



Annual Report 2003

Generali Życie T.U. S.A.
Zurich T.U. na Życie S.A.
Generali T.U. S.A.
Zurich T.U. S.A.
Generali Powszechne
Towarzystwo Emerytalne S.A.

Generali **CARE:**
Closest to the customer



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Profile of the Companies

Company: Generali Towarzystwo Ubezpieczeń S.A.

Headquarters: ul. Postępu 15
02-676 Warszawa

Share capital: 31 million PLN

Other reserves: 56,1 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

of the Management Board: Erich Fischer

Members

of the Management Board: Jarosław Mastalerz
Zygmunt Kostkiewicz (from 13.03.03)
dr Christof Müller (till 31.10.03)

SUPERVISORY BOARD:

Chairman: dr Dietrich Karner

Members

of the Supervisory Board: Werner Moertel
Walter Steidl
Lorenzo Kravina
dr Ferrante Lucchesi-Palli (till 01.06.03)

Selected financial data: in PLN thousand

	2000	2001	2002	2003
Gross written premium	26 808	79 367	77 263	81 075
Net premium written	10 215	34 105	29 585	27 328
Gross technical provisions	22 029	64 376	59 277	75 769
Net technical provisions	8 486	29 700	25 675	31 295
Investments	19 759	56 150	82 366	94 412
Share capital	20 000	25 000	29 000	31 000
Solvency margin	2 413	6 759	6 536	6 887
Own capital to cover the solvency margin	12 926	21 705	36 581	48 489
Number of employees	270	386	319	217

Company: Generali Życie Towarzystwo Ubezpieczeń S.A.

Headquarters: ul. Postępu 15
02-676 Warszawa

Share capital: 23 million PLN

Other reserves: 23,1 million PLN

Shareholder: Generali Holding Vienna AG

Licence: 5 July 1999

Scope of activity: All groups of Division I*: life insurance

* indicated in the appendix to the legal act on insurance activity

MANAGEMENT BOARD:

President

of the Management Board: Erich Fischer

Members

of the Management Board: Jarosław Mastalerz

Zygmunt Kostkiewicz (from 13.03.03)

dr Christof Müller (till 31.10.03)

SUPERVISORY BOARD:

Chairman: dr Dietrich Karner

Members

of the Supervisory Board: Werner Moertel

Walter Steidl

Lorenzo Kravina

dr Ferrante Lucchesi-Palli (till 01.06.03)

Selected financial data: in PLN thousand

	2000	2001	2002	2003
Gross written premium	3 238	4 486	7 029	8 609
Net premium written	1 601	2 233	3 402	4 203
Gross technical provisions	1 794	3 195	7 647	11 591
Net technical provisions	885	1 598	3 818	5 785
Investments	19 761	17 784	27 278	29 755
Share capital	20 000	21 000	23 000	23 000
Solvency margin	179	264	489	618
Own capital to cover the solvency margin	22 785	18 690	22 412	19 946
Number of employees	176	254	201	150

Company: Zurich Towarzystwo Ubezpieczeń na Życie S.A.

Headquarters: ul. Postępu 15
02-676 Warszawa

Share capital: 38 million PLN

Other reserves: 92 million PLN

Shareholder: Generali Holding Vienna AG

Licence: 24 February 1998

Scope of activity: All groups of Division I*: remaining personal insurance and property insurance

* indicated in the appendix to the legal act on insurance activity

MANAGEMENT BOARD:

President

of the Management Board: Erich Fischer

Members

of the Management Board: Jarosław Mastalerz
Zygmunt Kostkiewicz (from 13.03.03)
Piotr Dzikiewicz (till 31.01.03)

SUPERVISORY BOARD:

Chairman: dr Dietrich Karner

Members

of the Supervisory Board: Werner Moertel
Walter Steidl
Lorenzo Karvina
dr Ferrante Lucchesi-Palli (till 01.06.03)

Selected financial data: in PLN thousand

	2000	2001	2002	2003
Gross written premium	92 595	109 199	105 667	105 013
Net premium written	91 779	107 952	104 283	102 366
Gross technical provisions	72 058	135 264	203 774	287 190
Net technical provisions	72 058	134 117	203 713	287 010
Investments	88 567	166 246	240 465	327 159
Share capital	34 000	38 000	38 000	38 000
Solvency margin	8 107	9 498	12 112	12 176
Own capital to cover the solvency margin	42 924	45 403	37 134	56 206
Number of employees	233	182	153	88

Company: Zurich Towarzystwo Ubezpieczeń S.A.

Headquarters: ul. Postępu 15
02-676 Warszawa

Share capital: 18,7 million PLN

Other reserves: 14,8 million PLN

Shareholder: Generali Holding Vienna AG

Licence: 24 February 1998

Scope of activity: All groups of Division I*: remaining personal insurance and property insurance

* indicated in the appendix to the legal act on insurance activity

MANAGEMENT BOARD:

President

of the Management Board: Erich Fischer

Members

of the Management Board: Jarosław Mastalerz

Zygmunt Kostkiewicz (from 13.03.03)

Piotr Dzikiewicz (till 31.01.03)

SUPERVISORY BOARD:

Chairman: dr Dietrich Karner

Members

of the Supervisory Board: Werner Moertel

Walter Steidl

Lorenzo Kravina

dr Ferrante Lucchesi-Palli (till 01.06.03)

Selected financial data: in PLN thousand

	2000	2001	2002	2003
Gross written premium	24 056	32 577	37 952	48 342
Net premium written	4 155	6 663	5 114	858
Gross technical provisions	32 373	29 399	27 510	24 109
Net technical provisions	4 404	7 096	5 206	3 061
Investments	14 339	33 046	35 151	38 605
Share capital	17 000	18 700	18 700	18 700
Solvency margin	2 165	5 864	3 391	4 268
Own capital to cover the solvency margin	11 294	18 291	21 096	21 716
Number of employees	60	70	73	67

Company: Generali Powszechne Towarzystwo Emerytalne S.A.

(till April 11, 2003 Zurich Powszechne Towarzystwo Emerytalne S.A.)

Headquarters: ul. Postępu 15
02-676 Warszawa

Share capital: 145,5 million PLN

Shareholder: Generali Holding Vienna AG

Licence: 8 January 1999

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

MANAGEMENT BOARD: Piotr Pindel
Tomasz Sobczyk
Artur Olech (from 22.07.03)

SUPERVISORY BOARD:
Chairman: Werner Moertel

Members
of the Supervisory Board: Walter Steidl
dr Lorenzo Kravina
Zygmunt Kostkiewicz (from 23.04.03)

Selected financial data: in PLN thousand

	2000	2001	2002	2003
Assets under managment	386 156	705 619	1 057 836	1 481 544
Revenue from sales	27 604	31 552	34 649	51 376
Net income	-80 699	6 767	6 388	48 596
Share capital	140 500	145 500	145 500	145 500
Number of employees	107	97	83	73

Company: **Generali Finance Sp. z o.o.**

(established in July 2003)

Headquarters: ul. Postępu 15
02-676 Warszawa

Share capital: 10,05 million PLN

Shareholder: Generali Powszechnie Towarzystwo Emerytalne S.A.

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

MANAGEMENT BOARD:

President

of the Management Board: Erich Fischer

Members

of the Management Board: Jarosław Mastalerz
Zygmunt Kostkiewicz

SUPERVISORY BOARD:

Chairman: Werner Moertel

Members

of the Supervisory Board: Walter Steidl
Lorenzo Kravina
Peter Wilk

Number of employees: 185

A Portrait of the Generali Vienna Group

A financial services provider for Central and Eastern Europe The Generali Vienna Group is a fully integrated financial services provider whose activities span Central and Eastern Europe. The Group is headed by the listed parent company, Generali Holding Vienna AG, comprising of over 40 companies in Central and Eastern Europe. They are mainly insurance companies, but this list is also inclusive of property management, holding, finance, investment management and service companies, lease finance firms, pension funds and a bank.

Operating on 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.

One of market leaders The Generali Vienna Group's insurance companies in Austria, Hungary, the Czech Republic, Slovenia, Slovakia, Poland, Romania and Croatia reported consolidated premium income of 2.66 billion Euro.

The Group is one of Austria's three largest insurance enterprises with a market share of 14.5 per cent, and it ranks second in Hungary. The Group members on other national markets are still undergoing initial development or consolidation.

Expansion in Europe's new markets High growth rates on 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 throughout the year, the subsidiaries in its new markets – Hungary, the Czech Republic, Slovakia, Slovenia, Romania, Poland and Croatia – reported 16.2 per cent growth. As a result, their relative contribution to the Group's aggregate premium income totalled nearly 25 per cent in 2003, up from 22 per cent in 2002.

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 118 insurers spanning every continent as well as 67 companies, mostly in the financial and real estate sectors.

The Generali Group's global premium income grew by 5.8 per cent to 49.6 billion Euro during 2003. Life insurance accounted for 31.4 billion Euro of total (growth of 7.9 per cent), and non-life insurance for 18.2 billion Euro (growth of 2.2 per cent). This makes Generali Europe's third-largest insurance group.

Generali Vienna Group

In Euro million	2000	2001	2002	2003
Gross premiums	2 324.9	2 507.1	2 619.4	2 657.4
Change in %	+6.0	+7.8	+4.5	+1.5
Investments	7 908.6	7 838.2	8 221.5	8 067.0
Change in %	+1.4	-0.9	+4.9	-1.9

Generali in Poland – History

- 1837** The first Generali branches are established on the Polish territory.
- 1925** Generali obtains the right to conduct business on the whole territory of Poland.
- 1925-1939** 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.
- 1948** All private, national and foreign insurance companies, including Generali, are denied the right to conduct business in Poland.
- 1998** Generali returns to Poland as Generali – Risk Consulting Sp. z o.o.
- 5 July 1999** 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.
- 26 March 2002** 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 Powszechno Towarzystwo Emerytalne S.A. managing the Zurich Open Pension Fund.
- 6 November 2002** Generali Holding Vienna AG purchases shares of the Zurich Towarzystwo Ubezpieczeń na Życie S.A., Zurich Towarzystwo Ubezpieczeń S.A. and Zurich Powszechno Towarzystwo Emerytalne S.A., becoming the owner of these companies.
- 11 April 2003** Zurich Powszechno Towarzystwo Emerytalne S.A. becomes Generali Powszechno Towarzystwo Emerytalne S.A.
- 8 May 2003** The fund's name is changed from Zurich Otwarty Fundusz Emerytalny to Generali Otwarty Fundusz Emerytalny.
- January 2004** 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:
- Generali Towarzystwo Ubezpieczeń S.A.
 - Generali Życie Towarzystwo Ubezpieczeń S.A.
 - Generali Powszechno Towarzystwo Emerytalne S.A.
 - Generali Finance Sp. z o.o.

Vision and Mission

This "Vision and Mission" shows how we view the future of our Group.

- Competence, trust, quality and tradition – these are the values we embrace**
- Group values**
Our vision and mission
- Generali Polska Group is an important part of the worldwide Generali Group, established in 1831 in Trieste. Tradition, experience and worldwide activity, as well as the group's leading market position obliges the Generali Group companies, including us, to take action and initiative aimed at reinforcing the company's reputation and increasing its value. Generali operates in Poland in accordance with the Generali Group standards and contributes to the achievement of its goals. We observe the corporate rules, and we actively deploy our knowledge and resource exchange options.
- Generali in Poland is a professional, trustworthy and active partner, dedicated to quality as its main priority. With Generali's immense knowledge and experience on international markets, we are responsible for the company's development in Poland.
- We identify with our company and we represent it proudly.
- We remain focused on our Clients and their safety**
- Clients**
- We wish to be an insurance company with social credit and trust. By offering professional services and insurance products, we provide our Clients with financial security.
- All our actions are oriented towards the Clients and their needs. This means that we strive to maintain long-term relationship with our Clients. Our products correspond to the Clients' needs at every stage and in every area of their lives.
- We may not follow all the latest trends, but our Clients can be sure to receive certainty, innovative approach, security and financial stability. We view preventive consultancy as an important obligation towards our Clients. A Client-oriented approach is fundamental for our organisation and management culture, which is directly translated to our financial results and growing market share.
- As a significant company on the Polish insurance market, we expand our areas of activity to include financial services**
- Market image**
- We are a significant company in the sector of financial services for private Clients and small and medium-sized companies. We want to reinforce our position, not merely retain it, which is why we set trends and react to market requirements faster than the competition. We use every profitable distribution channel and replace every unprofitable activity areas with profitable ones. In addition to Generali products, our local branches also have on offer the products and services of our partners.
- Profit before turnover**
- Business activity**
- We consistently apply the "profit before turnover" rule, which gives us a much better combined ratio, as compared with our competitors. Consequently, we increase our market share and company's value. We use the knowledge and resources of the entire Group to further our business.
- Respect, openness, trust**
- Employees**
- Our internal relations are governed by openness, trust, and respect. We openly express our opinions and treat each other's views with respect. Cooperation, teamwork, the ability to express and deal with critical opinions and appropriate conflict management are the key to success.
- We provide our employees with attractive and modern working conditions,

and we assist them in conciliating their private lives with professional career.

We owe our success to innovative and goal oriented employees. We support them through training programs, fostering initiative development, and encouraging individual initiatives and activities. We also expect dedication, creativity and active participation in dealing with problems. Clearly defined rules form the basis for result-oriented remuneration.

Success gives satisfaction, satisfaction breeds success

Success orientation Goal and success-oriented activity, professional standards and reasonable resource management are the main objectives of our strategy. Remarkable achievements will be particularly rewarded. The recognition of personal merits, and work satisfaction are vital for achieving remarkable results.

To measure the degree of goal fulfilment, goals have to be precisely defined from the very beginning, including the desirable results of projects and processes. All deviations from the set goals will be openly communicated and will result in appropriate consequences. We identify with every decision we take and we act accordingly.

Innovative, success-oriented employees guarantee a secure future

Supporting initiative Creativity, openness to change, readiness to work in teams and take risks are the values we treasure most. We do not accept mistakes unless they are lessons for us and are not repeated. A continued improvement of skills is an important element of our employees' professional standards. Constructive criticism is not perceived as resistance, but as an impulse for change. We make the necessary changes through teamwork, by involving employees from different divisions and different hierarchy levels.

Success-oriented management

Managerial staff Our managers are not only well trained, but they also have management competence and personal management skills. Managerial staff activities are goal- and success-oriented according to the decisions made.

The decision making process is clearly defined and commonly accepted. Relationships between the management staff and the employees are open and based on trust and mutual respect. We respect each other and our opinions. Successes of individual projects, departments or persons receive proper recognition and are rewarded.

The orientation towards the clients, agents and employees is an essential element of the company's culture and management method. The observance of the above principles is a key factor conditioning our continued success.

Economic Situation and Insurance Market

Economic situation

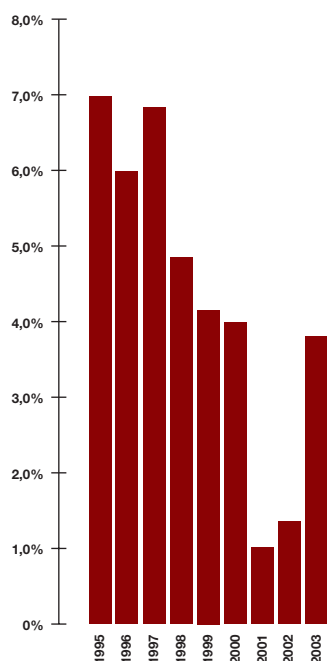
2003 brought a long-awaited revival in the Polish economy. The key event whose effects will be felt in the coming years was Poland's decision to accede to the European Union in the national referendum of June 2003.

The gross domestic product increased by 3.7% in 2003, marking a significant improvement from the 1.4% growth reported in the preceding year. Export was the main driving force behind the acceleration of economic growth. The value of Polish exports in Euro went up by 7.6% from the preceding year, and this increase resulted from the high Euro exchange rate and an improved competitive advantage of Polish businesses. The high export growth reduced the current foreign trade deficit to 1.8% of GDP from 3.5% in the preceding year. The drop in investments was also slowed down in 2003. According to initial estimates, it was reduced to 0.9% from 5.8% in 2002.

The growing production output did not result in higher employment but it increased productivity in the business sector. The situation on the labour market did not improve and unemployment remained at the high level of 20%. CPI increased by 1.7%, up by 0.8% from the preceding year, but still below the central bank's inflation target. Low inflation led to a reduction of the basic interest rate to 5.25% from 6.75% at the end of 2002.

The economic revival influenced stock prices at the Warsaw Stock Exchange which reported an average increase of 44.9%. Treasury bonds yielded a modest profit of 3.0% as a result of the global economic growth, the related speculations of higher inflation and interest rates, and the difficult situation of the central budget which implies growing public debt in the coming years. Profound changes were observed on the currency market where the Polish zloty lost more than 17% to the Euro, which was largely the effect of the growing value of the Euro on the global markets as well as political instability.

Poland: increase of the gross domestic product



Insurance market

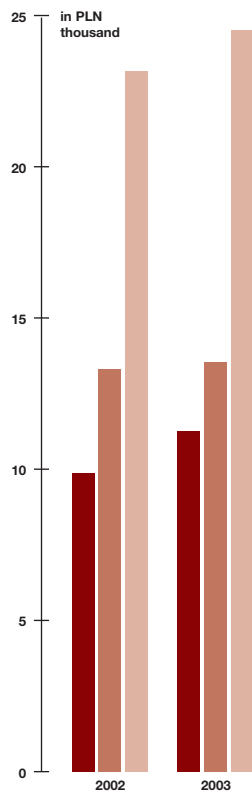
In 2003, the insurance market reported a higher increase in gross written premium from the previous year, in particular in life insurance. Gross written premium increased by 6.9% from the same period in 2002 (life insurance: 12.8%, non-life insurance: 2.5% respectively). The increase in life written premium was caused mainly by the growth of single premium products, which in 2003 was 246%. Single premium life insurance constituted 13.1% of the whole life insurance market.

As of 31 December 2003, 74 insurance companies and four foreign branches – 36 life insurance companies and 1 branch, and 38 non-life insurance companies and 3 branches – operated under a license of the Ministry of Finance.

The Polish insurance market continues to be highly consolidated. At the end of 2003, five leading life insurance companies had an 82.8% share in total premium income in group I insurance (of which PZU S.A. had a 45.9% share), and five leading property insurance companies operated under an 80.8% share in group II insurance (of which PZU S.A. had a 53.1% share).

Traditional life insurance, unit-linked insurance, accident and health insurance continue to have the largest share of the life insurance segment. The property insurance market is still dominated by motor insurance – third-party liability and motor hull insurance.

One of the major events on the insurance market in 2003 was the adoption of a package of insurance laws which came into effect on 1 January 2004. The package comprises: Insurance Activity Act; Insurance Brokerage Act; Obligatory Insurance Act,



Insurance Guarantee Fund and the Polish Office of Motor Underwriters; the Act on insurance and pension supervision and the insurance ombudsman.

Gross written premium – Polish insurance market

Source: KNUiFE

In PLN thousand	2002	2003	Change in %
Life insurance	9 901 564	11 166 923	12.8
Non-life insurance	13 254 052	13 589 187	2.5
Total	23 155 616	24 756 110	6.9

Supervisory Board's Report

Generali T.U. S.A., Generali Życie T.U. S.A., Zurich T.U. S.A., Zurich T.U. na Życie S.A.

The Supervisory Board carried out the statutory activities in the light of legal requirements and the Articles of Association throughout the year. During the meetings with the Management Board it obtained regular information on the Company's business, activities and financial condition, and 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 2003, and certified them for compliance with the 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 2003, without any reservations. The Supervisory Board recommends that the Shareholders' Meeting pass a resolution to that effect.

Warsaw, March 2004

On behalf of the Supervisory Board:

Dietrich Karner

Chairman

Supervisory Board's Report

Generali Powszechnie Towarzystwo Emerytalne S.A.

The Supervisory Board carried out the statutory activities in the light of legal requirements and the Articles of Association throughout the year. During the meetings with the Management Board it obtained regular information on the Company's business, activities and financial condition, and 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 2003, and certified them for compliance with the 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 2003, without any reservations. The Supervisory Board recommends that the Shareholders' Meeting pass a resolution to that effect.

Warsaw, March 2004

On behalf of the Supervisory Board:

Werner Moertel

Chairman



Introductory words of the Managing Board

CARE

- more than just a feelgood word

A mere four letters that stand for a whole universe.

It's difficult to explain in just a few words all the things that CARE means to us at Generali. Perhaps we can best put it like this:

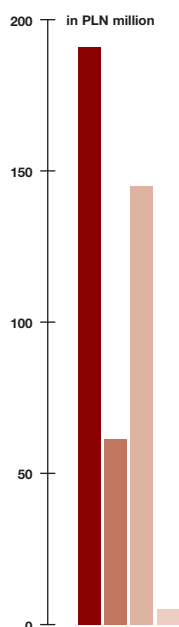
We see every customer as special, so we also strive to offer every customer something special. We do that by tailoring our advisory support, products and services as closely as possible to the particular customer's needs.

CARE's most important ambassadors are our staff. It is the people who work for us that bring the CARE principle to life for our customers on a day-to-day on-the-spot basis. They do everything they can to provide each customer with carefully personalized expert advice, finding made-to-measure solutions for a comprehensive range of differing situations and circumstances in their lives.

Introductory Words of the Managing Board

Completed consolidation of Generali and Zurich In just under two years from the conclusion of the agreement on the takeover of Polish Zurich insurance companies by Generali, 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 into the National Court Register in January 2004. Thus we completed the largest and the most difficult operation in the history of the Polish Generali Group. This merger was at the same time one of the biggest operations of the type on the Polish insurance market. This complex and extensive process was completed successfully both from the legal point of view and operational aspects. The merger led to the establishment of a unified business entity capable of competing with the best in the industry. For us, the confirmation of a well conducted operation is that throughout the merger, the companies remained fully operational. We did not observe a significant outflow of clients which is often the case during such operations, in fact, the opposite applied – Generali managed to increase its client portfolio.

Stronger position of Generali after the merger



Following the merger, the Generali Group comprises four companies: Generali T.U. S.A (non-life insurance), Generali Życie T.U. S.A. (life insurance), Generali PTE S.A. (pension fund) and a service company Generali Finance Sp. z o.o. As a result of the takeover of Zurich insurance companies, Generali substantially strengthened its position on the Polish insurance market. The non-life insurer Generali T.U. S.A., established as a result of the consolidation process, ranked thirteenth on the Polish insurance market, while the new life insurance company, Generali Życie T.U. S.A., came twelfth. A high position of the open pension fund managed by Generali PTE S.A. should also be noted. In terms of the volume of managed assets, Generali OFE ranked among the top six pension funds.

Equity of Generali Group companies in Poland

In PLN million	
Generali T.U. S.A.	190.2
Generali Życie T.U. S.A.	61
Generali PTE S.A.	145.5
Generali Finance Sp. z o.o.	10.05

Vision and strategy of the consolidated Generali Group

Due to the merger, we reanalysed the business environment and adapted values serving as guidelines for the Group's operations. This formed a basis for two documents of strategic importance to Generali Group Poland: "Mission and Vision" and "Strategy". These documents contain our view of the company's future, as well as our values, rules and methods which we support and wish to implement. They also present our companies' strategic objectives, directions and assumptions for the future years.

New strategy

In line with the new strategy, Generali addresses its offer mainly to individual clients, SMEs and selected corporate clients. We want to provide them with a comprehensive insurance coverage, top quality service and long-term financial security. According to our long-term plans, 50% of the portfolio will be made up by life insurance (both personal and group insurance, classic and unit-linked), personal insurance and pension funds, while the other 50% will be represented by motorcar insurance and other non-life insurance.

According to the new strategy, all companies within the Group should reach the break-even point by 2005. As a midterm target, we wish to acquire a 5% market share and make our way to the list of the top five players on the Polish market of financial services in our strategic areas of operations, namely: life insurance, open pension funds and non-life insurance for individual clients and SME. This will be possible by expanding our distribution strategy using both our own sales network and external channels, such as insurance brokers, multiagencies and banks.

Multichannel distribution strategy In 2003, we continued to reorganise and expand our own sales networks, a process which began in the preceding year, aimed at increasing the number of exclusive agents as well as local sales division. The existing division into two sales networks with different specialisation has been preserved: Life&Pension Network focusing on sales of life insurance and 2nd pillar insurance and Complex Network offering all Generali products.

In view of last year's decision to boost sales via external distribution channels, Generali intensified its cooperation with banks and multiagencies (both national and regional). We provide our partners with a comprehensive range of competitive products and insurance programmes and top quality services. As the result, our external partners reported significant sales growth, in particular with regard to the sales of open pension fund partnership agreements.

As part of our strategy to develop external distribution channels, we have also intensified our cooperation with insurance brokers. In joint effort, we have prepared for our corporate clients several affinity insurance programs, innovative on the Polish market. These programs not only offer insurance coverage to our clients' customers but they also improve the corporate image and the brand of the entity offering the program (our corporate client). They also help to increase our clients' competitive edge on the market and build long-lasting relationships with their customers.

Better and faster customer service In order to meet client expectations, Generali companies improved their product offer (you can read about the relevant changes and innovations in the next part of the Report) and took active steps to improve the customer service process. One of the major initiatives in this respect was founding the service company Generali Finance Sp. z o.o. which commenced operations in July. Its main purpose is to accelerate and improve the services offered to clients and to increase service levels with regard to agents working with all Group companies.

In order to improve the claim management process and the settlement of claims and compensations and due to the planned major increase in the motorcar insurance portfolio and the resulting growth in the number of claims, claim management has been largely decentralised, although the claim management strategy and quality assurance are managed centrally.

Personnel policy In 2003, the Generali Group Poland companies employed 429 in total (as of 31 December 2003). The takeover of Zurich companies triggered the need for reorganisation which led to the appointment of new management and the establishment of a new company structure. A significant employment reduction was also necessary and it was conducted at the beginning of 2003 after the introduction of an appropriate out-placement program.

Another important project with regard to human resources management was the development and implementation of a new remuneration system, unified and consistent throughout the Group, based on objective criteria of performance assessment. Redefined career paths and promotion criteria assigned to them are an integral part of the new remuneration system.

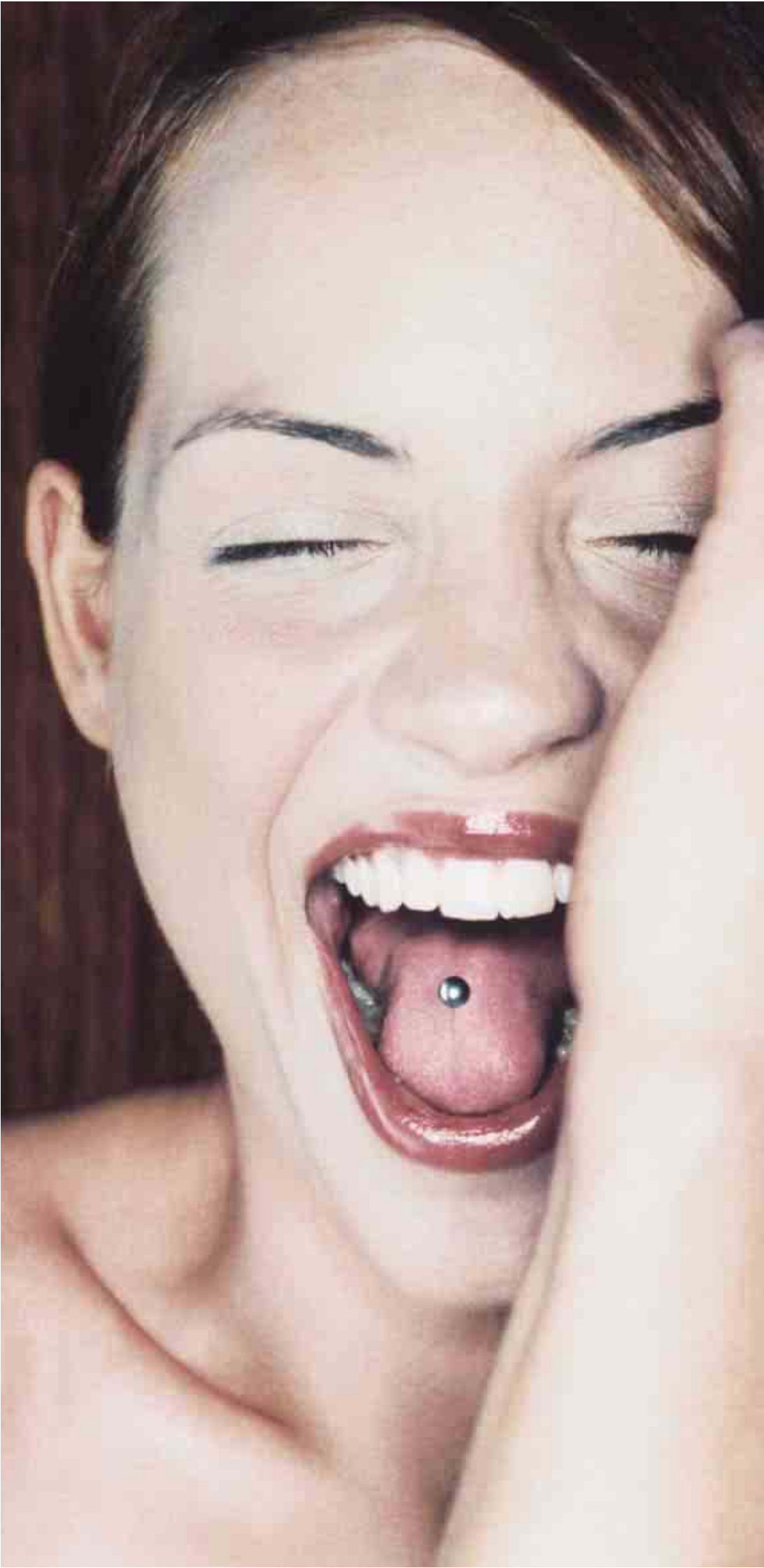
Significant improvement of financial results In 2003, we achieved most of the financial objectives set out for that year. Both non-life insurance companies posted a 12% increase in the total premium income up to PLN 129.4 million. Life insurance companies collected a total of PLN 113.6 million in insurance premiums, i.e. the level from the previous year has been maintained. An improvement in the net financial result was reported by all companies. Except for Generali Życie T.U. S.A., every company recorded profit. Non-life insurance companies totalled PLN 1.4 million in net profit, i.e. ca. PLN 6.5 million up from the previous year. Life insurance companies, on the other hand, recorded PLN 13.3 million, i.e. PLN 30.8 million up from 2002. Such impressive financial results were the consequence of the restructuring of companies and the related costs savings which translated into the total 20.5% drop in administrative costs as compared to 2002. It needs to be stressed that some savings were gained already in 2002, thus the level of cost reduction exceeds the mentioned 20.5% when compared to the total costs reported for 2001. The financial results were also positively influenced by one-off transactions.

Generali Powszechne Towarzystwo Emerytalne S.A. closed 2003 with the net profit of PLN 48.6 million. Such high profit was posted due to one-off operations, such as surplus withdrawals from the reserve account.

Plans for 2004 In 2004, we will focus on the expansion of the own sales network and further cooperation with external distribution channels. By the end of 2004, we plan to work with 1700 agents and 1000 local multiagencies. We will also take active steps aimed at the promotion of motorcar and household insurance, as well as insurance products targeting SMEs. Some steps will be also taken to modify and expand the product offer.

Summary We believe that the implemented measures and actions will support Generali development and long-term growth of Generali position in Poland. We would like to take this opportunity to thank our colleagues for their efforts and involvement in working for Generali, especially in relation to the merger. We also wish to thank our clients, partners and shareholders for their interest in our company and for their trust.

Managing Board



**Statement by the
Managing Board
of Generali Życie T.U. S.A.
and Zurich T.U. na Życie S.A.**

**Being in favour
of things instead of against**

Being committed to offering our customers intelligent solutions and services to help them fulfil all their desires and plans may sound simple – but it isn't.

To be an ideal "coach" for our customers, we have to think further ahead than our competitors.

Whether it's a matter of big product concepts or the many minor details that make the difference between a good and an exceptional product solution.

Statement by the Managing Board

Generali Życie Towarzystwo Ubezpieczeń S.A., Zurich Towarzystwo Ubezpieczeń na Życie S.A.

Product portfolio – products modifications and new products

"Certum" group life insurance In October 2003, the Generali Polska Group expanded its life insurance product portfolio to include the "Certum" group life insurance. This product is a flexible insurance programme which combines protective and investment functions and is one of the few products of the type to offer such extensive cover. The product offering death insurance in the basic variant, may be extended by numerous additional contracts to match the expectations and needs of both the insuring employer and the insured employee.

"Lew Opiekun" dowry insurance The next modification of the product offer involved the extension of dowry insurance cover (the insurance extended by three additional riders) and the introduction of numerous changes to benefit for the client, and facilitate product adjustment to the client's changing needs.

For example, the client may temporarily suspend premium payments and has the right to resume the payments within a year. The new approach to exclusions of liability is also more beneficial for clients.

New general insurance terms and conditions

As the result of new insurance acts coming into force, Generali Group companies adjusted general insurance terms and conditions for all their products to the new legal regulations. The adjustment of binding general insurance terms and conditions (GITC) were effected in two ways: new GITC were introduced or annexes were attached to the existing GITC. The adjustment process was completed by the end of 2003.

Generali Group Poland life insurance offer*:

- | | |
|---|---|
| Insurance for individual clients | <ul style="list-style-type: none">• "Lew Partner" life and endowment insurance• "Lew Opiekun" term life insurance• "Lew Junior" dowry insurance• "Lwia Perspektywa" endowment life insurance with partial surrenders• Insurance plan for long-term family welfare• Insurance plan for long-term family welfare with medical clauses• Insurance plan to ensure education costs• Children's savings plan• Unit-linked pension and investment plan• Systematic pension and investment plan• Insurance plan for short-term family welfare• Insurance plan for short-term family welfare with medical clauses• Loan security plan• Business partner protection plan |
| Insurance for corporate clients | <ul style="list-style-type: none">• Group health insurance• "Certum" group life insurance• "Optimum 144" unit-linked group life insurance• Employee pension schemes |

"Multichannel" distribution strategy

In 2003 the Generali Group noted a significant change in its sales policy. In addition to the extensive development of the Group's own sales networks, which had previously constituted the Group's strategic distribution channels, a decision has

* March 2004



been made to work closely with external partners.

The exclusive sales structures

Complex Network and Life&Pension Network

In 2003, the Group continued to reorganise and expand its sales networks, a process which began in the preceding year, aimed at increasing the number of exclusive agents, local sales divisions and optimising the sales and service processes. The existing division into two sales networks with different specialisation has been preserved: Life&Pension Network and Complex Network.

In the 16 branches of Life&Pension Network work 555 agents, 67 team managers and 16 area managers. The Network specializes in sales of life insurance products and open pension fund membership agreements.

The Complex Network offers a whole range of insurance products, from motorcar through property, personal and life insurance to open pension fund membership agreements. This offer targets both the individual clients and SMEs and some corporate clients. The 16 branches of the Complex Network work with 470 agents, supported, in terms of substantive and administrative supervision, by 58 team managers and 16 area managers.*

In addition to the sales networks of the Generali Group, the two central sales offices are responsible for co-operation with large institutional and industrial clients as well as the servicing of international clients and programmes. One of the offices offers comprehensive property insurance cover, and the other group personal and life insurance products.

New commission system

The introduction of a new commission system for life insurance agents was given the status of the highest priority in 2003. The new system introduced commission based on the collected premium. The proposed solution stabilizes the agent's income, awarding a bonus for systematic activity and quality.

Recruitment project

In the previous year, the "Candidate" recruitment project (introduced as a pilot project in several voivodships in 2002) covered the entire country. The project, aiming to reduce excessive agent fluctuation, focuses on the candidate's practical introduction to the profession of an agent. Before signing the agency agreement, the candidate is not only acquainted with the theoretical aspects of the insurance agent's work, but is also assisted by an experienced team manager, actively participates in the direct sales process, becoming familiar with the practical aspects of the profession.

External distribution channels

In 2003, the Group took active steps to further the involvement of external distribution channels in its new distribution strategy: with brokers – in relation to corporate services, with multiagencies and bank's – as regards individual clients. We provide our partners with a whole array of competitive products and insurance programmes and top quality service. As the result, our external partners reported significant sales growth, in particular with regard to the sales of open pension fund membership agreements by multiagencies.

Brand and product promotion

Image campaign

In May 2003, Generali implemented the subsequent stage of the image campaign, which commenced in 2002. Its purpose was both to increase the awareness of the Generali brand and to inform the public of the change in the name Zurich OFE to

* as at 31 December 2003

Generali OFE. The five-week advertising campaign was based on a TV advertisement which brought positive effects.

"Apple or lemon" In June 2003, Generali organised the "Apple or lemon" event for the fifth time, which focuses on prevention and education. It aims at increasing of children and drivers' awareness of road security and accident prevention.

Product campaign The last campaign of 2003 was a product campaign promoting two groups of insurance products: motorcar insurance and property insurance. Press and radio advertisements highlighted the most important features of Generali products from the client's point of view: good price and efficient service.

Financial results

Gross written premium: portfolio stabilisation In 2003, both life insurance companies collected PLN 113.6 million in premiums and maintained the previous year's level. In respect of life insurance, similarly to its competitors, Generali was affected by a drop in the individual policy renewal rate. Despite the high number of resignations due to, among others, the difficult economic situation, the companies managed to retain the individual insurance portfolio and note a positive sales trend in group life insurance, resulting from the launch of two new group life products: "Certum" and "Optimum" insurance. To obtain an additional distribution channel for this type of insurance, the latter product was especially modified for sales in own sales networks (group life insurance was previously available solely form brokers).

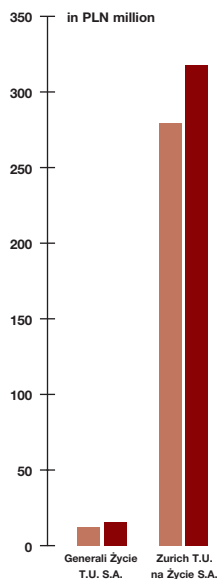
Improvement of net financial result The total net financial result of both companies improved significantly in 2003, amounting to PLN 13.3 million, marking an increase of PLN 30.8 million compared to the previous year (Zurich T.U. na Życie S.A. generated a PLN 15.8 million profit while Generali Życie T.U. S.A. incurred a loss of PLN 2.5 million). Such improvement was mainly due to a substantial reduction of administrative costs as the result of restructuring, process standardization and utilisation of synergy effects from the merger. The result was also positively influenced by one-off transactions.

Net financial results

Generali Życie T.U. S.A. and Zurich T.U. na Życie S.A.

In PLN million	2002	2003
Generali Życie T.U. S.A.	-8.1	-2.5
Zurich T.U. na Życie	-9.4	15.8
Total	-17.5	13.3

High solvency ratios The companies continue to maintain the safety ratio at a very high level. The ratio of assets to technical insurance reserves amounted to 110% in Zurich T.U. na Życie S.A. and to 120% in Generali Życie T.U. S.A. The ratio of owner's equity to solvency margin exceeded 450% in both companies (Zurich T.U. na Życie S.A. 462%, Generali Życie T.U. S.A. 3228%).



Ratio of assets to technical insurance reserves as of 31.12.2003

	Generali Życie T.U. S.A.	Zurich T.U. na Życie S.A.
Assets gross (in PLN million)	13.89	317.00
Technical insurance reserves gross (in PLN million)	11.59	287.19
Ratio (%)	120	110

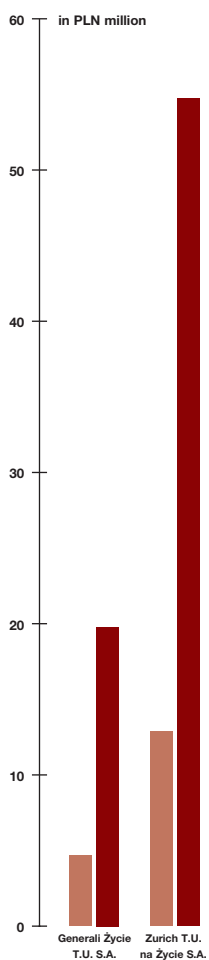
Deposits The key objectives for the investment policy is the achievement of high long-term profitability and the safety of funds entrusted and adequate solvency provisions.

The structure of deposits per currency at the end of 2003 was as follows:

- Generali Życie T.U. S.A.: 16.1% in foreign currency (EUR), the remaining 83.9% in PLN,
- Zurich T.U. na Życie S.A.: 100.0% in PLN.

The structure of deposits per type at the end of 2003 was as follows:

- Generali Życie T.U. S.A.: treasury bonds 76.9%, stocks and shares in investment funds 20%, bank deposits 3.1%,
- Zurich T.U. na Życie S.A.: treasury bonds 86%, bank deposits 1.2%, corporate debt securities 12.8%.



Solvency margin cover with owner's equity as of 31.12.2003

	Generali Życie T.U. S.A.	Zurich T.U. na Życie S.A.
Owner's equity (in PLN million)	19.95	56.21
Solvency margin (in PLN million)	0.62	12.18
Solvency margin cover (%)	3 228	462



Generali Życie T.U. S.A.

Financial statement*

Serving people, not numbers

Some companies are happy to sell a customer a product and then lean back complacently and do nothing. Others offer their customers comprehensive long-term support. Reflecting our dedication to the CARE principle, we have a clear commitment to the second approach. That does of course mean that we need to carefully analyze every customer's situation and circumstances and think now about what could be important to that particular customer in the future. That is time well spent - because CARE means having the best possible ideas on hand for each customer throughout his or her life.

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

Balance sheet

Assets

In PLN thousand	31.12.2003	31.12.2002
A. Intangible assets	14	72
1. Goodwill	0	0
2. Other intangible assets and advances for intangible assets	14	72
B. Investments	29 105	26 776
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	0	0
1. Shares or participating interests in affiliated undertakings	0	0
2. Debt securities issued by, and loans to, affiliated undertakings	0	0
3. Other investments	0	0
III. Other financial investments	29 105	26 776
1. Shares, participating interests and other variable-yield securities, units and investment certificates in investment funds	5 289	4 270
2. Debt securities and other fixed-income securities	22 883	22 165
3. Participation in investment pools	0	0
4. Loans guaranteed by mortgages	0	0
5. Other loans	0	0
6. Deposits with credit institutions	933	341
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	650	502
D. Debtors	5 712	4 748
I. Direct insurance debtors	474	203
1. Debtors from policyholders	361	202
1.1. From affiliated undertakings	0	0
1.2. From other undertakings	361	202
2. Debtors from insurance intermediaries	112	1
2.1. From affiliated undertakings	0	0
2.2. From other undertakings	112	1
3. Other debtors	1	0
3.1. From affiliated undertakings	0	0
3.2. From other undertakings	1	0
II. Debtors arising out of reinsurance operations	4 667	3 876
1. From affiliated undertakings	4 667	3 876
2. From other undertakings	0	0
III. Other debtors	571	669
1. Budget debtors	0	0
2. Other debtors	571	669
2.1. From affiliated undertakings	9	0
2.2. From other undertakings	562	669
E. Other assets	861	1 921
I. Tangible assets	759	1 820
II. Cash	102	101
III. Other assets	0	0
F. Prepayments and accrued income	394	784
I. Assets from deferred income tax	0	0
II. Activated acquisition costs	0	0
III. Accrued interest and rent	0	0
IV. Other prepayments and accrued income	394	784
Total Assets	36 736	34 803

Liabilities

In PLN thousand	31.12.2003	31.12.2002
A. Capital and reserves	19 961	22 484
I. Subscribed capital	23 000	23 000
II. Called-up subscribed capital (negative value)	0	0
III. Own shares (negative value)	0	0
IV. Reserve capital (fund)	13 157	13 157
V. Revaluation capital (fund)	0	0
VI. Other reserve capital	10 000	10 000
VII. Profit (loss) from previous years	-23 673	-15 609
VIII. Net profit (loss)	-2 523	-8 064
B. Subordinated liabilities	0	0
C. Technical provisions	11 591	7 647
I. Provision for unearned premiums and provision for unexpired risk	1 341	961
II. Life assurance provision	8 810	5 363
III. Provision for claims outstanding	148	85
IV. Provision for bonuses and rebates	642	736
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	650	502
D. Reinsurers' share in technical provisions (negative value)	5 806	3 829
I. Reinsurers' share in provision for unearned premiums and provision for unexpired risk	674	482
II. Reinsurers' share in life assurance provision	4 405	2 681
III. Reinsurers' share in provision for claims outstanding	81	47
IV. Reinsurers' share in provision for bonuses and rebates	321	368
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	325	251
E. Other provisions	38	587
I. Other provisions	0	0
II. Provision for deferred income tax	0	0
III. Other provisions	38	587
F. Deposits received from reinsurers	5 858	3 829
G. Creditors and special funds	3 334	2 324
I. Creditors arising out of direct insurance	316	277
1. Creditors to policyholders	308	277
1.1. With regard to affiliated undertakings	0	0
1.2. With regard to other undertakings	308	277
2. Creditors to insurance intermediaries	8	0
2.1. With regard to affiliated undertakings	0	0
2.2. With regard to other undertakings	8	0
3. Other insurance creditors	0	0
3.1. With regard to affiliated undertakings	0	0
3.2. With regard to other undertakings	0	0
II. Creditors arising out of reinsurance operations	2 311	1 278
1. With regard to affiliated undertakings	2 311	1 278
III. Creditors arising out issue of own debt securities and loans taken	0	0
IV. Amounts owed to credit institutions	0	0
V. Other creditors	633	735
1. Budget creditors	225	246
2. Other creditors	408	489
2.1. With regard to affiliated undertakings	343	414
2.2. With regard to other undertakings	65	75
VI. Special funds	74	34
H. Accruals and deferred income	1 760	1 761
1. Accruals	1 760	1 760
2. Negative goodwill	0	0
3. Deferred income	0	1
Total Liabilities	33 736	34 803

Profit and loss statement

Technical income statement

In PLN thousand	2003	2002
I. Earned premiums	4 015	3 212
1. Gross written premiums	8 609	7 029
2. Share of reinsurers in written premium	4 406	3 627
3. Change in gross provision for unearned premiums and provision for unexpired risk	380	382
4. Reinsurers' share in change of provision for unearned premiums	192	192
II. Investment income (1+2+3+4)	1 530	955
1. Income from land and buildings	0	0
2. Income from investments in affiliated undertakings	0	0
2.1. From shares or participating interests	0	0
2.2. From loans and debt securities	0	0
2.3. From other investments	0	0
3. Incomes from other financial investments	789	569
3.1. From shares, participating interests, other variable-yield securities, units and investment certificates in investment funds	174	153
3.2. From debt securities and other fixed-income securities	584	364
3.3. From deposits with credit institutions	31	52
3.4. From other investments	0	0
4. Gains on re-adjustments on investments	0	0
5. Gains on the realisation of investments	741	386
III. Unrealised gains on investments	1 337	2 923
IV. Other technical income - net of reinsurance	3	3
V. Claims incurred (1+2)	446	143
1. Claims paid - net of reinsurance	417	137
1.1. Gross claims paid	834	286
1.2. Reinsurers' share in gross claims paid	417	149
2. Change in of provision for claims outstanding - net of reinsurance	29	6
2.1. Gross provisions	63	22
2.2. Reinsurers' share	34	16
VI. Change in other technical provisions - net of reinsurance (1+2)	1 798	1 750
1. Change in life assurance provision - net of reinsurance	1 724	1 537
1.1. Gross provisions	3 448	3 074
1.2. Reinsurers' share	1 724	1 537
2. Change in technical provision for life-assurance policies where the investment risk is borne by policyholders	74	213
2.1. Gross provisions	147	426
2.2. Reinsurers' share	73	213
VII. Bonuses and rebates including change in provisions - net of reinsurance	-47	274
VIII. Operating expenses (1+2-3)	5 961	9 117
1. Acquisition costs	3 213	2 883
1.1. Including change in activated acquisition costs	0	0
2. Administrative expenses	9 795	15 535
3. Reinsurance commissions and profit participation	7 047	9 301
IX. Investment charges (1+2+3+4)	173	182
1. Maintenance of land and buildings charges	0	0
2. Other investments charges	94	182
3. Losses on re-adjustments on investments	79	0
4. Losses on the realisation of investments	0	0
X. Unrealised losses on investments	456	354
XI. Other technical costs - net of reinsurance	976	915
XII. Net returns on investment including costs, transferred to the profit and loss account	1 917	2 105
XIII. Balance on technical life insurance account	-4 795	-7 747

General income statement

In PLN thousand	2003	2002
I. Technical account - Non-life insurance	-4 795	-7 747
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 variable-yield securities, units and investment certificates in investment funds	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	1 917	2 105
V. Investments charges	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	1 120	364
IX. Other operating expenses	765	2 786
X. Profit (loss) on operation activity	-2 523	-8 064
XI. Extraordinary profits	0	0
XII. Extraordinary losses	0	0
XIII. Gross profit (loss)	-2 523	-8 064
XIV. Income tax	0	0
XV. Other mandatory profit reductions (increase of losses)	0	0
XVI. Net profit (loss)	-2 523	-8 064

Cash flow statement

In PLN thousand	2003	2002
A. Cash flow from operating activities	238	-4 079
I. Proceeds	18 007	18 650
1. Proceeds on direct activities and reinsurance accepted	8 468	7 442
1.1. Gross premium proceeds	8 468	7 441
1.2. Gross recourse and claims return proceeds	0	0
1.3. Other proceeds on direct activities	0	1
2. Outwards reinsurance proceeds	8 720	10 841
2.1. Proceeds from reinsurers resulting from their share in claims	170	108
2.2. Proceeds from reinsurer commission and profit participation	6 926	8 700
2.3. Other outward reinsurance proceeds	1 624	2 033
3. Proceeds on other operating activities	819	367
3.1. Proceeds resulting from activities of average adjuster	0	0
3.2. Sale of intangible assets and tangible fixed assets except for investments	44	87
3.3. Other proceeds	775	280
II. Expenses	17 769	22 729
1. Expenses for direct activities and reinsurance accepted	13 453	18 064
1.1. Gross premiums return	69	425
1.2. Gross claims paid	834	286
1.3. Expenses on acquisition	3 011	3 239
1.4. Administration expenses	9 533	14 107
1.5. Commission and profit participation on reinsurance accepted paid	0	0
1.6. Other expenses on direct activities and reinsurance accepted	6	7
2. Outwards reinsurance expenses	3 558	3 800
2.1. Premiums paid for outwards reinsurance	3 129	3 302
2.2. Other outwards reinsurance expenses	429	498
3. Expenses on other operating activities	758	865
3.1. Expenses resulting from activities of average adjuster	0	0
3.2. Purchase of intangible assets and tangible fixed assets except for investments	28	603
3.3. Other operating expenses	730	262
B. Cash flow from investment activities	-243	-6 016
I. Proceeds	284 424	328 867
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	0	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	109 790	202 243
6. Liquidation of deposits with credit institutions	172 889	125 550
7. Realisation of other investments	0	0
8. Proceeds from land and buildings	0	0
9. Interest received	1 529	1 074
10. Dividend received	1	0
11. Other investments proceeds	215	0

Cash flow statement

In PLN thousand	2003	2002
II. Expenses	284 667	334 883
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	345	390
4. Purchase of debt securities issued by affiliated undertakings and repayment of granting them loans	0	0
5. Purchase of debt securities issued by other undertakings	110 742	211 185
6. Purchase of deposits with credit institutions	173 480	123 126
7. Purchase of other investments	0	0
8. Expenses on maintenance of land and buildings	0	0
9. Other investments expenses	100	182
C. Cash flow from financial activities	0	10 000
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
D. Total net cash flow (A.III ± B.III ± C.III)	-5	-95
E. Change in cash on balance sheet:	1	-95
- including change in cash due to difference in exchange rates	6	0
F. Cash at the beginning of period	101	196
G. Cash at the end of period (F ± D):	102	101
- including those of limited possibilities of allocation	0	0



Zurich T.U. na Žycie S.A.

Financial statement*

Proactive action instead of marking time

One key component of the CARE principle is taking the initiative in good time and averting many problems before they can arise. That is why we have developed a whole raft of products and services that are predominantly preventative. In one area of expertise in particular - health - we offer our customers a variety of preventative options designed to help them enjoy lasting wellbeing.

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

Balance sheet

Assets

In PLN thousand	31.12.2003	31.12.2002
A. Intangible assets	147	3 394
1. Goodwill	0	0
2. Other intangible assets and advances for intangible assets	147	3 394
B. Investments	51 481	46 343
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	42	0
1. Shares or participating interests in affiliated undertakings	0	0
2. Debt securities issued by, and loans to, affiliated undertakings	42	0
3. Other investments	0	0
III. Other financial investments	51 439	46 343
1. Shares, participating interests and other variable-yield securities, units and investment certificates in investment funds	0	0
2. Debt securities and other fixed-income securities	48 161	39 605
3. Participation in investment pools	0	0
4. Loans guaranteed by mortgages	0	0
5. Other loans	0	0
6. Deposits with credit institutions	3 278	6 738
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	275 678	194 122
D. Debtors	21 631	8 081
I. Direct insurance debtors	4 662	5 264
1. Debtors from policyholders	4 595	4 918
1.1. From affiliated undertakings	0	0
1.2. From other undertakings	4 595	4 918
2. Debtors from insurance intermediaries	67	346
2.1. From affiliated undertakings	0	0
2.2. From other undertakings	67	346
3. Other debtors	0	0
3.1. From affiliated undertakings	0	0
3.2. From other undertakings	0	0
II. Debtors arising out of reinsurance operations	646	532
1. From affiliated undertakings	124	0
2. From other undertakings	522	532
III. Other debtors	16 323	2 285
1. Budget debtors	332	170
2. Other debtors	15 991	2 115
2.1. From affiliated undertakings	15 652	237
2.2. From other undertakings	339	1 878
E. Other assets	1 904	3 038
I. Tangible assets	1 376	2 324
II. Cash	528	714
III. Other assets	0	0
F. Prepayments and accrued income	35 278	34 423
I. Assets from deferred income tax	0	0
II. Activated acquisition costs	32 851	32 213
III. Accrued interest and rent	0	0
IV. Other prepayments and accrued income	2 427	2 210
Total Assets	386 119	289 401

Liabilities

In PLN thousand	31.12.2003	31.12.2002
A. Capital and reserves	56 354	40 527
I. Subscribed capital	38 000	38 000
II. Called-up subscribed capital (negative value)	0	0
III. Own shares (negative value)	0	0
IV. Reserve capital (fund)	92 000	92 000
V. Revaluation capital (fund)	0	0
VI. Other reserve capital	0	0
VII. Profit (loss) from previous years	-89 473	-80 099
VIII. Net profit (loss)	15 827	-9 374
B. Subordinated liabilities	0	0
C. Technical provisions	287 190	203 774
I. Provision for unearned premiums and provision for unexpired risk	1 011	869
II. Life assurance provision	4 502	5 016
III. Provision for claims outstanding	5 644	3 523
IV. Provision for bonuses and rebates	355	244
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	275 678	194 122
D. Reinsurers' share in technical provisions (negative value)	180	61
I. Reinsurers' share in provision for unearned premiums and provision for unexpired risk	50	24
II. Reinsurers' share in life assurance provision	0	0
III. Reinsurers' share in provision for claims outstanding	130	37
IV. Reinsurers' share in provision for bonuses and rebates	0	0
V. Reinsurers' share in other technical provisions	0	0
E. Other provisions	500	4 764
I. Other provisions	0	0
II. Provision for deferred income tax	0	0
III. Other provisions	500	4 764
F. Deposits received from reinsurers	0	0
G. Creditors and special funds	5 945	7 129
I. Creditors arising out of direct insurance	4 172	4 309
1. Creditors to policyholders	3 277	3 885
1.1. With regard to affiliated undertakings	0	0
1.2. With regard to other undertakings	3 277	3 885
2. Creditors to insurance intermediaries	895	424
2.1. With regard to affiliated undertakings	0	0
2.2. With regard to other undertakings	895	424
3. Other insurance creditors	0	0
3.1. With regard to affiliated undertakings	0	0
3.2. With regard to other undertakings	0	0
II. Creditors arising out of reinsurance operations	929	383
1. With regard to affiliated undertakings	337	0
2. With regard to other undertakings	592	383
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	822	2 385
1. Budget creditors	301	314
2. Other creditors	521	2 071
2.1. With regard to affiliated undertakings	177	29
2.2. With regard to other undertakings	344	2 042
VI. Special funds	22	52
H. Accruals and deferred income	36 310	33 268
1. Accruals	5 404	1 882
2. Negative goodwill	0	0
3. Deferred income	30 906	31 386
Total Liabilities	386 119	289 401

Profit and loss statement

Technical income statement

In PLN thousand	2003	2002
I. Earned premiums	102 250	104 117
1. Gross written premiums	105 013	105 667
2. Share of reinsurers in written premium	2 647	1 384
3. Change in gross provision for unearned premiums and provision for unexpired risk	142	190
4. Reinsurers' share in change of provision for unearned premiums	26	24
II. Investment income (1+2+3+4)	26 680	14 771
1. Income from land and buildings	0	0
2. Income from investments in affiliated undertakings	0	0
2.1. From shares or participating interests	0	0
2.2. From loans and debt securities	0	0
2.3. From other investments	0	0
3. Incomes from other financial investments	9 639	6 841
3.1. From shares, participating interests, other variable-yield securities, units and investment certificates in investment funds	1 114	573
3.2. From debt securities and other fixed-income securities	8 076	5 591
3.3. From deposits with credit institutions	449	677
3.4. From other investments	0	0
4. Gains on re-adjustments on investments	0	0
5. Gains on the realisation of investments	17 041	7 930
III. Unrealised gains on investments	19 926	13 685
IV. Other technical income - net of reinsurance	1 361	5 224
V. Claims incurred (1+2)	34 123	19 374
1. Claims paid - net of reinsurance	32 095	19 307
1.1. Gross claims paid	32 484	19 756
1.2. Reinsurers' share in gross claims paid	389	449
2. Change in of provision for claims outstanding - net of reinsurance	2 028	67
2.1. Gross provisions	2 121	-1 043
2.2. Reinsurers' share	93	-1 110
VI. Change in other technical provisions - net of reinsurance (1+2)	81 041	69 299
1. Change in life assurance provision - net of reinsurance	-515	888
1.1. Gross provisions	-515	888
1.2. Reinsurers' share	0	0
2. Change in technical provision for life-assurance policies where the investment risk is borne by policyholders	81 556	68 411
2.1. Gross provisions	81 556	68 411
2.2. Reinsurers' share	0	0
3. Change in other technical provisions specified in the articles of association - net of reinsurance	0	0
3.1. Gross provisions	0	0
3.2. Reinsurers' share	0	0
VII. Bonuses and rebates including change in provisions - net of reinsurance	112	65
VIII. Operating expenses (1+2-3)	31 040	44 992
1. Acquisition costs	10 602	14 706
1.1. Including change in activated acquisition costs	-638	4 261
2. Administrative expenses	21 173	30 632
3. Reinsurance commissions and profit participation	735	346
IX. Investment charges (1+2+3+4)	2 860	1 793
1. Maintenance of land and buildings charges	0	0
2. Other investments charges	1 137	891
3. Losses on re-adjustments on investments	0	0
4. Losses on the realisation of investments	1 723	902
X. Unrealised losses on investments	4 481	1 531
XI. Other technical costs - net of reinsurance	476	2 400
XII. Net returns on investment including costs, transferred to the profit and loss account	1 763	3 861
XIII. Balance on technical life insurance account	- 5 679	-5 518

General income statement

In PLN thousand	2003	2002
I. Technical account - Non-life insurance	-5 679	-5 518
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 variable-yield securities, units and investment certificates in investment funds	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	1763	3861
IV. Net returns on investments including costs, transferred from the technical life insurance account	0	0
V. Investments charges	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	26 105	2 322
IX. Other operating expenses	6 362	10 039
X. Profit (loss) on operation activity	15 827	-9 374
XI. Extraordinary profits	0	0
XII. Extraordinary losses	0	0
XIII. Gross profit (loss)	15 827	-9 374
XIV. Income tax	0	0
XV. Other mandatory profit reductions (increase of losses)	0	0
XVI. Net profit (loss)	15 827	-9 374

Cash flow statement

In PLN thousand	2003	2002
A. Cash flow from operating activities	48 058	50 267
I. Proceeds	113 561	110 265
1. Proceeds on direct activities and reinsurance accepted	105 315	107 473
1.1. Gross premium proceeds	105 314	107 473
1.2. Gross recourse and claims return proceeds	0	0
1.3. Other proceeds on direct activities	1	0
2. Outwards reinsurance proceeds	1 031	779
2.1. Proceeds from reinsurers resulting from their share in claims	385	400
2.2. Proceeds from reinsurer commission and profit participation	646	379
2.3. Other outward reinsurance proceeds	0	0
3. Proceeds on other operating activities	7 215	2 013
3.1. Proceeds resulting from activities of average adjuster	0	0
3.2. Sale of intangible assets and tangible fixed assets except for investments	36	75
3.3. Other proceeds	7 179	1 938
II. Expenses	65 503	59 998
1. Expenses for direct activities and reinsurance accepted	59 437	58 500
1.1. Gross premiums return	534	1 599
1.2. Gross claims paid	32 484	19 292
1.3. Expenses on acquisition	9 330	17 548
1.4. Administration expenses	16 987	19 989
1.5. Commission and profit participation on reinsurance accepted paid	0	0
1.6. Other expenses on direct activities and reinsurance accepted	102	72
2. Outwards reinsurance expenses	2 114	1 341
2.1. Premiums paid for outwards reinsurance	2 114	1 341
2.2. Other outwards reinsurance expenses	0	0
3. Expenses on other operating activities	3 952	157
3.1. Expenses resulting from activities of average adjuster	0	0
3.2. Purchase of intangible assets and tangible fixed assets except for investments	514	118
3.3. Other operating expenses	3 438	39
B. Cash flow from investment activities	-48 244	-50 584
I. Proceeds	1 344 286	1 914 344
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	57 790	3 839
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	319 860	572 729
6. Liquidation of deposits with credit institutions	952 192	1 328 060
7. Realisation of other investments	0	0
8. Proceeds from land and buildings	0	0
9. Interest received	13 330	9 143
10. Dividend received	1 114	573
11. Other investments proceeds	0	0

Cash flow statement

In PLN thousand	2003	2002
II. Expenses	1 392 530	1 964 928
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	56 589	20 409
4. Purchase of debt securities issued by affiliated undertakings and repayment of granting them loans	40	0
5. Purchase of debt securities issued by other undertakings	385 860	625 655
6. Purchase of deposits with credit institutions	948 904	1 318 066
7. Purchase of other investments	0	0
8. Expenses on maintenance of land and buildings	0	0
9. Other investments expenses	1 137	798
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
D. Total net cash flow (A.III ± B.III ± C.III)	-186	-317
E. Change in cash on balance sheet:	-186	-317
- including change in cash due to difference in exchange rates	0	0
F. Cash at the beginning of period	714	1 031
G. Cash at the end of period (F ± D):	528	714
- including those of limited possibilities of allocation	0	0



Registered Auditor's Opinions

The personal touch

Personal service is a phrase that's often used - and, unfortunately, frequently misused.

What do we at the Generali Group mean by personal service?

Tailored advice and solution finding aimed at optimizing each individual customer's long-term financial arrangements.

Registered Auditor's Opinion*

To the Shareholders' and Supervisory Board of Generali Życie Towarzystwo Ubezpieczeń S.A.

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 2003, showing total assets and total equity and liabilities of 36.736.484,06 PLN;
- (b) the technical life insurance account for the year ended 31 December 2003, showing the technical loss to be transferred to the profit and loss account of 4.795.624,56 PLN;
- (c) the profit and loss account for the year ended 31 December 2003, showing a net loss of 2.523.598,39 PLN;
- (d) the statement of changes in equity for the year ended 31 December 2003, showing a decrease in equity of 2.523.598,39 PLN;
- (e) the cash flow statement for the year ended 31 December 2003, showing a net increase in cash and cash equivalents of 1.557,79 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 2003;
- 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 2003 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 particular accounting principles for insurance companies;
- (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 2003 and of the results of its operations for the year ended 31 December 2003.

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, 8th March 2004

* 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.

Registered Auditor's Opinion*

To the Shareholders' and Supervisory Board of Zurich Towarzystwo Ubezpieczeń na Życie S.A.

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

- (a) the balance sheet as at 31 December 2003, showing total assets and total equity and liabilities of 386.119.327,09 PLN;
- (b) the technical life insurance account for the year ended 31 December 2003, showing the technical loss to be transferred to the profit and loss account of 5.678.717,88 PLN;
- (c) the profit and loss account for the year ended 31 December 2003, showing a net loss of 15.826.814,32 PLN;
- (d) the statement of changes in equity for the year ended 31 December 2003, showing an increase in equity of 15.826.814,32 PLN;
- (e) the cash flow statement for the year ended 31 December 2003, showing a net decrease in cash and cash equivalents of 186.241,17 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 2003;
- 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 2003 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 particular accounting principles for insurance companies;
- (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 2003 and of the results of its operations for the year ended 31 December 2003.

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, 8th March 2004

* 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.



**Statement
by the Managing Board
of Generali T.U. S.A.
and Zurich T.U. S.A.**

Offering solutions, not products

To help us provide tailor-made complete solutions rather than just individual products, we have researched the most important concerns in our customers' lives. Alongside health and financial security, they are travel, the car and the home.

All-embracing holistic concepts open up added possibilities in every one of those areas.

Statement by the Managing Board

Generali Towarzystwo Ubezpieczeń S.A., Zurich Towarzystwo Ubezpieczeń S.A.

Product portfolio - products' modifications and new products

Personal insurance

"Lew Uczeń"
personal accident insurance for students and the staff of educational institutions
In June 2003, Generali T.U. S.A. product offer was extended by new personal accident insurance for the students and staff of educational institutions called "Lew Uczeń". This insurance offers a wide range of guaranteed benefits and a simplified system of indemnity payment.

Motorcar insurance

"Lew Pomocnik"
short-term assistance insurance
In June 2003, as one of few insurance companies in Poland, Generali T.U. S.A. introduced short-term assistance insurance called "Generali Assistance – Lew Pomocnik", which provides cover on the territory of Poland and in most European countries. The 24-hour Generali Assistance Centre provides the clients with assistance in the event of vehicle breakdown, accident or theft and other unexpected events such as entrapment in vehicle, damage to keys, failure of tyres, battery or theft protection devices. Generali provides its clients with advice, technical support, organisational and medical assistance.

Motor own damage insurance and theft insurance
In the second half of 2003 Generali T.U. S.A. introduced new motor own damage insurance and theft insurance providing its current and potential clients with improved offer both in terms of insurance protection and premiums.

Changes in third-party liability insurance tariffs
In 2003, Generali introduced new, improved tariffs for TPL insurance, which have significantly increased its competitiveness on the market. To meet its clients' expectations, Generali implemented a system of acknowledging the discounts granted by other insurers, which makes it easier for clients to document their right to a lower premium. With the new, improved terms and conditions, Generali caters not only to the needs of new clients, but also its existing clients. The new general insurance terms and conditions apply equally to both client groups.

Property insurance

"Lew Lokator"
household insurance
In October 2003, Generali property insurance offer was extended by the "Lew Lokator" household insurance. This product responds to the market demand for cheaper and less complicated insurance. Its main advantage is the fast and simple procedure of insurance contract execution.

Property insurance for corporate clients

Financial loss insurance for the entrepreneurs
In April 2003, Generali T.U S.A. introduced financial loss insurance for the entrepreneurs. It is the only insurance of this type on the Polish insurance market addressed to small enterprises. This product is offered as additional insurance to company property insurance. It enables the company to survive in the event of business interruption or limitation due to the damage to or loss of company property. Contrary to traditional business interruption insurance addressed to large corporate clients, this insurance covers financial losses resulting from a business interruption due to an accident of company owner or vital staff member.

New general insurance terms and conditions

As a result of new insurance acts coming into force, Generali Group companies modified general insurance terms and conditions in view of the new legal regulations. The adjustment of binding general insurance terms and conditions (GITC)

were effected in two ways: new GITC wordings were introduced or annexes were attached to the existing GITC. The adjustment process was completed by the end of 2003.

Generali Group Poland property insurance offer*:

Insurance for individual clients

- Property insurance**
 - "Lew Domownik" comprehensive household insurance
 - "Lew Prywatnie" third party liability in private life insurance
 - "Lew Budowniczy" buildings and buildings under construction insurance
 - "Lew Lokator" household insurance
 - Cyberinsurance (e-household insurance)
- Personal insurance**
 - "Lew Podróżnik" travel insurance
 - "Lew Przyjaciół" personal accident insurance – serious injuries
 - "Lew Przyjaciół" personal accident insurance – permanent disability
 - Cyber Insurance (e-personal accident insurance)
- Motor insurance**
 - Motor third-party liability in domestic traffic
 - Motor third-party liability in international traffic (Green Card)
 - Motor own damage and theft insurance
 - Personal accident insurance for drivers and passengers of vehicles
 - "Lew Pomocnik" Generali Assistance insurance
 - "Lew Adwokat" legal protection insurance in road traffic

Insurance for corporate clients

- Property insurance**
 - Fire and allied perils property insurance
 - Burglary and robbery property insurance
 - All risks property insurance
 - Business interruption insurance
- Technical insurance**
 - Construction plant and machinery (CMP)
 - Machinery breakdown
 - Electronic equipment insurance
 - Construction all risks insurance (CAR)
 - Erection all risks insurance (EAR)
- Transport insurance**
 - Cargo insurance
 - Carrier's third-party liability insurance in domestic and international carriage
 - Shipper's third-party liability insurance
- Group personal insurance**
 - "Lew Przyjaciół" personal accident insurance: permanent health impairment
 - "Lew Przyjaciół" personal accident insurance: permanent disability
 - "Lew Podróżnik" travel insurance
 - "Lew Uczeń" accident insurance for the students and staff of educational institutions
- Others**
 - Third-party liability insurance
 - Financial insurance
 - "Lew Przedsiębiorca" small business insurance package
 - Financial loss insurance for entrepreneurs

* March 2004

"Multichannel" distribution strategy

In 2003 the Generali Group noted a significant change in its sales policy. In addition to the extensive development of the Group's own sales networks, which had previously constituted the Group's strategic distribution channels, a decision has been made to work closely with external partners.

Exclusive sales structures

Complex Network and Life&Pension Network

In 2003, the Group continued to reorganise and expand its sales networks, a process which began in the preceding year, aimed at increasing the number of exclusive agents, local sales divisions and optimising the sales and service processes. The existing division into two sales networks with different specialisation has been preserved: Life&Pension Network and Complex Network.

In the 16 branches of Life&Pension Network work 555 agents, 67 team managers and 16 area managers.* The Network specializes in sales of life insurance products and open pension fund membership agreements.

The Complex Network offers a whole range of insurance products, from motorcar through property, personal and life insurance to open pension fund membership agreements. This offer targets both the individual clients and SMEs and some corporate clients. The 16 branches of the Complex Network work with 470 agents supported, in terms of substantive and administrative supervision, by 58 team managers and 16 area managers.*

In addition to the sales networks of the Generali Group, the two central sales offices are responsible for co-operation with large institutional and industrial clients as well as the servicing of international programmes. One of the offices offers comprehensive property insurance cover, and the other group personal and life insurance products.

The "strategic motor" project

The "strategic motor" project was one of the key projects, initiated in 2003, to address the planned increase in motorcar insurance sales. Its main purpose is to increase the value and efficiency of the acquired resources (both in the Head Office and in branches) assigned to the implementation of the motorcar insurance sales plan. The project will be continued in 2004.

Recruitment project

In the previous year the "Candidate" recruitment project (introduced as a pilot project in several voivodships in 2002) covered the entire country. The project, aiming to reduce the excessive agent fluctuation, focuses on the candidate's practical introduction to the profession of an agent. Before signing the agency agreement, the candidate is not only acquainted with the theoretical aspects of the insurance agent's work, but is also assisted by an experienced team manager, actively participates in the direct sales process, becoming familiar with the practical aspects of the profession.

External distribution channels

In 2003, the Group took active steps to further the involvement of external distribution channels in its new distribution strategy: with brokers – in relation to corporate services, with multiagencies and bank's – as regards individual clients. We provide our partners with a whole array of competitive products, insurance programmes and top quality service. As the result, our external partners reported significant sales growth, in particular with regard to the sale of open pension fund membership agreements by multiagencies.

* balance as at 31 December 2003

Brand and product promotion

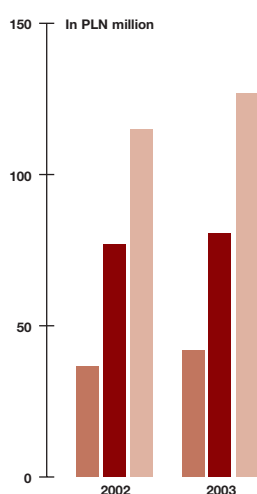
Image campaign In May 2003, Generali implemented the subsequent stage of the image campaign, which commenced in 2002. Its purpose was both to increase the awareness of the Generali brand and to inform the public of the change in the name Zurich OFE to Generali OFE. The five-week advertising campaign was based on a TV advertisement which brought positive effects.

"Apple or lemon" In June 2003, Generali organised the "Apple or lemon" event for the fifth time, which focuses on prevention and education. It aims at increasing of children and drivers' awareness of road security and accident prevention.

Product campaign The last campaign of 2003 was a product campaign promoting two groups of insurance products: motorcar insurance and property insurance. Press and radio advertisements highlighted the most important features of Generali products from the client's point of view: good price and efficient service.

Financial results

Higher gross premium income In 2003, both non-life insurance companies of the Generali Group collected a total of PLN 129.4 million, indicating a 12 per cent increase from the previous year (at the same time, Poland's non-life insurance market increased by approx. 2.5%). This increase was caused by the very high dynamics of written premium in the last three quarters of 2003, which resulted mainly from modifications of TPL and motor own damage insurance tariffs, introduction of new household insurance and implementation of measures to support the sale of individual non-life insurance. Such measures included in particular: close cooperation with external brokers, multiagencies, but also with banks. We have also acquired new clients serviced under international programmes and introduced a number of innovative affinity insurance programmes addressed to our business partners' clients.



Gross premium income

Generali T.U. S.A. and Zurich T.U. S.A.

In PLN million	2002	2003
Generali T.U. S.A.	77.3	81.1
Zurich T.U. S.A.	37.9	48.3
Total	115.2	129.4

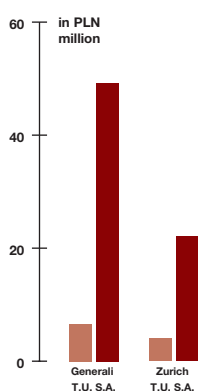
Improvement of net financial result The total net financial result of both companies amounted to PLN 1.4 million, indicating an increase of around PLN 6.5 million from the previous year. Generali T.U. S.A. generated a profit of PLN 0.8 million while Zurich T.U. S.A. reported a profit of PLN 0.6 million. Such improvement was mainly due to a substantial reduction of administrative costs (by 23%) which, as similar to life insurance companies, resulted from restructuring, process standardization and utilisation of synergy effects from the merger. The result was also influenced by a positive claims ratio – the total gross claims ratio of both companies reached 40.3%.

Net financial results

Generali T.U. S.A. and Zurich T.U. S.A.

In PLN million	2002	2003
Generali T.U. S.A.	-7.8	0.8
Zurich T.U. S.A.	2.7	0.6
Total	-5.1	1.4

High solvency ratios The companies continue to maintain the safety ratio at a very high level. The ratio of assets to technical insurance reserves amounted to 160% in Zurich T.U. S.A. and to 137% in Generali T.U. S.A. The ratio of owner's equity to solvency margin exceeded 500% in both companies (Generali T.U. S.A. 704%, Zurich T.U. S.A. 509%).



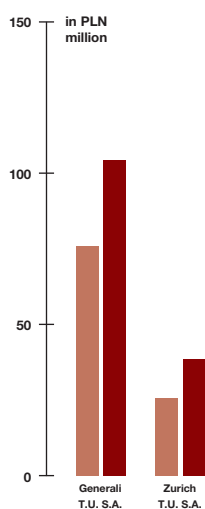
Solvency margin cover with owner's equity as of 31.12.2003

	Generali T.U. S.A.	Zurich T.U. S.A.
Owner's equity (in PLN million)	48.49	21.71
Solvency margin (in PLN million)	6.89	4.27
Solvency margin cover (%)	704	509

Deposits The key objectives for the investment policy is the achievement of high long-term profitability and the safety of funds entrusted and adequate solvency provisions.

The structure of deposits according to currency at the end of 2003 was as follows:

- Generali T.U. S.A.: 7.9% in foreign currency (EUR/USD), the remaining 92.1% in PLN,
- Zurich T.U. S.A.: 7.5% in foreign currency (EUR/USD), the remaining 92.5% in PLN.



The structure of deposits per type at of the end of 2003 was as follows:

- Generali T.U. S.A.: treasury bonds 79.1%, shares in investment funds 5.1%, bank deposits 4.1%, corporate debt securities 8.6%, stock 0.1%, shares in affiliates 3%,
- Zurich T.U. S.A.: treasury bonds 81.3%, bank deposits 9.5%, corporate debt securities 9.2%.

Ratio of assets to technical insurance reserves as of 31.12.2003

	Generali T.U. S.A.	Zurich T.U. S.A.
Assets (in PLN million)	103.59	38.67
Technical insurance reserves (in PLN million)	75.77	24.11
Ratio (%)	137	160



Generali T.U. S.A.

Financial statement*

Excelling rather than being just good at what we do

We are never totally satisfied with our performance. We constantly strive to improve our services, advisory support and products. But we can only do so if we know exactly what matters to our customers, what makes them happy – and where we could do better. Enabling us to fulfil our customers' every wish.

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

Balance sheet

Assets

In PLN thousand	31.12.2003	31.12.2002
A. Intangible assets	48	1 175
1. Goodwill	0	0
2. Other intangible assets and advances for intangible assets	48	1 175
B. Investments	94 412	82 366
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	2 783	0
1. Shares or participating interests in affiliated undertakings	780	0
2. Debt securities issued by, and loans to, affiliated undertakings	2 003	0
3. Other investments	0	0
III. Other financial investments	91 629	82 366
1. Shares, participating interests and other variable-yield securities, units and investment certificates in investment funds	4 939	4 176
2. Debt securities and other fixed-income securities	82 796	74 989
3. Participation in investment pools	0	0
4. Loans guaranteed by mortgages	0	0
5. Other loans	0	0
6. Deposits with credit institutions	3 894	3 201
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	84 202	28 972
I. Direct insurance debtors	15 192	12 047
1. Debtors from policyholders	14 479	11 559
1.1. From affiliated undertakings	0	0
1.2. From other undertakings	14 479	11 559
2. Debtors from insurance intermediaries	81	29
2.1. From affiliated undertakings	0	0
2.2. From other undertakings	81	29
3. Other debtors	632	459
3.1. From affiliated undertakings	0	0
3.2. From other undertakings	632	459
II. Debtors arising out of reinsurance operations	55 687	14 553
1. From affiliated undertakings	51 960	13 293
2. From other undertakings	3 727	1 260
III. Other debtors	13 323	2 372
1. Budget debtors	0	0
2. Other debtors	13 323	2 372
2.1. From affiliated undertakings	11 369	258
2.2. From other undertakings	1 954	2 114
E. Other assets	2 027	4 292
I. Tangible assets	1 897	4 144
II. Cash	130	148
III. Other assets	0	0
F. Prepayments and accrued income	5 119	4 919
I. Assets from deferred income tax	0	0
II. Activated acquisition costs	5 001	4 807
III. Accrued interest and rent	0	1
IV. Other prepayments and accrued income	118	111
Total Assets	185 808	121 724

Liabilities

In PLN thousand	31.12.2003	31.12.2002
A. Capital and reserves	48 537	37 755
I. Subscribed capital	31 000	29 000
II. Called-up subscribed capital (negative value)	0	0
III. Own shares (negative value)	0	0
IV. Reserve capital (fund)	46 127	38 127
V. Revaluation capital (fund)	0	0
VI. Other reserve capital	10 000	10 000
VII. Profit (loss) from previous years	-39 371	-31 526
VIII. Net profit (loss)	781	-7 846
B. Subordinated liabilities	0	0
C. Technical provisions	75 769	59 277
I. Provision for unearned premiums and provision for unexpired risk	43 677	32 240
II. Life assurance provision	0	0
III. Provision for claims outstanding	32 034	27 007
IV. Provision for bonuses and rebates	46	30
V. Equalisation provision	12	0
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)	44 474	33 602
I. Reinsurers' share in provision for unearned premiums and provision for unexpired risk	25 967	18 482
II. Reinsurers' share in life assurance provision	0	0
III. Reinsurers' share in provision for claims outstanding	18 474	15 092
IV. Reinsurers' share in provision for bonuses and rebates	33	28
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	50	1 685
I. Other provisions	0	0
II. Provision for deferred income tax	0	0
III. Other provisions	50	1 685
F. Deposits received from reinsurers	35 447	26 730
G. Creditors and special funds	58 636	21 919
I. Creditors arising out of direct insurance	3 711	2 381
1. Creditors to policyholders	3 635	2 374
1.1. With regard to affiliated undertakings	0	0
1.2. With regard to other undertakings	3 635	2 374
2. Creditors to insurance intermediaries	48	7
2.1. With regard to affiliated undertakings	0	0
2.2. With regard to other undertakings	48	7
3. Other insurance creditors	28	0
3.1. With regard to affiliated undertakings	0	0
3.2. With regard to other undertakings	28	0
II. Creditors arising out of reinsurance operations	52 971	17 852
1. With regard to affiliated undertakings	46 220	11 603
2. With regard to other undertakings	6 751	6 249
III. Creditors arising out issue of own debt securities and loans taken	0	0
IV. Amounts owed to credit institutions	0	0
V. Other creditors	1 882	1 573
1. Budget creditors	435	648
2. Other creditors	1 447	925
2.1. With regard to affiliated undertakings	780	702
2.2. With regard to other undertakings	667	223
VI. Special funds	72	113
H. Accruals and deferred income	11 843	7 960
1. Accruals	8 354	5 107
2. Negative goodwill	0	0
3. Deferred income	3 489	2 853
Total Liabilities	185 808	121 724

Profit and loss statement

Technical non-life insurance account

In PLN thousand	2003	2002
I. Earned premiums	23 375	34 927
1. Gross written premiums	81 075	77 263
2. Share of reinsurers in written premium	53 747	47 678
3. Change in gross provision for unearned premiums and provision for unexpired risk	11 437	-8 555
4. Reinsurers' share in change of provision for unearned premiums	7 484	-3 213
II. Net returns on investment including costs, transferred from the profit and loss account	11	98
III. Other technical income - net of reinsurance	972	213
IV. Claims incurred	19 282	23 362
1. Claims paid - net of reinsurance	17 637	22 046
1.1. Gross claims paid	38 346	44 893
1.2. Reinsurers' share in gross claims paid	20 709	22 847
2. Change in provision for claims outstanding - net of reinsurance	1 645	1 316
2.1. Gross provisions	5 027	3 436
2.2. Reinsurers' share	3 382	2 120
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	11	1
VII. Operating expenses	19 954	24 973
1. Acquisition costs	13 079	15 640
1.1. Including change in activated acquisition costs	-194	1 628
2. Administrative expenses	28 903	36 047
3. Reinsurance commissions and profit participation	22 028	26 714
VIII. Other technical costs - net of reinsurance	4 655	6 727
IX. Change in equalisation provisions	12	0
X. Balance on technical non-life insurance account	-19 556	-19 825

General income statement

In PLN thousand	2003	2002
I. Technical account - Non-life insurance	-19 556	-19 825
II. Investment income	3 701	5 639
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	2 391	1 870
3.1. From shares, participating interests and other variable-yield securities, units and investment certificates in investment funds	174	153
3.2. From debt securities and other fixed-income securities	1 994	1 597
3.3. From deposits with credit institutions	223	120
3.4. From other investments	0	0
4. Gains on re-adjustments on investments	0	0
5. Gains on the realisation of investments	1 310	3 769
III. Unrealised gains on investments	2 983	8 621
IV. Net returns on investments including costs, transferred from the technical life insurance account	0	0
V. Investments charges	848	343
1. Maintenance of land and buildings charges	0	0
2. Other investment charges	107	343
3. Losses on re-adjustments on investments	741	0
4. Losses on the realisation of investments	0	0
VI. Unrealised losses on investments	1 986	500
VII. Net returns on investments including costs, transferred from the technical non-life insurance account	-11	-98
VIII. Other operating income	19 824	928
IX. Other operating expenses	3 326	2 268
X. Profit (loss) on operation activity	781	-7 846
XI. Extraordinary profits	0	0
XII. Extraordinary losses	0	0
XIII. Gross profit (loss)	781	-7 846
XIV. Income tax	0	0
XV. Other mandatory profit reductions (increase of losses)	0	0
XVI. Net profit (loss)	781	-7 846

Cash flow statement

In PLN thousand	2003	2002
A. Cash flow from operating activities	-1 818	- 9 564
I. Proceeds	104 909	148 899
1. Proceeds on direct activities and reinsurance accepted	79 990	80 006
1.1. Gross premium proceeds	78 247	77 813
1.2. Gross recourse and claims return proceeds	1 306	2 016
1.3. Other proceeds on direct activities	437	177
2. Outwards reinsurance proceeds	14 175	65 376
2.1. Proceeds from reinsurers resulting from their share in claims	5 455	18 524
2.2. Proceeds from reinsurer commission and profit participation	8 720	28 653
2.3. Other outward reinsurance proceeds	0	18 199
3. Proceeds on other operating activities	10 744	3 517
3.1. Proceeds resulting from activities of average adjuster	3 478	2 857
3.2. Sale of intangible assets and tangible fixed assets except for investments	1	123
3.3. Other proceeds	7 265	537
II. Expenses	106 727	158 463
1. Expenses for direct activities and reinsurance accepted	77 768	96 323
1.1. Gross premiums return	962	923
1.2. Gross claims paid	39 735	46 988
1.3. Expenses on acquisition	11 951	13 914
1.4. Administration expenses	24 786	34 124
1.5. Commission and profit participation on reinsurance accepted paid	0	0
1.6. Other expenses on direct activities and reinsurance accepted	334	374
2. Outwards reinsurance expenses	23 321	57 880
2.1. Premiums paid for outwards reinsurance	20 212	46 368
2.2. Other outwards reinsurance expenses	3 109	11 512
3. Expenses on other operating activities	5 638	4 260
3.1. Expenses resulting from activities of average adjuster	2 960	2 690
3.2. Purchase of intangible assets and tangible fixed assets except for investments	260	1 157
3.3. Other operating expenses	2 418	413
B. Cash flow from investment activities	-8 200	-12 707
I. Proceeds	809 844	1 108 457
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	0	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	309 275	774 770
6. Liquidation of deposits with credit institutions	494 808	328 586
7. Realisation of other investments	0	0
8. Proceeds from land and buildings	0	0
9. Interest received	5 529	3 888
10. Dividend received	1	0
11. Other investments proceeds	231	1 213

Cash flow statement

In PLN thousand	2003	2002
II. Expenses	818 044	1 121 164
1. Purchase of land and buildings	0	0
2. Purchase of shares, participating interests in affiliated undertakings	1 443	0
3. Purchase of shares, participating interests in other undertakings, as well as of units and certificates in investment funds	0	0
4. Purchase of debt securities issued by affiliated undertakings and repayment of granting them loans	2 000	0
5. Purchase of debt securities issued by other undertakings	319 128	797 706
6. Purchase of deposits with credit institutions	495 354	323 114
7. Purchase of other investments	0	0
8. Expenses on maintenance of land and buildings	0	0
9. Other investments expenses	119	344
C. Cash flow from financial activities	10 000	22 000
I. Proceeds	10 000	22 000
1. Net proceeds on issue of shares and surcharge to capital	10 000	22 000
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
D. Total net cash flow (A.III ± B.III ± C.III)	-18	-271
E. Change in cash on balance sheet:	-18	-270
- including change in cash due to difference in exchange rates	0	1
F. Cash at the beginning of period	148	419
G. Cash at the end of period (F ± D):	130	148
- including those of limited possibilities of allocation	0	0



Zurich T.U. S.A.

Financial statement*

CARE

- more than just a feelgood word

A mere four letters that stand for a whole universe.

It's difficult to explain in just a few words all the things that CARE means to us at Generali. Perhaps we can best put it like this:

We see every customer as special, so we also strive to offer every customer something special. We do that by tailoring our advisory support, products and services as closely as possible to the particular customer's needs.

CARE's most important ambassadors are our staff. It is the people who work for us that bring the CARE principle to life for our customers on a day-to-day on-the-spot basis. They do everything they can to provide each customer with carefully personalized expert advice, finding made-to-measure solutions for a comprehensive range of differing situations and circumstances in their lives.

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

Balance sheet

Assets

In PLN thousand	31.12.2003	31.12.2002
A. Intangible assets	48	29
1. Goodwill	0	0
2. Other intangible assets and advances for intangible assets	48	29
B. Investments	38 605	35 151
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	0	0
1. Shares or participating interests in affiliated undertakings	0	0
2. Debt securities issued by, and loans to, affiliated undertakings	0	0
3. Other investments	0	0
III. Other financial investments	38 605	35 151
1. Shares, participating interests and other variable-yield securities, units and investment certificates in investment funds	0	0
2. Debt securities and other fixed-income securities	34 919	31 359
3. Participation in investment pools	0	0
4. Loans guaranteed by mortgages	0	0
5. Other loans	0	0
6. Deposits with credit institutions	3 686	3 792
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	12 557	5 525
I. Direct insurance debtors	1 456	1 770
1. Debtors from policyholders	1 456	1 770
1.1. From affiliated undertakings	0	0
1.2. From other undertakings	1 456	1 770
2. Debtors from insurance intermediaries	0	0
2.1. From affiliated undertakings	0	0
2.2. From other undertakings	0	0
3. Other debtors	0	0
3.1. From affiliated undertakings	0	0
3.2. From other undertakings	0	0
II. Debtors arising out of reinsurance operations	11 047	3 661
1. From affiliated undertakings	3 560	1
2. From other undertakings	7 487	3 660
III. Other debtors	54	94
1. Budget debtors	16	0
2. Other debtors	38	94
2.1. From affiliated undertakings	5	17
2.2. From other undertakings	33	77
E. Other assets	197	282
I. Tangible assets	159	240
II. Cash	38	42
III. Other assets	0	0
F. Prepayments and accrued income	691	1 001
I. Assets from deferred income tax	0	0
II. Activated acquisition costs	672	968
III. Accrued interest and rent	0	0
IV. Other prepayments and accrued income	19	33
Total Assets	52 098	41 988

Liabilities

In PLN thousand	31.12.2003	31.12.2002
A. Capital and reserves	21 764	21 125
I. Subscribed capital	18 700	18 700
II. Called-up subscribed capital (negative value)	0	0
III. Own shares (negative value)	0	0
IV. Reserve capital (fund)	14 800	14 800
V. Revaluation capital (fund)	0	0
VI. Other reserve capital	0	0
VII. Profit (loss) from previous years	-12 375	-15 114
VIII. Net profit (loss)	639	2 739
B. Subordinated liabilities	0	0
C. Technical provisions	24 109	27 510
I. Provision for unearned premiums and provision for unexpired risk	12 764	10 445
II. Life assurance provision	0	0
III. Provision for claims outstanding	11 037	17 065
IV. Provision for bonuses and rebates	0	0
V. Equalisation provision	308	0
D. Reinsurers' share in technical provisions (negative value)	21 048	22 304
I. Reinsurers' share in provision for unearned premiums and provision for unexpired risk	11 990	8 380
II. Reinsurers' share in life assurance provision	0	0
III. Reinsurers' share in provision for claims outstanding	9 058	13 924
IV. Reinsurers' share in provision for bonuses and rebates	0	0
E. Other provisions	0	437
I. Other provisions	0	0
II. Provision for deferred income tax	0	0
III. Other provisions	0	437
F. Deposits received from reinsurers	2 978	5 574
G. Creditors and special funds	22 082	7 642
I. Creditors arising out of direct insurance	1 371	692
1. Creditors to policyholders	718	246
1.1. With regard to affiliated undertakings	0	0
1.2. With regard to other undertakings	718	246
2. Creditors to insurance intermediaries	653	446
2.1. With regard to affiliated undertakings	0	0
2.2. With regard to other undertakings	653	446
3. Other insurance creditors	0	0
3.1. With regard to affiliated undertakings	0	0
3.2. With regard to other undertakings	0	0
II. Creditors arising out of reinsurance operations	20 326	6 718
1. With regard to affiliated undertakings	9 057	5
2. With regard to other undertakings	11 269	6 713
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	374	223
1. Budget creditors	186	131
2. Other creditors	188	92
2.1. With regard to affiliated undertakings	174	55
2.2. With regard to other undertakings	14	37
VI. Special funds	11	9
H. Accruals and deferred income	2 213	2 004
1. Accruals	541	645
2. Negative goodwill	0	0
3. Deferred income	1 672	1 359
Total Liabilities	52 098	41 988

Profit and loss statement

Technical non-life insurance account

In PLN thousand	2003	2002
I. Earned premiums	2 149	6 803
1. Gross written premiums	48 342	37 952
2. Share of reinsurers in written premium	47 484	32 838
3. Change in gross provision for unearned premiums and provision for unexpired risk	2 319	-5 959
4. Reinsurers' share in change of provision for unearned premiums	3 610	-4 270
II. Net returns on investment including costs, transferred from the profit and loss account	0	0
III. Other technical income - net of reinsurance	70	0
IV. Claims incurred	475	3 381
1. Claims paid - net of reinsurance	1 636	3 584
1.1. Gross claims paid	9 284	6 894
1.2. Reinsurers' share in gross claims paid	7 648	3 310
2. Change in provision for claims outstanding - net of reinsurance	-1 161	-203
2.1. Gross provisions	-6 028	4 069
2.2. Reinsurers' share	-4 867	4 272
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	0	0
VII. Operating expenses	1 267	2 827
1. Acquisition costs	2 967	3 524
1.1. Including change in activated acquisition costs	296	645
2. Administrative expenses	4 220	6 891
3. Reinsurance commissions and profit participation	5 920	7 588
VIII. Other technical costs - net of reinsurance	2 323	781
IX. Change in equalisation provisions	308	0
X. Balance on technical non-life insurance account	-2 154	-186

General income statement

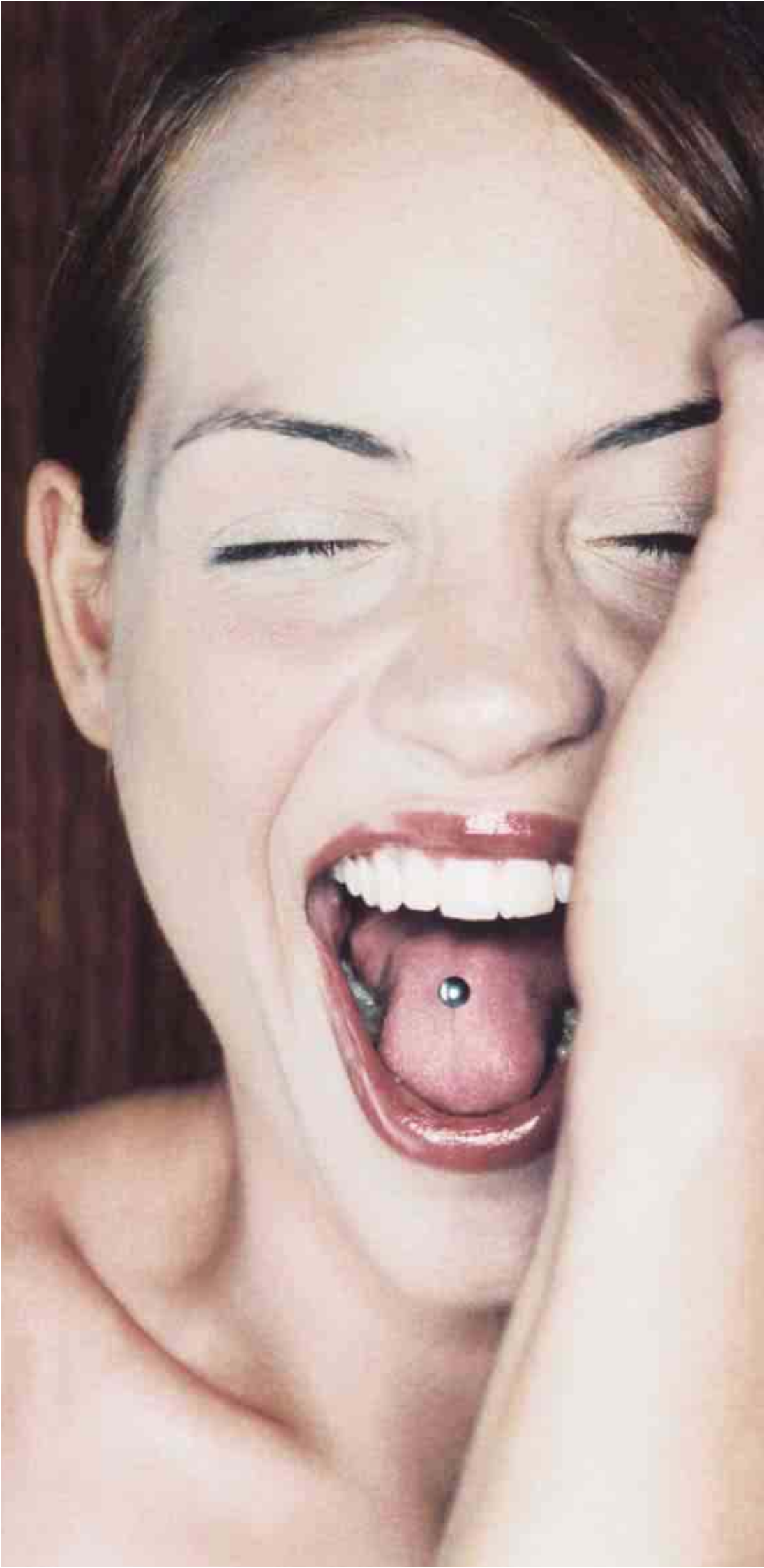
In PLN thousand	2003	2002
I. Technical account - Non-life insurance	-2 154	-186
II. Investment income	1 738	3 020
1. Income from land and buildings	0	0
2. Income from investments in affiliated undertakings	0	0
2.1. From shares and participating interests	0	0
2.2. From loans and debt securities	0	0
2.3. From other investments	0	0
3. Income from other financial investments	1 486	1 802
3.1. From shares, participating interests and other variable-yield securities, units and investment certificates in investment funds	0	0
3.2. From debt securities and other fixed-income securities	1 305	1 136
3.3. From deposits with credit institutions	181	666
3.4. From other investments	0	0
4. Gains on re-adjustments on investments	0	0
5. Gains on the realisation of investments	252	1 218
III. Unrealised gains on investments	1 384	881
IV. Net returns on investments including costs, transferred from the technical life insurance account	0	0
V. Investments charges	41	143
1. Maintenance of land and buildings charges	0	0
2. Other investment charges	19	143
3. Losses on re-adjustments on investments	0	0
4. Losses on the realisation of investments	22	0
VI. Unrealised losses on investments	1 253	89
VII. Net returns on investments including costs, transferred from the technical non-life insurance account	0	0
VIII. Other operating income	1 056	277
IX. Other operating expenses	91	1 021
X. Profit (loss) on operation activity	639	2 739
XI. Extraordinary profits	0	0
XII. Extraordinary losses	0	0
XIII. Gross profit (loss)	639	2 739
XIV. Income tax	0	0
XV. Other mandatory profit reductions (increase of losses)	0	0
XVI. Net profit (loss)	639	2 739

Cash flow statement

In PLN thousand	2003	2002
A. Cash flow from operating activities	1 007	-879
I. Proceeds	58 481	59 510
1. Proceeds on direct activities and reinsurance accepted	50 628	46 132
1.1. Gross premium proceeds	49 433	45 794
1.2. Gross recourse and claims return proceeds	1 084	338
1.3. Other proceeds on direct activities	111	0
2. Outwards reinsurance proceeds	7 121	13 026
2.1. Proceeds from reinsurers resulting from their share in claims	5 284	5 722
2.2. Proceeds from reinsurer commission and profit participation	1 837	6 923
2.3. Other outward reinsurance proceeds	0	381
3. Proceeds on other operating activities	732	352
3.1. Proceeds resulting from activities of average adjuster	0	0
3.2. Sale of intangible assets and tangible fixed assets except for investments	11	43
3.3. Other proceeds	721	309
II. Expenses	57 474	60 389
1. Expenses for direct activities and reinsurance accepted	18 757	19 116
1.1. Gross premiums return	1 645	3 708
1.2. Gross claims paid	10 380	7 035
1.3. Expenses on acquisition	2 464	5 159
1.4. Administration expenses	4 086	3 161
1.5. Commission and profit participation on reinsurance accepted paid	0	-12
1.6. Other expenses on direct activities and reinsurance accepted	182	65
2. Outwards reinsurance expenses	38 474	41 022
2.1. Premiums paid for outwards reinsurance	34 726	38 304
2.2. Other outwards reinsurance expenses	3 748	2 718
3. Expenses on other operating activities	243	251
3.1. Expenses resulting from activities of average adjuster	0	0
3.2. Purchase of intangible assets and tangible fixed assets except for investments	155	246
3.3. Other operating expenses	88	5
B. Cash flow from investment activities	-1 013	840
I. Proceeds	1 028 239	1 519 304
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	0	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	118 589	159 114
6. Liquidation of deposits with credit institutions	907 013	1 358 912
7. Realisation of other investments	0	0
8. Proceeds from land and buildings	0	0
9. Interest received	2 637	1 278
10. Dividend received	0	0
11. Other investments proceeds	0	0

Cash flow statement

In PLN thousand	2003	2002
II. Expenses	1 029 252	1 518 464
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	0	0
4. Purchase of debt securities issued by affiliated undertakings and repayment of granting them loans	0	0
5. Purchase of debt securities issued by other undertakings	122 377	171 863
6. Purchase of deposits with credit institutions	906 856	1 346 598
7. Purchase of other investments	0	0
8. Expenses on maintenance of land and buildings	0	0
9. Other investments expenses	19	3
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
D. Total net cash flow (A.III Ā B.III Ā C.III)	-6	-39
E. Change in cash on balance sheet:	-4	-39
- including change in cash due to difference in exchange rates	2	0
F. Cash at the beginning of period	42	81
G. Cash at the end of period (F Ā D):	38	42
- including those of limited possibilities of allocation	0	0



Registered Auditor's Opinion

Being in favour of things instead of against

Being committed to offering our customers intelligent solutions and services to help them fulfil all their desires and plans may sound simple – but it isn't.

To be an ideal "coach" for our customers, we have to think further ahead than our competitors. Whether it's a matter of big product concepts or the many minor details that make the difference between a good and an exceptional product solution.

Registered Auditor's Opinion*

To the Shareholders' and Supervisory Board of Generali Towarzystwo Ubezpieczeń S.A.

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 2003, showing total assets and total equity and liabilities of 185.807.676,11 PLN;
- (b) the technical non-life insurance account for the year ended 31 December 2003, showing the technical loss to be transferred to the profit and loss account of 19.556.393,73 PLN;
- (c) the profit and loss account for the year ended 31 December 2003, showing a net profit of 781.156,19 PLN;
- (d) the statement of changes in equity for the year ended 31 December 2003, showing an increase in equity of 10.781.156,19 PLN;
- (e) the cash flow statement for the year ended 31 December 2003, showing a net decrease in cash and cash equivalents of 18.151,86 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 2003;
- 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 2003 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 particular accounting principles for insurance companies;
- (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 2003 and of the results of its operations for the year ended 31 December 2003.

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, 8th March 2004

* 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.

Registered Auditor's Opinion*

To the Shareholders' and Supervisory Board of Zurich Towarzystwo Ubezpieczeń S.A.

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

- (a) the balance sheet as at 31 December 2003, showing total assets and total equity and liabilities of 52.097.859,83 PLN;
- (b) the technical non-life insurance account for the year ended 31 December 2003, showing the technical loss to be transferred to the profit and loss account of 2.153.959,81 PLN;
- (c) the profit and loss account for the year ended 31 December 2003, showing a net profit of 639.363,20 PLN;
- (d) the statement of changes in equity for the year ended 31 December 2003, showing an increase in equity of 639.363,20 PLN;
- (e) the cash flow statement for the year ended 31 December 2003, showing a net decrease in cash and cash equivalents of 3.741,36 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 2003;
- 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 2003 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 particular accounting principles for insurance companies;
- (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 2003 and of the results of its operations for the year ended 31 December 2003.

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, 8th March 2004

* 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.



**Statement by the
Managing Board
of Generali Powszechne
Towarzystwo Emerytalne**

Serving people, not numbers

Some companies are happy to sell a customer a product and then lean back complacently and do nothing. Others offer their customers comprehensive long-term support. Reflecting our dedication to the CARE principle, we have a clear commitment to the second approach. That does of course mean that we need to carefully analyze every customer's situation and circumstances and think now about what could be important to that particular customer in the future. That is time well spent - because CARE means having the best possible ideas on hand for each customer throughout his or her life.

Statement by the Managing Board

Generali Powszechno Towarzystwo Emerytalne S.A.

Change of legal regulations The legal act amending the regulations concerning the operation of pension funds became effective in 2003. This act significantly altered the regulations relating to costs and revenues of pension funds. It introduced, among other things, percentage and quota limits for management fees and limits for the up-front fee charged from contributions.

The act also resolved the problem of overdue contributions which were not paid by the Social Security (ZUS) to the funds. According to new regulations, contributions will be made by the end of 2007 in the form of treasury bonds issued for that purpose.

Change of fund's name One of the most significant events of the past year was the change of the fund's name from Zurich Otwarty Fundusz Emerytalny to Generali Otwarty Fundusz Emerytalny. The change resulted from the introduction of a new shareholder in 2002 – Generali Holding Vienna AG, a member of the Generali Group – for Zurich PTE S.A. (as of May 2003 – Generali PTE S.A.) managing the fund.

Investment market Investment results achieved by Generali PTE S.A. are the consequence of the adopted investment strategy as well as the situation on financial markets and the general condition of economy and its internal processes. The previous year witnessed increased economic growth, which was influenced by growing exports, industrial production and revived domestic demand. Here are the highlights of 2003:

- continuing cycle of lowering interest rates by the Monetary Council,
- positive results of the EU accession referendum in Poland,
- accelerated economic growth and higher inflation rate,
- growing budget deficit and the need for difficult financial reforms,
- higher demand for treasury bonds,
- weakening of the Polish currency.

Top investment results When choosing or changing the fund, customers focus mostly on the fund's investment results and the safety of their deposits – these factors determine the value of future pensions. Last year, Generali OFE (Open Pension Fund) achieved a return rate of 12.04%, ranking third on the market with regard to top investment results. It should be noted, however, that Generali OFE attained the highest mark in the ranking of similar and larger funds. From the beginning of the fund's operation, i.e. since May 1999 until the end of 2003, the rate of return exceeded 75%. These results were achieved while ensuring the high safety level of the fund's assets. As far as net assets value (PLN 1.48 billion) is concerned, Generali OFE ranked 6th with a 3.3% share in the market.

Safe investment strategy To secure the invested assets and to limit the investment risk, Generali OFE management tried to maintain a diversified portfolio of the fund, with the application of financial instruments that guarantee a high rate of return and limited investment risk. As far as debt securities are concerned, the fund's portfolio comprised mainly securities issued by the State Treasury. The remaining assets were invested in the shares of companies approved for public trading and quoted on the Warsaw Stock Exchange, and were deposited in banks with very good financial condition and high credibility.

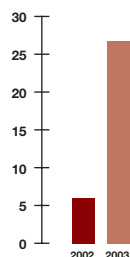
The investment results of Generali OFE indicate that the approved and consequently enforced strategy is safe and highly effective.



Financial results In 2003, the company achieved a net profit of PLN 48.6 million. Primary income was generated in respect of pension fund management, i.e. up-front fee collected from contributions and management fees, and it amounted respectively to ca. 31% and 9% of company’s operating income. The company reported also high profits from single operations, particularly resulting from the change of regulations on reserve accounts. In 2003, the company allocated to revenues an amount which will later be withdrawn from the reserve account – equivalent to approximately 18% of the company's total income.

As the result of an active member aquisition policy, acquisition costs had the highest share of total expenses. Membership register costs, in particular tranfer agents and Social Security (ZUS) charges, were also a large cost item.

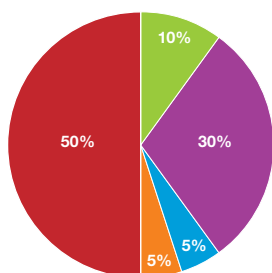
Significant membership increase In relation to changes in the client acquisition strategy involving broader cooperation with external sales representatives and intensified sales of OFE membership contracts through own sales structures, the number of new Generali OFE members increased by 344%, as compared with the previous year, and amounted to over 27 thousand persons. At the end of 2003, the total number of Generali OFE members reached 380 400.



New Generali OFE members

	2002	2003
Generali OFE	6 146	27 329

The assets allocation model will be preserved in 2004 as follows:



Investment type	Percentage share
Treasury bond and bills	50%
Other debt securities	10%
Equities	30%
Bank deposits	5%
Other assets	5%

Planned direction of investment activities The investment strategy in 2004, will be mostly influenced by the growing economy, both in Poland and worldwide, Poland’s integration with the European Union and preparations for joining the monetary union. The fund managers will closely watch new companies entering the stock exchange. We will also monitor the situation of companies already present on trading floor in an on-going search for new investment opportunities. In view of the above assumptions and in an effort to minimise the associated risk, financial instruments will be selected in view of the top-performing investments.

Net assets in December 2003

Open Pension Fund	in PLN million
CU	12710.48
ING NN	10046.86
PZU	6272.65
AIG	3833.87
Skarbiec-Emerytura	1619.50
Generali	1481.54
Bankowy	1368.06
Sampo	1374.88
Allianz	1210.77
Credit Suisse	1143.91
Pocztylion	937.53
Ergo Hestia	915.36
Dom	749.71
PKO	721.97
Kredyt Bank	264.16
Polsat	181.84

Rates of return in 2003

Open Pension Fund	in %
Polsat	16.77
Dom	12.14
Generali	12.04
AIG	11.89
PZU	11.70
NN	11.36
Sampo	11.06
Bankowy	11.01
Allianz	10.92
Skarbiec	10.71
Pocztylion	10.42
PKO	10.40
Ergo Hestia	10.10
CU	9.94
CSLP	9.86
KB	9.72



**Generali Powszechne
Towarzystwo Emerytalne S.A.**

Financial statement*

**Proactive action
instead of marking time**

One key component of the CARE principle is taking the initiative in good time and averting many problems before they can arise. That is why we have developed a whole raft of products and services that are predominantly preventative. In one area of expertise in particular - health - we offer our customers a variety of preventative options designed to help them enjoy lasting wellbeing.

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

Balance sheet

Assets

In PLN thousand	31.12.2003	31.12.2002
A. Fixed assets	28 662	4 615
I. Intangible assets	169	2 523
1. Other intangible assets	169	2 419
2. Prepayments of intangible assets	0	104
II. Tangible fixed assets	1 395	2 050
1. Technical equipment	861	1 292
2. Cars	33	91
3. Others	501	667
III. Long-term investment	27 071	0
1. Long-term financial assets	27 071	0
1.1. With related entities	15 050	0
1.1.1. Shares	15 050	0
1.2. With 3 rd parties	12 021	0
1.2.1. Debt securities	12 021	0
IV. Other long-term assets	27	42
1. Deferred tax income assets	0	0
2. Prepaid expenses	27	42
B. Current assets	67 710	37 260
I. Inventories	28	10
1. Materials	26	0
2. Prepayments of supply	2	10
II. Short-term receivables	43 614	948
1. Receivables from related entities	42 736	81
1.1. Trade receivables:		
- payable at 12 months	15 625	0
1.2. Others	27 111	81
2. Receivables from 3 rd parties	878	867
2.1. Taxes, duties, social and health insurance and other contributions	11	0
2.2. Other receivables	867	867
III. Short-term investments	24 044	36 197
1. Short-term financial assets	24 044	36 197
1.1. In 3 rd parties	23 478	30 465
1.1.1. Debt securities	23 478	30 465
1.2. Cash	556	5 732
1.2.1. Cash in hands and on bank deposits	556	5 732
IV. Prepaid expenses	24	105
Total Assets	96 372	41 875

Shareholders equity and liability

In PLN thousand	2003	2002
A. Shareholders equity	84 159	35 564
I. Share capital	145 500	145 500
II. Retain earnings	-109 937	-116 324
III. Net income of current year	48 596	6 388
B. Liabilities	12 213	6 311
I. Provisions	7 750	3 488
1. Deferred tax payables	0	0
2. Other provisions	7 750	3 488
2.1. Long-term	0	1 123
2.2. Short-term	7 750	2 365
II. Short-term payables	2 042	1 690
1. With related entities	511	254
1.1. Trade payables:		
– payable at 12 months	511	0
1.2. Others	0	254
2. With 3rd parties	1 524	1 413
2.1. Trade payables:		
– payable at 12 months	1 345	1 230
2.2. Tax, duties, social and health insurance and other contributions	165	170
2.3. Salaries	0	0
2.4. Others	14	13
3. Special funds	7	23
III. Accruals and deferred income	2 421	1 133
1. Accrued expenses	2 421	1 133
1.1. Short-term	2 421	1 133
Total shareholders equity and liabilities	96 372	41 875

Income statement

In PLN thousand	2003	2002
I. Revenue from sales	51 376	34 649
including related entities	51 319	34 592
1. Revenue from asset management activity	51 376	34 649
II. Operational costs	29 476	25 924
1. Materials and energy	977	1 006
2. External services	11 546	8 047
3. Taxes and duties	27	8
4. Salaries	2 967	4 766
5. Employee benefits	466	835
6. Depreciation and amortisation	2 375	3 691
7. Others	11 118	7 571
III. Income on sales	21 900	8 725
IV. Other operating revenue	34 710	627
1. Gains from sales of non-financial fixed assets	30 015	0
2. Others	4 695	627
V. Other operating expenses	9 548	6 106
1. Losses from sales of non-financial fixed assets	0	10
2. Valuation of non-financial assets	0	2 116
3. Others	9 548	3 980
VI. Operating profit	47 062	3 246
VII. Financial revenue	2 654	3 154
1. Interests	1 370	1 331
1.1. Including related entities	0	0
2. Realised gains on sales	170	31
3. Unrealised gains	1 114	1 792
4. Others	0	0
VIII. Financial expenses	1 120	12
1. Interests	35	2
1.1. Including related entities	0	0
2. Realised losses on sales	0	9
3. Unrealised gains	1 085	0
4. Others	0	1
IX. Result on economic activity	48 596	6 388
X. Result on extraordinary events	0	0
XI. Gross income	48 596	6 388
1. Income taxes	0	0
XII. Net income	48 596	6 388

Cash flow statement

In PLN thousand	2003	2002
A. Cash flows from operational activity	9 785	13 066
I. Net income	48 596	6 388
II. Corrections:	-38 811	6 678
1. Depreciation and amortisation	2 375	3 691
2. Interests	-2 169	-3 123
3. Gains/losses on investment activity	-29 210	-12
4. Change of provisions	4 262	3 488
5. Change of inventories	-19	6
6. Change of receivables	-15 548	464
7. Change of payables (excluding credits and loans)	352	-407
8. Change of deferred and accrued items	1 368	467
9. Others	-222	2 104
B. Cash flows from investment activity	-14 951	-16 206
I. Inflows	34 541	3 497
1. Sales of organised part of enterprises	4 000	0
2. Sales of intangible and tangible fixed assets	1	14
3. Sales of financial assets, including:	30 540	3 483
3.1. related entities	0	0
3.2. 3 rd parties	30 540	3 483
3.2.1. Sale of financial assets	28 842	2 006
3.2.2. Interests	1 698	1 477
II. Outflows	49 492	19 703
1. Purchases of intangible and tangible fixed assets	232	205
2. Purchases of financial assets	49 260	19 498
2.1. In related entities	15 050	0
2.2. In 3 rd parties	34 210	19 498
2.2.1. Purchases of financial assets	34 210	19 498
C. Cash flows from financial activity	0	0
I. Inflows	0	0
II. Outflows	0	0
D. Total net cash flow	-5 166	-3 140
Change of cash in balance sheet	-5 166	-3 140
Including change of cash from foreign exchange	0	0
E. Cash at the beginning of period	5 732	8 872
F. Cash at the end of period	566	5 732
Including cash with limited possibility of using	0	0



Registered Auditor's Opinion

The personal touch

Personal service is a phrase that's often used - and, unfortunately, frequently misused.

What do we at the Generali Group mean by personal service?

Tailored advice and solution finding aimed at optimizing each individual customer's long-term financial arrangements.

Registered Auditor's Opinion*

To the Shareholders' and Supervisory Board of Generali Powszechne Towarzystwo Emerytalne S.A.

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

- (a) The balance sheet as at 31 December 2003 r., with total assets and total liabilities and equity of PLN 96.371.947,21;
- (b) the profit and loss account for the year then ended with a net profit of PLN 48.595.503,93;
- (c) the statement of changes in equity for the period from 1 January 2003 to 31 December 2003, with an increase in equity of PLN 48.595.503,93;
- (d) the cash flow statement for the year then ended with a decrease in cash amounting to PLN 5.165.875,28;
- (e) the notes to the financial statements consists of the introduction to the financial statements and the supplementary information and explanations.

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) section 7 of the Polish Accounting Act dated 29 September 1994 ("the Act" - uniform text, Official Journal from 2002, No 76, item 694);
- (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 2003 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 2003 and of the results of its operations for the year ended 31 December 2003.

Warsaw, 18th February 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, 18th February 2004

* 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.



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