



Letter from the CEO of PZU

Dear Stakeholders,

On behalf of the Management Boards of the PZU Group companies I hereby convey to you the 2012 consolidated financial statements.

The PZU Group's new strategy for 2012-2014 under implementation since the beginning of the reporting year largely constitutes a continuation of measures taken previously. The PZU Group's objective is still to maintain profitable growth and its leading position on the Polish insurance services market. In line with previous announcements, the PZU Group's operational model will evolve in upcoming years from an organization operating according to product lines into an organization operating according to customer segments. Customer focus and high operational effectiveness will enable us to retain our leadership position: the PZU Group will continue to be the largest and most profitable insurance company in Central and Eastern Europe.

Within the framework of pursuing its strategy in 2012 the PZU Group took a number of steps in key areas. For instance a new mass market sales management model focused on enhancing effectiveness was rolled out in the mass customer segment. The framework was also laid for implementing a new product system. A new operational model was devised, the vendor was selected and implementation began. Gross written premium rose in group business and individual relations were developed through the PZU Pomoc Club. In investments the PZU Group strengthened its position substantially. At yearend TFI PZU took first place in terms of assets under management according to IZFA, the Chamber of Fund and Asset Managers.

In addition, more than 350 joint PZU and PZU Życie outlets were created in the reporting period where customers can handle all their life and non-life insurance needs in a single venue. This is an important qualitative change and a clear sign of how we focus on satisfying customer needs. In 2012 our operations in the Baltic states also underwent further development. PZU currently has a footprint in Ukraine and Lithuania. It sold its first policies in Latvia in December 2012 while the sales launch in Estonia is slated for Q2/Q3 2013.

As we appreciate the role HR plays in pursuing PZU Group's strategy and in building a performance-oriented culture in the company, a system to assess employees and the achievement of objectives was introduced in 2012. Implementing this system will strengthen employee compensation and development policy while helping to build an effective organization. Looking at us from the outside in, the project of refreshing our logo, rebranding our branches and outlets and changing how we communicate through advertising was the most visible element of the dynamic changes taking place in PZU.

From a business point of view 2012 was an exceptional year for PZU. The PZU Group generated its best net financial result since the IPO (3,253.8 m PLN), nearly 40% higher than in the previous year.

The factors contributing to this success included the more than 6% growth in gross written premium (16,243.1 m PLN), very robust investment performance (+132%) and the high profitability of its operations (20%). The Group also generated a very high return on equity (ROE) of 24%. This success is the result of steadfastly pursuing our strategy of modernizing and restructuring the PZU Group while maintaining cost discipline.

The financial strength and credit ratings awarded to PZU and PZU Życie by Standard&Poor's were upheld at the level of „A” (with a stable rating outlook for both companies).

The less than optimistic macroeconomic forecasts point to a considerable economic slowdown in 2013. This may have repercussions on this year's business development and performance. In light of these macroeconomic data and the ambitious targets in pursuing PZU's strategy, 2013 will require us to exhibit exceptional mobilization and determination to achieve our business objectives.

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