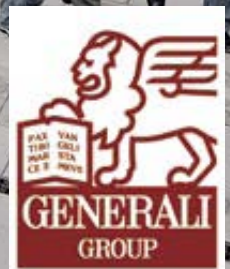


ANNUAL REPORT 2006



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



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Generali Group Poland

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Letter of Generali Group Polska President

Dear Reader,

The 2006 annual report reflexes the activity of Generali Group in Poland, four years after the takeover of Zurich Group companies in Polish market in 2002. Last year we continued fast organic growth and the implementation of strategic initiatives aiming at the improvement of the key performance indicators in the insurance business. As a result, we managed to consolidate the Group's lasting profitability which started in 2005, and we generated a profit of 12 M PLN.

In 2006, the companies of the Generali Group in Poland wrote insurance premiums totalling over 734 M PLN, several million PLN more than in 2005. Our life insurance business was growing particularly fast. In the most important life insurance segment with regular premiums the company Generali Życie T.U. S.A. reported a 24 percent year-on-year growth in 2006. This was a notable achievement as our competitors grew by approximately 13 percent year-on-year. Our group life insurance segment grew even faster, by 36 percent with a regular premium, proving Generali's leading position in group life insurance offered to the employees of transnational corporations.

In the property insurance business in 2006 we focused on improving the profitability of the existing portfolio, enhancing internal processes and customer service. As a result, the major property insurance lines (excluding motor insurance) grew significantly by over 30 percent year-on-year, which outperformed the market visibly. In 2006, we also successfully restructured and grew the profitability of the motor insurance portfolio.

All these factors helped to reduce the claims ratio and to improve the financial results of Generali T.U. S.A., which will get on track of lasting profitability in 2007.

In 2006, we were satisfied with the good financial and investment performance of our pension fund company. OFE Generali grew its active customer base by 15 percent (to 465 thousand members) and its assets under management by 42 percent (to 4,2 B PLN). Thanks to its effective investment policy, OFE Generali was a top 3 pension fund as measured by investment performance in 2006. As a result, the fund was allowed to participate in the lottery of pension fund members and acquired over 40 thousand new customers.

Now that Generali has reached its break-even in Poland, it enters a new stage of growth. We are currently focusing on the dynamic growth of the core business and the expansion of the product offering. We are planning new investments to grow the distribution channels in 2007. Our strategic objective in the next 2-3 years is to tap the great potential of the Generali Group companies. The launch of new organisational initiatives, dynamic expansion of the product offering, effective mobilisation of the sales force combined with the continued cost regime will drive improved performance of our business.

Our goal for 2007 is to come close to 1 B PLN of insurance written premiums and to grow the financial results at least by a factor of 3 year-on-year. We will work to grow dynamically the business of the Generali Group in the main market segments, including life insurance with a regular premium, property motor insurance, and the open-ended pension fund, exceeding by far the growth of our competitors in 2007. This will be helped by the strategic projects initiated in 2005-2006. As a result, we want Generali to achieve a market share of over 3 percent in Poland (as measured by written premiums) and a return on equity (ROE) of over 20 percent.

The first months of 2007 proof the success of the strategic direction, as the Group outperforms the market competitors in all strategic areas, such as pension fund, life insurance with a regular premium, motor insurance and others.

All of this makes me optimistic about the growth of the Generali Group in Poland in 2007, 2008, and after.

Erich Fischer

President of the Management Board
Generali Group in Poland

Company profiles

Company: Generali Towarzystwo Ubezpieczeń S.A.

Headquarter: ul. Postępu 15
02-676 Warszawa

Share capital: 190,21 M PLN

Shareholder: Generali Holding Vienna AG

Licence: 5 July 1999 r.

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: Erich Fischer – Member
Michał Gomowski – Member
Jarosław Mastalerz – Member till 30th June 2006
Artur Olech – Member since 1st October 2006

SUPERVISORY BOARD: Karl Stoss – Chairman
Werner Moertel – Vice-Chairman
Walter Steidl – Member
Valter Trevisani – Member
Luciano Cirina – Member

Selected financial data: (Thousands PLN)

| | 2003 | 2004 | 2005 | 2006 |
|-----------------------------|---------|---------|---------|---------|
| Gross written premium | 129 417 | 296 915 | 281 894 | 247 734 |
| Net written premium | 28 187 | 103 851 | 103 834 | 92 411 |
| Gross technical provisions* | 98 983 | 294 467 | 365 594 | 386 431 |
| Net technical provisions* | 33 909 | 120 236 | 153 865 | 170 529 |
| Investments** | 216 070 | 372 358 | 417 094 | 415 355 |
| Share capital | 190 210 | 190 210 | 190 210 | 190 210 |
| Number of employees | 217 | 292 | 329 | 360 |

* estimated recourses are included

** data for 2005 changed, data for 2003 and 2004 not changed

Company: Generali Życie Towarzystwo Ubezpieczeń S.A.

Headquarter: ul. Postępu 15
02-676 Warszawa

Share capital: 61 M PLN

Shareholder: Generali Holding Vienna AG

Licence: 6 January 1998

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

MANAGEMENT BOARD: Erich Fischer – President
Michał Gomowski – Member
Jarosław Mastalerz – Member till 30th June 2006
Artur Olech – Member since 1st October 2006

SUPERVISORY BOARD: Karl Stoss – Chairman
Werner Moertel – Vice-Chairman
Walter Steidl – Member
Valter Trevisani – Member
Luciano Cirina – Member

Selected financial data: (Thousands PLN)

| | 2003 | 2004 | 2005 | 2006 |
|----------------------------|---------|---------|---------|-----------|
| Gross written premium | 113 622 | 174 927 | 435 750 | 486 536 |
| Net written premium | 106 569 | 134 303 | 430 322 | 478 951 |
| Gross technical provisions | 298 782 | 424 003 | 664 794 | 948 901 |
| Net technical provisions | 292 795 | 423 512 | 663 451 | 947 596 |
| Investments | 357 057 | 508 962 | 756 723 | 1 048 360 |
| Share capital | 61 000 | 61 000 | 61 000 | 61 000 |
| Number of employees | 150 | 215 | 173 | 177 |

Company: Generali Powszechne Towarzystwo Emerytalne S.A.

Headquarter: ul. Postępu 15
02-676 Warszawa

Share capital: 145,5 M PLN

Shareholder: Generali Holding Vienna AG – 3,44% shares
Generali T.U. S.A. - 96,56 % shares

Licence: 8 January 1999

Scope of activity: Generali OFE management

MANAGEMENT BOARD: Artur Olech – Member till 30th September 2006
Piotr Pindel – Member
Jacek Smolarek – Member
Rafał Markiewicz – Member since 11th December 2006

SUPERVISORY BOARD: Werner Moertel – Chairman
Walter Steidl – Vice-Chairman
Karol Lutkowski – Member
Maciej Zieliński – Member

Selected financial data: (Thousands PLN)

| | 2003 | 2004 | 2005 | 2006 |
|-------------------------|-----------|-----------|-----------|-----------|
| Assets under management | 1 481 544 | 2 101 419 | 2 935 620 | 4 186 385 |
| Revenue from sales | 51 376 | 42 900 | 45 632 | 53 409 |
| Net income* | 49 860 | 17 319 | 9 633 | 13 267 |
| Subscribed capital | 145 500 | 145 500 | 145 500 | 145 500 |
| Number of employees | 73 | 81 | 144 | 154 |

* data for 2005 changed, data for 2003 and 2004 not changed

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, Poznan, Lodz 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 theremaining personal and property insurance. Two insurance companies are established: GeneraliTowarzystwo Ubezpieczeń S.A. and Generali Życie Towarzystwo Ubezpieczeń S.A. |
| 26 March 2002 | Generali Holding signs an agreement with Zurich Financial Services for the take-over of two insurance companies by Generali (Zurich Towarzystwo Ubezpieczeń S.A., Zurich Towarzystwo Ubezpieczeń na Życie S.A.) and Zurich Powszechne Towarzystwo Emerytalne S.A. managing the Zurich Open Pension Fund. |
| 6 November 2002 | Generali Holding purchases shares of the Zurich Towarzystwo Ubezpieczeń na Życie S.A., Zurich Towarzystwo Ubezpieczeń S.A. and Zurich Powszechne Towarzystwo Emerytalne S.A., becoming the owner of these companies. |
| 11 April 2003 | Zurich Powszechne Towarzystwo Emerytalne S.A. becomes Generali Powszechne 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 completion of merger between Generali and Zurich in life & non-life sectors. |
| 1 January 2006 | Generali established a car dealers' insurance company – Generali AutoProgram Sp. z o.o. (GAP) |
| December 2006 | Generali has 16 branches of Life & Pension Sales Network & 16 branches of Sales Complex Network. |
| December 2006 | Polish Generali Group includes the following companies: Generali Towarzystwo Ubezpieczeń S.A. Generali Życie Towarzystwo Ubezpieczeń S.A. Generali Powszechne Towarzystwo Emerytalne S.A. Generali Finance Sp. z o.o. Generali AutoProgram Sp. z o.o. |

P Product range

Generali Group Poland – life insurance offer:

Insurance for individual clients

1. Lew Partner life and endowment insurance
2. Lew Junior dowry insurance
3. Lew Senior life insurance
4. Lwia Ochrona accident package
5. Insurance plan for long-term family welfare
6. Insurance plan for long-term family welfare – M1 version
7. Children's saving plan
8. Unit-linked pension and investment plan
9. Systematic pension and investment plan
10. Insurance plan for short-term family welfare
11. Life insurance with insurance capital plan Generali Beneficio
12. Life insurance with insurance capital plan Generali OmniProfit
13. Life insurance with insurance capital plan OVB Future Invest
14. Term annuity life insurance
15. Life insurance with IKE rider
16. IKE BRE life insurance with insurance capital plan
17. Life insurance with insurance capital fund Leo Life (new)
18. Life insurance with insurance capital fund Leo Life (transferred)

Insurance for corporate clients

1. Centrum group life insurance
2. Centrum Max group life insurance
3. Employee pension schemes
4. Individual prolongation of group life insurance

Generali Group Poland – non life insurance offer:

Insurance for individual clients

Property insurance

1. Lew Domownik comprehensive household insurance
2. Lew Prywatnie third party liability in private life insurance
3. Lew Budowniczy buildings and buildings under construction insurance
4. Lew Lokator household and third party liability insurance
5. Cyberinsurance
6. Pakiet Diamentowy – all risk insurance
7. Generali Presto – insurance package for small and medium size companies
8. Generali dla spółdzielczości – collective property insurance

Personal insurance

Personal insurance for individual clients

1. Serious injuries – personal accident insurance
2. Permanent disability – personal accident insurance
3. Travel insurance – Lew Podróżnik
4. Foreign travel insurance

Motor insurance

1. Motor third party liability for vehicle owners covering losses caused I domestic and international traffic
2. Green Card
3. Motor own damage and theft insurance (autocasco)
4. Personal accident insurance for drivers and passengers of the vehicle
5. Lew Pomocnik – Generali Assistance insurance
6. Lew Adwokat – legal protection insurance in road traffic

Insurance for corporate clients:

Property insurance

1. Property insurance
 - Fire and allied perils insurance
 - Burglary and robbery property insurance
 - All risk property insurance
 - Business interruption insurance
2. Technical insurance
 - Construction machinery insurance
 - Machinery breakdown
 - All risk electronic equipment insurance
 - Construction all risks insurance
 - Erection all risks insurance
 - Motor own damage and theft insurance (autocasco) for track vehicles
3. Commercial property insurance
4. Third party liability insurance
5. Transport insurance
 - Cargo insurance
 - Carrier's third party liability insurance in domestic and international transport
 - Shipper's third party liability insurance
6. Financial insurance
7. Financial loss insurance for entrepreneurs

Motor insurance

1. Motor third party liability for vehicle owners covering losses caused I domestic and international traffic
2. Green Card
3. Motor own damage and theft insurance (autocasco)
4. Personal accident insurance for drivers and passengers of the vehicle
5. Lew Pomocnik – Generali Assistance insurance
6. Lew Adwokat – legal protection insurance in road traffic

Group personal insurance

1. Personal accident insurance – permanent disability
2. Personal accident insurance – serious injuries
3. Personal accident insurance – permanent health impairment
4. Personal accident insurance for students and staff of educational institutions – Lew Uczeń
5. Personal accident insurance for universities – Lew Student
6. Personal accident insurance for sports organizations
7. Travel insurance – Lew Podróżnik
8. Foreign travel insurance

Generali PTE S.A. offer:

Membership in Generali OFE

Portret Generali Vienna Group

Generali Vienna Group: Central i Eastern Europe Financial Group

The Generali Vienna Group is a fully integrated financial services provider whose activities span Austria and Central and Eastern Europe.

The Group is headed by parent Generali Holding Vienna AG, Vienna. It consists of over 60 companies in Austria and Central and Eastern Europe. These are mainly insurance companies, but they also include real estate, holding, finance, investment management and service companies, leasing firms, pension funds and a bank.

Operating in ten national markets

Besides Austria, which is its traditional home market, the Generali Vienna Group operates in ten 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 recorded consolidated premium income of 3,4 billion EUR.

The Group is one of Austria's three largest insurance enterprises with a market share of about 13,4 per cent. The Group members in its other national markets are also in a state of rapid growth.

Expansion into new European markets

High rates of growth in the new markets of Central and Eastern Europe have confirmed the strategy of the Generali Vienna Group: subsidiaries in the new markets—Hungary, the Czech Republic, Slovakia, Slovenia, Romania, Poland and Croatia—recorded growth of 16,5 per cent. As a result, their relative contribution to the Group's aggregate premium income already reached 33,4 per cent in 2006. In 2006 we entered the Serbian, Bulgarian and Ukrainian markets.

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 its foundation in 1831. The Generali Group comprises over 100 insurers spanning every continent as well as more than 50 holding and finance companies, a dozen of real-estate companies and service providers.

The Group's total direct business premiums, including those relating to investment policies, rose 2,4 per cent to 63,1 billion EUR in 2006. This gives Generali Group the position of the third-largest insurance group in Europe.

More information is available in the Internet:

www.generali-holding.at

www.generali.com

Supervisory Board's Report

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

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

PricewaterhouseCoopers Sp. z o.o. audited the financial statements and the Directors' Report for the year ended 31 December 2006, and after the audit it confirmed that they comply with statutory rules and regulations.

The Supervisory Board approved the financial statement prepared by the Management Board, the Directors' Report for the year ended 31 December 2006, it does not have any objections to raise. The Supervisory Board recommends that the Shareholders' Meeting pass a resolution to this effect.

Warsaw, March 2007

On behalf of the Supervisory Board:

Dr. Karl Stoss
Chairman

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

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

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

The Supervisory Board approved the financial statement prepared by the Management Board, the Directors' Report for the year ended 31 December 2006, it does not have any objections to raise. The Supervisory Board recommends that the Shareholders' Meeting pass a resolution to this effect.

Warsaw, March 2007

On behalf of the Supervisory Board:

Werner Moertel
Chairman

Management Report

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



M Management report

Generali T.U. S.A.

Report on the management board's activities

1. Key events in 2006

Resignation of Mr. Jarosław Mastalerz from the position of the Management Board Member dated 30th June 2006.

Appointment of Mr Artur Olech for the position of the Management Board Member dated 1st October 2006.

In comparison with the year 2005 in the year 2006 Generali T.U. S.A. recorded drop in the volume of the written premium by 12,1% with the simultaneous improvement both the technical result and net result for the period.

In year 2006 was started the Project of co-operation with the new sales distribution channel: cars' dealers. Cooperating with the service company GAP Sp. z o.o. Generali T.U. S.A. started distribution of the car insurance products in the car showrooms of FIAT and SKODA.

In the year 2006 Generali T.U. S.A. has broaden its products portfolio. The new introduced products included:

- Casco insurance of trains (polish insurance group 4)
- Presto – complex insurance of conducted business activity for small and medium enterprises (comprise between other insurance of business losses, accident insurance, general liability insurance - specialised occupational civil liability)
- Pakiet Diamentowy (Diamond Package) – household furnishing insurance against fire, theft, devastation including owner's TPL. Product offers very wide insurance protection and is dedicated for the selected clients.

2. Financial standing

In the year 2006 Generali TU SA recorded the gross written premium in total value of 247,7 M PLN. The biggest share in the portfolio recorded car insurance products (about 49,3%). The second position regarding the premium volume has corporate insurance portfolio (41,9%).

The main downturn recorded the obligatory motor TPL insurance, property and TPL insurance relating to so called international programs (100% reinsured business). In the case of motor TPL insurance in the year 2006 has been continued the process, which started already in the year 2005, aiming at the change of the targeted clients' category. As a result of the process the significant improvements in the net claims ratio has been achieved (from 126,7% in 2005 to 93,7% in 2006). In the case of the international programs from the time of Poland entry into EU, the downward trend is observed, in the segment on the whole Polish insurance market.

Simultaneously within all remaining line of business (property insurance not included in insurance programs, car insurance casco, personal insurance) the increase of written gross premium by 30%-40% was noted.

Net financial result for the period

In the year 2006 Generali T.U. S.A. generated the financial result on the negative level of 6,4 M PLN, what comprise the significant improvement of the net financial result recorded in the year 2005 (-24,9 M PLN).

The major factor influencing the improvement of the net financial result was the increase in the technical result within the insurance group 10 (motor TPL) from -47,6 M PLN in the year 2005 to -12,6 M PLN in the year 2006. The above mentioned improvement was achieved thanks to the restructuring of the car insurance portfolio and changes in the claims handling process, which were initiated yet in the year 2005.

The net result of the year 2006 highly influenced the valuation of the shares in related parties, namely Generali Powszechnie Towarzystwo Emerytalne S.A., with the equity method.

In year 2006 the rate of insurance activity costs to the net written premium amounted to 26%, what constitute the improvement in relation to year 2005 (27,6%).

High security ratios

The Company still maintains high security ratios. The ratio reflecting the coverage of solvency margin with own funds was 497%. The ratio reflecting the coverage of technical provisions with assets remains on the secured level and amounted to 109% as at the end of December 2006.

3. Expected Company's development

Main targets for the year 2007 include:

- Significant increase of the market share, particularly in the field of car insurance
- Keeping up the net financial result on the similar level to that in the year 2006
- Keeping up the profitability of the sold products
- Continued development of the co-operation with the regional multiagencies, with main scope for sale of property and car insurance
- Continued development of the co-operation with the car dealers
- Continued development of the co-operation with regional brokers in the area of corporate insurance.

4. Risks and threats to the Company's activity

The negative influence on the Company's activity could have the failure to achieve the expected results in the field of co-operation with the car dealers and multiagencies in the area of car insurance. This could result in the decrease of the gross written premium volume and as a consequence with the incurred expenses could result in the worsening of the net financial result.

The next treat for the Company's activity is problem of the unclear assumptions relating to the changes in law on the Polish insurance market, so called "Religa taxation" and problem of the increasing amounts of the claims paid resulting from the taking into consideration VAT, for the claims based on the estimated calculations. It is very difficult to foresee the reaction of the insurance market after the introduction of the above mentioned change, therefore the risk exists not to achieved the assumed market share.

The next treat is very slow increase on the market in relation to property and personal accident insurance, particularly in the area of car insurance. Increasing competition (further development of the sales channel "direct") could result in worsening profitability of the portfolio.

Generali Życie T.U. S.A.

Report on the management board's activities

1. Key events in 2006

Key events that occurred in 2006 comprised:

- Mr Jarosław Mastalerz has resigned at 30 June 2006 from the function of Management Board Member,
- Mr Artur Olech was appointed to the function of Management Board Member at 1 October 2006
- in the year 2006 the following new products were introduced:
 1. Life insurance as guarantee to mortgage loan or house loan taken from Polski Bank Spółdzielczości – insured risks: death, disability to work occurred as a result of accident (regular premium)
 2. Life insurance as guarantee to car loan taken from Toyota Bank – insured risks: death, whole disability to work, temporal disability to work (single premium)
 3. Life insurance as guarantee to car insurance taken from Eurofaktor - insured risks: death, whole disability to work, temporal disability to work (single premium)

2. Financial situation

Growth of the gross premium written by 11,7%

In 2006, premium written collected by Generali Życie T.U. S.A. grew by 11,7% (from 435,8 M PLN in 2005 to 486,6 M PLN in 2006). The most important growth factor was development of the portfolio of individual and group insurance policies providing for periodical premiums. In the segment of insurance policies with periodical premiums, the rate of growth reached 23,9%, which is much above a market average (the rate of premium growth for the first three quarters of 2006 was 14,7%). In the segment of insurance policies with single premium the growth reached 6,3%.

In 2006, total premium written mostly comprised gross life insurance premium (group 1) - 48,9%, then gross premium from life insurance with a capital fund – around 44,9% of total gross premium. Comparing to 2005, the share of insurance premium of group 3 increased as a result of greater sales of individual and group products with regular premium (mostly products from group 3) with lower growth of the premium with single payments (mostly products from group 1).

Comparing to 31.12.2005, life insurance policies where investment risk is borne by policyholders increased significantly by 263,7 M PLN (51,2%). This reflects the stable development of the portfolio and results in the increasing share of fund management fee in the company's income.

In 2006, similar as in the previous year, we observed that less customer resigned during the first year after they bought insurance policies. This is mostly a result of a change in the commission system introduced in 2004 (from the system of prepayments on an annual premium to the system of payments based on premium collected). Thanks to the visible informative operations, more and more Generali customers see benefits resulting from long-term insurance protection.

Financial performance

Comparing to the previous year, in 2006, the Company recorded some improvement to its technical result by 4,2 M PLN (the technical result was positive and amounted to 25,2 M PLN).

The Company generated net profit of 23,3 M PLN (2 million PLN higher than in previous year). At the same time the financial result for the year 2006 is lower than in 2005. This change is caused by calculation of deferred taxation.

High security ratios

The Company still maintains its security ratios at very high levels. The ratio reflecting the coverage of technical provisions with assets was 109% and the ratio reflecting the coverage of solvency margin with own funds was 307%.

3. Expected development

In 2006, the Company recorded very good results as regards the acquisition of new customers, the development of new distribution channels and net financial result. The market of section-one insurance records a significant growth resulting mainly from the development of insurance policies with single premium.

Given the increasing market trends and experience acquired in previous years, the main goals of the Company for 2007 are as follows:

- further develop of the sales network responsible for group insurances,
- actively expand our own sales network,
- our co-operation with banks (new products, new partners),
- enlargement of the product offer with new investment products,
- further improve the quality of the existing portfolio.

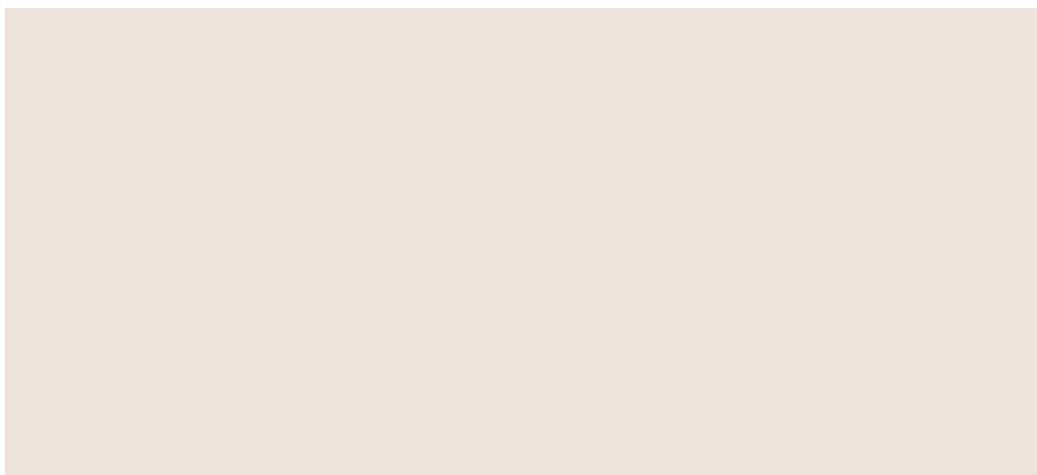
We plan to develop our portfolio, increase gross premium written and our market share increasing the Company's positive result at the same time.

4. Risks and threats to the Company's operations

In spite of a certain improvement of the market situation, one of threats to the growth of the market and the Company is still a small share of the insurance sector in domestic product resulting mainly from relatively small demand (for example due to high unemployment) and low insurance awareness of the Polish society.

This may cause that the Company will not meet its future sales plans and earn the planned financial result.

Other risk is the high concentration of the big clients in the group insurances, what in the cause of their resignation can cause significant decrease in the portfolio of group policies and at the same time reduction of the premium written.



Financial Statement

of Generali T.U. S.A.



Balance Sheet

| Assets | As of 31 December 2006 | As of 31 December 2005 changed |
|---------------------------------------------------------------------------------------------------------------------------------|---------------------------|-----------------------------------|
| | T PLN | T PLN |
| A. Intangible assets | 176 | 254 |
| 1. Goodwill | 0 | 0 |
| 2. Other intangible assets and advances on intangible assets | 176 | 254 |
| B. Investments | 415 355 | 417 094 |
| I. Real estate property | 0 | 0 |
| 1. Land owned and perpetual usufruct rights | 0 | 0 |
| 2. Buildings, structures and co-operative rights to premises | 0 | 0 |
| 3. Construction investments and advances for such investments | 0 | 0 |
| II. Investments in subsidiary entities | 102 591 | 105 535 |
| 1. Interests in subsidiary entities | 102 591 | 105 535 |
| 2. Loans granted to subsidiary entities and debt securities issued by subsidiaries | 0 | 0 |
| 3. Other investments | 0 | 0 |
| III. Other financial investments | 312 764 | 311 559 |
| 1. Equities and other variable income securities as well as participation units and investment certificates in investment funds | 14 506 | 11 064 |
| 2. Debt and other fixed income securities | 267 880 | 281 989 |
| 3. Interest in investment joint ventures | 0 | 0 |
| 4. Loans secured with mortgage | 0 | 0 |
| 5. Other loans | 0 | 8 500 |
| 6. Term investments with credit institutions | 30 378 | 10 006 |
| 7. Other investments | 0 | 0 |
| IV. Deposit receivables from assigners | 0 | 0 |
| C. Net life insurance assets when the investment risk is with the policy holder | 0 | 0 |
| D. Receivables | 182 764 | 173 467 |
| I. Receivables under direct insurance | 60 447 | 79 154 |
| 1. Receivables from policy holders | 59 019 | 77 479 |
| 1.1. From subsidiary entities | 0 | 0 |
| 1.2. From other entities | 59 019 | 77 479 |
| 2. Receivables from insurance agents | 626 | 779 |
| 2.1. From subsidiary entities | 0 | 0 |
| 2.2. From other entities | 626 | 779 |
| 3. Other receivables | 802 | 896 |
| 3.1. From subsidiary entities | 0 | 0 |
| 3.2. From other entities | 802 | 896 |
| II. Due under reinsurance | 114 280 | 91 368 |
| 1. From subsidiary entities | 0 | 0 |
| 2. From other entities | 114 280 | 91 368 |
| III. Other receivables | 8 037 | 2 945 |
| 1. From the State budget | 17 | 30 |
| 2. Other receivables | 8 020 | 2 915 |
| 2.1. From subsidiary entities | 3 008 | 47 |
| 2.2. From other entities | 5 012 | 2 868 |
| E. Other assets | 1 429 | 3 029 |
| I. Tangible fixed assets | 1 304 | 1 839 |
| II. Cash | 125 | 1 190 |
| III. Other assets | 0 | 0 |
| F. Accruals | 16 700 | 15 131 |
| I. Deferred income tax | 0 | 0 |
| II. Deferred acquisition costs | 16 453 | 14 983 |
| III. Accrued interest and rent | 23 | 0 |
| IV. Other accruals | 224 | 148 |
| Total assets | 616 424 | 608 975 |

| Liabilities | As of 31 December 2006 | As of 31 December 2005 changed |
|-------------------------------------------------------------------------------------------------------------------|---------------------------|-----------------------------------|
| | T PLN | T PLN |
| A. Equity | 113 857 | 119 140 |
| I. Share capital | 190 210 | 190 210 |
| II. Unpaid share capital (negative value) | 0 | 0 |
| III. Treasury stock (negative value) | 0 | 0 |
| IV. Reserve capital | 60 927 | 60 927 |
| V. Revaluation reserve | 8 005 | 6 866 |
| VI. Other reserves | 10 000 | 10 000 |
| VII. Retained Profit (loss) | -148 863 | -124 579 |
| VIII. Net profit (loss) | -6 422 | -24 284 |
| B. Subordinated liabilities | 0 | 0 |
| C. Technical provisions | 388 180 | 366 434 |
| I. Provision for premiums and reserve for unexpired risks | 133 975 | 139 050 |
| II. Life insurance provision | 0 | 0 |
| III. Provision for undisbursed compensation and benefits | 247 272 | 226 847 |
| IV. Provision for bonus and rebate for insured | 3 559 | 85 |
| V. Provision to equalise loss ratio (risk) | 3 374 | 452 |
| VI. Provision for premium refund to members | 0 | 0 |
| VII. Other statutory technical reserves | 0 | 0 |
| VIII. Technical reserves for life insurance if the investment risk is with the policy holder | 0 | 0 |
| D. Share of reinsurers in technical reserves (negative value) | 216 777 | 212 149 |
| I. Share of reinsurers in provision for premiums and reserve for unexpired risks | 76 643 | 80 813 |
| II. Share of reinsurers in insurance life provision | 0 | 0 |
| III. Share of reinsurers in provision for undisbursed compensation and benefits | 138 352 | 131 293 |
| IV. Share of reinsurers in provision for bonus and rebate for insured | 1 782 | 43 |
| V. Share of reinsurers in other statutory technical reserves | 0 | 0 |
| VI. Share of reinsurers in technical reserves for life insurance if the investment risk is with the policy holder | 0 | 0 |
| E. Estimated recourse and recoup | 874 | 420 |
| I. Gross estimated recourse and recoup | 1 749 | 840 |
| II. Share of reinsurers in estimated recourse and recoup | 875 | 420 |
| F. Other provisions | 1 886 | 1 622 |
| I. Provision for pension benefits and other mandatory employee benefits | 0 | 0 |
| II. Provision for deferred income tax | 1 870 | 1 610 |
| III. Other provisions | 16 | 12 |
| G. Liabilities under investments of reinsurers | 170 550 | 165 953 |
| H. Other liabilities and special funds | 114 970 | 139 719 |
| I. Liabilities under direct insurance | 13 272 | 10 284 |
| 1. Liabilities to the insured | 12 701 | 10 021 |
| 1.1. to subsidiary entities | 0 | 0 |
| 1.2. to other entities | 12 701 | 10 021 |
| 2. Liabilities to insurance agents | 571 | 263 |
| 2.1. to subsidiary entities | 0 | 0 |
| 2.2. to other entities | 571 | 263 |
| 3. Other insurance related liabilities | 0 | 0 |
| 3.1. to subsidiary entities | 0 | 0 |
| 3.2. to other entities | 0 | 0 |
| II. Reinsurance liabilities | 100 194 | 127 899 |
| 1. to subsidiary entities | 0 | 0 |
| 2. to other entities | 100 194 | 127 899 |
| III. Issued debt securities and loans received | 0 | 0 |
| 1. Convertible instruments | 0 | 0 |
| 2. Other | 0 | 0 |
| IV. Due to credit institutions | 0 | 0 |
| V. Other liabilities | 1 430 | 1 443 |
| 1. To State budget | 484 | 394 |
| 2. Other liabilities | 946 | 1 049 |
| 2.1. to subsidiary entities | 195 | 91 |
| 2.2. to other entities | 751 | 958 |
| VI. Special funds | 74 | 93 |
| I. Accruals and deferred income | 44 632 | 28 676 |
| 1. Accrued expenses | 17 315 | 18 336 |
| 2. Negative goodwill | 0 | 0 |
| 3. Deferred income | 27 317 | 10 340 |
| Total liabilities | 616 424 | 608 975 |

Profit and Loss Statement

| General profit and loss account | 12 months until 31 December 2006 | 12 months until 31 December 2005 changed |
|-----------------------------------------------------------------------------------------------------------------------------------|-------------------------------------|------------------------------------------------|
| | T PLN | T PLN |
| I. Technical result on non-life and life insurance | -23 828 | -53 668 |
| II. Investment revenues | 20 794 | 30 178 |
| 1. Revenues from investments in real estate property | 0 | 0 |
| 2. Revenues from investments in subsidiary entities | 0 | 10 042 |
| 2.1. equities | 0 | 10 042 |
| 2.2. loans and debt securities | 0 | 0 |
| 2.3. other investments | 0 | 0 |
| 3. Revenues from other financial investments | 13 692 | 14 679 |
| 3.1. equities and other variable income securities as well as participation units and investment certificates in investment funds | 68 | 125 |
| 3.2. debt and other fixed income securities | 12 665 | 14 051 |
| 3.3. term investments with credit institutions | 589 | 389 |
| 3.4. other investments | 370 | 114 |
| 4. Profit on revaluation of investments | 0 | 0 |
| 5. Profit on disposal of investments | 7 102 | 5 457 |
| III. Unrealised gain from investments | 0 | 39 |
| IV. Investment revenues net of costs, transferred from technical life insurance account | 0 | 0 |
| V. Costs of investment activity (1+2+3+4) | 1 026 | 689 |
| 1. Costs of property maintenance | 0 | 0 |
| 2. Other costs of investment activity | 188 | 146 |
| 3. Loss of revaluation of investments | 0 | 0 |
| 4. Loss on disposal of investments | 838 | 543 |
| VI. Unrealised loss on investments | 2 510 | 542 |
| VII. Net investment revenues, transferred to technical account of non-life and life insurance | 0 | 0 |
| VIII. Other operating income | 2 001 | 2 349 |
| IX. Other operating expense | 1 853 | 1 951 |
| X. Profit (loss) on operations | -6 422 | -24 284 |
| XI. Extraordinary profit | 0 | 0 |
| XII. Extraordinary loss | 0 | 0 |
| XIII. Extraordinary loss | -6 422 | -24 284 |
| XIV. Income tax | 0 | 0 |
| XV. Other mandatory decrease of profit (increase of loss) | 0 | 0 |
| XVI. Net profit (loss) | -6 422 | -24 284 |

| Technical insurance account section II Total | 12 months until 31 December 2006 | 12 months until 31 December 2005 changed |
|--------------------------------------------------------------------------------------------|-------------------------------------|------------------------------------------------|
| | T PLN | T PLN |
| I. Premium (1-2-3+4) | 93 315 | 110 829 |
| 1. Gross written premium | 247 734 | 281 894 |
| 2. Share of reinsurers in gross written premium | 155 323 | 178 060 |
| 3. Change in provisions for gross premium and unexpired risk | -5 074 | -15 734 |
| 4. Share of insurers in change of provisions for premium | -4 170 | -8 739 |
| II. Investment income net of costs, transferred from the general profit and loss account | 0 | 0 |
| III. Other technical income, net of reinsurance | 1 103 | 3 149 |
| IV. Indemnities and benefits (1+2) | 76 210 | 120 466 |
| 1. Indemnities and benefits paid, net of reinsurance: | 63 297 | 80 086 |
| 1.1. Gross paid indemnities and benefits | 149 082 | 154 217 |
| 1.2. Share of reinsurers in indemnities and benefits paid | 85 785 | 74 131 |
| 2. Change of provisions on unpaid indemnities and benefits, net of reinsurance | 12 913 | 40 380 |
| 2.1. Change of gross provisions for unpaid indemnities and benefits | 19 517 | 86 627 |
| 2.2. Share of reinsurers in change of gross provisions for unpaid indemnities and benefits | 6 604 | 46 247 |
| V. Change of other technical provisions, net of reinsurance | 0 | 0 |
| 1. Gross change of other technical provisions | 0 | 0 |
| 2. Share of reinsurers in change of other technical provisions | 0 | 0 |
| VI. Bonuses and rebates, net of reinsurance, including change in provisions | 1 814 | 102 |
| VII. Costs of insurance operations | 24 026 | 28 647 |
| 1. Acquisition costs | 36 509 | 38 627 |
| 1.1. of which change in deferred acquisition costs | -1 471 | 1 740 |
| 2. Administrative expenses | 35 507 | 27 661 |
| 3. Reinsurance commissions and share in profit by insurers | 47 990 | 37 641 |
| VIII. Other technical costs, net of reinsurance | 13 275 | 18 189 |
| IX. Change of provisions to equalise loss ratio (risk) | 2 921 | 242 |
| X. Technical result on non-life and life insurance | -23 828 | -53 668 |

Cash Flow Statement

| Cash flow statement | 12 months until 31 December 2006 | 12 months until 31 December 2005 changed |
|---------------------------------------------------------------------------------------------------------------------------|-------------------------------------|------------------------------------------------|
| | T PLN | T PLN |
| A. Cash flows from operating activities | | |
| I. Inflows | 414 175 | 388 784 |
| 1. Inflows from direct insurance and reinsurance accepted | 272 558 | 267 048 |
| 1.1. Inflow of gross premium | 271 196 | 266 633 |
| 1.2. Gross inflows under recourse and refund of indemnities | 1 360 | 411 |
| 1.3. Other inflows from direct insurance | 2 | 4 |
| 2. Inflows from outward reinsurance | 134 730 | 114 549 |
| 2.1. Payments by reinsurers due to share indemnities | 91 571 | 43 178 |
| 2.2. Inflows due to reinsurance commissions and share in profit by reinsurers | 36 106 | 32 525 |
| 2.3. Other inflows from outward reinsurance | 7 053 | 38 846 |
| 3. Other operating inflows | 6 887 | 7 187 |
| 3.1. Inflows for operating as claims representative | 5 588 | 5 506 |
| 3.2. Disposal of intangible assets and tangible fixed assets other than investments | 43 | 76 |
| 3.3. Other inflows | 1 256 | 1 605 |
| II. Outflows | 431 408 | 364 063 |
| 1. Outflows on direct insurance and reinsurance accepted / inward reinsurance | 232 946 | 224 628 |
| 1.1. Refund of gross premium | 5 061 | 4 574 |
| 1.2. Gross paid indemnities and benefits | 134 644 | 131 982 |
| 1.3. Acquisition costs | 39 741 | 35 338 |
| 1.4. Administrative expenses | 34 305 | 25 626 |
| 1.5. Expenses of loss settlement and recourse collection | 16 231 | 23 222 |
| 1.6. Commission and profit share paid due to reinsurance accepted | 583 | 19 |
| 1.7. Other expenses on direct insurance and reinsurance accepted | 2 381 | 3 867 |
| 2. Expenses on outward reinsurance | 191 496 | 132 381 |
| 2.1. Premium paid on reinsurance | 182 517 | 127 833 |
| 2.2. Other costs of outward reinsurance | 8 979 | 4 548 |
| 3. Costs of other operations | 6 966 | 7 054 |
| 3.1. Costs of acting as claims representative | 4 633 | 4 402 |
| 3.2. Purchase of intangible assets and tangible fixed assets other than investments | 632 | 1 144 |
| 3.3. Other operating expense | 1 701 | 1 508 |
| III. Cash flows from operating activities (I-II) | -17 233 | 24 721 |
| B. Flows from investing activities | | |
| I. Inflows | 3 677 581 | 2 064 261 |
| 1. Disposal of real estate property | 0 | 0 |
| 2. Disposal of interests in subordinated entities | 740 | 0 |
| 3. Disposal of interests in other entities as well as participation units and investment certificates in investment funds | 20 510 | 6 773 |
| 4. Disposal of debt securities issued by subordinated entities and repayment of loans granted to such entities | 0 | 0 |
| 5. Disposal of debt securities issued by other entities | 165 798 | 271 030 |
| 6. Closing of investments with credit institutions | 2 351 676 | 1 491 717 |
| 7. Disposal of other investments | 1 124 343 | 282 135 |
| 8. Income from real estate property | 0 | 0 |
| 9. Interest received | 14 448 | 12 481 |
| 10. Dividend received | 66 | 125 |
| 11. Other investment income | 0 | 0 |
| II. Outflows | 3 661 388 | 2 083 047 |
| 1. Purchase of real estate property | 0 | 0 |
| 2. Purchase of interests in subordinated entities | 3 000 | 0 |
| 3. Purchase of interests in other entities as well as participation units and investment certificates in investment funds | 17 827 | 6 981 |
| 4. Purchase of debt securities issued by subordinated entities and granting of loans to such entities | 0 | 0 |
| 5. Purchase of debt securities issued by other entities | 152 242 | 293 395 |
| 6. Term investments with credit institutions | 2 372 287 | 1 491 890 |

| | | |
|--------------------------------------------------------------------------|---------------|----------------|
| 7. Purchase of other investments | 1 115 844 | 290 635 |
| 8. Expenses on maintenance of real estate property | 0 | 0 |
| 9. Other investment costs | 188 | 146 |
| III. Net cash flows from investing activities (I-II) | 16 193 | -18 786 |
| C. Cash flows from financing activities | | |
| I. Inflows | 0 | 0 |
| 1. Net inflows from share issues and additional contributions to capital | 0 | 0 |
| 2. Credits, loans and issue of debt securities | 0 | 0 |
| 3. Other financial inflows | 0 | 0 |
| II. Outflows | 25 | 5 325 |
| 1. Dividend | 0 | 0 |
| 2. Other profit distributions | 0 | 0 |
| 3. Purchase of treasury stock | 0 | 0 |
| 4. Repayment of credits, loans and redemption of debt securities | 25 | 5 000 |
| 5. Interest on credits, loans and issued debt securities | 0 | 325 |
| 6. Other financial expense | 0 | 0 |
| III. Net cash flows from financing activities (I-II) | -25 | -5 325 |
| D. Total net cash flows (A.III±B.III±C.III) | -1 065 | 610 |
| E. Balance sheet change of cash, of which: | -1 065 | 611 |
| - change in cash due to foreign exchange differences | 0 | 0 |
| F. Cash at beginning of period | 1 190 | 580 |
| G. Cash at end of period (F±D), of which: | 125 | 1 190 |
| - with limited availability | 0 | 0 |

Registered Auditor's Opinion



TRANSLATORS' EXPLANATORY NOTE

The following document is a free translation of the registered auditor's opinion on the financial information presented on pages from 18 to 23 of the Annual report for 2006.

The accompanying translated financial information has not been reclassified or adjusted in any way to conform to accounting principles generally accepted in countries other than Poland, but certain terminology current in Anglo-Saxon countries has been adopted to the extent practicable. In the event of any discrepancy in interpreting the terminology, the Polish language version is binding.

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REGISTERED AUDITOR'S OPINION TO THE SHAREHOLDERS OF GENERALI TOWARZYSTWO UBEZPIECZEŃ S.A.

The financial information presented on pages from 18 to 23 of the Annual report for 2006, consisting of the balance sheet as at 31 December 2006, the technical account of property and casualty insurance, the general profit and loss account and cash flow statement for the period from 1 January 2006 to 31 December 2006 ("the financial information") of Generali Towarzystwo Ubezpieczeń S.A. seated in Warsaw, ul. Postępu 15 ("the Company") was prepared by the Management Board of the Company based on the audited financial statements of the Company for the period from 1 January 2006 to 31 December 2006 ("the financial statements").

The financial information is the responsibility of the Management Board of the Company. Our responsibility was to express an opinion, whether the financial information, in all material respects, is consistent with the financial statements from which it was derived.

The financial statements, based on which the financial information was prepared, were audited by us in accordance with Chapter 7 of the Accounting Act of 29 September 1994 (Uniform text, Journal of Laws of 2002, No. 76, item 694, with further amendments) and auditing standards issued by the National Council of Registered Auditors in Poland. On 28 February 2007 we issued an unqualified audit opinion on these financial statements.

In our opinion, the financial information presented on pages from 18 to 23 of the Annual report for 2006 is consistent, in all material respects, with the full annual financial statements from which it was derived.

For a fuller understanding of the Company's financial position as at 31 December 2006, the results of its operations for the period from 1 December 2006 to 31 December 2006 and the scope of our audit, the financial information should be read in conjunction with the financial statements from which it was derived and our opinion and audit report thereon.

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

Andrzej J. Konopacki
Member of the Management Board

PricewaterhouseCoopers Sp. z o.o.

Registered Auditor
No. 1750/287

Registered Audit Company No. 144

Warsaw, 28 February 2007

Financial Statement

of Generali Życie T.U. S.A.



B Balance Sheet

| Assets | As of 31 December 2006 | As of 31 December 2005 changed |
|---------------------------------------------------------------------------------------------------------------------------------|---------------------------|-----------------------------------|
| | T PLN | T PLN |
| A. Intangible assets | 96 | 157 |
| 1. Goodwill | 0 | 0 |
| 2. Other intangible assets and advances for intangible assets | 96 | 157 |
| B. Investments | 269 686 | 241 750 |
| I. Real estate property | 0 | 0 |
| 1. Land owned and perpetual usufruct rights | 0 | 0 |
| 2. Buildings, structures and co-operative titles to premises | 0 | 0 |
| 3. Construction investments and advances for such investments | 0 | 0 |
| II. Investments in subsidiary entities | 0 | 0 |
| 1. Shares in subsidiary entities | 0 | 0 |
| 2. Loans granted to subsidiary entities and debt securities issued by subsidiary entities | 0 | 0 |
| 3. Other investments | 0 | 0 |
| III. Other financial investments | 269 686 | 241 750 |
| 1. Variable income equities and other securities as well as participation units and investment certificates in investment funds | 7 077 | 5 505 |
| 2. Fixed income debt and other securities | 232 019 | 218 150 |
| 3. Participations in investment joint ventures | 0 | 0 |
| 4. Loans secured with a mortgage | 0 | 0 |
| 5. Other loans | 953 | 8 001 |
| 6. Long-term investments with credit institutions | 29 637 | 10 094 |
| 7. Other investments | 0 | 0 |
| IV. Deposit receivables from assigners | 0 | 0 |
| C. Net assets of life insurance with the investment risk with the insurer | 778 674 | 514 972 |
| D. Receivables | 18 433 | 13 644 |
| I. Direct insurance | 9 463 | 6 609 |
| 1. Receivables from insuring parties | 9 336 | 6 486 |
| 1.1 From subsidiary entities | 0 | 0 |
| 1.2 From other entities | 9 336 | 6 486 |
| 2. Receivables from insurance agents | 127 | 123 |
| 2.1 From subsidiary entities | 0 | 0 |
| 2.2 From other entities | 127 | 123 |
| 3. Other receivables | 0 | 0 |
| 3.1 From subsidiary entities | 0 | 0 |
| 3.2 From other entities | 0 | 0 |
| II. From other entities | 2 186 | 2 659 |
| 1. From subsidiary entities | 0 | 0 |
| 2. From other entities | 2 186 | 2 659 |
| III. Other receivables | 6 784 | 4 376 |
| 1. From State budget | 2 123 | 1 125 |
| 2. Other receivables | 4 661 | 3 251 |
| 2.1 From subsidiary entities | 0 | 0 |
| 2.2 From other entities | 4 661 | 3 251 |
| E. Other assets | 1 137 | 2 849 |
| I. Tangible fixed assets | 874 | 1 700 |
| II. Cash | 263 | 1 149 |
| III. Other assets | 0 | 0 |
| F. Accruals and prepaid expenses | 45 744 | 37 680 |
| I. Deferred income tax | 0 | 0 |
| II. Acquisition costs | 43 249 | 35 702 |
| III. Accrued interest and commissions | 829 | 0 |
| IV. Other accruals | 1 666 | 1 978 |
| Total assets | 1 113 770 | 811 052 |

| Liabilities | As of 31 December | As of 31 December |
|-------------------------------------------------------------------------------------------------------------------|-------------------|-------------------|
| | 2006 | 2005 changed |
| | T PLN | T PLN |
| A. Technical provisions | 96 995 | 98 951 |
| I. Share capital | 61 000 | 61 000 |
| II. Unpaid share capital (negative value) | 0 | 0 |
| III. Treasury stock (negative value) | 0 | 0 |
| IV. Reserve capital | 5 694 | 105 157 |
| V. Revaluation reserve | 2 375 | 2 682 |
| VI. Other reserves | 10 000 | 10 000 |
| VII. Retained Profit (loss) | 0 | -101 165 |
| VIII. Net profit (loss) | 17 926 | 21 277 |
| B. Subordinated liabilities | 0 | 0 |
| C. Technical provisions | 948 901 | 664 794 |
| I. Provision for premiums and reserve for unexpired risks | 3 800 | 3 077 |
| II. Life insurance provision | 157 248 | 137 491 |
| III. Provision for undisbursed compensation and benefits | 7 977 | 7 521 |
| IV. Provision for bonus and rebate for insured | 1 202 | 1 733 |
| V. Provision to equalise loss ratio (risk) | 0 | 0 |
| VI. Provision for premium refund to members | 0 | 0 |
| VII. Other statutory technical reserves | 0 | 0 |
| VIII. Technical reserves for life insurance if the investment risk is with the policy holder | 778 674 | 514 972 |
| D. Share of reinsurers in technical reserves (negative value) | 1 305 | 1 343 |
| I. Share of reinsurers in provision for premiums and reserve for unexpired risks | 105 | 97 |
| II. Share of reinsurers in insurance life provision | 106 | 23 |
| III. Share of reinsurers in provision for undisbursed compensation and benefits | 1 094 | 1 223 |
| IV. Share of reinsurers in provision for bonus and rebate for insured | 0 | 0 |
| V. Share of reinsurers in other statutory technical reserves | 0 | 0 |
| VI. Share of reinsurers in technical reserves for life insurance if the investment risk is with the policy holder | 0 | 0 |
| E. Estimated recourse and recoup | 0 | 0 |
| I. Gross estimated recourse and recoup | 0 | 0 |
| II. Share of reinsurers in estimated recourse and recoup | 0 | 0 |
| F. Other provisions | 8 713 | 1 404 |
| I. Provision for pension benefits and other mandatory employee benefits | 0 | 0 |
| II. Provision for deferred income tax | 5 979 | 648 |
| III. Other provisions | 2 734 | 757 |
| G. Liabilities under investments of reinsurers | 1 435 | 1 343 |
| H. Other liabilities and special funds | 15 748 | 10 526 |
| I. Liabilities under direct insurance | 10 488 | 6 248 |
| 1. Liabilities to the insured | 8 309 | 4 559 |
| 1.1 to subsidiary entities | 0 | 0 |
| 1.2 to other entities | 8 309 | 4 559 |
| 2. Liabilities to insurance agents | 2 179 | 1 689 |
| 2.1 to subsidiary entities | 0 | 0 |
| 2.2 to other entities | 2 179 | 1 689 |
| 3. Other insurance related liabilities | 0 | 0 |
| 3.1 to subsidiary entities | 0 | 0 |
| 3.2 to other entities | 0 | 0 |
| II. Reinsurance liabilities | 4 357 | 3 633 |
| 1. to subsidiary entities | 0 | 0 |
| 2. to other entities | 4 357 | 3 633 |
| III. Issued debt securities and loans received | 0 | 0 |
| 1. Convertible instruments | 0 | 0 |
| 2. Other | 0 | 0 |
| IV. Due to credit institutions | 0 | 0 |
| V. Other liabilities | 863 | 587 |
| 1. To State budget | 414 | 262 |
| 2. Other liabilities | 449 | 325 |
| 2.1 to subsidiary entities | 0 | 0 |
| 2.2 to other entities | 449 | 325 |
| VI. Special funds | 40 | 58 |
| I. Accruals and deferred income | 43 284 | 35 377 |
| 1. Accrued expenses | 6 084 | 3 723 |
| 2. Negative goodwill | 0 | 0 |
| 3. Deferred income | 37 200 | 31 654 |
| Total liabilities | 1 113 771 | 811 052 |

Profit and Loss Statement

| General profit and loss account | 12 months until 31 December 2006 | 12 months until 31 December 2005 changed |
|-----------------------------------------------------------------------------------------------------------------------------------|-------------------------------------|------------------------------------------------|
| | T PLN | T PLN |
| I. Technical result on non-life and life insurance or technical result of life insurance | 25 266 | 20 963 |
| II. Investment revenues | 0 | 0 |
| 1. Revenues from investments in real estate property | 0 | 0 |
| 2. Revenues from investments in subsidiary entities | 0 | 0 |
| 2.1. equities | 0 | 0 |
| 2.2. loans and debt securities | 0 | 0 |
| 2.3. other investments | 0 | 0 |
| 3. Revenues from other financial investments | 0 | 0 |
| 3.1. equities and other variable income securities as well as participation units and investment certificates in investment funds | 0 | 0 |
| 3.2. debt and other fixed income securities | 0 | 0 |
| 3.3. term investments with credit institutions | 0 | 0 |
| 3.4. other investments | 0 | 0 |
| 4. Profit on revaluation on investments | 0 | 0 |
| 5. Profit on disposal of investments | 0 | 0 |
| III. Unrealised investment gains | 0 | 0 |
| IV. Investment revenues net of costs, transferred from technical life insurance account | 0 | 0 |
| V. Costs of investment activity (1+2+3+4) | 0 | 0 |
| 1. Costs of property maintenance | 0 | 0 |
| 2. Other costs of investment activity | 0 | 0 |
| 3. Loss of revaluation of investments | 0 | 0 |
| 4. Loss on disposal of investments | 0 | 0 |
| VI. Unrealised loss on investments | 0 | 0 |
| VII. Net investment revenues, transferred to technical account of non-life and life insurance | 0 | 0 |
| VIII. Other operating income | 1 046 | 2 437 |
| IX. Other operating expense | 2 983 | 2 123 |
| X. Profit (loss) on operations | 23 329 | 21 277 |
| XI. Extraordinary profit | 0 | 0 |
| XII. Extraordinary loss | 0 | 0 |
| XIII. Gross profit (loss) | 23 329 | 21 277 |
| XIV. Income tax | 5 403 | 0 |
| XV. Other mandatory decrease of profit (increase of loss) | 0 | 0 |
| XVI. Net profit (loss) | 17 926 | 21 277 |

| Technical account of life insurance, Total | 12 months until 31 December 2006 | 12 months until 31 December 2005 changed |
|----------------------------------------------------------------------------------------------------------------------------------|-------------------------------------|------------------------------------------------|
| | T PLN | T PLN |
| I. Premium (1-2-3+4) | 478 235 | 429 817 |
| 1. Gross written premium | 486 536 | 435 750 |
| 2. Share of reinsurers in gross written premium | 7 585 | 5 427 |
| 3. Change in provisions for gross premium and unexpired risk | 724 | 595 |
| 4. Share of insurers in change of provisions for premium | 8 | 89 |
| II. Revenues from investments (1+2+3+4) | 116 786 | 64 279 |
| 1. Revenues from investments in real estate property | 0 | 0 |
| 2. Revenues from investments in subsidiary entities | 0 | 0 |
| 2.1 equities | 0 | 0 |
| 2.2 loans and debt securities | 0 | 0 |
| 2.3 other investments | 0 | 0 |
| 3. Revenues from financial investments | 27 706 | 23 778 |
| 3.1 equities and other variable income securities as well as participation units and investment certificates in investment funds | 5 311 | 3 212 |
| 3.2 debt and other fixed income securities | 19 358 | 18 778 |
| 3.3 term investments with credit institutions | 1 588 | 935 |
| 3.4 other investments | 1 449 | 853 |
| 4. Income on investment revaluation | 0 | 0 |
| 5. Income on disposal of investments | 89 080 | 40 501 |
| III. Unrealised investment gains | 58 449 | 28 101 |
| IV. Other technical income net of reinsurance | 1 754 | 1 195 |
| V. Indemnities and benefits (1+2) | 278 652 | 203 128 |
| 1. Indemnities and benefits paid, net of reinsurance | 278 068 | 202 560 |
| 1.1 Gross indemnities and benefits paid | 279 561 | 203 739 |
| 1.2 Share of reinsurers in indemnities and benefits paid | 1 493 | 1 179 |
| 2. Change in provisions for unpaid indemnities and benefits, net of reinsurance | 584 | 568 |
| 2.1 gross provisions | 456 | 1 308 |
| 2.2. Share of reinsurers | -128 | 740 |
| VI. Change in other technical provisions, net of reinsurance (1+2) | 283 376 | 238 495 |
| 1. Change in life insurance provisions, net of reinsurance | 19 674 | 76 593 |
| 1.1. gross provisions | 19 757 | 76 616 |
| 1.2. reinsurance share | 83 | 23 |
| 2. Change in life insurance technical provisions, net of reinsurance, if the risk lies with the policy holders | 263 702 | 161 902 |
| 2.1. gross provisions | 263 702 | 161 902 |
| 2.2. reinsurance share | 0 | 0 |
| VII. Bonus and rebates inclusive of change in provisions, net of reinsurance | -433 | 376 |
| VIII. Costs of insurance activity (1+2-3) | 40 764 | 38 219 |
| 1. Acquisition costs | 20 190 | 20 668 |
| 1.1. Including change in deferred acquisition costs | -7 547 | -1 554 |
| 2. Administration costs | 22 159 | 18 521 |
| 3. Reinsurance commission and share in profit | 1 585 | 970 |
| IX. Costs of investment activity (1+2+3+4) | 9 986 | 10 705 |
| 1. Costs of property maintenance | 0 | 0 |
| 2. Other costs of investment activity | 1 187 | 1 235 |
| 3. Loss of revaluation of investments | 0 | 0 |
| 4. Loss on disposal of investments | 8 799 | 9 470 |
| X. Unrealised loss on investments | 9 197 | 8 997 |
| XI. other technical costs, net of reinsurance | 8 416 | 2 509 |
| XII. Net investment income, net of costs, recognised in the general profit and loss account | 0 | 0 |
| XIII. Technical result of life insurance | 25 266 | 20 963 |

Cash Flow Statement

| Cash flow statement | 12 months until 31 December 2006 | 12 months until 31 December 2005 changed |
|---------------------------------------------------------------------------------------------------------------------------|-------------------------------------|------------------------------------------------|
| | T PLN | T PLN |
| A. Cash flows from operating activities | | |
| I. Inflows | 492 566 | 477 980 |
| 1. Inflows from direct insurance and reinsurance accepted | 487 370 | 435 237 |
| 1.1. Inflow of gross premium | 486 399 | 435 131 |
| 1.2. Gross inflows under recourse and refund of indemnities | 0 | 0 |
| 1.3. Other inflows from direct insurance | 971 | 106 |
| 2. Inflows from outward reinsurance | 4 198 | 40 376 |
| 2.1. Payments by reinsurers due to share indemnities | 1 874 | 5 249 |
| 2.2. Inflows due to reinsurance commissions and share in profit by reinsurers | 1 341 | 11 152 |
| 2.3. Other inflows from outward reinsurance | 983 | 23 975 |
| 3. Other operating inflows | 998 | 2 367 |
| 3.1. Inflows for operating as claims representative | 0 | 0 |
| 3.2. Disposal of intangible assets and tangible fixed assets other than investments | 6 | 142 |
| 3.3. Other inflows | 992 | 2 225 |
| II. Outflows | 334 818 | 301 898 |
| 1. Outflows on direct insurance and reinsurance accepted / inward reinsurance | 326 307 | 244 928 |
| 1.1. Refund of gross premium | 512 | 632 |
| 1.2. Gross paid indemnities and benefits | 277 061 | 202 316 |
| 1.3. Acquisition costs | 26 006 | 21 156 |
| 1.4. Administrative expenses | 18 836 | 18 679 |
| 1.5. Expenses of loss settlement and recourse collection | 2 503 | 1 685 |
| 1.6. Commission and profit share paid due to reinsurance accepted | 0 | 0 |
| 1.7. Other expenses on direct insurance and reinsurance accepted | 1 389 | 460 |
| 2. Expenses on outward reinsurance | 7 462 | 55 140 |
| 2.1. Premium paid on reinsurance | 6 917 | 42 349 |
| 2.2. Other costs of outward reinsurance | 545 | 12 791 |
| 3. Costs of other operations | 1 049 | 1 830 |
| 3.1. Costs of acting as claims representative | 0 | 0 |
| 3.2. Purchase of intangible assets and tangible fixed assets other than investments | 277 | 634 |
| 3.3. Other operating expense | 772 | 1 196 |
| III. Net cash flow from operating activities (-II) | 157 748 | 176 082 |
| B. Cash flows from investing activities | | |
| I. Inflows | 10 947 153 | 9 095 971 |
| 1. Disposal of real estate property | 0 | 0 |
| 2. Disposal of interests in subordinated entities | 0 | 0 |
| 3. Disposal of interests in other entities as well as participation units and investment certificates in investment funds | 514 213 | 332 790 |
| 4. Disposal of debt securities issued by subordinated entities and repayment of loans granted to such entities | 11 | 0 |
| 5. Disposal of debt securities issued by other entities | 887 528 | 2 546 226 |
| 6. Closing of investments with credit institutions | 5 346 715 | 4 710 088 |
| 7. Disposal of other investments | 4 163 424 | 1 470 780 |
| 8. Income from real estate property | 0 | 0 |
| 9. Interest received | 30 951 | 33 473 |
| 10. Dividend received | 4 311 | 2 614 |
| 11. Other investment income | 0 | 0 |
| II. Outflows | 11 086 212 | 9 271 602 |
| 1. Purchase of real estate property | 0 | 0 |
| 2. Purchase of interests in subordinated entities | 0 | 0 |
| 3. Purchase of interests in other entities as well as participation units and investment certificates in investment funds | 516 482 | 320 383 |
| 4. Purchase of debt securities issued by subordinated entities and granting of loans to such entities | 0 | 0 |

| | | |
|--------------------------------------------------------------------------|-----------------|-----------------|
| 5. Purchase of debt securities issued by other entities | 973 904 | 2 747 411 |
| 6. Term investments with credit institutions | 5 466 375 | 4 713 695 |
| 7. Purchase of other investments | 4 128 284 | 1 488 871 |
| 8. Expenses on maintenance of real estate property | 0 | 0 |
| 9. Other investment costs | 1 167 | 1 242 |
| III. Net cash flows from investing activities (I-II) | -139 059 | -175 631 |
| C. Cash flows from financing activities | | |
| I. Inflows | 0 | 0 |
| 1. Net inflows from share issues and additional contributions to capital | 0 | 0 |
| 2. Credits, loans and issue of debt securities | 0 | 0 |
| 3. Other financial inflows | 0 | 0 |
| II. Outflows | 19 575 | 0 |
| 1. Dividend | 19 575 | 0 |
| 2. Other profit distributions | 0 | 0 |
| 3. Purchase of treasury stock | 0 | 0 |
| 4. Repayment of credits, loans and redemption of debt securities | 0 | 0 |
| 5. Interest on credits, loans and issued debt securities | 0 | 0 |
| 6. Other financial expense | 0 | 0 |
| III. Net cash flows from financing activities (I-II) | -19 575 | 0 |
| D. Total net cash flows (A.III+B.III=C.III) | -886 | 451 |
| E. Balance sheet change of cash, of which: | -886 | 451 |
| - change in cash due to foreign exchange differences | 0 | 0 |
| F. Cash at beginning of period | 1 149 | 698 |
| G. Cash at end of period (F±D), of which: | 263 | 1 149 |
| - with limited availability | | |

Registered Auditor's Opinion



TRANSLATORS' EXPLANATORY NOTE

The following document is a free translation of the registered auditor's opinion on the financial information presented on pages from 26 to 31 of the Annual report for 2006.

The accompanying translated financial information has not been reclassified or adjusted in any way to conform to accounting principles generally accepted in countries other than Poland, but certain terminology current in Anglo-Saxon countries has been adopted to the extent practicable. In the event of any discrepancy in interpreting the terminology, the Polish language version is binding.

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REGISTERED AUDITOR'S OPINION TO THE SHAREHOLDERS OF GENERALI ŻYCIE TOWARZYSTWO UBEZPIECZEŃ S.A.

The financial information presented on pages from 26 to 31 of the Annual report for 2006, consisting of the balance sheet as at 31 December 2006, the technical account of life insurance, the general profit and loss account and cash flow statement for the period from 1 January 2006 to 31 December 2006 ("the financial information") of Generali Życie Towarzystwo Ubezpieczeń S.A. seated in Warsaw, ul. Postępu 15 ("the Company") was prepared by the Management Board of the Company based on the audited financial statements of the Company for the period from 1 January 2006 to 31 December 2006 ("the financial statements").

The financial information is the responsibility of the Management Board of the Company. Our responsibility was to express an opinion, whether the financial information, in all material respects, is consistent with the financial statements from which it was derived.

The financial statements, based on which the financial information was prepared, were audited by us in accordance with Chapter 7 of the Accounting Act of 29 September 1994 (Uniform text, Journal of Laws of 2002, No. 76, item 694, with further amendments) and auditing standards issued by the National Council of Registered Auditors in Poland. On 28 February 2007 we issued an unqualified audit opinion on these financial statements.

In our opinion, the financial information presented on pages from 26 to 31 of the Annual report for 2006 is consistent, in all material respects, with the full annual financial statements from which it was derived.

For a fuller understanding of the Company's financial position as at 31 December 2006, the results of its operations for the period from 1 December 2006 to 31 December 2006 and the scope of our audit, the financial information should be read in conjunction with the financial statements from which it was derived and our opinion and audit report thereon.

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

Andrzej J. Konopacki
Member of the Management Board

PricewaterhouseCoopers Sp. z o.o.

Registered Auditor
No. 1750/287

Registered Audit Company No. 144

Warsaw, 28 February 2007

Management Report

of Generali Powszechnie Towarzystwo
Emerytalne S.A



M Management Report

Generali Powszechne Towarzystwo Emerytalne S.A.

Report on the management board's activities

1. Key events

For the whole 2006, the Company recorded the positive balance of transfers, which means that the number of members leaving Generali OFE was smaller than the number of members acquired to the Fund. The balance of the whole year was over 11,500 persons.

The Fund also acquired over 40,000 members as a result of lottery carried out in January and July 2006. Such a result was possible thanks to good investment performance. In the ranking of rates of return on investment units recorded in 2006, Generali was at the third place.

As at the end of 2006, a TV advertising campaign was broadcasted.

2. Fund members

Given the number of Fund members of 473.560, the Fund is the ninth among all pension funds in the market.

Number of OFE funds registered with ZUS as at 29 December 2006

| Open Pension Fund (OFE) | Number of members | % share |
|--------------------------------------|-------------------|----------------|
| AIG OFE | 1 029 101 | 8,33% |
| Allianz Polska OFE | 306 883 | 2,48% |
| Bankowy OFE | 441 514 | 3,57% |
| Commercial Union OFE BPH CU WBK | 2 610 638 | 21,13% |
| OFE „DOM” | 281 301 | 2,28% |
| OFE Ergo Hestia | 370 943 | 3,00% |
| Generali OFE | 473 560 | 3,83% |
| ING Nationale-Nederlanden Polska OFE | 2 401 091 | 19,44% |
| Nordea OFE | 688 580 | 5,57% |
| Pekao OFE | 245 189 | 1,98% |
| OFE Pocztylion | 362 777 | 2,94% |
| OFE Polsat | 267 564 | 2,17% |
| OFE PZU „Złota Jesień” | 1 894 778 | 15,34% |
| OFE Skarbiec-Emerytura | 443 630 | 3,59% |
| Winterthur OFE | 535 778 | 4,34% |
| TOTAL | 12 353 327 | 100,00% |

Source: www.knuife.gov.pl, percentage share: own calculation.

An average premium received by Generali OFE, excluding premiums paid with State Treasury bonds, was around PLN 100 in 2006.

3. Expected development trends

The main goals and plans for 2007 comprise:

- Maintain the Fund's rate of growth determined by the number of active customers and net assets,
- Intensify acquisition in the sales network,
- Remain at the top of open pension fund ranking with regard to the rate of return from membership unit,
- Improve services offered to Fund members.

4. Main operating risks includes:

- Discontinuance of the co-operations with the external partners in relation to sales could result in the lower than planned sales volume and higher members' leave rate.
- Changes in law, regulations regarding the lottery could influence the number of the new clients.

Investment operations of Generali OFE

Economic situation

Practically only positive information was coming from Poland's economy throughout 2006. High economic growth, low inflation, decreasing unemployment and growing domestic demand undoubtedly affected the situation in financial markets.

At the beginning of the year, GDP forecasts were around 4,5% - now it is obvious that in the whole year economic growth was in excess of 5%. The volume of investments was equally surprising to the market – as an effect of inflows of EU funds, the growth rate was well over 10%. Another good piece of news for the economy is the fact that economic growth took place with low inflation that is also below earlier expectations of analysts.

Additionally, 2006 witnessed positive trends in the labour market. According to information from the Ministry of Labour and Social Policies, the unemployment rate in December 2006 amounted to 14,9%.

Situation in financial markets

2006, from the point of view of investments in T bonds was very difficult – the market – as measured with the bond index of Bank Handlowy w Warszawie S.A. – gained 5,16%. The large volatility of the market was due to the growing political risk. After a good beginning, the financial market began to be increasingly concerned with the government situation. Zyta Gilowska's resignation from the position of Minister of Finance in June resulted in major drops in bond prices in the Polish market. The second half of the year witnessed improvement in the bond market, which was due to a good economic situation, good results of budget performance and a low inflation level. No inflation risk and a very strong Polish zloty permitted the Monetary Policy Council (RPP) to maintain interest rates at the record low level of 4,00% until the end of 2006.

An assessment of the situation in the T-paper market made Generali invest in the second half of the year in longer-term paper (more than 5 years), which proved to be the right strategy since it was this market segment that generated the highest return for investors in that period.

In 2007 higher volatility in the bond market is expected in view of growing inflation risk due to a very good economic situation, which may force RPP to increase interest rates.

We are past another year in which the equity portion of our portfolio mostly affected the fund's total rate of return. The main stock indices: WIG, WIG20 and MIDWIG for the last 12 months reached the following rates of return: 41,6%, 23,8%, and 69,1% respectively. The results were mainly influenced by positive information from the economy and record fund inflows to domestic investment funds. Although the annual rates of return in the stock market are impressive, it should be noted that last year (May-June) there was a very deep correction – the WIG 20 index dropped by over 20% within a few weeks.

With such dynamic changes in the market, the key to success is selection of companies to be included in the portfolio and appropriate allocation in equities. Similarly to previous years, we wish to stress that fundamental analysis is a key criterion in selecting companies to place in the portfolio of Generali OFE. We are trying to hold in our portfolio a majority of companies in which we see large growth potential, not always noticed by the market. It was last year that several companies strategic to our portfolio generated above average rates of return, which in turn positively affected the results of the entire fund.

Pension fund market

As in previous years, the results achieved in 2006 by pension funds are satisfactory. The average rate of return of all funds in the period 31.12.2005 - 29.12.2006 was 17%. Only six out of 15 operating funds had results above average. Generali OFE was among them and with its rate of return of 18,2% ranked third in the annual ranking of pension societies.

| Fund | Rate of return in 2006 |
|----------------|---------------------------|
| Polsat | 22,71% |
| Pekao | 20,76% |
| Generali | 18,22% |
| DOM | 17,37% |
| Pocztylion | 17,26% |
| PZU | 17,16% |
| ING | 16,53% |
| Allianz | 16,06% |
| Skarbiec | 16,00% |
| Winterthur | 15,86% |
| AIG | 15,85% |
| CU | 15,41% |
| Ergo | 15,41% |
| Nordea | 15,28% |
| Bankowy | 15,23% |
| Average | 17,01% |

Net assets as at 29 December 2006

| Open Pension Fund (OFE) | Net assets (M PLN) | % share |
|--------------------------------------|-----------------------|---------------|
| AIG OFE | 9 699,99 | 8,3% |
| Allianz Polska OFE | 2 873,06 | 2,5% |
| Bankowy | 3 705,85 | 3,2% |
| Commercial Union OFE BPH CU WBK | 30 951,72 | 26,6% |
| OFE „DOM” | 1 809,67 | 1,6% |
| OFE Ergo Hestia | 2 682,13 | 2,3% |
| Generali OFE | 4 185,75 | 3,6% |
| ING Nationale-Nederlanden Polska OFE | 27 190,41 | 23,3% |
| Nordea OFE | 4 224,14 | 3,6% |
| Pekao OFE | 1 853,56 | 1,6% |
| OFE Pocztylion | 2 367,05 | 2,0% |
| OFE Polsat | 1 083,99 | 0,9% |
| OFE PZU „Złota Jesień” | 15 985,62 | 13,7% |
| OFE Skarbiec-Emerytura | 3 069,11 | 2,6% |
| Winterthur OFE | 4 881,20 | 4,2% |
| Total | 116 563,25 | 100,0% |

Source: www.knuife.gov.pl, percentage share: own calculation.

As at the end of 2006, net assets of Generali OFE amounted to PLN 4 185 million, and the Fund was at the seventh place in the market.

Value of settlement unit and return rate

| Open Pension Fund (OFE) | 29 December 2006 (PLN) | 30 December 2005 (PLN) | Return rate |
|--------------------------------------|-----------------------------------|-----------------------------------|--------------------|
| AIG OFE | 25,15 | 21,71 | 15,85% |
| Allianz Polska OFE | 24,50 | 21,11 | 16,06% |
| Bankowy | 26,02 | 22,58 | 15,23% |
| Commercial Union OFE BPH CU WBK | 26,59 | 23,04 | 15,41% |
| OFE „DOM” | 27,63 | 23,54 | 17,37% |
| OFE Ergo Hestia | 26,07 | 22,59 | 15,41% |
| Generali OFE | 27,51 | 23,27 | 18,22% |
| ING Nationale-Nederlanden Polska OFE | 28,69 | 24,62 | 16,53% |
| Nordea OFE | 27,09 | 23,50 | 15,28% |
| Pekao OFE | 25,36 | 21,00 | 20,76% |
| OFE Pocztylion | 24,87 | 21,21 | 17,26% |
| OFE Polsat | 29,99 | 24,44 | 22,71% |
| OFE PZU „Złota Jesień” | 26,77 | 22,85 | 17,16% |
| OFE Skarbiec-Emerytura | 24,87 | 21,44 | 16,00% |
| Winterthur OFE | 26,00 | 22,44 | 15,86% |
| Weighted average | 26,88 | 23,09 | 16,41% |

Source: www.knuife.gov.pl, return rate – own calculation.

Data presented above cover the period from 31 December 2005 to 29 December 2006.

In 2006, Generali OFE generated the return rate of 18,22% and was at the third place among all pension funds in the market.

Safety guarantee

From the customer's point of view, the attractiveness of a pension fund is largely subject to

long-term investment results obtained by the fund. It should also be noted that the evaluation of funds should equally account for the risk associated with the investment process. The two factors (maximisation of the rate of return with risk mitigation) are the key assumptions of the investment strategy adopted by Generali OFE. Implementation of the strategy has been producing tangible effects. From the beginning of its operations, i.e. since May 1999 until the end of 2006, the value of our participation unit grew by over 175%. Looking at the longest comparable period (30.09.1999 – 29.12.2006), the rate of return of 163,2% places Generali OFE on the third place among all funds and the result is over 13 percentage points above the market average.

The investment results were obtained with a very secure profit to risk relation, which is confirmed in the rankings published by the press and analytical companies where Generali is rated on top positions.

Planned directions of development

In next year, we plan to continue our strategy consisting in risk minimisation and the selection of instruments based on reliable and thorough fundamental analysis. In a long run, the model structure of the Fund's assets is as follows:

| Type of investments | Percentage share |
|-------------------------------------------|-------------------------|
| Debt securities | 50% |
| Commercial debt papers | 10% |
| Securities with right to capital (stocks) | 30% |
| Bank deposits | 5% |
| Other assets | 5% |

However, within the following few years, it is highly unlikely that we will invest in commercial debt papers. This results from our prudent approach to risk relating to investments in such instruments, the reduced availability and liquidity thereof.

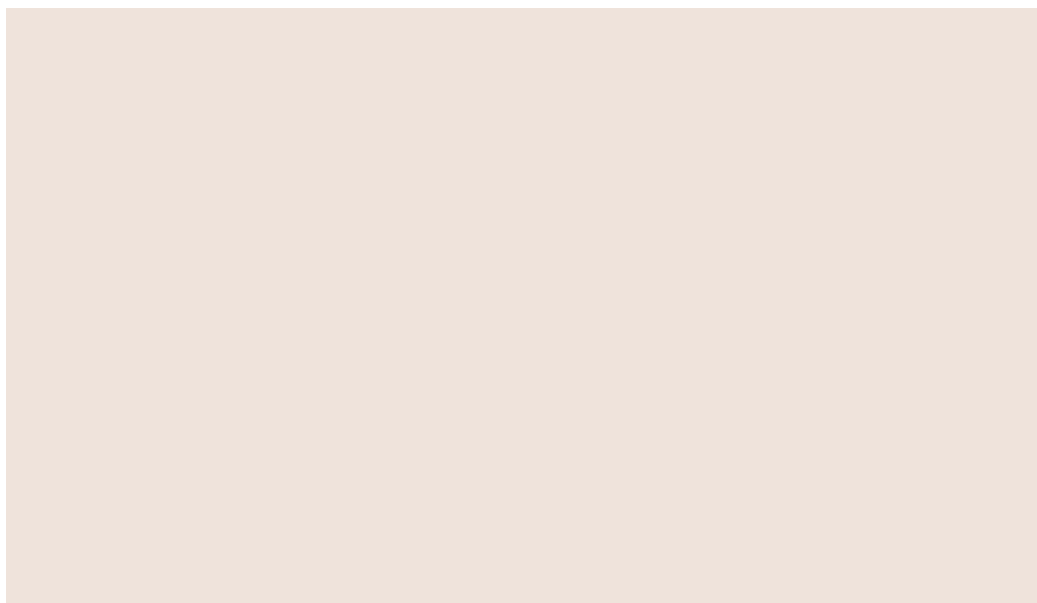
In 2007, we expect that economic growth will be higher, inflation will slightly increase and investment rate will accelerate. We believe that the monetary policy in the next year will be less restrictive, and uncertain political situation relating to the lack of stable majority in the Sejm will maintain, which may result in some fluctuations in the stock and bond markets. We expect rather one-digit rates of return both for the portfolio of stocks and bonds. We will be analysing the economic and market situation and invest in such instruments that guarantee best risk relations and potential return rates.

Risk

Effective investment means the highest rate of return with an assumed risk level. In order to mitigate risk as much as possible, investments made by Generali OFE are characterised by large exposure to the most secure securities, namely T bonds and deposits with banks of very good financial standing and high reliability. In the equity portion, managers were trying to maintain an adequate quantity and sectoral balance in the portfolio, basing their investment decisions on detailed fundamental analysis of the companies.

Summary

Investment results of Generali OFE prove that the adopted and consistently implemented investment strategy is secure and among the most effective market strategies. This is confirmed with high positions occupied by Generali in rankings made by the press and market analysts. However, the most important measure of our success is the regularly growing number of customers whom we thank for joining Generali OFE and for the trust placed into our company.



Financial standing

As at the end of 2006, the Company recorded:

- profit from sales of TPLN 12 340 (source: financial statements),
- profit from operating activities of TPLN 14 115 (source: financial statements),
- gross profit of TPLN 15 058 (source: financial statements),
- net profit of TPLN 13 267 (source: financial statements).

Income

Total income mostly comprised:

- income from distribution fees charged on member premium paid to the Fund (above 70% of total income) as a result of premiums received from ZUS
- Fund management fee (about 20%).

Distribution fee in the reporting period constituted 7% and management fee 0,045% per month (0,54% p.a.). However, due to the limit defined in the Fund's articles of association, the Company could not charge more than around PLN 11,2 million.

| Structure of income | T PLN | in % |
|-----------------------------------------------------|------------------|---------------|
| Sales and sales equivalents | 53 408,63 | 93,9% |
| <i>including</i> | | |
| Distribution fee | 40 077,82 | 70,48% |
| Management fee | 11 233,09 | 19,75% |
| Net return of funds from bonus and reserve accounts | 1 986,24 | 3,49% |
| Other operating income | 2 499,09 | 4,39% |
| Financial income | 959,92 | 1,69% |
| TOTAL | 56 867,64 | 100,0% |

Source: financial statements

Expenses

Expenses mostly comprised:

- active member acquisition generating over 27% of costs,
- transfer agent's services (over 16% of all costs),
- salaries and employee benefits (almost 11% of costs).

| Structure of expenses | T PLN | in % |
|---------------------------------|------------------|---------------|
| Operating expenses | 41 068,49 | 98,2% |
| <i>including</i> | | |
| Acquisition costs | 11 487,51 | 27,5% |
| Transfer agent costs | 6 848,72 | 16,4% |
| Salaries and employee benefits | 6 134,84 | 14,7% |
| ZUS fees | 4 312,35 | 10,3% |
| Other operating expenses | 723,99 | 1,7% |
| Financial expenses | 17,37 | 0,1% |
| TOTAL | 41 809,85 | 100,0% |

Source: financial statements

Risks relating to financial instruments

Item 1.11 of the Supplementary Information and Explanatory Notes presents the details of interest rate and credit risks. Interest rate risks is considered as the most important financial risk and it is controlled by the Company's Investment Department on a current basis to take actions aiming at its minimisation.

To assess its risks, the Company applies a modified duration method.

Modified duration (MD) is more accurate (in relation to duration) measure of the sensitivity of bonds (or bond portfolio) to market interest rate changes.

Duration is said to be an average weighted maturity. However, more advanced literature pays attention to the fact that it is only a sensitivity measure (movements in bonds/portfolio resulting from market interest rate changes). Whereas modified duration is more precise (it refers to potential movements in bonds/portfolio) and calculated in accordance with the following formula:

$MD = \text{Duration}/(1+r)$, where r is a market return rate for bonds

As regards credit risks, the Company minimises them by investing only in instruments issued by the State Treasury.

Taking into account, the present portfolio of securities and expected positive cash flows from operating activities, the Company is not at risk of losing its financial liquidity in the predictable future.

Financial Statement

of Generali Powszechnie Towarzystwo
Emerytalne S.A



B Balance Sheet

| Assets | As of 31 December 2006 | As of 31 December 2005 changed |
|-----------------------------------------------------------------------------|---------------------------|-----------------------------------|
| | T PLN | T PLN |
| A. Fixed assets | 157 413 | 157 408 |
| I. Intangible fixed assets | 116 | 192 |
| 1. Other intangible fixed assets | 116 | 192 |
| II. Tangible fixed assets | 522 | 1 240 |
| 1. Fixed assets | 522 | 1 240 |
| a) plant and machinery | 242 | 599 |
| b) means of transportation | 182 | 397 |
| c) other fixed assets | 98 | 244 |
| 2. Fixed assets in construction | 0 | 0 |
| III. Long-term investments | 106 050 | 106 050 |
| 1. Long-term financial assets | 106 050 | 106 050 |
| a) in related entities | 106 050 | 106 050 |
| - Equities | 106 050 | 106 050 |
| b) on other entities | 0 | 0 |
| - Debt securities | 0 | 0 |
| IV. Long-term accruals | 50 725 | 49 926 |
| 1. Deferred income tax asset | 0 | 0 |
| B. Working assets | 30 343 | 19 428 |
| I. Stocks | 6 | 17 |
| 1. Materials | 6 | 17 |
| II. Short-term receivables | 4 859 | 3 095 |
| 1. Receivables from related entities | 4 372 | 2 165 |
| a) Trade receivables, due within 12 months | 4 372 | 2 165 |
| b) Other | 0 | 0 |
| 2. Receivables from other entities | 487 | 930 |
| a) Taxes, subsidies, duties, social and health insurance and other benefits | 162 | 214 |
| b) Other | 325 | 716 |
| III. Short-term investments | 25 318 | 16 239 |
| 1. Short-term financial assets | 21 429 | 16 239 |
| a) In related entities | 0 | 0 |
| b) In other entities | 21 429 | 12 097 |
| - debt securities | 21 429 | 12 097 |
| c) Cash and cash equivalents | 3 889 | 4 142 |
| - cash on hand and with banks | 3 889 | 4 142 |
| IV. Short-term accruals | 160 | 77 |
| Total assets | 187 756 | 176 836 |

| Liabilities | As of 31 December 2006 | As of 31 December 2005 changed |
|------------------------------------------------|---------------------------|-----------------------------------|
| | T PLN | T PLN |
| A. Equity | 165 698 | 152 258 |
| I. Share capital | 145 500 | 145 500 |
| II. Revaluation reserve | 177 | 4 |
| III. Retained profit (loss) | 6 754 | -2 879 |
| IV. Net profit (loss) | 13 267 | 9 633 |
| B. Liabilities and provisions | 22 058 | 24 579 |
| I. Provisions | 13 170 | 19 331 |
| 1. Deferred income tax provision | 9 070 | 9 227 |
| 2. Other provisions | 4 100 | 10 104 |
| - short-term | 4 100 | 10 104 |
| II. Short-term liabilities | 1 824 | 1 884 |
| 1. To related entities | 925 | 759 |
| a) Trade payables, due within | | |
| - 12 months | 925 | 759 |
| 2. To other entities | 899 | 1 125 |
| a) Trade payables, due within | | |
| - 12 months | 698 | 918 |
| b) Taxes, duties, insurance and other benefits | 181 | 188 |
| c) Salaries | 0 | 0 |
| d) Other | 11 | 13 |
| 3. Special funds | 9 | 6 |
| III. Accruals | 7 064 | 3 364 |
| 1. Other accruals | 7 064 | 3 364 |
| a) short-term | 7 064 | 3 364 |
| Total liabilities | 187 756 | 176 836 |

Profit and Loss Statement

| Profit and loss account | 12 months until 31 December 2006 | 12 months until 31 December 2005 changed |
|-----------------------------------------------------|-------------------------------------|------------------------------------------------|
| | T PLN | T PLN |
| A. Sales revenues and equivalent | 53 409 | 45 632 |
| of which from related entities | 53 303 | 45 491 |
| I. Net revenues from sale of products | 53 409 | 45 632 |
| B. Operating costs | 41 068 | 34 122 |
| I. Depreciation / amortisation | 546 | 580 |
| II. Consumption of materials and energy | 850 | 621 |
| III. External services | 23 323 | 20 052 |
| IV. Taxes and duties | 0 | 0 |
| V. Salaries | 5 212 | 4 106 |
| VI. Social insurance and other benefits | 922 | 728 |
| VII. Other costs by type | 10 215 | 8 035 |
| C. Profit on sales | 12 341 | 11 510 |
| D. Other operating income | 2 499 | 167 |
| I. Profit on disposal of non-financial fixed assets | 0 | 40 |
| II. Other operating income | 2 499 | 127 |
| E. Other operating expense | 724 | 2 457 |
| I. Loss on disposal of non-financial fixed assets | 174 | 1 |
| II. Other operating expense | 550 | 2 456 |
| F. Profit on operations | 14 116 | 9 220 |
| G. Financial income | 960 | 544 |
| I. Interest | 882 | 449 |
| of which: from related entities | 0 | 0 |
| II. Profit on disposal of investments | 75 | 95 |
| III. Other | 3 | 0 |
| H. Financial expense | 17 | 13 |
| I. Interest | 8 | 1 |
| of which: from related entities | 0 | 0 |
| II. Loss on disposal of investments | 0 | 0 |
| III. Other | 9 | 12 |
| I. Gross profit on business operations | 15 059 | 9 751 |
| J. Extraordinary events | 0 | 0 |
| K. Gross profit | 15 058 | 9 753 |
| I. Income tax | 1 791 | 120 |
| L. Net profit | 13 267 | 9 633 |

Cash Flow Statement

| Cash flow statement | 12 months until 31 December 2006 | 12 months until 31 December 2005 changed |
|------------------------------------------------------------------|-------------------------------------|------------------------------------------------|
| | T PLN | T PLN |
| A. Cash flows from operating activities | | |
| I. Net profit (loss) | 13 267 | 9 633 |
| II. Total adjustments: | -5 090 | 1 112 |
| 1. Depreciation / amortisation | 546 | 580 |
| 2. Foreign exchange profit (loss) | 0 | 0 |
| 3. Interest and profit distribution (dividend) | -671 | -292 |
| 4. Profit (loss) on investments | 99 | -135 |
| 5. Change in provisions | -6 004 | 2 424 |
| 6. Change in stocks | 11 | 3 |
| 7. Change in receivables | -1 764 | -1 224 |
| 8. Change in short-term liabilities, excepting loans and credits | -56 | 187 |
| 9. Change in accruals | 2 818 | -432 |
| 10. Other adjustments | -69 | 1 |
| III. Net cash flows from operating activities | 8 177 | 10 745 |
| B. Cash flows from investing activities | | |
| I. Inflows | 10 795 | 56 673 |
| 1. Sale of organised part of enterprises | 0 | 0 |
| 2. Sale of other intangible and tangible fixed assets | 0 | 65 |
| 3. From financial assets, of which: | 10 795 | 56 608 |
| a) in related entities | 0 | 0 |
| b) in other entities | 10 795 | 56 608 |
| - disposal of financial assets | 9 490 | 56 608 |
| - interest | 1 305 | 0 |
| II. Outflows | 19 225 | 68 185 |
| 1. Purchase of intangible and tangible fixed assets | 58 | 368 |
| 2. Purchases of financial assets, of which: | 19 167 | 67 817 |
| a) in related entities | 0 | 0 |
| - acquisition of equities | 0 | 0 |
| b) in other entities | 19 167 | 67 817 |
| - purchase of financial assets | 19 167 | 67 817 |
| III. Net cash flows from investing activities | -8 430 | -11 512 |
| C. Cash flows from financial activities | | |
| I. Inflows | 0 | 0 |
| II. Outflows | 0 | 0 |
| III. Net cash flows from financial activities | 0 | 0 |
| D. Total net cash flows | -253 | -767 |
| Net balance sheet change of cash | -253 | -767 |
| of which: change of cash due to foreign exchange profit/loss | 0 | 0 |
| E. Cash at beginning of period | 4 142 | 4 909 |
| F. Cash at end of period | 3 889 | 4 142 |
| of which: with limited availability | 0 | 0 |

Registered Auditor's Opinion

PRICEWATERHOUSECOOPERS 

TRANSLATORS' EXPLANATORY NOTE

The following document is a free translation of the registered auditor's opinion on the financial information presented on pages from 43 to 46 of the Annual report for 2006.

The accompanying translated financial information has not been reclassified or adjusted in any way to conform to accounting principles generally accepted in countries other than Poland, but certain terminology current in Anglo-Saxon countries has been adopted to the extent practicable. In the event of any discrepancy in interpreting the terminology, the Polish language version is binding.

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REGISTERED AUDITOR'S OPINION TO THE SHAREHOLDERS OF GENERALI POWSZECHNE TOWARZYSTWO EMERYTALNE S.A.

The financial information presented on pages from 43 to 46 of the Annual report for 2006, consisting of the balance sheet as at 31 December 2006, the profit and loss account and cash flow statement for the period from 1 January 2006 to 31 December 2006 ("the financial information") of Generali Powszechne Towarzystwo Emerytalne S.A. seated in Warsaw, ul. Postępu 15 ("the Company") was prepared by the Management Board of the Company based on the audited financial statements of the Company for the period from 1 January 2006 to 31 December 2006 ("the financial statements").

The financial information is the responsibility of the Management Board of the Company. Our responsibility was to express an opinion, whether the financial information, in all material respects, is consistent with the financial statements from which it was derived.

The financial statements, based on which the financial information was prepared, were audited by us in accordance with Chapter 7 of the Accounting Act of 29 September 1994 (Uniform text, Journal of Laws of 2002, No. 76, item 694, with further amendments) and auditing standards issued by the National Council of Registered Auditors in Poland. On 28 February 2007 we issued an unqualified audit opinion on these financial statements.

In our opinion, the financial information presented on pages from 43 to 46 of the Annual report for 2006 is consistent, in all material respects, with the full annual financial statements from which it was derived.

For a fuller understanding of the Company's financial position as at 31 December 2006, the results of its operations for the period from 1 December 2006 to 31 December 2006 and the scope of our audit, the financial information should be read in conjunction with the financial statements from which it was derived and our opinion and audit report thereon.

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

Andrzej J. Konopacki
Member of the Management Board

PricewaterhouseCoopers Sp. z o.o.

Registered Auditor
No. 1750/287

Registered Audit Company No. 144

Warsaw, 28 February 2007

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