highest levels in years. At the same time, the difference between the yields for corresponding US and Polish bonds decreased.

The same factors resulted also in a clear appreciation of the US dollar against euro. The euro exchange rate expressed in the US currency decreased from approx. 1.21 at the end of 2014 to approx. 1.07 at the end of March 2015, i.e. by as much as approx. 11%. In the same period, the value of the Polish currency strengthened in relation to euro by 4.1%, weakening at the same time against the US dollar by 8.7%.

The freeing of the Swiss Franc exchange rate by the Swiss central bank in mid-January was a very important event in the FX market - the minimum EUR/CHF exchange rate set at 1.20 was waived. The decision led to sudden strengthening of the Swiss currency, also against the Polish zloty. In the whole Q1 2015, CHF gained 10.3% against PLN.

In connection with announcement of the quantitative easing by ECB, stock exchange indices in the euro zone quickly went up. In March 2015 German DAX 30 achieved temporarily the record-breaking level of 12 thousand points, gaining over 20% from the end of 2014. The indices in the US, in turn, fluctuated without a clear direction. Polish stock market indices in Q1 2015 recorded solid increases. The WIG and WIG20 indices increased from the end of 2014 by 5.2% and 3.5%, respectively.

## 17. Management Board's position on previously published result forecasts

PZU did not publish any standalone or consolidated result forecasts.

## 18. Risk factors which may affect the financial results in the subsequent quarters

### 18.1 Non-life insurance

The most significant risk factors which may affect the results in the mass and corporate insurance segment (non-life insurance) in the next quarters of 2015 include:

- occurrence of catastrophic events (floods, hurricanes, drought, spring ground frosts);
- slowdown in economic growth or stagnation which may cause an increase in the loss ratio of the financial and non-life insurance portfolio as a result of moral hazard;

- changes in the legal or regulatory conditions of the conduct of business, i.e. amendments to the Insurance Activity Act, the introduction of new standards by the Polish Financial Supervision Authority and pro-consumer case law of the courts;
- changes in the financial intermediation market, stopped growth of popularity of independent financial consulting and resulting reduction in the number of sales channels for insurance products;
- growing insurance fraud;
- increase in the number of drivers without TPL insurance due to new rules of termination of TPL agreements (amendment to the Compulsory Insurance Act);
- potential upward trend in the rate of unemployment and a slowdown in private consumption may translate into a lack of growth in demand for insurance products;
- price pressure from competitors;
- growing average cost of bodily injury claims resulting, among others, from the growing share of non-public health care establishments and the impact of financial compensation to family members of the deceased (Article 446 § 4 and Article 448 of the Civil Code of 23 April 1964 (Journal of Laws of 2014, Item 121, hereinafter "Civil Code")), which may result in the need to increase the level of provisions in motor TPL insurance;
- risk that the number and value of claims reported by clients and injured persons will increase in connection with the Act of 17 December 2009 on Pursuing Claims in Group Proceedings (Journal of Laws No. 7 of 2010 Item 44, as amended);
- increasing role of the so-called "insurance claims firms" in the process of handling of claims reported in previous years;
- increased role of insurance brokers which may lead to an increase in acquisition expenses;
- absence of a precise definition of the scope of exemptions pertaining to, for instance, insurance services or medical services in the amended VAT Act of 29 July 2011 (Journal of Laws No. 177 in 2011 Item 1054, as amended; hereinafter: the "VAT Act");
- implementation of the Solvency II Directive in 2016, which may affect the level of capital requirements in the PZU Group and the scope of reporting;
- changes in regulations applicable to banks, which may reduce the number of mortgage loans and insurance for the borrowers.

## 18.2 Life insurance

The most significant risk factors which may affect the results in the group, individually continued and individual insurance segment (life insurance) in the next quarters of 2015 include:

- potential upward trend in the rate of unemployment and a slowdown in private consumption may translate into a lack of growth in demand for insurance products;
- potential intensification of competition in group insurance resulting from strengthening role of brokers in this segment and the requirement to invite tenders for group insurance by entities subject to the requirements of the Act of 29 January 2004 entitled the Public Procurement Law (Journal of Laws of 2013, Item 907; hereinafter "Public Procurement Law");
- changes in the legal or regulatory conditions of the conduct of business, i.e. amendments to the Insurance Activity Act, the introduction of new recommendations by the Polish Financial Supervision Authority and pro-consumer case law of the courts;
- changes in the financial intermediation market, stopped growth of popularity of independent financial consulting and resulting reduction in the number of sales channels for insurance products;
- changes in the current mortality and morbidity levels;
- behavior of the capital market, which impacts the interest in the unit-linked products offered by PZU;

- lack of a precise definition of the scope of exemptions pertaining to e.g. insurance services or medical services in the amended VAT Act;
- changes in regulations applicable to banks, which may reduce the number of mortgage loans and insurance for the borrowers;
- recommendations and guidelines of the supervisory authorities as regards remuneration of insurance intermediaries;
- increasing role of the so-called "insurance claims firms" in the process of handling of claims reported in previous years;
- implementation of the Solvency II Directive in 2016, which may affect the level of capital requirements in the PZU Group and the scope of reporting;
- changes in the individual insurance market caused by product modifications in line with Council Directive 2004/113/EC and judgment of the European Court of Justice (judgment in case C-236/09 (Test-Achats), of 1 March 2011) that may have significant influence on the value of new business and the technical result.

### 18.3 Pension funds

The most significant risk factors which may affect PTE PZU's results in the subsequent quarters of 2015 include primarily:

- The economic climate on the capital market and, in particular on the WSE, affecting the value of the assets of the funds and the level of fees collected by the PTE PZU for management.
- introduction full voluntariness of enrollment in Open-end Pension Funds and the requirement to make a decision within 4 months of undertaking the first job, which caused a significant limitation of the number of new 2nd pillar participants.

### 18.4 Investment activity

The most significant risk factors which may affect the investment activity performance in the subsequent quarter of 2015 include primarily:

- volatility of yields on treasury securities depends on the economic situation of Poland and other European Union countries - changes of the yields of securities may contribute the fluctuations of investment valuations;
- behavior of the capital market, particularly of the Warsaw Stock Exchange – part of the companies' investment activity income depends on the trends in this market. Furthermore, the interest in unit-linked products offered by PZU is positively correlated with trends in the capital markets.

## 19. Issues, redemptions and repayments of debt securities and equity securities

In the 3-month period ended 31 March 2015, PZU did not issue, redeem or repay any debt securities or equity securities.

## 20. Default or breach of material provisions of loan agreements

During the 3 months ended 31 March 2015, in PZU and in its subsidiaries there were no instances of default or a breach of any material provisions of loan agreements in respect of which no remedial actions were taken until the end of the reporting period.

## 21. Granting of loan sureties or guarantees by PZU or its subsidiaries

In the 3-month period ended 31 March 2015, neither PZU nor its subsidiaries granted any sureties or guarantees for loans or borrowings to any single entity or any subsidiary of such an entity the total amount of which sureties or guarantees would be the equivalent of at least 10% of PZU's equity.

## 22. Dividends

Only the profit recognized in the standalone financial statements of the parent company prepared in accordance with PAS is subject to distribution.

On 12 May 2015 the PZU Management Board resolved to submit a motion to PZU's Ordinary Shareholder Meeting on the distribution of PZU's net profit for the year ended 31 December 2014 in the amount of PLN 2,636,733 thousand in the following manner:

- designate PLN 2,590,569 thousand, i.e. PLN 30.00 per share as the dividend payout;
- designate PLN 36,164 thousand to supplementary capital;
- designate PLN 10,000 thousand to the Company's Social Benefits Fund.

The PZU Management Board resolved to submit a motion to PZU's Ordinary Shareholder Meeting to set the dividend record date on 30 September 2015 with the dividend payment date being 21 October 2015.

The PZU Management Board's motion is consistent with the dividend policy and takes into consideration the Polish Financial Supervision Authority's recommendations pertaining to the dividend policy of insurance and reinsurance undertakings.

PZU's Ordinary Shareholder Meeting will make the final decision on the distribution of PZU's net profit for the year ended 31 December 2014.

As at the date of submission of this interim report, the PZU Management Board did not make a decision on the recommended distribution of profit for 2014.

## 23. Disputes

The PZU Group entities participate in a number of litigations, arbitration disputes and administrative proceedings. Typical litigations involving the PZU Group companies include disputes pertaining to concluded insurance agreements, disputes concerning labor relationships and disputes relating to contractual obligations. Typical administrative proceedings involving the PZU Group companies include proceedings related to the possession of real properties. Such proceedings and litigations are of a typical and repetitive nature and usually no particular one of them is of material importance to the PZU Group.

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

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

During the 3 months ended 31 March 2015 and until the date of conveying this interim report, the PZU Group companies were not involved in any proceedings conducted before a court, an arbitration body or a public administration authority which concerned any liabilities or receivables of PZU or any of its direct or indirect subsidiaries, the unit value of which was at least 10% of PZU's equity.

As at 31 March 2015, the value of the subject matter of the litigation in all the 71,270 cases pending before courts, arbitration bodies or public administration authorities in which PZU Group entities take part, was PLN 3,246,996 thousand. Out of this amount, PLN 2,688,240 thousand relates to liabilities and PLN 558,756 thousand to receivables of PZU Group companies, which represented 20.36% and 4.23%, respectively of PZU's equity according to PAS.

Estimations of the amounts of the provisions for individual cases take into account all information available on the date of signing the consolidated financial statements, however this figure may change in the future.

### **23.1 Resolutions of the Ordinary Shareholder Meeting of PZU to distribute the profit earned in the financial year 2006**

On 30 July 2007, an action was brought by Manchester Securities Corporation ("MSC") seated in New York against PZU to repeal Resolution No. 8/2007 adopted by the Company's Ordinary Shareholder Meeting on 30 June 2007 to distribute PZU's profit for the financial year 2006 as contradicting good practices and aimed at harming the plaintiff as a shareholder of PZU.

The challenged resolution of the Ordinary Shareholder Meeting of PZU distributed the net profit of PLN 3,280,883 thousand generated in 2006 as follows:

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

In its judgment of 22 January 2010, the Regional Court in Warsaw rescinded in its entirety the challenged Ordinary Shareholder Meeting resolution. PZU has used all possible appeal instances, including a cassation complaint to the Supreme Court which, on 27 March 2013, dismissed the cassation complaint. The judgment is final and not subject to further appeal.

In PZU's opinion, the rescission of the resolution will not lead to the occurrence of a claim on the part of PZU shareholders for payment of a dividend.

In connection with the judgment repealing resolution no. 8/2007 becoming final, on 30 May 2012, the PZU Ordinary Shareholder Meeting adopted a resolution to distribute the profit for the financial year 2006 in a manner reflecting the distribution of profit effected by virtue of the repealed resolution no. 8/2007. MSC filed an objection against the resolution of 30 May 2012 and the objection was recorded in the minutes.

On 20 August 2012, a copy of a statement of claim filed by MSC with the Regional Court in Warsaw was delivered to PZU. In the statement of claim, the Manchester Securities Corporation demands that the resolution on the distribution of profit for the financial year 2006 adopted on 30 May 2012 by the PZU Ordinary Shareholder Meeting be repealed. According to the plaintiff, the value of the litigation is PLN 5,054 thousand. PZU has submitted a rejoinder to the statement of claim requesting to dismiss the statement of claim in its entirety.

On 17 December 2013, the Regional Court passed a judgment in which it accepted the claim in its entirety and awarded the costs of proceedings from PZU to MSC. On 4 March 2014, PZU filed an appeal against the above judgment, contesting it in its entirety. On 11 February 2015, the Appellate Court in Warsaw, in its judgment changed in entirety the judgment of the Regional Court of 17 December 2013, dismissed MSC's claim and charged MSC with the court expenses. The Appellate Court's judgment is final.

In the letter of 16 December 2014, MSC summoned PZU to pay PLN 264,865 thousand as a compensation in connection with repealing resolution no. 8/2007 adopted by the PZU Ordinary Shareholder Meeting on 30 June 2007 to distribute PZU's profit for the financial year 2006. PZU refused to effect the performance.

As at 31 December 2014, no changes have been made to the presentation of PZU's equity that could potentially stem from the repeal of the resolution on distribution of profit for the financial year 2006, adopted by PZU's Ordinary Shareholder Meeting, including the line items "Reserve capital" and "Retained profit (loss)", the funds in the Company's Social Benefits Fund were not adjusted and no provisions were established for any potential additional claims stemming from the repeal of the aforementioned resolution adopted by PZU's Ordinary Shareholder Meeting.

### **23.1.1. Other summons to make payments pertaining to distribution of PZU SA's profit earned in the financial year 2006**

In the letters of 17 December 2014, Wspólna Reprezentacja SA summoned PZU to pay the amount of PLN 56,281 thousand and PLN 618 thousand as claims for damages acquired from shareholders resulting from deprivation of the right to participate in PZU's profit. PZU refused to effect the performance.

Apart from the aforementioned letters shareholders or former shareholders sent to PZU summons to make payments based on the aforementioned factual circumstances. Some of them do not indicate specific amounts but the number of shares or only demand a payment. PZU gives its replies in writing, stating that there claims are not existent and that they will not be accepted.

### **23.1.2. Other court proceedings pertaining to distribution of PZU SA's profit earned in the financial year 2006**

On 19 January 2015, the District Court for the capital city of Warsaw delivered a copy of a petition, together with attachments, in the case filed by a company under the name Wspólna Reprezentacja SA, calling for a settlement for the amount of PLN 56,281 thousand. At the hearing on 19 February 2015 PZU refused to conclude a settlement.

On 2 February 2015, the District Court for the capital city of Warsaw delivered a copy of MSC's petition, calling for a settlement for the amount of PLN 264,865 thousand. The claim under the petition is tantamount to the demand from MSC's summons of 16 December 2014. At the hearing on 24 February PZU refused to conclude a settlement.

PZU receives copies of other calls for a settlement with demands to conclude settlements through payment of amounts on account of participation in the profits for the financial year 2006. Some of the proceedings have already been closed.

PZU refuses to conclude the settlements, stating that there claims are not existent and that they will not be accepted.

PZU receives individual copies of statements of claim for payment or dividends or compensations. PZU answers to such statements of claim consistently demanding their dismissal in entirety. In one of such trials, on 24 April 2014, the District Court for Warsaw-Śródmieście dismissed the statement of claim and charged the plaintiff with the costs of the proceedings.

## **23.2 Proceedings conducted by the Office for Competition and Consumer Protection against PZU**

### **23.2.1. Penalty imposed in 2009 on model agreements**

On 30 December 2009, the President of the Office for Competition and Consumer Protection issued a decision to impose a fine of PLN 14,792 thousand on PZU for its use of practices infringing on collective consumer interests by:

- inclusion, in certain model agreements, of contractual provisions classified in the Register of Model Contractual Provisions as prohibited;
- unlawful inclusion, in certain model agreements, of contractual provisions violating Article 813 § 1 of the Civil Code by the introduction, out of compliance with the disposition of this provision of law, of the prerequisite of an unused sum insured as a factor affecting the amount of the insurance premium refunded to the client for the unused period of insurance.

PZU disagreed both with the content and the justification for the decision issued by the Office for Competition and Consumer Protection. After several years of proceedings, on 6 November 2013, the Appellate Court in Warsaw changed the judgment issued by the Court for Competition and Consumer Protection ("SOKiK") on 18 January 2013 by partial rescission of the decision issued by the President of the Office for Competition and Consumer Protection on 30 December 2009, dismissal of PZU's appeal of 18 January 2010 in relation to the contractual provisions violating Article 813 § 1 of the Civil Code, and reduction of the fine to PLN 1,643 thousand. The judgment of 6 November 2013 is final and was

implemented through payment of the awarded fine by PZU. On 23 June 2014, PZU filed a cassation complaint against the judgment with the Supreme Court. On 24 July 2014 PZU received reply from the President of the Office for Competition and Consumer Protection to the cassation complaint. On 28 January 2015, the Supreme Court issued a decision on accepting the cassation complaint for examination, without setting a date for the hearing.

### 23.2.2. Fines imposed in 2011

#### 23.2.2.1. Case concerning reimbursement of the cost of renting a replacement vehicle

On 18 November 2011, the President of the Office for Competition and Consumer Protection issued a decision to impose a fine of PLN 11,287 thousand on PZU for its use of practices infringing on collective consumer interests defined in Article 24 Sec. 1 and 2 of the Competition and Consumer Protection Act (Journal of Laws of 2007, No. 50, Item On 18 November 2011, the President of the Office for Competition and Consumer Protection issued a decision to impose a fine of PLN 11,287 thousand on PZU for its use of the practice infringing on collective consumer interests referred to in Article 24 Sections 1 and 2 of the Act on Competition and Consumer Protection (Journal of Laws No. 50 of 2007 Item 331, as amended) involving a reduction in the scope PZU's liability toward consumers pursuing claims under the insurer's warranty liability arising out of third party liability agreements with vehicle owners by:

- refusing to recognize the inability to use a damaged vehicle as property damage and imposing a condition that in order to receive indemnification for the rental of a replacement vehicle the injured party must demonstrate special circumstances causing the indispensability of renting a replacement vehicle;
- unjustifiably disregarding, in the determination of the amount of the refund, the cost of renting a replacement vehicle during the period in which the repair shop must wait for spare parts;

and ordered the discontinuation of its use.

The PZU Management Board disagrees with both the decision and the legal and factual justification. On 5 December 2011, PZU appealed against this decision (resulting in the prevention of its coming into force).

At the hearing on 2 December 2013 the Regional Court in Warsaw issued a judgment in which it dismissed PZU's appeal and awarded the refund of litigation expenses from PZU to the UOKiK President. On 23 December 2013, PZU submitted an appeal against the judgment. On 17 December 2014 the Appellate Court at a hearing issued a decision on suspension of the aforementioned proceedings until the Supreme Court resolves the legal issue evoking serious doubts in another case pending before the Appellate Court.

Notwithstanding the legal steps taken, PZU had a provision for this penalty in the amount of PLN 11,287 thousand as at 31 March 2015, 31 December 2014 and 31 March 2014.

#### 23.2.2.2. Case concerning sales of group accident insurance

On 30 December 2011, the President of the Office for Competition and Consumer Protection issued a decision to impose a fine of PLN 56,605 thousand on PZU for its use of a practice restricting competition and violating the prohibition prescribed in Article 6 Section 1 Item 3 of the Act on Competition and Consumer Protection by the execution, by PZU and Maximus Broker Sp. z o.o. with its registered office in Toruń ("Maximus Broker"), of an agreement restricting competition in the domestic market for sales of group accident insurance for children, youths and staff of educational institutions consisting of dividing the sales market by entity and transferring PZU's clients from the Kujawsko-Pomorskie voivodship to Maximus Broker for the provision of services in exchange for their recommending PZU as the insurer of choice and at the same time prohibited PZU from the use of this alleged practice.

The PZU Management Board does not agree with the factual findings and the legal argumentation in the decision, because not all the evidence was taken into account when making the decision and an erroneous legal qualification was made.

On 18 January 2012 PZU submitted an appeal against the aforementioned decision (as a result of which it did not become final). In its appeal, PZU indicated the following, among other issues:

- no agreement (other than a brokerage agreement) was entered into between PZU and Maximus Broker;
- the President of the Office for Competition and Consumer Protection misunderstands the principles of execution of insurance agreements involving a broker;
- the majority of insurance agreements involving Maximus Broker were entered into with insurance companies other than PZU;
- PZU and Maximus Broker cannot and could not in the past conduct competitive activity in the markets in which they operate.

On 22 October 2012, PZU received a response to its appeal from the President of the Office for Competition and Consumer Protection, to which PZU replied on 5 November 2012. On 27 March 2015, the Court for Competition and Consumer Protection issued a judgment in which it repealed the decision of the President of the Office for Competition and Consumer Protection of 30 December 2011. The judgment is not final and the President of the Office for Competition and Consumer Protection has the right to file an appeal.

PZU had a provision for this penalty in the amount of PLN 56,605 thousand as at 31 March 2015, 31 December 2014 and 31 March 2014.

### **23.3 Proceeding conducted by the Office for Competition and Consumer Protection against PZU Życie**

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

The PZU Życie Management Board does not concur with the findings concerning the facts or the legal argumentation set forth in the decision. According to the PZU Życie Management Board, not all the evidence was taken into account when making the decision and an erroneous legal qualification was made and in effect it was groundlessly assumed that PZU Życie has a dominating position on the market. PZU Życie appealed to the Competition and Consumer Protection Court. A total of 38 material law and formal law allegations against the decision of the President of UOKiK were formulated in the appeal.

After several years of proceedings, on 17 February 2011, the Competition and Consumer Protection Court issued a judgment partially changing the appealed decision but at the same time dismissing PZU Życie's appeal against the amount of the imposed penalty. On 6 May 2011, PZU Życie filed an appeal.

In the judgment of 9 May 2013, the Court of Appeals in Warsaw agreed with PZU Życie's allegations and rescinded the judgment of the Court for Competition and Consumer Protection due to the invalidity of court proceedings, abolished the proceedings to the extent affected by the invalidity and remanded the case for reexamination by the Competition and Consumer Protection Court.

As a result further proceedings, on 28 March 2014, Competition and Consumer Protection Court announced its judgment in which it dismissed PZU Życie's appeal and awarded refund of litigation expenses from PZU Życie. On 10 July 2014 PZU Życie filed an appeal against the Competition and Consumer Protection Court's judgment, suing it in entirety. The Court sent a copy of the appeal to the defendant and other participants, which submitted a rejoinder to the appeal. The files were then sent to the Appellate Court in Warsaw, which will set the date of the appeal hearing.

Notwithstanding the appeal steps taken, PZU Życie had a provision for this penalty in the amount of PLN 50,384 thousand as at 31 March 2015, 31 December 2014 and 31 March 2014.



## **23.4 Dispute with CSC Computer Sciences Polska Sp. z o.o.**

### **23.4.1. Proceeding before the Court of Arbitration at the Polish Chamber of Commerce in Warsaw**

On 9 April 2010, the Court of Arbitration served PZU Życie with a statement of claim filed by CSC Computer Sciences Polska Sp. z o.o. ("CSC") against PZU Życie to pay a total of EUR 8,437 thousand in connection with the implementation of the GraphTalk system in PZU Życie. Following the subsequent amendments to the statement of claim, CSC pursued payment of a total amount of PLN 35,663 thousand with interest accrued from the date of filing the statement of claim (i.e. from 31 March 2010) to the date of payment. The amount claimed comprised a claim regarding, among other things, license fees, implementation work, service and maintenance services, contractual penalties and capitalized interest.

On 31 May 2010, PZU Życie petitioned the Court of Arbitration to assert its temporary lack of jurisdiction to examine some of the claims and dismiss the statement of claim in its entirety. PZU Życie also filed a counterclaim against CSC, demanding payment of PLN 71,890 thousand as a refund of the collected remuneration or as compensation for the improper performance of obligations. On 31 August 2010, CSC petitioned the Court of Arbitration to dismiss PZU Życie's claim in its entirety, indicating the absence of grounds to accept the claim.

After the proceedings before the Court of Arbitration at the Polish Chamber of Commerce in Warsaw, on 18 December 2012, the court issued a judgment ("Court of Arbitration Judgment 108/10"), awarding the amount of PLN 17,193 thousand from PZU Życie to CSC and discontinued the proceedings in respect of the main action pertaining to the request for payment of EUR 8,437 thousand plus statutory interest on this amount from the date of filing the statement of claim. Furthermore, the Court of Arbitration dismissed the main action pertaining to its remaining part and dismissed PZU Życie's counterclaim.

On 31 May 2015, PZU Życie had a provision for this case in the amount of PLN 22,668 thousand (as at 31 December 2014: PLN 22,668 thousand, as at 31 March 2014: PLN 51,081 thousand).

### **23.4.2. Proceedings to declare the enforceability of the Court of Arbitration Judgment 108/10**

On 23 January 2013, CSC filed with the Regional Court in Warsaw a petition to declare the enforceability of the Court of Arbitration judgment 108/10 ("Judgment 108/10") and attach an enforcement warrant to it. On 15 March 2013, the court issued a ruling to grant the judgment an enforcement warrant.

On 18 March 2013, PZU Życie filed a complaint with the Regional Court in Warsaw against the ruling of 15 March 2013, requesting suspension of its execution, to which on 22 March 2013 the Court issued a decision to suspend the execution of the ruling until the time of adjudicating PZU Życie's complaint. On 4 April 2013, CSC provided the Court with a reply to PZU Życie's complaint, requesting that it be dismissed in its entirety. The Appellate Court suspended examination of the complaint pending examination of PZU's complaint filed with the Regional Court to repeal the Court of Arbitration Judgment 108/10.

On 28 November 2014, CSC filed a petition for declaring enforceability of the Judgment 108/10 in connection with the final dismissal of PZU Życie's complaint to repeal the Court of Arbitration Judgment 108/10 (described in item 23.4.3). The Regional Court instigated the proceedings and forwarded the files to the Appellate Court to examine PZU Życie's complaint. The closed hearing to examine the complaint has been scheduled for 14 May 2015.

### **23.4.3. Proceedings on PZU Życie's complaint to repeal the Court of Arbitration Judgment 108/10**

On 1 February 2013 PZU Życie filed with the Regional Court in Warsaw a complaint to repeal the Court of Arbitration Judgment 108/10, moving for its repealing and suspending its execution.

After completing the proceedings, on 12 November 2013 the Regional Court dismissed the complaint for repealing the Court of Arbitration Judgment 108/10. PZU Życie filed an appeal to the Appellate Court in Warsaw and on 17 February 2014 a reply to the appeal was received. On 21 November 2014 the Appellate Court adopted a judgment in which it dismissed PZU Życie's appeal.

#### **23.4.4. Proceedings before the Court of Arbitration at the Polish Chamber of Commerce in Warsaw on the statement of claim for payment**

On 29 March 2013, CSC brought action to the Court of Arbitration at the Polish Chamber of Commerce in Warsaw against PZU Życie with a claim for payment of statutory interest in the total amount of PLN 6,690 thousand pertaining to the amounts awarded in the proceedings described in item 23.4.1, with interest from the date of filing the new statement of claim to the date of payment.

After completing the proceedings, on 24 April 2014, the Court of Arbitration in its judgment ("Court of Arbitration Judgment 67/13") awarded against PZU Życie in favor of CSC the amount of PLN 2,397 thousand together with interest from the date of the judgment to the date of payment, the amount of PLN 40 thousand net as reimbursement of the arbitration fee, the amount of PLN 1 thousand as reimbursement of the registration fee and the amount of PLN 18 thousand as reimbursement of legal representation costs. The Court of Arbitration dismissed CSC's claims in the remaining part.

#### **23.4.5. Proceedings regarding Court of Arbitration Judgment SA 67/13**

Following an exchange of pleadings, in its decision of 22 August 2014, the District Court declared the enforceability of the Court of Arbitration judgment 67/13 ("Judgment 67/13") in the part subject to CSC's petition and attached an enforcement warrant to it. On 10 September 2014 PZU Życie filed an appeal against the decision. After CSC obtained the execution title, on 15 September 2014 PZU Życie paid to CSC the amounts subject to the enforcement warrant with a stipulation of refund.

On 9 April 2015, the Appellate Court overruled the Regional Court decision of 22 August 2014 and remanded the case for re-examination by the Regional Court.

On 4 June 2014 PZU Życie filed with the Regional Court in Warsaw a complaint to repeal the Court of Arbitration Judgment 67/13, moving for its repealing and suspending its execution. On 25 July 2014, CSC submitted a rejoinder to the complaint for repealing the Court of Arbitration Judgment 67/13.

On 12 August 2014, PZU Życie filed with the Regional Court in Warsaw a complaint to repeal the Court of Arbitration Judgment 67/13, moving for its repealing, i.a. in the part dismissing CSC's claim in the amount of PLN 6,689 thousand. On 26 September 2014, PZU Życie filed a rejoinder to the complaint.

As at the date of submission of the interim consolidated report, PZU Życie's or CSC's complaints to repeal the Court of Arbitration Judgment 67/13 have not been examined.

### **23.5 Notification of PZU's claim to the bankruptcy estate of companies of the PBG Capital Group**

PZU executed with PBG SA ("PBG") and Hydrobudowa Polska SA ("Hydrobudowa"), both with registered offices in Wysogotowo near Poznań, mandate agreements for periodic granting of insurance guarantees (contractual guarantees). Under these agreements, PZU issued insurance guarantees. In the event of PZU's payment of the pecuniary consideration on the basis of the issued insurance guarantees, the clients would be obligated to repay to PZU the amounts disbursed under the guarantees.

In 2012, bankruptcy proceedings were initiated against PBG and Hydrobudowa. On 21 September 2012, PZU joined the proceedings by notifying its claims to the bankruptcy estate of the two companies.

PBG and Hydrobudowa belong to the same capital group in which PBG is the parent company. The two companies provided sureties for each other's liabilities. As a consequence, all claims submitted to the bankruptcy estate of Hydrobudowa in the amount of PLN 100,996 thousand were concurrently submitted to the bankruptcy estate of PBG. Included in these claims were:

- PLN 33,747 thousand constituting claims in which the guarantor of liabilities under the guarantees issued at the request of Hydrobudowa was PBG;
- PLN 67,249 thousand constituting claims in which the guarantor of liabilities under the guarantees issued at the request of PBG was Hydrobudowa.

PZU's claims to PBG's bankruptcy estate, after being reviewed by a court commissioner and after being verified by a court supervisor, have been entered in the list of claims in the amount of PLN 103,014 thousand. As at 31 December 2014, the amount of the claims was PLN 102,164 thousand, and its reduction resulted from elapse of the term of some of the guarantees under which no claims were made. The creditor meeting scheduled for 29 April 2015 at which PBG's composition proposals were to be voted on, was cancelled. The new date will be set by the judge after new composition proposals are presented by PBG.

### **23.6 Receivable resulting from the mortgage loan agreement with Metro-Projekt Sp. z o.o.**

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

Metro-Projekt did not repay its loan and in November 2002 it was declared bankrupt.

From 2004 proceedings following from the claims filed by the receiver of Universal SA's bankruptcy estate to exclude the real property at Al. Jerozolimskie 44 in Warsaw from Metro Projekt's bankruptcy estate.

After the settlement was concluded in 2012, in exchange for Universal SA's bankruptcy estate notarial declaration of waiving all the claims, the Metro-Projekt's bankruptcy estate paid an additional amount of PLN 5,722 thousand in favor of Universal SA's bankruptcy estate.

After several unsuccessful attempts to sell the enterprise, another announcement of the receiver of the bankruptcy estate was published on 25 August 2014. The bidding price was set at PLN 80 million. On 21 October 2014, the only bid, for PLN 80 million, was opened.

On 18 December 2014, the receiver of the bankruptcy estate sold the company's enterprise for PLN 80 million.

As at 31 March 2015 and 31 December 2014, the balance sheet value of the Metro-Projekt receivable amounted to PLN 109,478 thousand (as at 31 March 2014: PLN 83,203 thousand). On 28 April 2015 PZU Życie's receivable in the amount of PLN 109,478 thousand was satisfied in entirety.

## **24. Other information**

### **24.1 Evaluation of the PZU Group companies' standing by rating agencies**

PZU and PZU Życie are subject to regular rating reviews by rating agencies. The rating assigned to PZU and PZU Życie results from an analysis of the financial information, competitive position, management and corporate strategy as well as country financial situation. It also includes outlook, which is an assessment of the future position of the Company in the event of specific circumstances.

As at the date of conveying this interim report, PZU and PZU Życie had a financial strength and local currency credit rating of A (awarded by S&P on 16 July 2009), subsequently updated at least once a year (dates of the most recent updates are presented in the table below).

As at the date of conveying this interim report, Poland's long-term credit rating in the local currency as at the date of the report was A with a stable outlook, while Poland's credit rating for long-term foreign currency debt was A- with a stable outlook.

In the release of 27 April 2015, the S&P confirmed PZU's rating position at the level "A" with a stable outlook. This means that PZU has currently higher rating than Poland's for foreign currency debt.

The table below presents ratings assigned to PZU and PZU Życie by S&P, together with those of the previous year.

Company name	Rating and outlook	Date of award/update	Previous rating and outlook	Date of award/update
<b>PZU</b>				
Financial strength rating	A /stable/	27 April 2015	A /stable/	25 March 2014
Credit rating	A /stable/	27 April 2015	A /stable/	25 March 2014
<b>PZU Życie</b>				
Financial strength rating	A /stable/	27 April 2015	A /stable/	25 March 2014
Credit rating	A /stable/	27 April 2015	A /stable/	25 March 2014

## 24.2 Headcount restructuring

On 18 December 2014, the PZU Management Board made a decision to start restructuring efforts associated with implementation of new IT systems and automation of operational processes.

On 8 April 2015, the Management Boards of PZU and PZU Życie announced their intention to effect group layoffs pursuant to the Act of 13 March 2003 on Special Rules for Termination of Employment for Reasons Not Attributable to Employees, Journal of Laws No. 90 of 2003 Item 844, as amended ("Act on Special Rules for Termination of Employment").

Employment restructuring in PZU and PZU Życie was slated to take place in the period from 4 May to 2 June 2015. Restructuring is to cover up to 350 persons; it is estimated that up to 152 PZU and PZU Życie employees from different occupational groups will be laid off, which represents 1.4% of all employees in these two companies.

On 10 April 2015, PZU, PZU Życie and the trade unions operating at these companies signed an agreement specifying the terms and conditions of employment restructuring. The final form of the document was based on the experience and solutions developed during the corresponding negotiations in prior years.

Persons who are laid off or who did not accept the proposed changes in the conditions of employment (like during all the previous stages of employment restructuring in 2010-2014), more favorable terms and conditions of severance will be offered than the ones provided for by the law in similar circumstances ("Act on Special Rules for Terminating Employment Relationships"). The amount of additional severance will depend on the length of service at the PZU Group and the level of the given employee's salary.

A portion of the costs associated with the payment of benefits to laid off employees has been incorporated in the restructuring provision recognized in PZU SA's consolidated financial statements for 2014, while the remaining portion has been estimated in the 2015 budgets of PZU and PZU Życie and will be recognized in the consolidated financial statements for 2015.

On 31 March 2015, the provision for the restructuring costs amounted to PLN 5,709 thousand (as at 31 December 2014: PLN 9,354 thousand)

## 24.3 Related party transactions

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

In the period of 3 months ended 31 March 2015, neither PZU nor its subsidiaries executed any single or multiple transactions with their related entities which were of material significance individually or collectively and were executed

on terms other than based on an arm's length principle, with the exception of a transaction pertaining to the non-interest bearing borrowing between PZU and PZU Health pursuant to the agreement signed on 23 March 2015. The maximum amount of the borrowing is PLN 200,000 thousand and the maximum repayment date is 31 December 2030. On 24 March 2015 the first tranche of the borrowing in the amount of PLN 90,000 thousand was originated. Since both companies belong to the Tax Group ("PGK") this transaction is fiscally neutral.

Moreover, under the framework agreement signed on 7 August 2013 between PZU and PZU Życie, cash loans are granted in PLN between these companies for a specific term up to 12 months. The sum of the loans granted by each of the parties may not exceed PLN 1 billion. The purpose of the aforementioned agreement is to provide a liquidity management tool in the PZU Group. The loans are not granted on an arm's length basis - no interest is accrued on the loans, and for granting the loan the lender is entitled to a commission in the amount of PLN 100 for each concluded loan agreement - however due to participation of both companies in the Tax Group (PGK), they are neutral from a tax perspective.



### 24.3.2. Turnovers and balances of transactions executed with related entities

Balances and turnovers resulting from commercial transactions between the PZU Group and related entities	1 January – 31 March 2015 and as at 31 March 2015		1 January – 31 December 2014 and as at 31 December 2014		1 January – 31 March 2014 and as at 31 March 2014	
	Key management staff of the main entities <sup>1)</sup>	Other related entities <sup>2)</sup>	Key management staff of the main entities <sup>1)</sup>	Other related entities <sup>2)</sup>	Key management staff of the main entities <sup>1)</sup>	Other related entities <sup>2)</sup>
Gross written premium						
in non-life insurance	-	813	-	860	-	-
in life insurance (including the volumes from unit-linked contracts)	-	-	-	-	-	-
Other income	-	-	-	-	-	-
Costs	-	11	-	18	-	-
including charges for receivables made in the current period	-	-	-	-	-	-
Receivables		25		40		
gross value	-	25	-	40	-	-
revaluation charges	-	-	-	-	-	-
net value	-	25	-	40	-	-
Liabilities	-	6	-	11	-	-
Contingent assets	-	-	-	-	-	-
Contingent Liabilities	-	-	-	-	-	-

<sup>1)</sup> Senior level managers, data according to declarations.

<sup>2)</sup> Unconsolidated companies in liquidation and associates and joint ventures accounted for using the equity method.

### 24.3.3. Presentation of transactions with State Treasury's related parties

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

Transactions with subsidiaries, co-subsiaries and associates of the State Treasury were predominantly non-life insurance agreements, life insurance agreements and unit-linked contracts. Such transactions are concluded and settled on terms and conditions available to customers, who are not related parties. Receivables from affiliated parties and liabilities to affiliated parties under insurance contracts are short-term only.

The PZU Group applies the exemption from the requirement to disclose transactions with entities related by virtue of remaining under control, shared control or significant influence of the same government referred to in item 25 of IAS 24, however due to the usefulness of such information, the decision was made to disclose the value of the written premium and volumes from the investment contracts following from the transactions with subsidiaries, co-subsiaries and associates of the State Treasury, understood only as commercial law companies and state-owned enterprises which are subsidiaries, co-subsiaries and associates of the State Treasury, whose lists are published on State Treasury Ministry's websites.

The table below presents written premium and volumes from unit-linked contracts resulting from transactions with subsidiaries, co-subsiaries and associates of the State Treasury.

<b>Subsidiaries, co-subsiaries and associates of the State Treasury</b>	<b>1 January – 31 March 2015</b>	<b>1 January – 31 March 2014</b>
Gross written premium in non-life insurance	5,676	9,281
- including the gross written premium in bancassurance transactions with Bank Powszechna Kasa Oszczędności BP SA	1,652	1,811
Gross written premiums Life	7,041	7,772
- including the gross written premium and volumes of investment contracts in bancassurance transactions with Bank Powszechna Kasa Oszczędności BP SA	7,041	7,772
<b>Total</b>	<b>12,717</b>	<b>17,053</b>

### 24.4 Audit of the Office of the Polish Financial Supervision Authority in PZU Życie

In the period from 12 August to 3 October 2014, the Office of the Polish Financial Supervision Authority (UKNF) carried out an audit in PZU Życie. The audit covered the activities and property status of PZU Życie in the area of:

- organization and management;
- accounting;
- investment policy;
- technical provisions;
- payment of claims.

Up to the date of delivery of this interim report PZU Życie has not received the post-audit report.

### 24.5 Situation in Ukraine

From 2014 the political and economic situation in Ukraine has been unstable. This is associated with the following factors affecting the Ukrainian insurance sector:

- high inflation and strong growth rate of depreciation of the local currency (Ukrainian hryvnia) in relation to USD and EUR,

- collapse of internal demand,
- problems in the banking sector (bankruptcy of the fourth biggest bank in Ukraine, Delta Bank – on 3 March 2015 temporary administration was introduced in the bank).

External impacts disrupt the functioning of the financial sector and hinder activity planning in the longer run. On the other hand, what has become important for clients in such conditions is the credibility of the insurance company; they are willing to accept higher prices and insurance companies with foreign capital are perceived as more credible. PZU Ukraine and PZU Ukraine Life Insurance with their diversification of the portfolio and sales channels are more flexible in responding to market changes and implement the assumptions of the financial plans adopted in 2014. Considering the threats resulting from the external environment of the companies, the PZU Management Board in cooperation with the management boards of PZU Ukraine and PZU Ukraine Life Insurance conducts constant monitoring of the situation in Ukraine and prepares different scenarios of response to market changes. PZU does not intend to withdraw from the Ukrainian market. As at the date of delivery of this interim report, the PZU Management Board assumes that further activities of PZU Ukraine and PZU Ukraine Life Insurance will be continued according to the adopted assumptions. Nonetheless, the economic instability in Ukraine may in the future have negative impact on the financial condition and financial performance of PZU Ukraine and PZU Ukraine Life Insurance in a way which cannot be now predicted in a reliable way. This interim report reflects the PZU Management Board's current assessment in this respect.

## 24.6 Sale of shares of PZU Lietuva

On 2 February 2015, a PZU Lietuva share purchase agreement was signed, under which Gjensidige Forsikring ASA seated in Oslo (Norway) purchased 1,761,941 ordinary registered shares in PZU Lietuva with the nominal value of LTL 100 (EUR 28.96) each, constituting in total 99.879% shares in PZU Lietuva's share capital.

The sale of the shares is subject to the fulfillment of the following conditions precedent:

- no objection of the Bank of Lithuania as regards the acquisition of PZU Lietuva's shares by the buyer;
- obtaining the consents of the Latvian and Estonian antimonopoly authority or written confirmations that such consents are not required;
- obtaining the consent of the Lithuanian Competition Council (on 7 April 2015, PZU was informed that this condition was satisfied);
- completion of the process of spinning off PZU Lietuva's assets and liabilities associated with the activities conducted by PZU Lietuva's branches in Latvia and Estonia into PZU Group;
- obtaining the consent of the Bank of Lithuania for earlier repayment by PZU Lietuva of the subordinated loan granted to PZU Lietuva by PZU;
- obtaining the consent of the Norwegian Financial Supervision Commission as regards the acquisition of PZU Lietuva's shares by the buyer;
- relinquishing the pre-emptive right to purchase PZU Lietuva's shares by PZU Lietuva's minority shareholder (holding 0.121% shares in the share capital) in favor of PZU;
- obtaining the consent of the Lithuanian governmental commission as regards the acquisition of PZU Lietuva's shares by the buyer or written confirmation that such consent is not required.

Satisfaction of the above conditions precedent is expected by 30 November 2015.

The payment for PZU Lietuva's shares amounts to EUR 54,000 thousand and will be adjusted by the difference between the estimated net asset value and the net asset reference value, and 4 payments made in 6-month periods, each time in the amount of 1.5% of the capital surplus calculated as the difference between the actual equity of PZU Lietuva measured in accordance with Bank of Lithuania's requirements and PZU Lietuva's capital requirements calculated according to the provisions of law or regulations binding for PZU Lietuva.



## **24.7 Administrative proceedings of the Office for Competition and Consumer Protection**

On 30 January 2015, PZU Życie received a letter from UOKiK dated 26 January 2015, notifying it about instigation of administrative proceedings in the matter of practices breaching collective interests of consumers. These proceedings are pending. Up to the date of delivery of this interim report, no decision has been made in this case by the President of UOKiK.

# PZU's quarterly unconsolidated financial information (in compliance with PAS)

## 1. Interim balance sheet

<b>ASSETS</b>	<b>31 March 2015</b>	<b>31 December 2014</b>	<b>31 March 2014</b>
I. Intangible assets, including:	282,508	283,999	233,366
- goodwill	-	-	-
II. Investments	31,655,868	31,030,939	29,211,938
1. Real property	488,912	492,420	509,986
2. Investments in subordinated entities, of which:	6,777,393	6,473,390	5,319,350
- investments in subordinated entities measured by the equity method	6,777,393	6,473,390	5,319,350
3. Other financial investments	24,389,563	24,065,129	23,379,734
4. Deposit receivables from ceding companies	-	-	2,868
III. Net assets of a life insurance company if the investment risk is borne by the policyholder	-	-	-
IV. Receivables	1,876,913	2,437,819	1,628,927
1. Receivables on direct insurance	1,425,977	1,398,967	1,330,098
1.1. From subordinated entities	16	110	15
1.2. From other entities	1,425,961	1,398,857	1,330,083
2. Reinsurance receivables	44,168	19,651	34,993
1.1. From subordinated entities	11,967	194	524
1.2. From other entities	32,201	19,457	34,469
3. Other receivables	406,768	1,019,201	263,836
1.1. Receivables from the state budget	1,789	1,953	34,245
1.2. Other receivables	404,979	1,017,248	229,591
a) from subordinated entities	41,082	803,507	35,887
b) from other entities	363,897	213,741	193,704
V. Other asset components	165,704	171,650	177,966
1. Tangible asset components	114,854	124,649	102,746
2. Cash	50,850	47,001	75,220
3. Other asset components	-	-	-
VI. Prepayments, accruals and deferred income	771,893	705,371	629,762
1. Deferred tax assets	-	-	-
2. Capitalized acquisition expenses	631,940	568,502	550,702
3. Posted interest and rents	-	-	-
4. Other prepayments and accruals	139,953	136,869	79,060
<b>Total assets</b>	<b>34,752,886</b>	<b>34,629,778</b>	<b>31,881,959</b>

## Interim balance sheet (continued)

<b>LIABILITIES AND EQUITY</b>	<b>31 March 2015</b>	<b>31 December 2014</b>	<b>31 March 2014</b>
I. Equity	13,203,846	12,328,724	13,058,372
1. Share capital	86,352	86,352	86,352
2. Unpaid share capital (negative figure)	-	-	-
3. Treasury stock (negative figure)	-	-	-
4. Reserve capital	4,408,574	4,408,306	3,974,673
5. Revaluation reserve	5,840,185	5,197,333	5,317,452
6. Other reserve capital	-	-	-
7. Retained earnings (losses)	2,636,733	-	3,379,299
8. Net profit/(loss)	232,002	2,636,733	300,596
9. Charges to net profit during the financial year (negative figure)	-	-	-
II. Subordinated debt	-	-	-
III. Technical provisions	17,800,105	17,657,194	16,876,715
IV. Reinsurers' share in technical provisions (negative figure)	(715,276)	(683,893)	(492,156)
V. Estimated recoveries and recourses (negative figure)	(107,764)	(112,120)	(116,314)
1. Gross estimated recoveries and recourses	(109,538)	(113,763)	(119,414)
2. Reinsurer's share in estimated recoveries and recourses	1,774	1,643	3,100
VI. Other provisions	349,794	265,170	228,895
1. Provisions for pension benefits and other compulsory employee benefits	77,307	72,667	91,040
2. Deferred income tax provision	151,016	92,577	55,462
3. Other provisions	121,471	99,926	82,393
VII. Liabilities for reinsurers' deposits	-	-	-
VIII. Other liabilities and special-purpose funds	3,704,565	4,598,574	1,875,278
1. Liabilities on direct insurance	324,930	325,424	305,233
1.1. To subordinated entities	421	783	324
1.2. To other entities	324,509	324,641	304,909
2. Reinsurance liabilities	97,396	67,650	69,291
2.1. To subordinated entities	1,074	-	-
2.2. To other entities	96,322	67,650	69,291
3. Liabilities on the issue of own debt securities and drawn loans	2,048,808	2,127,155	-
4. Liabilities to credit institutions	342,199	-	54,781
5. Other liabilities	769,699	1,956,784	1,301,984
5.1. Liabilities to the state budget	33,472	40,502	23,840
5.2. Other current liabilities	736,227	1,916,282	1,278,144
a) to subordinated entities	10,641	8,192	20,775
b) to other entities	725,586	1,908,090	1,257,369
6. Special-purpose funds	121,533	121,561	143,989
IX. Prepayments, accruals and deferred income	517,616	576,129	451,169
1. Accrued expenses	489,956	550,075	433,490
2. Negative goodwill	-	-	-
3. Deferred income	27,660	26,054	17,679
<b>Total liabilities and equity</b>	<b>34,752,886</b>	<b>34,629,778</b>	<b>31,881,959</b>

## Interim balance sheet (continued)

	31 March 2015	31 December 2014	31 March 2014
Book value	13,203,846	12,328,724	13,058,372
Number of shares	86,352,300	86,352,300	86,352,300
Book value per share (in PLN)	152.91	142.77	151.22
Diluted number of shares	86,352,300	86,352,300	86,352,300
Diluted book value per share (PLN)	152.91	142.77	151.22

## 2. Interim statement of off-balance sheet line items

Off-balance sheet items	31 March 2015	31 December 2014	31 March 2014
1. Conditional receivables, including:	10,156,338	9,846,030	8,030,193
1.1. Guarantees and sureties received	12,591	12,552	19,586
1.2. Other <sup>1)</sup>	10,143,747	9,833,478	8,010,607
2. Contingent liabilities, including:	2,346,877	2,350,745	89,494
2.1. Guarantees and sureties given	2,070,627	2,152,111	4,530
2.2. Accepted and endorsed bills of exchange	-	-	-
2.3. Assets subject to the obligation of resale	-	-	-
2.4. Other liabilities secured on assets or income	-	-	-
2.5. Disputed claims not accepted by the insurance company and pursued by debtors by litigation	276,004	198,357	84,657
2.6. Other	246	277	307
3. Reinsurance collateral instituted in favor of the insurance company	-	-	-
4. Reinsurance collateral instituted by the insurance company in favor of ceding companies	-	-	-
5. Third party asset components not captured in the assets	118,036	123,161	111,930
6. Other off-balance sheet line items	-	-	-

	31 March 2015	31 December 2014	31 March 2014
Equity	8,796,600	7,981,468	10,356,012
Equity Solvency margin	1,351,521	1,362,353	1,351,521
Surplus (deficiency) of shareholder funds covering the solvency margin	7,445,079	6,619,115	9,004,491
Technical provisions <sup>2)</sup>	17,690,567	17,543,431	16,757,301
Assets covering the technical provisions	20,273,768	20,755,548	18,905,871
Surplus (deficiency) of assets covering the technical provisions	2,583,201	3,212,117	2,148,570

<sup>1)</sup> This item includes predominantly: bills of exchange issued on account of granted bank guarantees, other bills of exchange, collateral received in the form of a transfer of ownership of the debtor's assets, mortgage on the debtor's assets, other contingent receivables, etc.

<sup>2)</sup> including estimated gross recoveries and recourses

### 3. Interim technical non-life insurance account

<b>Technical non-life insurance account</b>	<b>1 January – 31 March 2015</b>	<b>1 January – 31 March 2014</b>
I. Premium income (1-2-3+4)	1,917,071	1,936,914
1. Gross written premium	2,229,893	2,282,005
2. Reinsurers' share in the gross written premium	50,821	43,585
3. Change in the provision for unearned premiums and for unexpired risks	255,031	297,309
4. Reinsurers' share in the change in the provision for unearned premiums	(6,970)	(4,197)
II. Net investment income after considering costs, transferred from the non-technical profit and loss account	61,060	66,992
III. Other net technical income	50,041	19,966
IV. Claims (1+2)	1,025,174	1,061,509
1. Net claims paid	1,171,710	1,007,844
1.1. Gross claims paid	1,185,828	1,025,924
1.2. Reinsurers' share in claims paid	14,118	18,080
2. Change in the net provision for outstanding claims	(146,536)	53,665
2.1. Change in the gross provision for outstanding claims	(108,314)	67,515
2.2. Reinsurers' share in the change in the provision for outstanding claims	38,222	13,850
V. Change in other net technical provisions	-	-
1. Change in other gross technical provisions	-	-
2. Reinsurers' share in the change in other technical provisions	-	-
VI. Net bonuses and discounts with the change in provisions	1,466	275
VII. Insurance activity expenses	541,159	504,569
1. Acquisition expenses, including:	360,032	356,805
- change in capitalized acquisition expenses	(63,438)	(30,396)
2. Administrative expenses	185,390	151,386
3. Reinsurance commissions and sharing in the reinsurers' profits	4,263	3,622
VIII. Other net technical expenses	104,697	91,455
IX. Change in loss ratio (risk) equalization provisions	-	-
<b>X. Technical result on non-life insurance</b>	<b>355,676</b>	<b>366,064</b>

#### 4. Interim non-technical profit and loss account

Non-technical profit and loss account	1 January – 31 March 2015	1 January – 31 March 2014
I. Technical result on non-life insurance or life insurance	355,676	366,064
II. Investment income	146,995	170,023
1. Investment income on real estate	1,494	1,504
2. Investment income from subordinated entities	(792)	-
2.1. on ownership interests or shares	-	-
2.2. On loans and debt securities	(792)	-
2.3. on other investments	-	-
3. Other financial investment income	49,444	101,026
3.1. on ownership interests, shares, other variable income securities, units and investment certificates in mutual funds	3,145	2,844
3.2. on debt securities and other fixed income securities	59,866	83,297
3.3. on term deposits in credit institutions	(20,399)	468
3.4. on other investments	6,832	14,417
4. Gain on investment revaluation	426	4,780
5. Gain on the realization of investments	96,423	62,713
III. Unrealized investment gains	99,416	84,078
IV. Net investment income after including costs transferred from the technical life insurance account	-	-
V. Investment activity expenses	99,970	96,141
1. Real estate maintenance expenses	2,902	3,304
2. Other investment activity expenses	3,449	2,487
3. Loss on investment revaluation	207	3,841
4. Loss on investment realization	93,412	86,509
VI. Unrealized investment losses	109,593	66,637
VII. Net investment income after including costs transferred to the technical non-life insurance account	61,060	66,992
VIII. Other operating revenues	180,426	20,992
IX. Other operating expenses	82,701	14,767
X. Operating profit (loss)	429,189	396,620
XI. Extraordinary gains	-	-
XII. Extraordinary losses	-	-
XIII. Profit/(loss) before tax	429,189	396,620
XIV. Income tax	80,746	91,189
a) current part	91,825	63,555
b) deferred part	(11,079)	27,634
XV. Other compulsory reductions in profit (increases in losses)	-	-
XVI. Share of the net profit (loss) of subordinated entities measured by the equity method	(116,441)	(4,835)
XVII. Net profit/(loss)	<b>232,002</b>	<b>300,596</b>

	1 January – 31 March 2015	1 January – 31 March 2014
Net profit (loss) (annualized)	940,897	1,219,084
Weighted average number of common shares	86,352,300	86,352,300
Profit (loss) per common share (PLN)	10.90	14.12
Weighted average diluted number of common shares	86,352,300	86,352,300
Diluted profit (loss) per common share (PLN)	10.90	14.12

## 5. Interim statement of changes in equity

Statement of changes in equity	1 January – 31 March 2015	1 January – 31 December 2014	1 January – 31 March 2014
I. Equity at the beginning of the period (opening balance)	12,328,724	12,259,761	12,259,761
a) changes in the accepted accounting policies	-	-	-
b) corrections of errors	-	-	-
I.a. Equity at the beginning of the period (Opening Balance), after reconciliation with comparable data	12,328,724	12,259,761	12,259,761
1. Share capital at the beginning of the period	86,352	86,352	86,352
1.1. Change in share capital	-	-	-
a) increases	-	-	-
b) decreases	-	-	-
1.2. Share capital at the end of the period	86,352	86,352	86,352
2. Contributions due to the share capital at the beginning of the period	-	-	-
2.1. Changes in the contributions due to share capital	-	-	-
a) increases	-	-	-
b) decreases	-	-	-
2.2. Contributions due to share capital at the end of the period	-	-	-
3. Treasury stock at the beginning of the period	-	-	-
3.1. Changes in treasury stock	-	-	-
a) increases	-	-	-
b) decreases	-	-	-
3.2. Treasury stock at the end of the period	-	-	-
4. Supplementary capital at the beginning of the period	4,408,306	3,974,327	3,974,327
4.1. Change in supplementary capital	268	433,979	346
a) increases (by virtue of):	268	433,979	346
- distribution of profit (above the statutorily required amount)	-	433,321	-
- from revaluation reserve – by sale and liquidation of fixed assets	268	658	346
b) decreases	-	-	-
4.2. Supplementary capital at the end of the period	4,408,574	4,408,306	3,974,673
5. Revaluation reserve at the beginning of the period	5,197,333	4,819,783	4,819,783
- changes in the accepted accounting principles (policy)	-	-	-
5.1. Change in the revaluation reserve	642,852	377,550	497,669
a) increases (by virtue of):	713,986	677,291	531,710
- valuation of financial investments	713,986	677,291	531,562
- transfer of the impairment charges on investments available for sale	-	-	-
- other increases, including dissolution of real estate impairment charges	-	-	148
b) decreases (by virtue of)	71,134	299,741	34,041
- valuation of financial investments	70,866	299,037	33,695
- sale of fixed assets	268	658	346
- other	-	46	-
5.2. Revaluation reserve at the end of the period	5,840,185	5,197,333	5,317,452

## Interim statement of changes in equity (continued)

Statement of changes in equity	1 January – 31 March 2015	1 January – 31 December 2014	1 January – 31 March 2014
6. Other reserve capital at the beginning of the period	-	-	-
6.1. Change in other reserve capital	-	-	-
a) increases	-	-	-
b) decreases	-	-	-
6.2. Other reserve capital at the end of the period	-	-	-
7. Retained earnings (losses) at the beginning of the period	2,636,733	3,379,299	3,379,299
7.1. Retained earnings at the beginning of the period	2,636,733	3,379,299	3,379,299
a) changes in the accepted accounting policies	-	-	-
b) corrections of errors	-	-	-
7.2. Retained earnings at the beginning of the period, after reconciliation with comparable data	2,636,733	3,379,299	3,379,299
a) increases	-	-	-
b) decreases	-	3,379,299	-
- transfers to supplementary capital	-	433,321	-
- disbursement of dividends	-	2,935,978	-
- transfers/charges to the Company Social Benefit Fund	-	10,000	-
7.3. Retained earnings at the end of the period	2,636,733	-	3,379,299
7.4. Retained losses at the beginning of the period	-	-	-
a) changes in the accepted accounting policies	-	-	-
b) corrections of errors	-	-	-
7.5. Retained losses at the beginning of the period, after reconciliation with comparable data	-	-	-
a) increases	-	-	-
b) decreases	-	-	-
7.6. Retained losses at the end of the period	-	-	-
7.7. Retained earnings (losses) at the end of the period	2,636,733	-	3,379,299
8. Net result	232,002	2,636,733	300,596
a) net profit	232,002	2,636,733	300,596
b) net loss	-	-	-
c) Charges to profit	-	-	-
II. Equity at the end of the period (Closing Balance)	<b>13,203,846</b>	<b>12,328,724</b>	<b>13,058,372</b>



## 6. Interim cash flow statement

Cash flow statement	1 January – 31 March 2015	1 January – 31 December 2014	1 January – 31 March 2014
<b>A. Cash flow on operating activity</b>			
<b>I. Proceeds</b>	2,595,320	9,155,722	2,429,146
1. Proceeds on direct activity and inward reinsurance	2,263,840	8,389,086	2,282,915
1.1. Proceeds on gross premiums	2,233,930	8,250,782	2,242,797
1.2. Proceeds on recoveries, recourses and claim refunds	22,307	108,120	31,590
1.3. Other proceeds on direct activity	7,603	30,184	8,528
2. Proceeds on outward reinsurance	21,469	61,026	16,625
2.1. Payments received from reinsurers for their share of claims paid	18,206	54,763	14,635
2.2. Proceeds on reinsurance commissions and profit-sharing	3,245	6,232	1,964
2.3. Other proceeds from outward reinsurance	18	31	26
3. Proceeds on other operating activity	310,011	705,610	129,606
3.1. Proceeds for acting as an emergency adjuster	60,094	183,762	54,842
3.2. Sale of other intangible assets and tangible components of non-current assets besides investments	3,031	2,562	360
3.3. Other proceeds	246,886	519,286	74,404
<b>II. Outflows</b>	2,324,952	8,351,613	1,999,211
1. Expenditures on direct activity and inward reinsurance	1,779,472	6,687,994	1,619,524
1.1. Returns of gross premiums	37,365	160,062	38,443
1.2. Gross claims paid	999,594	3,771,911	878,449
1.3. Acquisition expenditures	301,518	1,115,888	288,451
1.4. Administrative expenditures	352,639	1,362,861	347,549
1.5. Expenditures for claims handling and pursuit of recoveries	53,195	155,280	33,867
1.6. Commissions paid and profit-sharing on inward reinsurance	7,911	6,647	2,223
1.7. Other expenditures on direct activity and inward reinsurance	27,250	115,345	30,542
2. Expenditures on outward reinsurance	71,184	219,739	62,180
2.1. Premiums paid for reinsurance	71,078	219,421	62,126
2.2. Other expenditures on outward reinsurance	106	318	54
3. Expenditures on other operating activity	474,296	1,443,880	317,507
3.1. Expenditures for acting as an emergency adjuster	135,037	453,015	120,637
3.2. Purchase of other intangible assets and tangible components of non-current assets besides investments	36,349	161,128	38,377
3.3. Other operating expenditures	302,910	829,737	158,493
<b>III. Net cash flow on operating activity (I-II)</b>	<b>270,368</b>	<b>804,109</b>	<b>429,935</b>

## Interim cash flow statement (continued)

Cash flow statement	1 January – 31 March 2015	1 January – 31 December 2014	1 January – 31 March 2014
B. Cash flow on investing activity			
I. Proceeds	58,172,561	212,221,437	48,520,526
1. Sale of real estate	5,457	20,725	5,866
2. Sale of ownership interests and shares in subordinated entities	-	-	-
3. Sale of ownership interests and shares in other entities and units and investment certificates in mutual funds	-	140,654	-
4. Realization of debt securities issued by subordinated entities and amortization of the loans granted to these entities	-	105,000	-
5. Realization of debt securities issued by other entities	2,177,685	8,541,245	2,487,990
6. Liquidation of term deposits in credit institutions	31,543,509	96,709,115	10,706,484
7. Realization of other investments	23,696,774	105,273,064	35,307,308
8. Proceeds from real estate	1,587	8,200	2,159
9. Interest received	5,078	52,428	8,024
10. Dividends received	730,040	1,360,261	3
11. Other investment proceeds	12,431	10,745	2,692
II. Outflows	57,308,622	213,431,940	48,803,684
1. Purchase of real estate	-	-	-
2. Purchase of ownership interests and shares in subordinated entities	-	1,412,626	-
3. Purchase of ownership interests and shares in other entities, units and investment certificates in mutual funds	540	298,550	298,550
4. Purchase of debt securities issued by subordinated entities and extension of loans to these entities	90,000	327,193	-
5. Purchase of debt securities issued by other entities	2,566,603	7,885,670	2,254,942
6. Purchase of term deposits in credit institutions	30,856,376	97,839,671	10,768,501
7. Purchase of other investments	23,772,908	105,610,348	35,461,064
8. Expenditures to maintain real estate	18,327	55,142	18,792
9. Other expenditures for investments	3,868	2,740	1,835
<b>III. Net cash flow on investing activity (I-II)</b>	<b>863,939</b>	<b>(1,210,503)</b>	<b>(283,158)</b>

## Interim cash flow statement (continued)

Cash flow statement	1 January – 31 March 2015	1 January – 31 December 2014	1 January – 31 March 2014
C. Cash flow on financing activity			
I. Proceeds	4,785,030	3,670,304	603,232
1. Net proceeds from issuing shares and additional capital contributions	-	-	-
2. Credits, loans and issues of debt securities	4,785,030	3,670,304	603,232
3. Other financial proceeds	-	-	-
II. Outflows	5,913,112	3,288,886	750,261
1. Dividends	1,468,023	1,468,139	-
2. Other expenditures for distribution of profits besides disbursement of dividends	-	-	-
3. Share Buyback	-	-	-
4. Amortization of credits and loans and redemption of own debt securities	4,445,086	1,820,733	750,247
5. Interest on credits and loans and issued debt securities	3	14	14
6. Other financial expenditures	-	-	-
<b>III. Net cash flow on financing activity (I-II)</b>	<b>(1,128,082)</b>	<b>381,418</b>	<b>(147,029)</b>
<b>D. Total net cash flow (A.III±B.III±C.III)</b>	<b>6,225</b>	<b>(24,976)</b>	<b>(252)</b>
E. Balance sheet change in cash balance, including:	3,849	(28,008)	211
- change in cash due to exchange differences	(2,376)	(3,032)	463
F. Cash at the beginning of the period	47,001	75,009	75,009
G. Cash at the end of the period (F+/-E), including:	50,850	47,001	75,220
- restricted cash	48,939	45,167	73,921

## 7. Introduction

This quarterly standalone financial information on PZU has been prepared in accordance with PAS for the reasons described in the Introduction and supplemented with the definition of PAS.

## 8. Key accounting principles (accounting policy)

Detailed accounting principles (accounting policy) are presented in PZU's standalone financial statements for 2014.

## 9. Changes in accounting principles (policy)

In the 3-month period ended 31 March 2015, no changes were made to the accounting principles (policy).

Signatures of the PZU Management Board Members:

<b>First and last name</b>	<b>Position / Function</b>	
Andrzej Klesyk	President of the PZU Management Board	..... (signature)
Przemysław Dąbrowski	Member of the PZU Management Board	..... (signature)
Dariusz Krzewina	Member of the PZU Management Board	..... (signature)
Tomasz Tarkowski	Member of the PZU Management Board	..... (signature)
Ryszard Trepczyński	Member of the PZU Management Board	..... (signature)

Person responsible for drawing up the condensed interim consolidated financial statements:

Katarzyna Łubkowska	Director Accounting Department	..... (signature)
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Warsaw, 13 May 2015