

Under the wings of the lion



Annual Report 2004

Generali T.U. S.A., Generali Życie T.U. S.A.
and Generali Powszechno Towarzystwo Emerytalne S.A.



Annual

Report

2004

Generali Towarzystwo Ubezpieczeń S.A.
Generali Życie Towarzystwo Ubezpieczeń S.A.
Generali Powszechne Towarzystwo Emerytalne S.A.

- Record-high sales growth
- Increase in market share
- Expansive multi-channel distribution strategy
- Top investments results of Generali PTE S.A.

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Profiles of the Companies

Company: Generali Towarzystwo Ubezpieczeń S.A.

Headquarters: ul. Postępu 15
02-676 Warszawa

Share capital: 190.21 million PLN

Shareholder: Generali Holding Vienna AG

Licence: 5 July 1999

Scope of activity: All groups of Division II*: remaining personal insurance and property insurance
*indicated in the appendix to the legal act on insurance activity

MANAGEMENT BOARD:

President: Erich Fischer

Members: Jarosław Mastalerz
Michał Gomowski (from 23.02.2005)
Zygmunt Kostkiewicz (till 10.06.2004)

SUPERVISORY BOARD:

Chairman: Dietrich Karner

Members: Werner Moertel
Walter Steidl
Lorenzo Kravina
Valter Trevisani (from 27.09.2004)

Selected financial data:

In PLN thousand	2004	2003	2002
Gross written premium	296 915	129 417	115 215
Net premium written	103 851	28 187	34 699
Gross technical provisions	294 467	98 983	86 787
Net technical provisions	120 236	33 909	30 881
Investments	372 358	216 070	117 411
Share capital	190 210	190 210	188 210
Number of employees	292	217	392

Company: Generali Życie Towarzystwo Ubezpieczeń S.A.

Headquarters: ul. Postępu 15
02-676 Warszawa

Share capital: 61 million PLN

Shareholder: Generali Holding Vienna AG

Licence: 6 January 1998

Scope of activity: All groups of Division I*: life insurance
*indicated in the appendix to the legal act on insurance activity

MANAGEMENT BOARD:

President: Erich Fischer

Members: Jarosław Mastalerz
Michał Gomowski (from 24.11.2004)
Zygmunt Kostkiewicz (till 10.06.2004)

SUPERVISORY BOARD:

Chairman: Dietrich Karner

Members: Werner Moertel
Walter Steidl
Lorenzo Kravina
Valter Trevisani (from 27.09.2004)

Selected financial data:

In PLN thousand	2004	2003	2002
Gross written premium	174 927	113 622	112 696
Net premium written	134 303	106 569	107 685
Gross technical provisions	424 003	298 782	211 421
Net technical provisions	423 512	292 795	207 531
Investments	508 962	357 057	146 168
Share capital	61 000	61 000	61 000
Number of employees	215	150	354

Profiles of the Companies

Company: Generali Powszechnie Towarzystwo Emerytalne S.A.

Headquarters: ul. Postępu 15
02-676 Warszawa

Share capital: 145.5 million PLN

Shareholder: Generali Holding Vienna AG – 3.44% shares
Generali T.U. S.A. – 96.56% shares

Licence: 8 January 1999

Scope of activity: Generali OFE management (pension fund management)

MANAGEMENT BOARD: Artur Olech
Piotr Pindel
Jacek Smolarek (from 30.03.2005)
Tomasz Sobczyk (till 31.12.2004)

SUPERVISORY BOARD:
Chairman: Werner Moertel
Members: Walter Steidl
Lorenzo Kravina (till 23.02.2005)
Karol Lutkowski (from 20.05.2004)
Maciej Zieliński (from 09.12.2004)

Company: Generali Finance Sp. z o.o.

Headquarters: ul. Postępu 15
02-676 Warszawa

Share capital: 22.05 million PLN

Shareholder: Generali Powszechnie Towarzystwo Emerytalne S.A.

Licence: 01 July 2003

Scope of activity: Supporting insurance and pension funds activity (transfer agent); financial intermediary.

MANAGEMENT BOARD:
President: Erich Fischer
Members: Jarosław Mastalerz
Michał Gomowski (from 28.09.2004)
Zygmunt Kostkiewicz (till 10.06.2004)

SUPERVISORY BOARD:
Chairman: Werner Moertel
Members: Walter Steidl
Lorenzo Kravina
Peter Wilk

Number of employees: 240

Selected financial data:

In PLN thousand	2004	2003	2002
Assets under management	2 101 419	1 481 544	1 057 836
Revenue from sales	42 900	51 376	34 649
Net income	17 319	49 860	6 388
Subscribed capital	145 500	145 500	145 500
Number of employees	81	73	83

Generali in Poland – History

The first Generali branches are established on the Polish territory.

1837

Generali obtains the right to conduct business on the whole territory of Poland.

1925

In the interwar period, Generali operates offices in all major Polish cities, including Warsaw, Lvov, Krakow, Katowice, Poznań, Łódź and Vilnius. In cooperation with an Austrian company Erste Allgemeine Versicherung, Generali purchases shares of three Polish companies: Generali Port – Polonia, Patria and Varsaviana.

1925-1939

All private, national and foreign insurance companies, including Generali, are denied the right to conduct business in Poland.

1948

Generali returns to Poland as Generali – Risk Consulting Sp. z o.o.

1998

Generali acquires a permit from the Ministry of Finance to operate in the area of life insurance and the remaining personal and property insurance. Two insurance companies are established: Generali Towarzystwo Ubezpieczeń S.A. and Generali Życie Towarzystwo Ubezpieczeń S.A.

5 July 1999

Generali Holding Vienna AG signs an agreement with Zurich Financial Services for the take-over of two insurance companies by Generali (Zurich Towarzystwo Ubezpieczeń S.A., Zurich Towarzystwo Ubezpieczeń na Życie S.A.) and Zurich Powszechne Towarzystwo Emerytalne S.A. managing the Zurich Open Pension Fund.

26 March 2002

Generali Holding Vienna AG purchases shares of the Zurich Towarzystwo Ubezpieczeń na Życie S.A., Zurich Towarzystwo Ubezpieczeń S.A. and Zurich Powszechne Towarzystwo Emerytalne S.A., becoming the owner of these companies.

6 November 2002

Zurich Powszechne Towarzystwo Emerytalne S.A. becomes Generali Powszechne Towarzystwo Emerytalne S.A.

11 April 2003

The fund's name is changed from Zurich Otwarty Fundusz Emerytalny to Generali Otwarty Fundusz Emerytalny.

8 May 2003

The merge of Generali T.U. S.A. with Zurich T.U. S.A. and Generali Życie T.U. S.A. with Zurich T.U. na Życie S.A. is completed. As of this moment, Grupa Generali Polska includes the following companies:

January 2004

- Generali Towarzystwo Ubezpieczeń S.A.
- Generali Życie Towarzystwo Ubezpieczeń S.A.
- Generali Powszechne Towarzystwo Emerytalne S.A.
- Generali Finance Sp. z o.o.



Product Range

Product Range	Management Report of Generali T.U. S.A. and Generali Życie T.U. S.A.
	Financial Statement of Generali T.U. S.A.
	Financial Statement of Generali Życie T.U. S.A.
	Management Report of Generali PTE S.A.
	Financial Statement of Generali PTE S.A.

Generali Group Poland – life insurance offer*

Insurance for individual clients

1. “Lew Partner” life and endowment insurance
2. “Lew Junior” dowry insurance
3. “Lew Senior” life insurance
4. “Lwia perspektywa” endowment life insurance
5. Insurance plan for long-term family welfare
6. Insurance plan for long-term family welfare with medical clauses
7. Insurance plan to ensure education costs
8. Insurance plan for long-term family welfare – version M1
9. Insurance plan for long-term family welfare with medical clauses – version M1
10. Insurance plan to ensure education costs – version M1
11. Children’s savings plan
12. Unit-linked pension and investment plan
13. Systematic pension and investment plan
14. Insurance plan for short-term family welfare
15. Insurance plan for short-term family welfare with medical clauses
16. Loan security plan
17. Business partner protection plan
18. Individual pension account (IKE)
19. Annuity term life insurance
20. “Financial Plan” life insurance with partial capital payment

Insurance for corporate clients

1. Group health insurance
2. “Certum” group life insurance
3. “Optimum 144” unit-linked group life insurance
4. Employee pension schemes

Generali Group Poland – non life insurance offer*

Insurance for individual clients

Property insurance

1. “Lew Domownik” comprehensive household insurance
2. “Lew Prywatnie” third party liability in private life insurance
3. “Lew Budowniczy” buildings and buildings under construction insurance
4. “Lew Lokator” household insurance
5. Cyberinsurance

Personal insurance

1. “Lew Przyjaciół” personal accident insurance – serious injuries
2. “Lew Przyjaciół” personal accident insurance – permanent disability
3. “Lew Podróżnik” travel insurance

Motor insurance

1. Motor third-party liability in domestic and international traffic (Green Card)
2. Border insurance
3. Motor own damage and theft insurance
4. Personal accident insurance for drivers and passengers of vehicles
5. “Lew Pomocnik” Generali Assistance insurance
6. “Lew Adwokat” legal protection insurance in road traffic

Insurance for corporate clients

Property insurance

1. Property insurance
 - Fire and allied perils property insurance
 - Burglary and robbery property insurance
 - All risks property insurance
 - Business interruption insurance
2. Technical insurance
 - Construction plant and machinery (CMP)
 - Machinery breakdown
 - Electronic equipment insurance
 - Construction all risks insurance (CAR)
 - Erection all risks insurance (EAR)
3. Third-party liability insurance
4. Transport insurance
 - Cargo insurance
 - Carrier’s third-party liability insurance in domestic and international carriage
 - Shipper’s third-party liability
5. Financial insurance
6. “Lew Przedsiębiorca” small business insurance package
7. Financial loss insurance for entrepreneurs

Motor Insurance

1. Motor third-party liability in domestic and international traffic (Green Card)
2. Motor own damage and theft insurance
3. Personal accident insurance for drivers and passengers of vehicles
4. “Lew Pomocnik” Generali Assistance insurance
5. “Lew Adwokat” legal protection insurance in road traffic

Group personal insurance

1. “Lew Przyjaciół” personal accident insurance – permanent health impairment
2. “Lew Przyjaciół” personal accident insurance – permanent disability
3. “Lew Podróżnik” travel insurance
4. “Lew Uczeń” accident insurance for the students and staff of educational institutions
5. “Lew Student” accident insurance for academies

Membership in Generali Open Pension Fund

Generali Vienna Group – Portrait

A financial services provider for Austria and Central and Eastern Europe

The Generali Vienna Group is a fully integrated financial services provider whose activities span Austria and Central and Eastern Europe. The Group is headed by listed parent Generali Holding Vienna AG, Vienna. It consists of over 40 companies in Central and Eastern Europe. They are mainly insurance companies, but they also include property management, holding, finance, investment management and service companies, lease finance firms, pension funds and a bank.

Operating in eight national markets

Besides Austria, which is its traditional home market, the Generali Vienna Group operates in seven countries in Central and Eastern Europe. Its markets are home to over 100 million people and extend from the Alps to the Black Sea and from the Baltic to the Adriatic.

The Generali Vienna Group's insurance companies in Austria, Hungary, the Czech Republic, Slovenia, Slovakia, Poland, Romania and Croatia recorded consolidated premium income of EUR 2.83 billion. The Group is one of Austria's three largest insurance enterprises with a market share of 14%, and it ranks second in Hungary. The Group members in its other national markets are still undergoing initial development or consolidation.

Premium income of Generali Vienna Group (Austria and Central and Eastern Europe)

In EUR billion	2004	2003	Change in %
Gross written premium (total)	2.83	2.65	+6.7
Gross written premium (life insurance products)	1.03	0.93	+10.7
Gross written premium (non life insurance products)	1.80	1.72	+4.5

Expansion in Europe's new markets

High rates of growth in the new markets of Central and Eastern Europe have confirmed the strategy of the Generali Vienna Group: Whereas volumes in the Group's home market, Austria, were static on the year, the subsidiaries in its new markets – Hungary, the Czech Republic, Slovakia, Slovenia, Romania, Poland and Croatia – recorded growth of 26.2%. As a result, their relative contribution to the Group's aggregate premium income already came to nearly 28% in 2004, as against 24% in 2003.

The Generali Group worldwide

The Generali Vienna Group is a part of the globally active Generali Group, whose Head Office has been in Trieste since it was founded in 1831. The Generali Group comprises 106 insurers spanning every continent as well as 77 companies mostly operating in the financial and real estate sectors.

The Generali Group's global premium income grew by 13.6% to EUR 56.3 billion during 2004. Life insurance accounted for EUR 36.9 billion of that total (growth of 17.5%), and non life insurance lines for EUR 19.4 billion (growth of 6.8%). That makes Generali Europe's third-largest insurance group.

Premium income of Generali Group (all markets, where Generali is present)

In EUR billion	2004	2003	Change in %
Gross written premium (total)	56.3	49.6	+13.6
Gross written premium (life insurance)	36.9	31.4	+17.5
Gross written premium (non life insurance)	19.4	18.2	+6.8

Supervisory Board's Reports

Supervisory Board's Reports	Management Report of Generali T.U. S.A. and Generali Życie T.U. S.A.
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	Financial Statement of Generali PTE S.A.

Supervisory Board's Report Generali T.U. S.A., Generali Życie T.U. S.A.

The Supervisory Board carried out the tasks appertaining to it under the law and Company Articles throughout the year. During the meetings with the Management Board it regularly obtained information on the Company's business, activities and the financial position, and it supervised the activity of the Management Board.

PricewaterhouseCoopers Sp. z o.o. audited the financial statements and the Directors' Report for the year ended 31. December 2004, and after the audit it confirmed that they comply with statutory rules and regulations.

The Supervisory Board approved the financial statement prepared by the Management Board, the Directors' Report for the year ended 31. December 2004, it does not have any objections to raise. The Supervisory Board recommends that the Shareholders' Meeting pass a resolution to this effect.

Warsaw, March 2005

On behalf of the Supervisory Board
Dietrich Karner
Chairman

Supervisory Board's Report Generali Powszechne Towarzystwo Emerytalne S.A.

The Supervisory Board carried out the tasks appertaining to it under the law and Company Articles throughout the year. During the meetings with the Management Board it regularly obtained information on the Company's business, activities and the financial position, and it supervised the activity of the Management Board.

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The Supervisory Board approved the financial statement prepared by the Management Board, the Directors' Report for the year ended 31. December 2004, it does not have any objections to raise. The Supervisory Board recommends that the Shareholders' Meeting pass a resolution to this effect.

Warsaw, March 2005

On behalf of the Supervisory Board
Werner Moertel
Chairman

Management

Report of
Generali T.U. S.A. and Generali Życie T.U. S.A.



Management Report

Insurance Market in 2004

The Polish insurance market witnessed the following important events in 2004: Poland's accession to the European Union, new insurance acts, market recovery and upturn in the economy as well as further development of regulations concerning the insurance market.

Since the accession day (1 May 2004), foreign insurance companies from the member countries may operate in the Republic of Poland without the need to obtain a permit from the Polish supervisory body. As of 30 September 2004 almost 140 insurance companies from 15 member countries announced their intention to operate in Poland according to the principle of freedom of providing services. At the same time 4 Polish insurance companies announced their intention to operate in other member countries.

In 2004, for the first time in history, the Polish insurance market witnessed a decrease in the number of companies. In 2003, 74 insurance companies and four main branches held licences, whereas on 31 December 2004 only 71 insurance companies and 1 main branch of the foreign insurance company held licences: 34 companies in the scope of life insurance and 37 companies and 1 branch in the scope of non life insurance were licensed to operate. This was primarily due to the withdrawal of some foreign investors.

Following a period of slight growth, an upturn in economy was observed in 2004. As a consequence both insurance divisions saw the growth of gross written premium as compared to the analogous period of the preceding year, in particular in life insurance. After 4 quarters, the total gross written premium increased against the analogous period of the preceding year by 11.5% (14.1% in life insurance and 9.5% in non life insurance).

The growth of the gross written premium in case of life insurance was mainly due to the premium income growth from single premium investment policies, distributed mainly in co-operation with the banks, which amounted to 93.8% (the premium income from single premium policies was PLN 2.8 billion). This line constituted 22.2% of the entire life insurance market in 2004. In property and personal insurance the main growth factor were high motor insurance sales results following the car import boom in the first months after Poland's accession to the EU.

Poland's accession to the European Union

Fewer insurance companies

Gross written premium – Polish insurance market

In PLN thousand	2004	2003	Change in %
Life insurance	12 738 721	11 167 288	14.1
Non life insurance	14 891 867	13 602 665	9.5
Total	27 630 588	24 769 953	11.5

The Polish market continues to be highly consolidated – as of the end of 2004, five leading life insurance companies had 77.1% share in total premium income in life market (of which PZU Życie S.A. had 43% share), and five leading property insurance companies operated under 77.8% share in non life market (of which PZU Życie S.A. had 50.3% share).

Endowment insurance (excl. juvenile insurance) which constituted 48.8% of the entire life market dominated the insurance structure. Unit-linked policies had an approximately 31.8% share of the total premium income in life insurance, followed by the personal accident and health insurance with a 18% share of the total premium income. The remaining groups, i.e. juvenile and annuity policies have a small share in the Polish life insurance market.

Life insurance premium structure

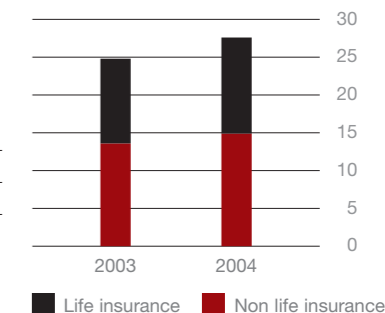
In %	2004
1. Endowment insurance (excl. juvenile insurance)	48.8
2. Unit-linked life insurance	31.8
3. Personal accident and health insurance	18.0
4. Endowment juvenile insurance	1.2
5. Annuity insurance	0.2
Total	100.0

In 2004, as in previous years, the non life insurance market was dominated by motor insurance – motor third party liability insurance and motor own damage insurance, which generated 62.9% of premium income in non life insurance. Property insurance, both personal and institutional, ranked second on the property and other personal insurance market and financial insurance and third party liability insurance (non-motor) third. Other insurance lines had marginal significance.

Four new insurance acts: Insurance Activity Act; Insurance Brokerage Act; Compulsory Insurance Act, Insurance Guarantee Fund and the Polish Motor Insurers' Bureau; Insurance and Pension Supervision and the Insureds' Spokesman Act became effective on 1 January 2004. The new regulations which adjust local law to the EU directives were aimed primarily at increase in consumer security.

Polish insurance market – gross written premium

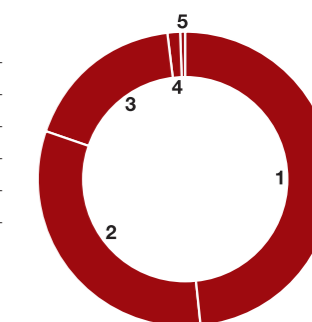
In PLN billion



Market consolidation

Market structure

Premium structure – life market



New insurance acts

The works on amendments to the insurance law started in 2004. The legislation process concerning changes to the acts started in September and the draft was submitted to the Polish Parliament in November. In December 2004, the Insurance Brokerage Act was adjusted to the relevant EU Directive.

In 2005, we may expect similar market growth rate, slow increase of insurance rates especially in motor third party liability and further works on adopting and implementing EU regulations. The market also expects further development of the third party liability, health and financial insurance, as well as new regulation and a information system regarding motor third party liability insurance.

Statement by the Management Board of Generali's Insurance Companies

In less than two years after the conclusion of the agreement under which Generali acquired Zurich's Polish insurance companies, the merger of Generali T.U. S.A. with Zurich T.U. S.A. and of Generali Życie T.U. S.A. with Zurich T.U. na Życie S.A. was entered in the National Court Register in January 2004. It marked the completion of the largest and the most complex operation in the history of Generali in Poland, as well as one of the largest operations of the type on the Polish insurance market. This highly extensive and complex process was completed successfully as regards both the formal and legal aspects, and the organisational considerations. A uniform business structure was established with a vast competitive advantage. The merged companies did not lose their operating capacity at any moment of the process. The number of customers did not decrease as it is usually the case during mergers – Generali was in fact able to expand its customer portfolio.

Following the completion of the consolidation process, the members of Generali Group focused on measures and projects aiming to significantly boost sales in the areas of motor, property and life insurance. These operations generated highly satisfactory results and led to a record-high sales growth.

Total written premium (life and non life) reached PLN 471.8 million, marking a 94% increase from 2003. By comparison, the overall Polish insurance market grew by only 11.5% during the same period. Generali T.U. S.A. reported one of the highest increase in gross written premium on the non life insurance market at 129%. A premium increase of 54% observed by Generali Życie S.A. was also one of the highest on the market.

Gross written premium	2004		
	In PLN thousand	2003	Change in %
Generali T.U. S.A.	296 915	129 417	129.4
Property and personal insurance market	14 891 867	13 602 665	9.5
Generali Życie T.U. S.A.	174 927	113 622	54.0
Life insurance market	12 738 721	11 167 288	14.1
Generali T.U. S.A. and Generali Życie T.U. S.A.	471 842	243 039	94.1
Insurance market total	27 630 588	24 769 953	11.5

Perspectives

Generali and Zurich complete consolidation

Record-high sales growth

The performance of Generali companies in 2004 indicates that the Group systematically carries out its strategic goals, i.e. to significantly increase its market share and become one of the leading players on the Polish insurance market.

In 2004, the non life insurance company increased its market share from 1% to 2%, ranking 9th, and the life insurance company – from 0.9% to 1.4%, becoming the 12th largest life insurance company on the market. Generali Powszechne Towarzystwo Emerytalne S.A also increased its revenue and market share – with 3.4% participation, it ranks 6th with regard to the value of the managed assets. In 2004, the assets value increased to PLN 2.2 billion from PLN 1.5 billion in the previous year.

Multi-channel distribution strategy

Rapid growth was attained due to the introduction of a multi-channel distribution strategy, which relies on both own and external distribution channels. The own sales channels account for two Central Sales Offices and two distribution networks: the Comprehensive Network and the Life&Pension Network. The external channels comprise brokers, multi-agencies and banks.

At the end of 2004, the Life&Pension Network comprised 18 branches and 9 divisions, which employed 691 agents (up from 555 in December 2003), 70 team managers (67 in 2003) and 16 directors. The network offers primarily life insurance and membership contracts in the Generali open pension fund.

In 2004, Life&Pension Network reported significant sales growth, including a 26% increase in the number of policies sold and a 31% rise in total annual premium. One of the key changes in 2004 was the introduction of a new commission system. The previous up-front commission system was replaced with a collection commission system. The above change improved production quality, i.e. the portfolio retention rate. 2004 also brought the restructuring of the sales network, improvement of the training system and the activity management pilot project.

The Complex Network has on offer a comprehensive range of insurance products, including motor, property, personal and life insurance as well as membership contracts in the open pension fund. The products are addressed to both individual and institutional (small and medium-sized enterprises and selected corporate customers) customers. In 2004, 16 branches and 8 divisions of the Complex Network employed 578 agents (up from 470 in 2004), who were supported by 56 team managers and 16 branch directors.

In 2004, the Complex Network focused on maximising the sales of motor insurance and mass property insurance. The sales were generated by both exclusive agents and local multi-agencies cooperating with network branches, and in respect of corporate insurance – also by regional brokers. The undertaken measures brought the desired results and the network reported a very high increase in written premium in respect of motor insurance (up by 382%), mass property insurance (up by 24%) and corporate insurance (up by 335%). Satisfactory results were also observed with regard to accident insurance (up by 35%) and open pension fund membership agreements (up by 77%).

Significant increase in market share

Life&Pension Network

Complex Network

The above increase resulted from a competitive product offer tailored to the specific needs of particular sales channels as well as from the introduction of attractive system solutions in the area of sales and support services, such as the innovative bonus system.

In addition to the above sales networks, the Generali Group also operates two Central Sales Offices, which are responsible for business with large institutional and industrial customers, as well as customer service and international programme support. One of the offices provides comprehensive non life insurance cover and the other specialises in group life and personal insurance.

Central Sales Offices

As part of the multi-channel sales strategy, Generali established new ties with external sales partners: brokers in respect of corporate customer support, multi-agencies and banks as regards individual customers. Generali provides its partners with a full range of competitive products and insurance programmes as well as top-standard service quality.

Very high growth was also reported by the banking channel, mainly due to the new investment and life insurance programme introduced in October 2004. This product is addressed to private banking customers of a Generali's partner. Last year, Generali introduced Internet-based home, building and accident insurance as well as Individual Pension Accounts in the banking channel. In addition to the above-mentioned investment programme, travel insurance – available on the website of a bank working with Generali – was the greatest sales success in the bancassurance segment.

External distribution channels

Dynamic sales growth led to a substantial increase in resources related to policy issuing and claim handling. In an attempt to effectively meet the increase in production and claims, and improve customer service quality, various initiatives were undertaken to remodel internal processes, both in the HQ and regional divisions.

Customer service

To improve claims settlement, payment of claims and compensations, the claim management process was largely decentralised, despite the fact that the claim handling strategy and quality assurance are centrally managed.

A simplified procedure for extending motor insurance policies was introduced in the administrative and sales segment. To improve customer service and the sales networks service, the customer information procedure observed by the Contact Centre was modified. As part of another innovative measure introduced in 2004, Internet-based membership in the Generali pension fund became available and a special tool was introduced for monitoring the transfer of social security (ZUS) premiums on the Generali website.

In 2004, marketing efforts focused on sales support, mostly mass property insurance. A vast range of advertising and promotional materials for Generali products was developed, and multi-agencies cooperating with Generali were provided with branding materials. A competition, which promoted home insurance, was held for the customers. Generali also took part in a car trade fair promoting motor insurance.

Marketing sales support

The introduction of Individual Pension Accounts (IKE) was accompanied by a widespread Public Relations campaign to spread the awareness on the importance of voluntary pension savings options and to distribute information on Individual Pension Accounts and the related products introduced by Generali. In joint effort with its banking partner, Generali took part in a press campaign promoting the product.

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Sports sponsoring was one of the key sponsoring events in 2004 – in December, Generali became one of the main sponsors of Poland's national ski-flying team.

In 2004, total employment in Generali Group companies reached 472 (as of 31 December 2004). As a part of a human resources management project launched in 2004, a new remuneration system was introduced to help to maximise work efficiency. In the new system, the variable part of remuneration is determined by the achievement of individually set goals and the company's overall performance. The redefined career paths and the related promotion criteria are also an integral part of the new remuneration system.

Personnel policy

In 2004, Generali began to implement a new long-term staff development programme based on defining employees' individual development needs. Additional measures were undertaken to improve information flow and internal communication.

New and modified products of Generali Życie T.U. S.A.

2004 began with the introduction of several new insurance laws. To ensure compliance with the new insurance law, the company introduced new forms, general terms of insurance and procedures to provide the customers with an improved knowledge and understanding of insurance products. Following the official merger of Zurich and Generali and the introduction of a consolidated range of products and sales procedures, the standardisation of the underwriting process, initiated in the previous year, was continued in 2004.

In June 2004, Generali Życie T.U. S.A. expanded its product range to include "Lew Senior" ("Lion Senior") life insurance, one of the few products of the type in Poland addressed to senior customers. "Lew Senior" is addressed to customers aged from 50 to 75, regardless of their health condition. The product offers a highly simplified contract entering procedure, which does not even involve compulsory medical examination that is a standard life insurance requirement. "Lew Senior" is a highly attractive insurance option due to moderate rates and the fact that the related benefits are exempt from inheritance tax, income tax and capital gain tax.

"Lew Senior" life insurance

The law introducing Individual Pension Accounts came into force on 1 September 2004. The main advantage of this new optional pension savings product is that the resulting benefits are exempt from capital gain tax. Generali Życie T.U. S.A. offers both its existing and new customers Individual Pension Accounts. Generali's existing customers, who bought a unit-linked insurance policy, can purchase the Individual Pension Account Clause (IPAC) as supplement to the existing insurance contract. The Clause enables customers to deposit savings in the Individual Pension Account and additionally provides life insurance cover. New customers can purchase the IPAC combined with one of the four available unit-linked insurance packages.

Individual Pension Accounts (IKE)

New and modified products of Generali T.U. S.A.

As of 2004, Generali T.U. S.A. offers home insurance on the websites of its banking partners. This is the first on-line insurance product with e-service support, which has a simple and clear structure, and delivers an easy method of contract conclusion that requires little time or formality.

On-line home insurance

As regards motor insurance underwriting, at the beginning of 2004, Generali T.U. S.A. began to modify the existing general terms of insurance and tariffs to comply with the new insurance law. An improved price offer was introduced for the target group of customers buying several motor insurance products.

Motor insurance

In response to the dynamic growth of motor insurance sales, emphasis was placed on monitoring the development of the related portfolio, in particular motor third-party liability insurance and motor hull insurance. Following the dramatic growth of reserves for personal claims, tariffs in respect of the obligatory third-party liability insurance were modified leading to further segmentation of the tariffs and an increase in the average collected premium.

In 2004, Generali T.U. S.A. significantly increased its share on the commercial real estate insurance market and the investment insurance market, in particular in the area of road development. Due to a highly attractive and competitive offer, Generali became one of the leading insurers on those markets. In 2004, Poland became a member of the European Union, what created new investment opportunities in our country. Generali took advantage of this event by increasing the volume of insurance products addressed to the business sector.

As regards property insurance for private customers, in 2004 Generali reported a steady portfolio increase of 30% with high portfolio profitability.

Investments

The most important objective of Generali's investment policy was achieving a high long-term profitability while ensuring the safety of the deposited funds and the maintenance of adequate liquidity reserves.

In December 2004, the following deposit structure in terms of currency was reported:

- Generali T.U. S.A.: 0.9% in foreign currency (EUR/USD), the remaining 99.1% in PLN,
- Generali Życie T.U. S.A.: 5.8% in foreign currency (EUR), the remaining 94.2% in PLN.

In December 2004, the following structure of deposits was reported:

- Generali T.U. S.A.: treasury securities 83.6%, corporate debts securities 9.7%, bank deposits 3.7%, shares 2.2%, shares in investment funds 0.8%;
- Generali Życie T.U. S.A.: treasury securities 69.6%, corporate debts securities 21.0%, shares in investment funds 4.1%, bank deposits 5.2%, shares 0.1%.

Financial results of Generali T.U. S.A.

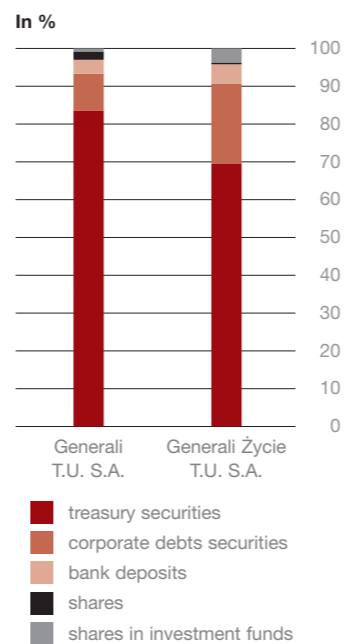
In 2004, Generali T.U. S.A. reported a significant increase in gross written premium of nearly 130%. The collected premium totalled PLN 296.9 million, marking an increase of PLN 167.5 million from the previous year. Such spectacular increase placed Generali T.U. S.A. in the lead of non life insurance companies with regard to gross written premium growth (the non life insurance market grew by only 9.5% in 2004).

The increase was achieved mostly through the dynamic growth of sales in the motor insurance and corporate insurance segments. Generali T.U. S.A. was able to report such impressive results thanks to the continued policy of active acquisition and expansion of new distribution channels (mainly local multi-agencies), and the follow-up development of international programmes.

The company's portfolio comprises mostly motor insurance (56%) and corporate insurance (35%). It should be noted that the structure of Generali T.U. S.A.'s portfolio resembles the structure of the entire Polish non life market (at the end of 4 Q 2004, motor insurance had a 63.4% share on the domestic non life market). Due to the dynamic growth of the motor insurance portfolio, the gross value of claims paid increased from PLN 47.79 million in 2003 to PLN 79.1 million in 2004.

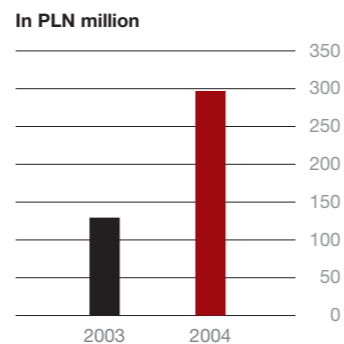
Property insurance

Structure of deposits



Gross written premium

Generali T.U. S.A.



Despite more than a 100% increase in gross written premium, administrative costs remained at the 2003 level. The above implies more than a double decrease in the cost ratio (the ratio of administrative costs to gross written premium in 2003 reached 26%, and in 2004 – only 10%). The reported results testify to the effectiveness of the restructuring programme implemented in 2002-2004, which involved the merger and remodelling of the procedures in the company's key operating areas, i.e. sales, administration and claim settlement. In 2004, Generali T.U. S.A. reported a net result of minus PLN 27.85 million.

The company continues to maintain the solvency ratios at a very high level. The solvency margin coverage ratio with shareholder's equity exceeded 600%.

The ratio of assets to technical provisions was also high at 102%.

Financial results of Generali Życie T.U. S.A.

In 2004, Generali Życie T.U. S.A. reported a written premium increase of 54% from PLN 113.6 million in 2003 to PLN 174.9 million in 2004. The above increase was due to the rapid development of the bancassurance project and the continued growth of individual and group insurance portfolio. In view of the fact that the domestic life insurance market increased by 14.1% in 2004, the over 50% growth reported by Generali Życie T.U. S.A. is a highly satisfactory result. A 6% increase in life insurance with regular premium should also be noted. By comparison, this market segment grew by only 2%.

The assets of the life insurance fund where the investment risk is borne by the assurance policyholders increased by PLN 76.7 million (28%) from 31 December 2003, which testifies to stable portfolio growth.

The increase in the gross value of claims paid (from PLN 33.32 million to PLN 47.18 million) was largely determined by the termination of individual life insurance policies, which corresponded to the general trend on the Polish market. Yet in comparison with the previous period, the number of terminations is decreasing steadily. In particular, the ratio of terminations in the first year after contract conclusion is improving, which is a result of training activities and information campaign.

In 2004, Generali reported an increase of PLN 0.74 million in technical result from the previous year. The technical result reached minus PLN 8.45 million, up from minus PLN 9.19 million in 2003. The optimisation of internal processes lowered administrative expenses by 21% from PLN 30.97 million in 2003 to PLN 24.44 million in 2004. The company reported a negative net result of PLN 1.41 million. The net result in 2004 marks a decrease from the previous year but it was determined by a one-off transaction.

The company continues to maintain the solvency ratios at a very high level. The solvency margin coverage ratio with shareholder's equity exceeded 460%.

The ratio of assets to technical provisions was also high at 112%.

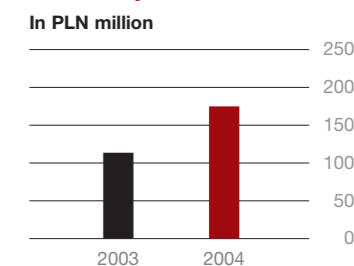
Statement by the Management Board	Financial Statement of Generali T.U. S.A.
– Products	Financial Statement of Generali Życie T.U. S.A.
– Financial results	Management Report of Generali PTE S.A.
	Financial Statement of Generali PTE S.A.

Net result

High solvency ratios

Gross written premium

Generali Życie T.U. S.A.



Claims and compensations

Technical and net result

High solvency ratios

Plans for 2005

In 2005, Generali Group companies will focus on maintaining the market status gained in the previous year, improving technical results of their portfolios and, above all, achieving a break even point for the entire Group. The Group will continue to expand its sales networks and further develop external sales channels. There are plans to launch a broad-scale promotional campaign for mass property insurance and group life insurance products. The Group will also modify and expand its product offer and will continue to increase the efficiency of its post-sales processes.

Summary

We believe that the implemented measures and actions will support the development and long-term growth of Generali in Poland. We would like to take this opportunity to thank our colleagues for their efforts and commitment to work for Generali. We also wish to thank our clients, partners and shareholders showing their interest in our company and for placing their trust in us.



Financial Statement

of Generali T.U. S.A.*



* Short version.
The complete Financial Statement is available in the company's Headquarters and in the Register Court.

Balance Sheet

Assets

In PLN thousand	2004	
	31.12.2004	31.12.2003
A. Intangible assets	102	96
1. Goodwill	0	0
2. Other intangible assets and advances for intangible assets	102	96
B. Investments	372 358	216 070
I. Land and buildings	0	0
1. Own land and right for perpetual use of land	0	0
2. Buildings and co-operative property ownership	0	0
3. Building investments and advances for these investments	0	0
II. Investments in affiliated undertakings	103 828	85 634
1. Shares or participating interests in affiliated undertakings	103 828	83 631
2. Debt securities issued by, and loans to, affiliated undertakings	0	2 003
3. Other investments	0	0
III. Other financial investments	268 529	130 436
1. Shares, participating interests and other variable-yield securities, units and investment certificates in investment funds	7 691	5 056
2. Debt securities and other fixed-income securities	250 879	117 715
3. Participation in investment pools	0	0
4. Loans guaranteed by mortgages	0	0
5. Other loans	0	0
6. Deposits with credit institutions	9 959	7 665
7. Other investments	0	0
IV. Deposits with ceding undertakings	0	0
C. Investments for the benefit of life assurance policyholders who bear the investment risk	0	0
D. Debtors	117 685	97 128
I. Direct insurance debtors	67 279	16 020
1. Debtors from policyholders	66 789	15 935
1.1. From affiliated undertakings	0	0
1.2. From other undertakings	66 789	15 935
2. Debtors from insurance intermediaries	258	81
2.1. From affiliated undertakings	0	0
2.2. From other undertakings	258	81
3. Other debtors	232	4
3.1. From affiliated undertakings	0	0
3.2. From other undertakings	232	4
II. Debtors arising out of reinsurance operations	46 896	67 739
1. From affiliated undertakings	28 604	59 955
2. From other undertakings	18 292	7 784
III. Other debtors	3 510	13 369
1. Budget debtors	0	16
2. Other debtors	3 510	13 353
2.1. From affiliated undertakings	1 545	12 005
2.2. From other undertakings	1 964	1 347

	2004	
E. Other assets	2 489	2 234
I. Tangible assets	1 910	2 055
II. Cash	580	179
III. Other assets	0	0
F. Prepayments and accrued income	16 887	5 810
I. Assets from deferred income tax	0	0
II. Activated acquisition costs	16 723	5 673
III. Accrued interest and rent	0	0
IV. Other prepayments and accrued income	164	137
Total assets	509 521	321 338

Balance Sheet

Liabilities

In PLN thousand	2004	
	31.12.2004	31.12.2003
A. Capital and reserves	148 576	153 885
I. Subscribed capital	190 210	190 210
II. Called-up subscribed capital (negative value)	0	0
III. Own shares (negative value)	0	0
IV. Reserve capital (fund)	60 927	60 927
V. Revaluation capital (fund)	-32 663	-55 199
VI. Other reserve capital	10 000	10 000
VII. Profit (loss) from previous years	-52 053	-58 810
VIII. Net profit (loss)	-27 845	6 757
B. Subordinated liabilities	0	0
C. Technical provisions	294 467	98 983
I. Provision for unearned premiums and provision for unexpired risk	154 783	56 441
II. Life assurance provision	0	0
III. Provision for claims outstanding	139 379	42 176
IV. Provision for bonuses and rebates	95	46
V. Equalisation provision	210	320
VI. Other technical provisions	0	0
VII. Technical provisions for life assurance policies where the investment risk is borne by the policyholders	0	0
D. Reinsurers' share in technical provisions (negative value)	174 231	65 074
I. Reinsurers' share in provision for unearned premiums and provision for unexpired risk	89 552	37 957
II. Reinsurers' share in life assurance provision	0	0
III. Reinsurers' share in provision for claims outstanding	84 626	27 084
IV. Reinsurers' share in provision for bonuses and rebates	53	33
V. Reinsurers' share in other technical provisions	0	0
VI. Reinsurers' share in technical provisions for life assurance policies where the investment risk is borne by the policyholders	0	0
E. Other provisions	45	50
I. Other provisions	0	0
II. Provision for deferred income tax	0	0
III. Other provisions	45	50
F. Deposits received from reinsurers	136 975	38 425
G. Creditors and special funds	76 312	80 331
I. Creditors arising out of direct insurance	12 883	4 429
1. Creditors to policyholders	12 377	4 353
1.1. With regard to affiliated undertakings	0	0
1.2. With regard to other undertakings	12 377	4 353
2. Creditors to insurance intermediaries	91	48
2.1. With regard to affiliated undertakings	0	0
2.2. With regard to other undertakings	91	48
3. Other insurance creditors	415	28
3.1 With regard to affiliated undertakings	0	0
3.2 With regard to other undertakings	415	28

	2004	
II. Creditors arising out of reinsurance operations	57 089	73 297
1. With regard to affiliated undertakings	31 986	60 805
2. With regard to other undertakings	25 103	12 492
III. Creditors arising out issue of own debt securities and loans taken	5 000	0
1. Creditors arising out issue of down debt securities and loans taken	0	0
2. Others	5 000	0
IV. Amounts owed to credit institutions	0	0
V. Other creditors	1 238	2 523
1. Budget creditors	408	621
2. Other creditors	830	1 902
2.1. With regard to affiliated undertakings	600	1 125
2.2. With regard to other undertakings	230	777
VI. Special funds	102	83
H. Accruals and deferred income	27 374	14 737
1. Accruals	16 566	9 576
2. Negative goodwill	0	0
3. Deferred income	10 808	5 161
Total liabilities	509 521	321 338

Profit and Loss Statement

Technical non-life insurance account

In PLN thousand	2004	2003
I. Earned premiums (1-2-3+4)	57 103	25 525
1. Gross written premiums	296 915	129 417
2. Share of reinsurers in written premium	193 064	101 230
3. Change in gross provision for unearned premiums and provision for unexpired risk	98 342	13 756
4. Reinsurers' share in change of provision for unearned premiums	51 595	11 094
II. Net returns on investment including costs, transferred from the profit and loss account	0	0
III. Other technical income – net of reinsurance	6 199	1 034
IV. Claims incurred (1+2)	72 967	19 461
1. Claims paid – net of reinsurance	33 306	19 136
1.1. Gross claims paid	79 100	47 789
1.2. Reinsurers' share in gross claims paid	45 794	28 653
2. Change in provision for claims outstanding – net of reinsurance	39 661	325
2.1. Gross provisions	97 203	-1 318
2.2. Reinsurers' share	57 542	-1 644
V. Change in other technical provisions – net of reinsurance	0	0
1. Gross provisions	0	0
2. Reinsurers' share	0	0
VI. Bonuses and rebates including change in provisions – net of reinsurance	63	11
VII. Operating expenses	25 223	21 270
1. Acquisition costs	28 157	16 046
1.1. including change in activated acquisition costs	-11 050	102
2. Administrative expenses	30 898	33 172
3. Reinsurance commissions and profit participation	33 832	27 948
VIII. Other technical costs – net of reinsurance	8 015	6 978
IX. Change in equalisation provisions	-110	320
X. Balance on technical non-life insurance account	-42 856	-21 482

General income statement

In PLN thousand	2004	2003
I. Technical account – Non-life insurance	-42 856	-21 482
II. Investment income	14 169	11 387
1. Income from land and buildings	0	0
2. Income from investments in affiliated undertakings	704	3
2.1. From shares and participating interests	0	0
2.2. From loans and debt securities	704	3
2.3. From other investments	0	0
3. Income from other financial investments	11 179	8 031
3.1. From shares, participating interests and other variable-yield securities, units and investment certificates in investment funds	57	174
3.2. From debt securities and other fixed-income securities	10 880	7 493
3.3. From deposits with credit institutions	242	364
3.4. From other investments	0	0
4. Gains on re-adjustments on investments	0	0
5. Gains on the realisation of investments	2 286	3 353
III. Unrealised gains on investments	221	1 198
IV. Net returns on investments including costs, transferred from the technical life insurance account	0	0
V. Investments charges (1+2+3+4)	1 369	126
1. Maintenance of land and buildings charges	0	0
2. Other investment charges	138	126
3. Losses on re-adjustments on investments	0	0
4. Losses on the realisation of investments	1 231	0
VI. Unrealised losses on investments	400	1 652
VII. Net returns on investments including costs, transferred from the technical non-life insurance account	0	0
VIII. Other operating income	4 421	20 822
IX. Other operating expenses	2 032	3 391
X. Profit (loss) on operation activity	-27 845	6 757
XI. Extraordinary profits	0	0
XII. Extraordinary losses	0	0
XIII. Gross profit (loss)	-27 845	6 757
XIV. Income tax	0	0
XV. Other mandatory profit reductions (increase of losses)	0	0
XVI. Net profit (loss)	-27 845	6 757

Cash Flow Statement

In PLN thousand	2004	2003
A. Cash flow from operating activities		
I. Proceeds	503 413	163 390
1. Proceeds on direct activities and reinsurance accepted	262 134	130 617
1.1. Gross premium proceeds	260 994	127 680
1.2. Gross recourse and claims return proceeds	1 140	2 390
1.3. Other proceeds on direct activities	0	548
2. Outwards reinsurance proceeds	225 002	21 296
2.1. Proceeds from reinsurers resulting from their share in claims	60 698	10 739
2.2. Proceeds from reinsurer commission and profit participation	67 810	10 557
2.3. Other outward reinsurance proceeds	96 494	0
3. Proceeds on other operating activities	16 277	11 477
3.1. Proceeds resulting from activities of average adjuster	3 047	3 478
3.2. Sale of intangible assets and tangible fixed assets except for investments	47	12
3.3. Other proceeds	13 182	7 933
II. Expenses	381 909	164 238
1. Expenses for direct activities and reinsurance accepted	143 393	96 524
1.1. Gross premiums return	2 944	2 607
1.2. Gross claims paid	79 923	50 114
1.3. Expenses on acquisition	30 335	14 415
1.4. Administration expenses	27 725	28 818
1.5. Commission and profit participation on reinsurance accepted paid	0	0
1.6. Other expenses on direct activities and reinsurance accepted	2 467	516
2. Outwards reinsurance expenses	232 626	61 795
2.1. Premiums paid for outwards reinsurance	226 779	54 938
2.2. Other outwards reinsurance expenses	5 846	6 857
3. Expenses on other operating activities	5 889	5 918
3.1. Expenses resulting from activities of average adjuster	3 163	2 960
3.2. Purchase of intangible assets and tangible fixed assets except for investments	858	415
3.3. Other operating expenses	1 869	2 543
III. Total net cash flow from operating activities (I-II)	121 504	-848
B. Cash flow from investment activities		
I. Proceeds	1 641 014	1 838 083
1. Sale of land and buildings	0	0
2. Sale of shares, participating interests in affiliated undertakings	14 000	0
3. Sale of shares, participating interests other undertakings, as well as of units and investment certificates in investment funds	7715	0
4. Realisation of debt securities issued by affiliated undertakings and repayment of their loans	0	0
5. Realisation of debt securities issued by other undertakings	298 410	427 863
6. Liquidation of deposits with credit institutions	1 310 926	1 401 821
7. Realisation of other investments	0	0
8. Proceeds from land and buildings	0	0
9. Interest received	9 906	8 167
10. Dividend received	57	1
11. Other investments proceeds	0	231

	2004	2003
II. Expenses	1 762 132	1 847 256
1. Purchase of land and buildings	0	0
2. Purchase of shares, participating interests in affiliated undertakings	12 000	1 443
3. Purchase of shares, participating interests in other undertakings, as well as of units and certificates in investment funds	9 257	0
4. Purchase of debt securities issued by affiliated undertakings and repayment of granting them loans	0	2 000
5. Purchase of debt securities issued by other undertakings	427 255	441 505
6. Purchase of deposits with credit institutions	1 313 482	1 402 210
7. Purchase of other investments	0	0
8. Expenses on maintenance of land and buildings	0	0
9. Other investments expenses	138	98
III. Total net cash flow from investment activities (I-II)	-121 118	-9 173
C. Cash flow from financial activities		
I. Proceeds	0	10 000
1. Net proceeds on issue of shares and surcharge to capital	0	10 000
2. Loans, credits and issue of debt securities	0	0
3. Other financial proceeds	0	0
II. Expenses	0	0
1. Dividend	0	0
2. Payments for profit division other than dividend	0	0
3. Purchase of own shares	0	0
4. Repayment of loans, credits and redemption of own debt securities	0	0
5. Interest on credits, loans and debt securities issued	0	0
6. Other financial expenses	0	0
III. Total net cash flow from financial activities (I-II)	0	10 000
D. Total net cash flow (A.III±B.III±C.III)	386	-21
E. Change in cash on balance sheet:	401	-19
– including change in cash due to difference in exchange rates	15	2
F. Cash at the beginning of period	179	197
G. Cash at the end of period (F±D):	580	179
– including those of limited possibilities of allocation	0	0

Registered Auditor's

Opinion*

We have audited the accompanying financial statements of Generali Towarzystwo Ubezpieczeń S.A. (hereinafter called "the Company"), Warsaw, Postępu 15 Street, which comprise:

- (a) the balance sheet as at 31 December 2004, showing total assets and total equity and liabilities of 509,520,654.29 PLN;
- (b) the technical non-life insurance account for the year ended 31 December 2004, showing the technical loss to be transferred to the profit and loss account of 42,856,166.89 PLN;
- (c) the profit and loss account for the year ended 31 December 2004, showing a net loss of 27,845,243.99 PLN;
- (d) the statement of changes in equity for the year ended 31 December 2004, showing a decrease in equity of 5,308,900.65 PLN;
- (e) the cash flow statement for the year ended 31 December 2004, showing a net increase in cash and cash equivalents of 400,854.95 PLN;
- (f) the notes to the financial statements comprising an introduction and additional notes and explanation

and enclosed to the financial statements:

- list of the technical-insurance provisions;
- list of the assets covering the technical-insurance provisions;
- calculation of the solvency margin;
- statement of solvency as at 31 December 2004;
- Chief Actuary's opinion;
- Directors' Report.

The Company's Management Board is responsible for preparing the financial statements and Directors' Report in accordance with applicable regulations. Our responsibility was to express an opinion on the financial statements based on our audit.

We conducted our audit in accordance with the following regulations applicable in the Republic of Poland:

- (a) the provisions of Chapter 7 of the Accounting Act of 29 September 1994 (uniform text, *Journal of Laws* of 2002, No. 76, item 694 with further amendments, hereinafter called *the Act*);
- (b) auditing standards issued by the National Council of Registered Auditors in Poland.

Our audit was planned and performed to obtain reasonable assurance that the financial statements were free of material misstatements and omissions. The audit included examining, on a test basis, accounting documents and entries supporting the amounts and disclosures in the financial statements. The audit also included an assessment of the accounting policies applied by the Company and significant estimates made in the preparation of the financial statements as well as an evaluation of the overall presentation thereof. We believe that our audit provided a reasonable basis for our opinion.

The information in the Directors' Report for the year ended 31 December 2004 has been presented in accordance with the provisions of the Act and is consistent with the information presented in the audited financial statements.

In our opinion, and in all material respects, the accompanying financial statements:

- (a) have been prepared on the basis of properly maintained accounting records and in accordance with the accounting regulations applicable in the Republic of Poland, specified in the above-mentioned Act and in the decree of the Council of Ministers relating to specific accounting principles for insurance companies, which have been applied on consistent basis;
- (b) comply in form and content with the applicable laws and the Company's Memorandum of Association;
- (c) give a fair and true view of the Company's financial position as at 31 December 2004 and of the results of its operations for the year ended 31 December 2004.

On behalf of PricewaterhouseCoopers Sp. z o.o.:

Andrzej J. Konopacki
Member of the Management Board
Registered Auditor
No. 1750/287

Registered Audit Company
No. 144

Warsaw, 7th March 2005

* Translation of the Registered Auditor's Opinion on the financial statement of Generali Towarzystwo Ubezpieczeń S.A. The financial statement has been prepared in accordance with the Accounting Act of 29 September 1994 and is available in the Headquarters of Generali.

The enclosed Registered Auditor's Opinion was issued on the complete financial statement in accordance with the Accounting Act (with all required Appendixes), in which all figures were expressed in PLN.

Generali Group in Poland

Management Report of
Generali T.U. S.A. and
Generali Życie T.U. S.A.

**Financial Statement of
Generali T.U. S.A.**

Registered Auditor's
Opinion

Financial Statement of
Generali Życie T.U. S.A.

Management Report of
Generali PTE S.A.

Financial Statement of
Generali PTE S.A.

Financial Statement

of Generali Życie T.U. S.A.*

* Short version.
The complete Financial Statement is available in the company's Headquarters and in the Register Court.

Balance Sheet

Assets

In PLN thousand	2004	
	31.12.2004	31.12.2003
A. Intangible assets	117	161
1. Goodwill	0	0
2. Other intangible assets and advances for intangible assets	117	161
B. Investments	155 892	80 731
I. Land and buildings	0	0
1. Own land and right for perpetual use of land	0	0
2. Buildings and co-operative property ownership	0	0
3. Building investments and advances for these investments	0	0
II. Investments in affiliated undertakings	18 131	42
1. Shares or participating interests in affiliated undertakings	0	0
2. Debt securities issued by, and loans to, affiliated undertakings	18 131	42
3. Other investments	0	0
III. Other financial investments	137 761	80 689
1. Shares, participating interests and other variable-yield securities, units and investment certificates in investment funds	12 077	5 434
2. Debt securities and other fixed-income securities	118 178	71 044
3. Participation in investment pools	0	0
4. Loans guaranteed by mortgages	0	0
5. Other loans	0	0
6. Deposits with credit institutions	7 506	4 210
7. Other investments	0	0
IV. Deposits with ceding undertakings	0	0
C. Investments for the benefit of life assurance policyholders who bear the investment risk	353 070	276 327
D. Debtors	50 812	27 344
I. Direct insurance debtors	5 644	5 137
1. Debtors from policyholders	5 605	4 956
1.1. From affiliated undertakings	0	0
1.2. From other undertakings	5 605	4 956
2. Debtors from insurance intermediaries	39	180
2.1. From affiliated undertakings	0	0
2.2. From other undertakings	39	180
3. Other debtors	0	1
3.1. From affiliated undertakings	0	0
3.2. From other undertakings	0	1
II. Debtors arising out of reinsurance operations:	43 784	5 313
1. From affiliated undertakings	43 735	4 791
2. From other undertakings	49	522
III. Other debtors	1 384	16 894
1. Budget debtors	540	332
2. Other debtors:	844	16 562
2.1. From affiliated undertakings	78	15 661
2.2. From other undertakings	766	901

	2004	
E. Other assets	2 797	2 765
I. Tangible assets	2 099	2 135
II. Cash	698	630
III. Other assets	0	0
F. Prepayments and accrued income	35 378	35 673
I. Assets from deferred income tax	0	0
II. Activated acquisition costs	34 147	32 851
III. Accrued interest and rent	0	0
IV. Other prepayments and accrued income	1 231	2 822
Total assets	598 066	423 001

Balance Sheet

Balance Sheet
 – Liabilities

Liabilities

In PLN thousand	2004	
	31.12.2004	31.12.2003
A. Capital and reserves	75 909	76 460
I. Subscribed capital	61 000	61 000
II. Called-up subscribed capital (negative value)	0	0
III. Own shares (negative value)	0	0
IV. Reserve capital (fund)	105 157	105 157
V. Revaluation capital (fund)	1 307	448
VI. Other reserve capital	10 000	10 000
VII. Profit (loss) from previous years	-100 145	-114 822
VIII. Net profit (loss)	-1 410	14 677
B. Subordinated liabilities	0	0
C. Technical provisions	424 003	298 782
I. Provision for unearned premiums and provision for unexpired risk	2 482	2 156
II. Life assurance provision	60 876	13 509
III. Provision for claims outstanding	6 213	5 793
IV. Provision for bonuses and rebates	1 362	997
V. Equalisation provision	0	0
VI. Other technical provisions	0	0
VII. Technical provisions for life assurance policies where the investment risk is borne by the policyholders	353 070	276 327
D. Reinsurers' share in technical provisions (negative value)	491	5 987
I. Reinsurers' share in provision for unearned premiums and provision for unexpired risk	8	627
II. Reinsurers' share in life assurance provision	0	4 503
III. Reinsurers' share in provision for claims outstanding	483	211
IV. Reinsurers' share in provision for bonuses and rebates	0	321
V. Reinsurers' share in other technical provisions	0	0
VI. Reinsurers' share in technical provisions for life assurance policies where the investment risk is borne by the policyholders	0	325
E. Other provisions	110	538
I. Other provisions	0	0
II. Provision for deferred income tax	0	0
III. Other provisions	110	538
F. Deposits received from reinsurers	491	5 858
G. Creditors and special funds	64 081	9 280
I. Creditors arising out of direct insurance	6 400	4 489
1. Creditors to policyholders	4 780	3 585
1.1. with regard to affiliated undertakings	0	0
1.2. with regard to other undertakings	4 780	3 585
2. Creditors to insurance intermediaries	1 358	904
2.1. with regard to affiliated undertakings	0	0
2.2. with regard to other undertakings	1 358	904
3. Other insurance creditors	262	0
3.1 with regard to affiliated undertakings	0	0
3.2 with regard to other undertakings	262	0

	2004	
II. Creditors arising out of reinsurance operations	57 098	3 240
1. with regard to affiliated undertakings	57 028	2 648
2. with regard to other undertakings	70	592
III. Creditors arising out issue of own debt securities and loans taken	0	0
1. Creditors convertible to insurance company shares	0	0
2. Others	0	0
IV. Amounts owed to credit institutions	0	0
V. Other creditors	533	1 455
1. Budget creditors	331	526
2. Other creditors	202	929
2.1. with regard to affiliated undertakings	162	520
2.2. with regard to other undertakings	40	409
VI. Special funds	50	96
H. Accruals and deferred income	33 963	38 070
1. Accruals	4 030	7 164
2. Negative goodwill	0	0
3. Deferred income	29 933	30 906
Total liabilities	598 066	423 001

Profit and Loss Statement

Technical income statement

	2004	
In PLN thousand		2003
I. Earned premiums (1-2-3+4)	133 358	106 265
1. Gross written premiums	174 927	113 622
2. Share of reinsurers in written premium	40 624	7 053
3. Change in gross provision for unearned premiums and provision for unexpired risk	326	522
4. Reinsurers' share in change of provision for unearned premiums	-619	218
II. Investment income (1+2+3+4)	37 695	33 778
1. Income from land and buildings	0	0
2. Income from investments in affiliated undertakings	1 172	2
2.1. From shares or participating interests	0	0
2.2. From loans and debt securities	1 172	2
2.3. From other investments	0	0
3. Incomes from other financial investments	17 683	15 116
3.1. From shares, participating interests, other variable-yield securities, units and investment certificates in investment funds	1 008	1 288
3.2. From debt securities and other fixed-income securities	15 855	13 349
3.3. From deposits with credit institutions	820	479
3.4. From other investments	0	0
4. Gains on re-adjustments on investments	0	0
5. Gains on the realisation of investments	18 840	18 660
III. Unrealised gains on investments	22 100	16 771
IV. Other technical income – net of reinsurance	34 814	1 363
V. Claims incurred (1+2)	42 217	34 569
1. Claims paid - net of reinsurance	42 067	32 512
1.1. Gross claims paid	47 182	33 318
1.2. Reinsurers' share in gross claims paid	5 115	806
2. Change in of provision for claims outstanding – net of reinsurance	150	2 057
2.1. Gross provisions	421	2 184
2.2. Reinsurers' share	271	127
VI. Change in other technical provisions – net of reinsurance (1+2)	128 937	82 838
1. Change in life assurance provision – net of reinsurance	51 870	1 209
1.1. Gross provisions	47 367	2 933
1.2. Reinsurers' share	-4 503	1 724
2. Change in technical provision for life-assurance policies where the investment risk is borne by policyholders	77 067	81 629
2.1. Gross provisions	76 742	81 703
2.2. Reinsurers' share	-325	74
VII. Bonuses and rebates including change in provisions – net of reinsurance	686	65
VIII. Operating expenses (1+2-3)	30 781	37 005
1. Acquisition costs	17 047	13 815
1.1. Including change in activated acquisition costs	-1 296	-638
2. Administrative expenses	24 440	30 973
3. Reinsurance commissions and profit participation	10 706	7 783
IX. Investment charges (1+2+3+4)	6 492	3 770
1. Maintenance of land and buildings charges	0	0
2. Other investments charges	1 149	1 231
3. Losses on re-adjustments on investments	0	840
4. Losses on the realisation of investments	5 343	1 699
X. Unrealised losses on investments	6 203	3 940
XI. Other technical costs – net of reinsurance	17 337	1 452
XII. Net returns on investment including costs, transferred to the profit and loss account	3 772	3 735
XIII. Balance on technical life insurance account	-8 455	-9 195

General income statement

	2004	
In PLN thousand		2003
I. Technical account – Non-life insurance	-8 455	-9 195
II. Investment income	0	0
1. Income from land and buildings	0	0
2. Income from investments in affiliated undertakings	0	0
2.1. From shares and participating interests	0	0
2.2. From loans and debt securities	0	0
2.3. From other investments	0	0
3. Income from other financial investments	0	0
3.1. From shares, participating interests and other	0	0
3.2. From debt securities and other fixed-income securities	0	0
3.3. From deposits with credit institutions	0	0
3.4. From other investments	0	0
4. Gains on re-adjustments on investments	0	0
5. Gains on the realisation of investments	0	0
III. Unrealised gains on investments	0	0
IV. Net returns on investments including costs, transferred from the technical life insurance account	3 772	3 735
V. Investments charges (1+2+3+4)	0	0
1. Maintenance of land and buildings charges	0	0
2. Other investment charges	0	0
3. Losses on re-adjustments on investments	0	0
4. Losses on the realisation of investments	0	0
VI. Unrealised losses on investments	0	0
VII. Net returns on investments including costs, transferred from the technical non-life insurance account	0	0
VIII. Other operating income	6 581	27 057
IX. Other operating expenses	3 308	6 919
X. Profit (loss) on operation activity	-1 410	14 677
XI. Extraordinary profits	0	0
XII. Extraordinary losses	0	0
XIII. Gross profit (loss)	-1 410	14 677
XIV. Income tax	0	0
XV. Other mandatory profit reductions (increase of losses)	0	0
XVI. Net profit (loss)	-1 410	14 677

Cash Flow Statement

In PLN thousand	2004	2003
A. Cash flow from operating activities	104 312	48 297
I. Proceeds	200 288	131 364
1. Proceeds on direct activities and reinsurance accepted	176 428	113 784
1.1. Gross premium proceeds	176 317	113 782
1.2. Gross recourse and claims return proceeds	0	0
1.3. Other proceeds on direct activities	111	2
2. Outwards reinsurance proceeds	5 138	9 752
2.1. Proceeds from reinsurers resulting from their share in claims	329	555
2.2. Proceeds from reinsurer commission and profit participation	3 756	7 573
2.3. Other outward reinsurance proceeds	1 051	1 624
3. Proceeds on other operating activities	18 721	7 828
3.1. Proceeds resulting from activities of average adjuster	0	0
3.2. Sale of intangible assets and tangible fixed assets except for investments	163	80
3.3. Other proceeds	18 558	7 748
II. Expenses	95 976	83 067
1. Expenses for direct activities and reinsurance accepted	88 203	72 686
1.1. Gross premiums return	509	603
1.2. Gross claims paid	46 923	33 318
1.3. Expenses on acquisition	16 994	12 341
1.4. Administration expenses	23 623	26 315
1.5. Commission and profit participation on reinsurance accepted paid	0	0
1.6. Other expenses on direct activities and reinsurance accepted	153	109
2. Outwards reinsurance expenses	3 513	5 672
2.1. Premiums paid for outwards reinsurance	3 513	5 243
2.2. Other outwards reinsurance expenses	0	429
3. Expenses on other operating activities	4 260	4 709
3.1. Expenses resulting from activities of average adjuster	0	0
3.2. Purchase of intangible assets and tangible fixed assets except for investments	1 216	542
3.3. Other operating expenses	3 044	4 167
III. Total net cash flow from operating activities	104 312	48 296
B. Cash flow from investment activities	-104 243	-48 487
I. Proceeds	5 187 412	1 628 710
1. Sale of land and buildings	0	0
2. Sale of shares, participating interests in affiliated undertakings	0	0
3. Sale of shares, participating interests other undertakings, as well as of units and investment certificates in investment funds	209 321	57 789
4. Realisation of debt securities issued by affiliated undertakings and repayment of their loans	1 083	0
5. Realisation of debt securities issued by other undertakings	903 800	429 651
6. Liquidation of deposits with credit institutions	4 051 971	1 125 081
7. Realisation of other investments	0	0
8. Proceeds from land and buildings	0	0
9. Interest received	20 228	14 859
10. Dividend received	1 008	1 115
11. Other investments proceeds	0	215

	2004	2003
II. Expenses	5 291 655	1 677 197
1. Purchase of land and buildings	0	0
2. Purchase of shares, participating interests in affiliated undertakings	0	0
3. Purchase of shares, participating interests in other undertakings, as well as of units and certificates in investment funds	246 480	56 934
4. Purchase of debt securities issued by affiliated undertakings and repayment of granting them loans	18 000	40
5. Purchase of debt securities issued by other undertakings	971 411	496 602
6. Purchase of deposits with credit institutions	4 054 407	1 122 385
7. Purchase of other investments	0	0
8. Expenses on maintenance of land and buildings	0	0
9. Other investments expenses	1 357	1 237
III. Total net cash flow from investment activities (I-II)	-104 243	-48 487
C. Cash flow from financial activities	0	0
I. Proceeds	0	0
1. Net proceeds on issue of shares and surcharge to capital	0	0
2. Loans, credits and issue of debt securities	0	0
3. Other financial proceeds	0	0
II. Expenses	0	0
1. Dividend	0	0
2. Payments for profit division other than dividend	0	0
3. Purchase of own shares	0	0
4. Repayment of loans, credits and redemption of own debt securities	0	0
5. Interest on credits, loans and debt securities issued	0	0
6. Other financial expenses	0	0
III. Total net cash flow from financial activities (I-II)	0	0
D. Total net cash flow (A.III±B.III±C.III)	69	-191
E. Change in cash on balance sheet:	68	-185
including change in cash due to difference in exchange rates	-1	6
F. Cash at the beginning of period	630	815
G. Cash at the end of period (F±D):	698	630
including those of limited possibilities of allocation		

Registered Auditor's

Opinion*

We have audited the accompanying financial statements of Generali Życie Towarzystwo Ubezpieczeń S.A. (hereinafter called "the Company"), Warsaw, Postępu 15 Street, which comprise:

- (a) the balance sheet as at 31 December 2004, showing total assets and total equity and liabilities of 598,066,561.37 PLN;
- (b) the technical life insurance account for the year ended 31 December 2004, showing the technical loss to be transferred to the profit and loss account of 8,455,248.78 PLN;
- (c) the profit and loss account for the year ended 31 December 2004, showing a net loss of 1,410,316.68 PLN;
- (d) the statement of changes in equity for the year ended 31 December 2004, showing a decrease in equity of 551,684.27 PLN;
- (e) the cash flow statement for the year ended 31 December 2004, showing a net increase in cash and cash equivalents of 68,326.55 PLN;
- (f) the notes to the financial statements comprising an introduction and additional notes and explanation

and enclosed to the financial statements:

- list of the technical-insurance provisions;
- list of the assets covering the technical-insurance provisions;
- calculation of the solvency margin;
- statement of solvency as at 31 December 2004;
- Directors' Report.

The Company's Management Board is responsible for preparing the financial statements and Directors' Report in accordance with applicable regulations. Our responsibility was to express an opinion on the financial statements based on our audit.

We conducted our audit in accordance with the following regulations applicable in the Republic of Poland:

- (a) the provisions of Chapter 7 of the Accounting Act of 29 September 1994 (uniform text, *Journal of Laws* of 2002, No. 76, item 694 with further amendments, hereinafter called *the Act*);
- (b) auditing standards issued by the National Council of Registered Auditors in Poland.

Our audit was planned and performed to obtain reasonable assurance that the financial statements were free of material misstatements and omissions. The audit included examining, on a test basis, accounting documents and entries supporting the amounts and disclosures in the financial statements. The audit also included an assessment of the accounting policies applied by the Company and significant estimates made in the preparation of the financial statements as well as an evaluation of the overall presentation thereof. We believe that our audit provided a reasonable basis for our opinion.

The information in the Directors' Report for the year ended 31 December 2004 has been presented in accordance with the provisions of the Act and is consistent with the information presented in the audited financial statements.

In our opinion, and in all material respects, the accompanying financial statements:

- (a) have been prepared on the basis of properly maintained accounting records and in accordance with the accounting regulations applicable in the Republic of Poland, specified in the above-mentioned Act and in the decree of the Council of Ministers relating to specific accounting principles for insurance companies, which have been applied on consistent basis;
- (b) comply in form and content with the applicable laws and the Company's Memorandum of Association;
- (c) give a fair and true view of the Company's financial position as at 31 December 2004 and of the results of its operations for the year ended 31 December 2004.

On behalf of PricewaterhouseCoopers Sp. z o.o.:

Andrzej J. Konopacki
Member of the Management Board
Registered Auditor
No. 1750/287

Registered Audit Company
No. 144

Warsaw, 7th March 2005

* Translation of the Registered Auditor's Opinion on the financial statement of Generali Życie Towarzystwo Ubezpieczeń S.A. The financial statement has been prepared in accordance with the Accounting Act of 29 September 1994 and is available in the Headquarters of Generali.

The enclosed Registered Auditor's Opinion was issued on the complete financial statement in accordance with the Accounting Act (with all required Appendixes), in which all figures were expressed in PLN.

Management Report

of Generali
Powszechnie Towarzystwo Emerytalne S.A.

Management Report

Open Pension Fund Market¹

16 open pension funds operated on the market until December 2004. On 10 December, Polsat Open Pension Fund acquired Kredyt Bank Open Pension Fund assets thus completing the first consolidation on the open pension fund market in over 2 years, which at the end of 2004 totalled PLN 62.6 billion in net assets. The net assets increased by PLN 17.8 billion against the previous year (in 2003 the increase amounted to a little over PLN 13 billion). In the previous year the pension funds collected over PLN 11.4 billion in contributions, i.e. 11% more than a year earlier. This amount includes partial payment of arrears from 1999-2002, which provided the open pension funds with approx. PLN 762 million in 2004.

The open pension funds increased the number of managed accounts from the end of 2003 to the end of 2004 by over 560,000 and exceeded 12.5 million. The total accounts in 2004 increased by 4.7%, which was slightly better than in 2003 (4.3%). It means that the account number growth is stable and any significant changes may only stem from the radical changes on the labour market, and in particular from a fast reduction of unemployment among college and university graduates. Apart from the register of accounts held by the open pension funds, the Social Security Agency (ZUS) keeps an independent member record. According to the Social Security Agency (ZUS), the open pension funds had almost 12 million members as of the end of December 2004. This represents an increase by over 500,000 against the end of 2003.

In 2004, the weighted average value of the accounting unit increased by 14%. In 2003, the increase did not exceed 11%. However, it should be observed that the inflation rate in 2004 was definitely higher than in the preceding year. It means that the rate of return in 2004 in real terms was similar to the one achieved in 2003.

All people failing to sign a contract are assigned a fund by way of lotteries held by the Social Security Agency (ZUS). In 2004 the lottery principles were modified. Prior to the change, all funds participated in the lottery, while currently only those funds that meet two key requirements are allowed to participate. The first requirement is to achieve a rate of return higher than the relevant weighted average rate of return achieved by all funds in the last two settlement periods. The second requirement is the amount of assets, which cannot exceed 10% of the total fund assets. In accordance with the new regulations, the lottery is held twice a year, on the last working day of January and July. All funds participating in the lottery are assigned an equal number of members.

In 2004, two lotteries were held (the first according to the old principles, the second by the new principles) covering a total of 175,000 people.

Investment results achieved by the open pension funds are the consequence of the adopted investment strategy as well as the situation on the financial markets and the general condition of the economy and its internal processes. Poland's accession to the European Union had an enormous impact on the last year's economic situation. It resulted in a very high economic growth of 5.3% in 2004. This growth may have been to a large extent caused by the abolition of the customs duties when trading with other EU countries, resulting in the increased demand for goods manufactured by the Polish producers.

Increase in net assets and Social Security Agency (ZUS) contributions

Increase in accounts and membership

Accounting unit value

New lottery principles

Investment activity conditions

At the same time, fears of the price increases following accession and extensive purchases by domestic customers influenced the inflation rate growth. Higher prices were also due to the higher oil prices on the world markets. The Monetary Policy Council responded with the increase of the base interest rates.

Unfortunately, in spite of the high GDP and industrial production growth, the unemployment rate was only slightly lower and about 3 million people remain unemployed. Undoubtedly, this is the biggest problem for the Polish economy. Poland failed to conduct a thorough reform of the public finances and although in the preceding year, due to the increased tax income, meeting the budget objectives did not pose a problem, lack of system solutions aimed at the permanent elimination of the non-balance may lead to the growth of public debt in the upcoming years.

Statement by the Management Board of Generali PTE S.A.

As a result of the amendment to the Organisation and Operation of Pension Funds Act, Generali Open Pension Fund (Generali OFE) changed the fund's Articles of Association. The most important changes related to the fees charged on member contributions and fund's assets, which has a significant impact on the income of Generali Powszechne Towarzystwo Emerytalne S.A. Starting on 1 April 2004, the member contribution fee is charged at the following rates:

- until 2010 – 7.0%
- in 2011 – 6.125%
- in 2012 – 5.25%
- in 2013 – 4.375%
- since 2014 – 3.50%

The management fee changed significantly and in case of assets up to PLN 8 billion amounts to 0.045% charged on the net assets on a monthly basis, and not more than PLN 11.2 million per annum until 2010.

In 2004 Generali Open Pension Fund achieved one of the highest rates of return at 15.29%. It proves that we correctly assessed the development of the economic situation and properly used the emerging investment opportunities.

Changes in the Generali OFE Articles of Association

¹ Source: KNUIFE

**Rates of return of the Open Pension Funds
in the period from 31.12.2003 till 31.12.2004**

2004

In %	
1. Pekao OFE	16.72
2. Credit Suisse Life & Pensions OFE	16.06
3. OFE „DOM”	16.01
4. Bankowy OFE	15.92
5. Generali OFE	15.29
6. AIG OFE	14.93
7. OFE PZU „Złota Jesień”	14.34
8. OFE Ergo Hestia	14.22
9. OFE Pocztylion	14.19
10. OFE Skarbiec-Emerytura	14.05
11. OFE Polsat	13.94
12. ING Nationale-Nederlanden Polska OFE	13.64
13. Commercial Union OFE BPH CU WBK	13.42
14. Sampo OFE	12.63
15. OFE Allianz Polska	11.91

From the customers' point of view, the most important factors are the long-term investment results, since they have the strongest influence on the pensions paid in the future. Generali OFE's consequent strategy of achieving high rates of return with minimal investment risk has proven right in the long term. Investment results attained by Generali OFE from 31 December 1999 until the end of 2004 ranked third (rate of return of 78.84%) proving that the investment strategy adopted by the fund is effective.

**Rate of return of the Open Pension Funds
in the period from 31.12.1999 till 31.12.2004**

1999-2004

In %	
1. OFE Polsat	87.57
2. ING Nationale-Nederlanden Polska OFE	84.00
3. Generali OFE	78.84
4. OFE PZU „Złota Jesień”	76.54
5. Sampo OFE	74.60
6. OFE Allianz Polska	74.45
7. Credit Suisse Life & Pensions OFE	73.67
8. Commercial Union OFE BPH CU WBK	72.73
9. OFE „DOM”	71.64
10. Bankowy OFE	68.91
11. OFE Skarbiec-Emerytura	66.52
12. Pekao OFE	65.87
13. OFE Ergo Hestia	65.31
14. OFE Pocztylion	64.68
15. AIG OFE	63.69

Effective investment means the highest possible rate of return with a certain level of investment risk.

In order to limit the investment risk, Generali OFE invested in the safest instruments i.e. treasury bonds which were deposited with banks of a very good standing and credibility. In the stock section, the management tried to maintain diversified portfolio in terms of quantity and sector, basing their investment decisions on a thorough fundamental analysis.

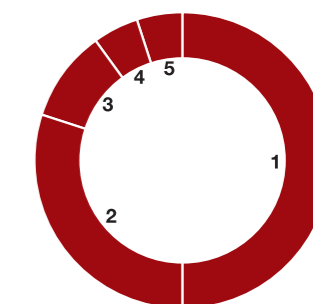
Generali OFE's investment strategy again allowed achieving one of the best results on the market. In our opinion, its basic assumptions, i.e. minimising risk and the application of financial instruments on the basis of a reliable and careful fundamental analysis, should not be changed. Moreover, we intend to maintain the current assets allocation model:

Assets allocation model

Share in %	
1. Treasury bonds and bills	50
2. Debt securities of other entities	10
3. Equities	30
4. Bank deposits	5
5. Other assets	5

In 2005, we expect a somewhat slower economic growth, lower inflation rate and increasing investments. We believe that the monetary policy in the upcoming year will be liberalised, but the political situation, with regard to the parliamentary and presidential elections, is uncertain and will result in fluctuations on the stock and bond market. Nevertheless, we expect a satisfactory, although 1-digit, rates of return achieved both on the stock and bond portfolio. We will analyse the economic and market situation on a regular basis and invest in instruments that guarantee the highest potential rate of return with the lowest associated risk.

As a result of the new sales strategy introduced in 2003 involving intensified sales generated by the Generali Group networks and dynamic development of co-operation with the external sales channels, the number of fund members increased by 22,000 (amounting to 402,400 as of the end of December 2004 compared to 380,300 in December 2003) and the net assets value increased by as much as 41.8% (from PLN 1.5 billion in 2003 to PLN 2.1 billion in 2004). The fund also acquired over 15 thousand members as a result of the lottery, including over 11.6 thousand from the lottery organised for the first time according to the new principles in July 2004.

Safe investment strategy**Planned direction
of investment activities****Assets allocation model**

Net assets of the Open Pension Funds

2004

In PLN million		In %
Commercial Union OFE BPH CU WBK	17 371.06	27.7
ING Nationale-Nederlanden Polska OFE	14 079.02	22.5
OFE PZU „Złota Jesień”	8 695.14	13.9
AIG OFE	5 334.99	8.5
SAMPO OFE	2 169.58	3.5
Generali OFE	2 101.42	3.4
OFE Skarbiec-Emerytura	2 029.56	3.2
Bankowy OFE	1 985.70	3.2
Credit Suisse Life & Pensions OFE	1 954.10	3.1
OFE Allianz Polska	1 670.47	2.7
OFE Ergo Hestia	1 343.62	2.1
OFE Pocztylion	1 308.46	2.1
Pekao OFE	1 013.83	1.6
OFE „DOM”	1 011.15	1.6
OFE Polsat	558.84	0.9
Total	62 626.94	100.0

In 2004, the company achieved the operating income of PLN 14.5 million and the net profit of PLN 17.31 million. Income on the up-front fee collected from contributions paid by the members to the fund had the highest share of general income (almost 60%), followed by the management fee (over 20%).

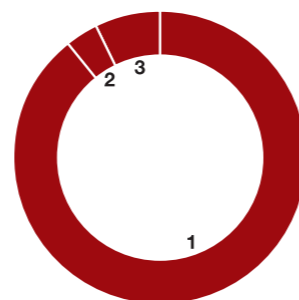
Generali PTE S.A. income structure

2004

In PLN thousand		In %
1. Revenues	42 899.95	89.2
<i>including</i>		
Up-front fee	28 694.75	59.7
Management fee	9 773.78	20.3
Reserve account return	3 159.91	6.6
2. Other operating income	1 696.80	3.5
3. Investment income	3 485.01	7.3
Total	48 081.76	100.0

Financial results

Income structure



The amendment to the Organisation and Operation of Pension Funds Act had a strong impact on the achieved financial result. Until 31 March 2004 the up-front fee amounted to 9% on the premiums transferred to the member's account, and since 1 April 2004, it was reduced to 7%.

The management fee also changed: from 0.05% of the net assets value (0.6% p.a.) charged on a monthly basis until 31 March 2004 to 0.045% monthly (0.54% p.a.) since 1 April 2004.

Under the regulations introduced additionally, the pension fund company's proceeds are partially determined by the achieved investment results. A premium account was created where 0.06% (per annum) of the fund's net assets are deposited. The bonus for investment results reported over the last 3 years is paid from that account twice a year on the following terms:

- the pension fund company managing the fund which scored the best results receives a bonus equivalent to 100% of the assets accumulated in the premium account;
- the company managing the fund which scored the lowest results transfers all of the assets accumulated in the premium account to the fund;
- companies managing funds which ranked between the best and the lowest performing funds are awarded the bonus pro rata to the achieved results, and the remaining assets are transferred from the premium account to the fund.

Due to a satisfactory investment performance Generali PTE S.A. gained a bonus of PLN 608.7 thousand.

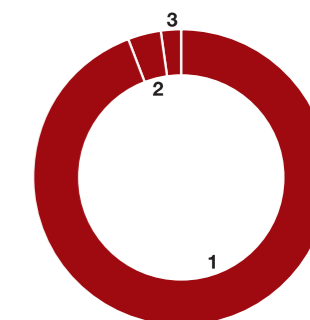
Active member acquisition policy resulted in the fact that acquisition costs had the highest share of total expenses (about 25%). Other cost items include transfer agent costs (almost 20% of all expenses) and employee remuneration and benefits (in total over 11% of all expenses).

Generali PTE S.A. cost structure

2004

In PLN thousand		In %
1. Operating expenses	29 014.95	94.3
<i>including</i>		
Acquisition costs	7 651.79	24.9
Transfer agent costs	6 035.57	19.6
Payment to the guarantee fund	2 681.59	8.7
Employee remuneration and benefits	3 413.59	11.1
Other technical and administration costs	9 232.41	30.0
2. Other operating expenses	1 117.03	3.6
3. Investment expenses	630.74	2.1
Total	30 762.72	100.0

Cost structure



Generali OFE investment results prove that the adopted and consequently realised investment strategy is secure and belongs to the most effective on the market. This is further supported by the growing number of customers, to whom we are grateful for joining Generali OFE and for placing their trust in us.

Financial Statement

of Generali Powszechnie
Towarzystwo Emerytalne S.A.*

* Short version.
The complete Financial
Statement is available
in the company's
Headquarters and
in the Register Court.

Balance Sheet

Balance Sheet

Assets

In PLN thousand	2004	
	31.12.2004	31.12.2003
A. Fixed assets	107 719	28 662
I. Intangible assets	87	169
1. Other intangible assets	87	169
II. Tangible fixed assets	1 581	1 396
1. Fixed assets	1 578	1 396
a) Technical equipment	812	861
b) Cars	387	33
c) Others	379	501
2. Fixed assets under construction	3	0
III. Long-term investments	106 050	27 071
1. Long-term financial assets	106 050	27 071
a) With related entities	106 050	15 050
– Shares	106 050	15 050
b) In other parties	0	12 021
– Debt securities	0	12 021
IV. Longterm accrued expenses	0	27
1. Accrued expenses	0	27
B. Current assets	7 370	67 710
I. Inventories	19	29
1. Materials	19	26
2. Prepayments of supply	0	2
II. Short-term receivables	1 876	43 613
1. Receivables from related entities	778	42 735
a) Trade receivables payable at 12 months	773	15 625
b) Others	5	27 111
2. Receivables from 3rd parties	1 098	877
a) Taxes, duties, social and health insurance and other contributions	0	11
b) Others	1 098	867
III. Short-term investments	5 406	24 044
1. Short-term financial assets	5 406	24 044
a) In 3rd parties	0	0
b) In other parties	497	23 478
– Debt securities	497	23 478
a) Cash	4 909	566
– cash in hands and on bank deposits	4 909	566
IV. Prepaid expenses	69	24
Total assets	115 089	96 372

Shareholders equity and liabilities

In PLN thousand	2004	
	31.12.2004	31.12.2003
A. Shareholders equity	101 690	84 159
I. Share capital	145 500	145 500
II. Net unrealized capital gains/losses	0	-213
III. Net income from previous years	-61 129	-110 989
IV. Net income	17 319	49 860
B. Liabilities	13 399	12 213
I. Reserves	7 680	7 750
1. Other reserves	7 680	7 750
a) Long term	0	0
b) Short term	7 680	7 750
II. Short-term payables	1 699	2 042
1. With related entities	688	511
a) Trade payables	0	0
payable at 12 months	688	511
2. With 3rd parties	994	1 524
a) Trade payables:	0	0
payable at 12 months	885	1 345
b) Tax, duties, social and health insurance and other contributions	94	165
c) Salaries	3	0
d) Others	13	14
3. Special funds	17	7
III. Accruals and deferred income	4 019	2 421
1. Accrued expenses	4 019	2 421
a) Short-term	4 019	2 421
Total shareholders equity and liabilities	115 089	96 372

Income Statement

In PLN thousand	2004	2003
A. Revenue from sales	42 900	51 376
– related parties	42 794	51 319
I. Revenue from asset management activity	42 900	51 376
B. Operating costs	29 015	29 476
I. Depreciation and amortisation	459	2 375
II. Materials and energy	515	977
III. External services	16 030	14 446
IV. Taxes and duties	20	27
V. Salaries	3 016	2 967
VI. Employee benefits	398	466
VII. Others	8 577	8 219
C. Income on sales	13 885	21 900
D. Other operating revenue	1 697	34 709
I. Gains from sales of non-financial fixed assets	69	30 015
II. Others	1 628	4 695
E. Other operating expenses	1 117	9 548
I. Losses from sales of non-financial fixed assets	29	0
II. Others	1 088	9 548
F. Operating profit	14 465	47 061
G. Investment income	3 485	2 834
I. Interests	2 775	2 685
– with related entities	0	0
II. Realized gains	710	150
H. Investment expenses	631	35
I. Interests	8	35
– with related entities	0	0
II. Realized losses	610	0
III. Others	13	0
I. Gross results on operating activity	17 319	49 860
J. Results from extraordinary events	0	0
K. Gross income	17 319	49 860
I. Income tax expense	0	0
L. Net income	17 319	49 860

Cash Flow Statement

Generali Group in Poland
 Management Report of
 Generali T.U. S.A. and
 Generali Życie T.U. S.A.
 Financial Statement of
 Generali T.U. S.A.
 Financial Statement of
 Generali Życie T.U. S.A.
 Management Report of
 Generali PTE S.A.
**Financial Statement of
 Generali PTE S.A.**

Profit & Loss Statement
 Cash Flow Statement

In PLN thousand	2004	2003
A. Cash flows from operational activity		
I. Net income	17 319	49 860
II. Corrections:	13 516	-40 075
1. Depreciation and amortisation	459	2 375
2. Foreign exchange gain/losses	0	0
3. Interests	-2 665	-2 169
4. Gains/losses on investment activity	-139	-30 475
5. Change of provisions	-70	4 262
6. Change of inventories	9	-19
7. Change of receivables	14 625	-15 548
8. Change of payables (excluding credits and loans)	-302	352
9. Change of deferred and accrued items	1 554	1 369
10. Others	46	-222
B. Net cash from operational activity	30 835	9 785
C. Cash flows from investment activity	0	0
I. Inflows	245 829	34 541
1. Sales of organised part of enterprises	27 100	4 000
2. Sales of intangible and tangible fixed assets	35	1
3. Sales of financial assets, including	218 694	30 540
a) related entities	0	0
b) 3rd parties	218 694	30 540
– Sale of financial assets	215 957	28 843
– Interests	2 736	1 698
II. Outflows	272 322	49 492
1. Purchases of intangible and tangible fixed assets	607	232
2. Purchases of financial assets	271 715	49 260
a) related entities	91 000	15 050
– purchase of shares	91 000	15 050
b) 3rd parties	180 715	34 210
– purchase of financial assets	180 715	34 210
D. Net cash from investment activity	-26 493	-14 951
E. Cash flows from financial activity	0	0
I. Inflows	0	0
II. Outflows	0	0
F. Net cash from financial activity	0	0
G. Total net cash flow	4 342	-5 166
Change of cash in balance sheet	4 342	-5 166
Including change of cash from foreign exchange	0	0
H. Cash at the beginning of period	566	5 732
I. Cash at the end of period	4 909	566
Including cash with limited possibility of allocation	0	0

Registered Auditor's

Opinion*

We have audited the accompanying financial statements of Generali Powszechne Towarzystwo Emerytalne S.A. (hereinafter called "the Company"), Warsaw, Postępu 15 Street, which comprise:

- (a) the balance sheet as at 31 December 2004, showing total assets and total equity and liabilities of PLN 115,089,128.88;
- (b) the profit and loss account for the year ended 31 December 2004, showing a net profit of PLN 17,319,035.63;
- (c) the statement of changes in equity for the year ended 31 December 2004, showing an increase in equity of PLN 17,531,572.73;
- (d) the cash flow statement for the year ended 31 December 2004, showing a net increase in cash and cash equivalents of PLN 4,342,282.75;
- (e) the notes to the financial statements comprising an introduction and additional notes and explanation.

The Company's Management Board is responsible for preparing the financial statements and Directors' Report in accordance with applicable regulations. Our responsibility was to express an opinion on the financial statements based on our audit.

We conducted our audit in accordance with the following regulations applicable in the Republic of Poland:

- (a) the provisions of Chapter 7 of the Accounting Act of 29 September 1994 (uniform text, *Journal of Laws* of 2002, No. 76, item 694 with further amendments, hereinafter called *the Act*);
- (b) auditing standards issued by the National Council of Registered Auditors in Poland.

Our audit was planned and performed to obtain reasonable assurance that the financial statements were free of material misstatements and omissions. The audit included examining, on a test basis, accounting documents and entries supporting the amounts and disclosures in the financial statements. The audit also included an assessment of the accounting policies applied by the Company and significant estimates made in the preparation of the financial statements as well as an evaluation of the overall presentation thereof. We believe that our audit provided a reasonable basis for our opinion.

The information in the Directors' Report for the year ended 31 December 2004 has been presented in accordance with the provisions of the Act and is consistent with the information presented in the audited financial statements.

In our opinion, and in all material respects, the accompanying financial statements:

- (a) have been prepared on the basis of properly maintained accounting records and in accordance with the accounting regulations applicable in the Republic of Poland, specified in the above-mentioned Act.
- (b) comply in form and content with the applicable laws and the Company's Memorandum of Association;
- (c) give a fair and true view of the Company's financial position as at 31 December 2004 and of the results of its operations for the year ended 31 December 2004.

On behalf of PricewaterhouseCoopers Sp. z o.o.:

Andrzej J. Konopacki
Member of the Management Board
Registered Auditor
No. 1750/287

Registered Audit Company
No. 144

Warsaw, 3th March 2005

* Translation of the Registered Auditor's Opinion on the financial statement of Generali Powszechne Towarzystwo Emerytalne S.A. The financial statement has been prepared in accordance with the Accounting Act of 29 September 1994 and is available in the Headquarters of Generali.

The enclosed Registered Auditor's Opinion was issued on the complete financial statement in accordance with the Accounting Act (with all required Appendixes), in which all figures were expressed in PLN.

Generali T.U. S.A.
Generali Życie T.U. S.A.
Generali PTE S.A.
Generali Finance Sp. z o.o.

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