



Annual  
report  
Raport  
roczny  
2008



Pod skrzydłami lwa.

# ■ Contents



## **Generali Group Poland**

Letter of Generali Group Polska President .....	4
Company profiles .....	5
Generali in Poland – History .....	8
Product range .....	9
Supervisory Board’s Reports .....	11

## **Management Report of Generali T.U. S.A. and Generali Życie T.U. S.A. .... 14**

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

Balance Sheet .....	20
Profit and Loss Statement .....	24
Cash Flow Statement .....	26
Registered Auditor’s Opinion .....	28

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

Balance Sheet .....	30
Profit and Loss Statement .....	34
Cash Flow Statement .....	37
Registered Auditor’s Opinion .....	39

## **Management Report of Generali Powszechnie Towarzystwo Emerytalne S.A. .... 40**

### **Financial Statement of Generali Powszechnie Towarzystwo Emerytalne S.A.**

Balance Sheet .....	48
Profit and loss account .....	50
Cash Flow Statement .....	51
Registered Auditor’s Opinion .....	52

## **Generali and insurance running .... 53**

# Generali Group Poland



# Letter of Generali Group Polska President



**Dear Sir/Madam,**

I would like to present you the Annual Report of Generali Group Poland for the year 2008. That year was a special time for the Polish companies on account of the record financial results in the 10-year history of our activity in Poland. As soon as in September 2008 the gross written premium guaranteed our company the promotion to elite "billionaires club". Finally Generali Group closed the year 2008 with premiums written at PLN 1,392 million, up by 48% year on year. The consolidated net profit of Generali T.U., Generali Życie T.U. and Generali PTE in 2008 was PLN 26.9 million. Generali proved again that in key market areas like motor insurance or life insurance with regular premium it grew several times faster than the major market competitors.

The year 2008 was very successful for the Generali Group non-life insurance business. The gross premiums written by Generali T.U. S.A. were up by 49% in 2008 and reached PLN 600.1 million. This means that the premiums grew 4 times faster than the sector's average and guaranteed Generali T.U. the name of the fastest growing company out of the top 10 non-life insurers in Poland in 2008. Generali T.U. net profit was PLN 15.0 million in 2008, compared to PLN 33.2 million in 2007. The company's technical result was strongly affected by the "Religa tax" (double-digit figure in million PLNs). In this context – according to our estimates – the third-party liability insurance sector has generally suffered losses in Poland.

Very good financial results have been achieved in life insurance business by Generali Życie T.U., which in comparison to year 2007 grew by over 47% year on year and reached PLN 792.0 million. The strategic core of the segment's results (as opposed to our competitors) were products with regular premiums, which are essential for this business. Generali sales of such products grew by 34% to PLN 297.6 million in 2008. The result is particularly notable as, according to the Polish Financial Supervision Authority, the segment of products with regular premiums in Poland is now stagnating (-1.0%).

The net profit of Generali Życie T.U. was PLN 11.9 million in 2008, compared to PLN 17.1 million in 2007. This was a result of high capital expenditures on the expansion of the sales network and the decreasing value of assets of insurance equity funds due to the turbulences on the Warsaw Stock Exchange, resulting in lower management fee income.

Invariably, Generali Pension Fund maintained a very good growth tendency and crossed the mark of 600 thousand active pension accounts at the end of December 2008, up by 12.9% year on year. This means that the company grew twice as fast as the sector on average because the number of active accounts grew by 5.6% year on year in the sector. Generali OFE managed PLN 5.5 billion of assets at the end of December 2008, up by 4% year on year. Generali OFE was one of the five pension funds (out of 14 funds) which did not report a decrease in the value of assets under management in 2008. Despite the ongoing downturn on the stock markets, Generali OFE reported good investment performance in 2008 and moved from the 3rd to the 2nd position in terms of the return rate (141.6%) calculated over the longest comparable period, since September 1999. Generali OFE also became the winner of the two most prestigious rankings for the best pension fund in Poland announced by the independent experts representing "Rzeczpospolita" & "Gazeta Wyborcza" dailies. In 2008 Generali PTE generated a net profit of PLN 20.2 million, up by 26% year on year.

Generali Group begins the year 2009 with new professional ambitions and tasks. We expect that the company will continue to grow at a double-digit rate in 2009, both in terms of growth of premiums written and corporate profit. We want to achieve these ambitious goals by means of close partnership with our clients and a range of initiatives focused on constant improvement of the quality of provided services as well as expansion of the sales network on the one hand and strict cost discipline of our business on the other hand.

With a great satisfaction I would like to share with you the record financial results of Generali Group in Poland. Such a score would not be possible without extreme effort made by our close business partners – both Employees, agents, multiagents, brokers – as well as the trust and loyalty of the Clients. Such good financial results strongly motivate us to continue the positive trends in 2009 despite of the turbulences on financial markets.

Yours faithfully,

**Andrzej Jarczyk**

CEO of Generali Group in Poland

# Company profiles

**Company:** Generali Towarzystwo Ubezpieczeń S.A.

**Headquarter:** ul. Postępu 15 B  
02-676 Warsaw

**Share capital:** 190,31 M PLN

**Shareholder:** since 18<sup>th</sup> September 2008 Generali PPF Holding B.V.  
(previously Generali Holding Vienna AG)

**Licence:** 5 July 1999

**Scope of activity:** All groups of Division II\*; remaining personal insurance  
and property insurance

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

**Management Board:** Andrzej Jarczyk – President  
Michał Gomowski – Vice-President – since 18<sup>th</sup> September 2008  
Artur Olech – Member

**Supervisory Board:** Werner Moertel  
Francesco Bosatra – till 8<sup>th</sup> May 2008  
Luisa Coloni – since 9<sup>th</sup> May 2008  
Walter Steidl – till 8<sup>th</sup> September 2008  
Valter Trevisani – till 18<sup>th</sup> November 2008  
Klara Starkova – since 19<sup>th</sup> November 2008

## Selected financial data: (Thousands PLN)

	2004	2005	2006	2007	2008
Gross written premium	296 915	281 894	247 734	403 193	600 138
Net written premium	103 851	103 834	92 411	163 722	537 526
Gross technical provisions*	294 467	365 594	386 431	516 803	683 341
Net technical provisions *	120 236	153 865	170 529	454 975	623 696
Investments	372 358	417 094	415 355	539 537	719 373
Share capital	190 210	190 210	190 210	190 310	190 310
Number of employees	292	329	360	409	510

\* Provisions include estimated subrogation



**Company:** Generali Życie Towarzystwo Ubezpieczeń S.A.

**Headquarter:** ul. Postępu 15 B  
02-676 Warsaw

**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:** Andrzej Jarczyk – President  
Artur Olech – Vice-President – since 18<sup>th</sup> September 2008  
Michał Gomowski – Member

**Supervisory Board:** Werner Moertel  
Francesco Bosatra – till 8<sup>th</sup> May 2008  
Luisa Coloni – since 9<sup>th</sup> May 2008  
Walter Steidl – till 8<sup>th</sup> September 2008  
Valter Trevisani – till 18<sup>th</sup> November 2008  
Klara Starkova – since 19<sup>th</sup> November 2008

### Selected financial data: (Thousands PLN)

	2004	2005	2006	2007	2008
Gross written premium	174 927	435 750	486 536	537 539	792 027
Net written premium	134 303	430 323	478 951	527 642	779 321
Gross technical provisions	424 003	664 794	948 901	1 110 338	1 086 907
Net technical provisions	423 512	663 451	947 596	1 108 355	1 083 137
Investments	508 962	756 722	1 048 360	1 186 240	1 107 974
Share capital	61 000	61 000	61 000	61 000	61 000
Number of employees	215	173	177	219	279



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

**Headquarter:** ul. Postępu 15 B  
02-676 Warsaw

**Share capital:** 145,5 M PLN

**Shareholder:** since 18<sup>th</sup> September 2008 Generali PPF Holding B.V.  
(previously 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:** Piotr Pindel – Member  
Jacek Smolarek – Member  
Rafał Markiewicz – Member

**Supervisory Board:** Walter Steidl – till 15<sup>th</sup> April 2008  
Luisa Coloni – since 4<sup>th</sup> November 2008  
Werner Moertel  
Karol Lutkowski  
Maciej Zieliński

### Selected financial data: (Thousands PLN)

	2004	2005	2006	2007	2008
Assets under management	2 101 419	2 935 620	4 186 385	5 264 476	5 476 018
Revenue from sales	42 900	45 632	53 409	58 411	72 324
Net income	17 319	9 633	13 267	16 059	20 022
Subscribed capital	145 500	145 500	145 500	145 500	145 500
Number of employees	81	144	156	167	170

# Generali in Poland – History



<b>1837</b>	The first Generali branches are established on the Polish territory.
<b>1925</b>	Generali obtains the right to conduct business on the whole territory of Poland.
<b>1925-1939</b>	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.
<b>1948</b>	All private, national and foreign insurance companies, including Generali, are denied the right to conduct business in Poland.
<b>1998</b>	Generali returns to Poland as Generali – Risk Consulting Sp. z o.o.
<b>5 July 1999</b>	Generali acquires a permit from the Ministry of Finance to operate in the area of life insurance and the remaining personal and property insurance. Two insurance companies are established: Generali Towarzystwo Ubezpieczeń S.A. and Generali Życie Towarzystwo Ubezpieczeń S.A.
<b>26 March 2002</b>	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.
<b>6 November 2002</b>	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.
<b>11 April 2003</b>	Zurich Powszechne Towarzystwo Emerytalne S.A. becomes Generali Powszechne Towarzystwo Emerytalne S.A.
<b>8 May 2003</b>	The fund's name is changed from Zurich Otwarty Fundusz Emerytalny to Generali Otwarty Fundusz Emerytalny.
<b>January 2004</b>	The completion of merger between Generali and Zurich in life & non-life sectors.
<b>1 January 2006</b>	Generali established a car dealers' insurance company – Generali AutoProgram Sp. z o.o. (GAP).
<b>December 2006</b>	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.
<b>December 2007</b>	Generali Group in Poland has approximately 70 regional sales units responsible for life & non-life insurance sale – 32 branches, 28 subsidiaries and 9 Exclusive Agencies.
<b>May 2008</b>	Change of Generali's headquarter.
<b>September 2008</b>	Generali for the first time exceeded PLN 1 billion of gross written premium.



# ■ Product range



## Insurance for individual clients

### Life insurance

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 LEOLIFE (new)
18. Life insurance with insurance capital fund LEOLIFE (transferred)

### 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
9. Compulsory third party liability insurance of the farmers & compulsory insurance of the farm buildings

### Personal insurance

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

### Motor insurance

1. Third party liability for vehicle owners covering losses caused by 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. Personal accident insurance for drivers of the vehicle
6. LEW POMOCNIK – Generali Assistance insurance
7. LEW ADWOKAT – legal protection insurance in road traffic
8. Motor Third Party Liability Border Insurance



## Insurance for corporate clients:

### Group life insurance

1. CERTUM group life insurance
2. CERTUM MAX group life insurance
3. Employee pension schemes
4. Individual prolongation of group life insurance

### Property insurance

1. Property insurance
  - Fire and allied perils insurance
  - Burglary and robbery property insurance
  - All risk property insurance
  - Business interruption insurance
  - Commercial property 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. Third party liability insurance
4. Aerial 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
  - Insurance Guarantees
  - Bancassurance

### Group personal insurance

1. Group personal accident insurance
2. Personal accident insurance for children, students and staff of educational institutions – LEW UCZEŃ
3. Personal accident insurance for students and staff of universities – LEW STUDENT
4. Personal accident insurance for sports organizations
5. Travel insurance – LEW PODRÓŻNIK
6. Foreign travel insurance (corporate policies for business travels)

### Motor insurance

1. Third party liability for vehicle owners covering losses caused by 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. Personal accident insurance for drivers of the vehicle
6. LEW POMOCNIK – Generali Assistance insurance
7. LEW ADWOKAT – legal protection insurance in road traffic
8. Motor Third Party Liability Border Insurance

## Generali Powszechne Towarzystwo Emerytalne S.A. offer:

### Membership in Generali OFE

# Supervisory Board's Reports

## Report of the Supervisory Board of Generali T.U. S.A. for the financial year 2008

The Supervisory Board fulfilled its responsibilities according to the law and Statute in the financial year 2008.

During the meetings with the Management Board the Supervisory Board was regularly informed about the current company's situation and supervised company's management by the Management Board.

The Supervisory Board examined the financial statement of the Company as well as the Management Board's report on the company's operations for the financial year 2008 and confirms that these are prepared in accordance with law, Company's books and documents as well as with factual state. They reflect correctly and reliably the results of Company's economic activity, financial and assets status as well as other data defined by law in the financial year 2008.

The Supervisory Board examined the opinion of chartered auditor, PricewaterhouseCoopers Sp. z o.o., confirming proper preparation of the financial statement and the Management Board's report on the Company's operations in the financial year 2008.

The Supervisory Board shares the Management Board's opinion on profit's allocation.

In connection with the above the Supervisory Board recommends the General Assembly to pass the following resolutions:

1. approval of Management Board's Report on Company's operations for the financial year 2008
2. approval of Company's Financial Statement for the financial year 2008
3. concerning distribution of profit for the financial year 2008 in the amount of PLN 15.028.086,96 in a manner requested by the Management Board, i.e. to allocate it in whole for covering losses from the previous years
4. granting Members of Management Board the vote of approval the performance of their duties in the financial year 2008.

Warsaw, 19<sup>th</sup> March 2009

Mr Werner Moertel

Mrs Luisa Coloni

Mrs Klara Starkova





## **Report of the Supervisory Board of Generali Życie T.U. S.A. for the financial year 2008**

The Supervisory Board fulfilled its responsibilities according to the law and Statute in the financial year 2008.

During the meetings with the Management Board the Supervisory Board was regularly informed about the current company's situation and supervised company's management by the Management Board.

The Supervisory Board examined the financial statement of the Company as well as the Management Board's report on the company's operations for the financial year 2008 and confirms that these are prepared in accordance with law, Company's books and documents as well as with factual state. They reflect correctly and reliably the results of Company's economic activity, financial and assets status as well as other data defined by law in the financial year 2008.

The Supervisory Board examined the opinion of chartered auditor, PricewaterhouseCoopers Sp. z o.o., confirming proper preparation of the financial statement and the Management Board's report on the Company's operations in the financial year 2008.

The Supervisory Board shares the Management Board's opinion on profit's allocation.

In connection with the above the Supervisory Board recommends the General Assembly to pass the following resolutions:

1. approval of Management Board's Report on Company's operations for the financial year 2008
2. approval of Company's Financial Statement for the financial year 2008
3. concerning distribution of profit for the financial year 2008 in the amount of PLN 11.894.827,77 in a manner requested by the Management Board, i.e. to allocate it in whole for the reserve capital
4. granting Members of Management Board the vote of approval the performance of their duties in the financial year 2008.

Warsaw, 19<sup>th</sup> March 2009

Mr Werner Moertel

Mrs Luisa Coloni

Mrs Klara Starkova





## **Report of the Supervisory Board of Generali Powszechnie Towarzystwo Emerytalne S.A. for the financial year 2008**

The Supervisory Board fulfilled its responsibilities according to the law and Statute in the financial year 2008.

During the meetings with the Management Board the Supervisory Board was regularly informed about the current company's situation and supervised company's management by the Management Board.

The Supervisory Board examined the financial statement of the Company and of Generali Otwarty Fundusz Emerytalny (Fund) as well as the Management Board's report on the company's operations for the financial year 2008 and confirms that these are prepared in accordance with law, Company's and Fund's books and documents as well as with factual state. They reflect correctly and reliably the results of Company's and Fund's economic activity, financial and assets status as well as other data defined by law in the financial year 2008.

The Supervisory Board examined the opinion of chartered auditor, PricewaterhouseCoopers Sp. z o.o., confirming proper preparation of the financial statements and the Management Board's report on the Company's operations in the financial year 2008.

The Supervisory Board shares the Management Board's opinion on profit's allocation.

In connection with the above the Supervisory Board recommends the General Assembly to pass the following resolutions:

1. approval of Management Board's Report on Company's operations for the financial year 2008
2. approval of Company's and Fund's Financial Statement for the financial year 2008
3. concerning allocation of profit from the financial year 2008 in the amount of PLN 20.021.793,92 in a manner requested by the Management Board, i.e.:
  - a) allocation of the amount of PLN 1.601.743,51 for the reserve capital
  - b) allocation of the rest of the profit in the amount of PLN 18.420.050,41 plus not allocated income from the previous years in the amount of PLN 6.753.905,25 (in total PLN 25.173.955,66) for the dividend's payment for the Company's shareholders, i.e. for Generali T.U. S.A. – PLN 24.308.871,27 and for Generali PPF Holding B.V. PLN 865.084,39
4. granting Members of Management Board the vote of approval the performance of their duties in the financial year 2008.

Warsaw, 19<sup>th</sup> March 2009

Mr Werner Moertel

Mrs Luisa Coloni

Mr Karol Lutkowski

Mr Maciej Zieliński



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



# Management Report of Generali T.U. S.A.

## Management report

### 1. Key events in 2008

In comparison with the year 2007 in the year 2008 Generali T.U. S.A. recorded significant increase in the volume of the written premium by 48.8%.

Year 2008 was characterized by dynamic development of the sales channels. The cooperation with the car dealers, started already in 2006 (in co-operation with the service company Generali AutoProgram Sp. z o.o.), resulted in the considerable increase of the written premium in year 2008 which amounted to PLN 126,6 million against PLN 60,6 million in 2007. Simultaneously the further development of the sales net related to the corporate insurance was continued.

In 2008 Generali T.U. S.A. has broaden its products portfolio. The new introduced products included:

- Personal accident insurance for drivers with high insurance sum
- PRESTO (improved version of previous product, awarded by magazine "Home&Market" and Gazeta Finansowa)
- foreign travel insurance by SMS in cooperation with Orange
- third party liability in private life insurance – new version with extended protection

Additionally in 2008 Generali T.U. S.A. launched new distribution channel "Direct" i.e. sales of car, household & travel insurance through Internet and phone.

### 2. Financial standing

In the year 2008 Generali T.U. S.A. recorded the gross written premium in total value of PLN 600,1 million. The biggest share in the portfolio recorded car insurance products (about 67,7%). The second position regarding the premium volume has corporate insurance portfolio (25,0%).

In comparison to the written Premium collected in 2007 practically in all business lines the two-digit increase was recorded. The highest increase stated in absolute amounts was noted in car insurance (TPL, Hull, car accident, legal protection, Assistance). The increase amounted about PLN 169 million. The second increase area was corporate insurance, the increase amounted to about PLN 17,1 million. In 2008 net technical result was noted PLN -36,3 million against PLN -2,2 million in 2007.

In 2008 further improvement of claims ratios, relating to changes in profiles of the target clients and clearly seen rationalization of the claims settlement processes (changes made in years 2005-2008) took place. Simultaneously, the positive influence on the portfolio quality had constant keeping of „hard" requirements in underwriting of corporate risks.

#### Net financial result for the period

In the year 2008 Generali T.U. S.A. generated the financial result on the positive level of PLN 15.0 million against PLN 33.2 million in 2007. The result on investment activities improved in comparison to year 2007. It is a result of higher asset balances coming from dynamic portfolio growth.

#### High security ratios

The Company still maintains high security ratios. The ratio reflecting the coverage of solvency margin with own funds was 189%. The ratio reflecting the coverage of technical provisions with assets remains on the secured level and amounted to 110,5% as at the end of December 2008.





### **3. Expected Company's development**

Main targets for the year 2009 include:

- further development resulting in the increase in market share
- improvement of profit after tax in comparison with the year 2008
- 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
- automation of internal processes

### **4. Risks and threats to the Company's activity**

The Company's activity might have been negatively influenced by the breaking economy resulting in higher unemployment rate and decrease in purchase power of the society.

The next treat is still very slow increase on the market in relation to property and personal accident insurance. In comparison to the EU there is still very low level of the expenditure for insurance per capita. From one side it very high potential, on the other very slow insurance market development shows very slowly increasing insurance awareness of Poles.



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

## MANAGEMENT REPORT

### 1. Key events in 2008

In 2008 new following products were introduced:

1. new investment products with regular premium dedicated for sale through bank distribution channel (Bancassurance) – “Invest in Future”
2. structured product offered together with Xelion. Doradcy Finansowi – “Generali Pewny Profit”
3. new palette of health insurance products

### 2. Financial situation

In 2008 gross premium written collected by Generali Życie T.U. S.A. grew by 47.3% (from PLN 537,5 million in 2007 to PLN 792.0 million in 2008). The most important growth factor was development of the portfolio of individual and group insurance policies providing for regular premiums. In the segment of insurance policies with regular premiums, the rate of growth reached 34%, which is twice as much as market average (the rate of premium growth at the end of 2008 was negative). In the segment of insurance policies with single premium the growth reached 56.8%. Increase in the single premium resulted mainly from the extension of the cooperation with the banks.

In 2008, total premium written mostly comprised gross life insurance premium (group I) – 61.1%, then gross premium from life insurance with an insurance investment fund – around 31.8% of total gross premium. Comparing to 2007, increased the amount of insurance single premium (mostly group I).

The lapse ratio in the policy first year is stable in comparison with the prior year.

#### Financial performance

Comparing to the previous year, in 2008, the Company recorded deterioration of technical result by PLN 5.5 million (the technical result was positive and amounted to PLN 16.1 million) mainly as a result of decrease in the UL assets and lower fees and as a result of higher expenses.

Lower technical profit resulted in lower profit after tax (2008 – PLN 11.9 million compared to PLN 17.1 million in 2007).

#### High security ratios

The Company still maintains its security ratios at very high levels. The ratio reflecting the coverage of technical provisions with assets for insurance other than life insurance where the investment risk is borne by the policy was 105.81% and the ratio reflecting the coverage of solvency margin with own funds was 212.6%.

### 3. Expected development

In 2008, the Company recorded very good results as regards the acquisition of new customers, the development of new distribution channels. The market of section I 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 2009 are as follows:

- further development of the sales network responsible for group insurances
- active expansion of own sales network (mainly individual products)
- cooperation 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 in gross written premium and our market share increasing the Company's positive result at the same time.

#### **4. Risks and threats to the Company's operations**

Unfavourable situation of the capital markets and worsening macro-economical conditions (decrease of the growth dynamic of gross domestic product, increase of unemployment ratio) could become the factor affecting the Company's activity on the market.

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



# Balance sheet

## Assets (Thousands PLN)

As of 31 December 2008

As of 31 December 2007

	As of 31 December 2008	As of 31 December 2007
<b>A. Intangible assets</b>	<b>510</b>	<b>104</b>
1. Goodwill	0	0
2. Other intangible assets and advances on intangible assets	510	104
<b>B. Investments</b>	<b>719,373</b>	<b>539,537</b>
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	144,582	115,211
1. Interests in subsidiary entities	144,582	115,211
2. Loans granted to subsidiary entities and debt securities issued by subsidiaries	0	0
3. Other investments	0	0
III. Other financial investments	574,791	424,326
1. Equities and other variable income securities as well as participation units and investment certificates in investment funds	17,293	9,634
2. Debt and other fixed income securities	486,159	353,067
3. Interest in investment joint ventures	0	0
4. Loans secured with mortgage	0	0
5. Other loans	0	31,111
6. Term investments with credit institutions	71,339	30,514
7. Other investments	0	0
IV. Deposit receivables from assigners	0	0
<b>C. Net life insurance assets when the investment risk is with the policy holder</b>		
<b>D. Receivables</b>	<b>172,269</b>	<b>223,799</b>
I. Receivables under direct insurance	87,546	64,564
1. Receivables from policy holders	81,783	60,693
1.1. From subsidiary entities	0	0
1.2. From other entities	81,783	60,693
2. Receivables from insurance agents	2,773	1,924
2.1. From subsidiary entities	0	0
2.2. From other entities	2,773	1,924
3. Other receivables	2,990	1,947
3.1. From subsidiary entities	0	0
3.2. From other entities	2,990	1,947
II. Due under reinsurance	79,250	154,327
1. From subsidiary entities	0	0
2. From other entities	79,250	154,327
III. Other receivables	5,473	4,908
1. From the State budget	17	17
2. Other receivables	5,456	4,891
2.1. From subsidiary entities	0	0
2.2. From other entities	5,456	4,891

<b>E. Other assets</b>	<b>4,939</b>	<b>1,834</b>
I. Tangible fixed assets	3,954	1,509
II. Cash	985	325
III. Other assets	0	0
<b>F. Accruals</b>	<b>55,492</b>	<b>30,467</b>
I. Deferred income tax	0	30
II. Deferred acquisition costs	44,991	30,098
III. Accrued interest and rent	38	29
IV. Other accruals	10,463	310
<b>Total assets</b>	<b>952,583</b>	<b>795,741</b>

## Liabilities (Thousands PLN)

As of 31 December 2008

As of 31 December 2007

	As of 31 December 2008	As of 31 December 2007
<b>A. Equity</b>	<b>178,303</b>	<b>158,936</b>
I. Share capital	190,310	190,310
II. Unpaid share capital (negative value)	0	0
III. Treasury stock (negative value)	0	0
IV. Reserve capital	83,484	80,827
V. Revaluation reserve	4,208	-131
VI. Other reserves	10,000	10,000
VII. Retained Profit (loss)	-124,727	-155,285
VIII. Net profit (loss)	15,028	33,215
<b>B. Subordinated liabilities</b>		
<b>C. Technical provisions</b>	<b>686,404</b>	<b>518,788</b>
I. Provision for premiums and reserve for unexpired risks	297,866	201,954
II. Life insurance provision	0	0
III. Provision for undisbursed compensation and benefits	356,526	298,457
IV. Provision for bonus and rebate for insured	8,291	7,217
V. Provision to equalise loss ratio (risk)	23,721	11,160
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
<b>D. Share of reinsurers in technical reserves (negative value)</b>	<b>59,645</b>	<b>61,828</b>
I. Share of reinsurers in provision for premiums and reserve for unexpired risks	14,905	11,181
II. Share of reinsurers in insurance life provision	0	0
III. Share of reinsurers in provision for undisbursed compensation and benefits	44,740	50,647
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
<b>E. Estimated recourse and recoup</b>	<b>3,063</b>	<b>1,985</b>
I. Gross estimated recourse and recoup	3,063	1,985
II. Share of reinsurers in estimated recourse and recoup	0	0
<b>F. Other provisions</b>	<b>43</b>	<b>1,030</b>
I. Provision for pension benefits and other mandatory employee benefits	0	0
II. Provision for deferred income tax	30	0
III. Other provisions	13	1,030
<b>G. Liabilities under investments of reinsurers</b>	<b>129</b>	<b>20</b>
<b>H. Other liabilities and special funds</b>	<b>108,162</b>	<b>157,236</b>
I. Liabilities under direct insurance	23,669	23,269
1. Liabilities to the insured	21,836	21,924
1.1. to subsidiary entities	0	0
1.2. to other entities	21,836	21,924
2. Liabilities to insurance agents	1,833	1,345
2.1. to subsidiary entities	0	0
2.2. to other entities	1,833	1,345

3. Other insurance related liabilities	0	0
3.1 to subsidiary entities	0	0
3.2 to other entities	0	0
II. Reinsurance liabilities	78,037	130,501
1. to subsidiary entities	0	0
2. to other entities	78,037	130,501
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	6,239	3,290
1. To State budget	934	901
2. Other liabilities	5,305	2,389
2.1. to subsidiary entities	1,489	287
2.2. to other entities	3,816	2,102
VI. Special funds	217	176
<b>I. Accruals and deferred income</b>	<b>42,250</b>	<b>23,544</b>
1. Accrued expenses	39,986	22,072
2. Negative goodwill	0	0
3. Deferred income	2,264	1,472
<b>Total liabilities</b>	<b>952,583</b>	<b>795,741</b>

# Profit and Loss Statement

## Technical insurance account section II total (Thousands PLN)

	12 months until 31 December 2008	12 months until 31 December 2007
<b>I. Premium (1-2-3+4)</b>	<b>445,337</b>	<b>30,281</b>
1. Gross written premium	600,138	403,193
2. Share of reinsurers in gross written premium	62,612	239,471
3. Change in provisions for gross premium and unexpired risk	95,913	67,979
4. Share of insurers in change of provisions for premium	3,724	-65,462
<b>II. Investment income net of costs, transferred from the general profit and loss account</b>	<b>0</b>	<b>0</b>
<b>III. Other technical income, net of reinsurance</b>	<b>3,035</b>	<b>247,940</b>
<b>IV. Indemnities and benefits (1+2)</b>	<b>299,739</b>	<b>215,880</b>
1. Indemnities and benefits paid, net of reinsurance:	236,840	78,101
1.1. Gross paid indemnities and benefits	245,703	176,279
1.2. Share of reinsurers in indemnities and benefits paid	8,863	98,178
2. Change of provisions on unpaid indemnities and benefits, net of reinsurance	62,899	137,779
2.1. Change of gross provisions for unpaid indemnities and benefits	56,991	50,949
2.2. Share of reinsurers in change of gross provisions for unpaid indemnities and benefits	-5,908	-86,830
<b>V. Change of other technical provisions, net of reinsurance</b>	<b>0</b>	<b>0</b>
1. Gross change of other technical provisions	0	0
2. Share of reinsurers in change of other technical provisions	0	0
<b>VI. Bonuses and rebates, net of reinsurance, including change in provisions</b>	<b>3,761</b>	<b>6,013</b>
<b>VII. Costs of insurance operations</b>	<b>142,018</b>	<b>17,560</b>
1. Acquisition costs	90,087	53,741
1.1. of which change in deferred acquisition costs	-14,893	-13,644
2. Administrative expenses	58,288	49,878
3. Reinsurance commissions and share in profit by insurers	6,357	86,059
<b>VIII. Other technical costs, net of reinsurance</b>	<b>26,620</b>	<b>33,189</b>
<b>IX. Change of provisions to equalise loss ratio (risk)</b>	<b>12,560</b>	<b>7,787</b>
<b>X. Technical result on non-life and life insurance</b>	<b>-36,326</b>	<b>-2,208</b>



## General profit and loss account (Thousands PLN)

12 montes until  
31 December 2008

12 months until  
31 December 2007

	12 montes until 31 December 2008	12 months until 31 December 2007
<b>I. Technical result on non-life and life insurance</b>	<b>-36,326</b>	<b>-2,208</b>
<b>II. Investment revenues</b>	<b>57,340</b>	<b>37,997</b>
1. Revenues from investments in real estate property	0	0
2. Revenues from investments in subsidiary entities	25,289	12,619
2.1. equities	25,289	12,619
2.2. loans and debt securities	0	0
2.3. other investments	0	0
3. Revenues from other financial investments	25,759	17,866
3.1. equities and other variable income securities as well as participation units and investment certificates in investment funds	144	0
3.2. debt and other fixed income securities	21,611	14,825
3.3. term investments with credit institutions	1,102	1,264
3.4. other investments	2,902	1,777
4. Profit on revaluation of investments	0	0
5. Profit on disposal of investments	6,292	7,512
<b>III. Unrealised gain from investments</b>	<b>3,319</b>	<b>4</b>
<b>IV. Investment revenues net of costs, transferred from technical life insurance account</b>	<b>0</b>	<b>0</b>
<b>V. Costs of investment activity (1+2+3+4)</b>	<b>8,432</b>	<b>1,416</b>
1. Costs of property maintenance	0	0
2. Other costs of investment activity	304	262
3. Loss of revaluation of investments	4,374	0
4. Loss on disposal of investments	3,754	1,154
<b>VI. Unrealised loss on investments</b>	<b>227</b>	<b>938</b>
<b>VII. Net investment revenues, transferred to technical account of non-life and life insurance</b>	<b>0</b>	<b>0</b>
<b>VIII. Other operating income</b>	<b>3,130</b>	<b>2,124</b>
<b>IX. Other operating expense</b>	<b>3,760</b>	<b>2,348</b>
<b>X. Profit (loss) on operations</b>	<b>15,044</b>	<b>33,215</b>
<b>XI. Extraordinary profit</b>	<b>0</b>	<b>0</b>
<b>XII. Extraordinary loss</b>	<b>0</b>	<b>0</b>
<b>XIII. Gross profit (loss)</b>	<b>15,044</b>	<b>33,215</b>
<b>XIV. Income tax</b>	<b>16</b>	<b>0</b>
<b>XV. Other mandatory decrease of profit (increase of loss)</b>	<b>0</b>	<b>0</b>
<b>XVI. Net profit (loss)</b>	<b>15,028</b>	<b>33,215</b>

# Cash Flow Statement

## Cash flow statement (Thousands PLN)

12 months  
until 31 December 2008

12 months  
until 31 December 2007

### A. Cash flows from operating activities

I. Inflows	903,294	595,518
1. Inflows from direct insurance and reinsurance accepted	574,893	394,384
1.1. Inflow of gross premium	573,364	393,121
1.2. Gross inflows under recourse and refund of indemnities	1,529	1,263
1.3. Other inflows from direct insurance	0	0
2. Inflows from outward reinsurance	320,259	195,095
2.1. Payments by reinsurers due to share indemnities	154,640	86,805
2.2. Inflows due to reinsurance commissions and share in profit by reinsurers	61,506	54,324
2.3. Other inflows from outward reinsurance	104,113	53,966
3. Other operating inflows	8,142	6,039
3.1. Inflows for operating as claims representative	5,447	4,334
3.2. Disposal of intangible assets and tangible fixed assets other than investments	30	397
3.3. Other inflows	2,665	1,308
II. Outflows	779,397	518,922
1. Outflows on direct insurance and reinsurance accepted / inward reinsurance	427,568	299,365
1.1. Refund of gross premium	6,935	4,029
1.2. Gross paid indemnities and benefits	214,793	159,380
1.3. Acquisition costs	88,141	60,374
1.4. Administrative expenses	52,093	44,690
1.5. Expenses of loss settlement and recourse collection	32,439	20,240
1.6. Commission and profit share paid due to reinsurance accepted	683	1,237
1.7. Other expenses on direct insurance and reinsurance accepted	32,484	9,415
2. Expenses on outward reinsurance	337,972	211,775
2.1. Premium paid on reinsurance	112,535	203,561
2.2. Other costs of outward reinsurance	225,437	8,214
3. Costs of other operations	13,857	7,782
3.1. Costs of acting as claims representative	6,300	4,749
3.2. Purchase of intangible assets and tangible fixed assets other than investments	3,768	784
3.3. Other operating expense	3,789	2,249
III. Cash flows from operating activities (I-II)	123,897	76,596

### B. Flows from investing activities

I. Inflows	8,245,841	8,983,066
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	11,356	25,228
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	339,160	160,051
6. Closing of investments with credit institutions	3,849,991	5,679,593
7. Disposal of other investments	4,018,416	3,099,836
8. Income from real estate property	0	0
9. Interest received	26,791	17,358
10. Dividend received	127	0
11. Other investment income	0	1,000

II. Outflows	8,369,078	9,079,464
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	25,472	15,284
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	464,708	252,746
6. Term investments with credit institutions	3,889,042	5,680,239
7. Purchase of other investments	3,989,551	3,130,933
8. Expenses on maintenance of real estate property	0	0
9. Other investment costs	305	262
III. Net cash flows from investing activities (I-II)	-123,237	-96,398

### C. Cash flows from financing activities

I. Inflows	0	20,000
1. Net inflows from share issues and additional contributions to capital	0	20,000
2. Credits, loans and issue of debt securities	0	0
3. Other financial inflows	0	0
II. Outflows	0	0
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	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)	0	20,000

### D. Total net cash flows (A.III±B.III±C.III)

660 198

### E. Balance sheet change of cash, of which:

660 200

– change in cash due to foreign exchange differences

0 2

### F. Cash at beginning of period

325 125

### G. Cash at end of period (F±D), of which:

985 323

– with limited availability

0 0

# Registered Auditor's Opinion



PRICEWATERHOUSECOOPERS 

**REGISTERED AUDITOR'S OPINION  
ON THE FINANCIAL INFORMATION  
TO THE SHAREHOLDERS OF  
GENERALI TOWARZYSTWO UBEZPIECZEŃ S.A.**

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#### TRANSLATORS' EXPLANATORY NOTE

This version of our the accompanying documents is a translation from the original, which was prepared in Polish. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

The financial information presented on pages from 20 to 27 of the Annual report for 2008, consisting of the balance sheet as at 31 December 2008, the technical account of property and casualty insurance, the general profit and loss account and cash flow statement for the period from 1 January 2008 to 31 December 2008 ("financial statement") of Generali Towarzystwo Ubezpieczeń S.A. seated in Warsaw, Postępu 15 B ("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 2008 to 31 December 2008 ("the financial statements"). The financial statements were prepared in accordance with the Accounting Act of 29 September 1994 (uniform text, Journal of Laws of 2002, No. 76, item 694 with further amendments).

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.

We have audited the financial statements of the Company, from which the financial information was derived, in accordance with auditing standards issued by the National Council of Registered Auditors in Poland. On 18 March 2009 we issued an unqualified audit opinion on these financial statements.

In our opinion, the accompanying financial information presented on pages 20 to 27 of the Annual report for 2008 is consistent, in all material respects, with the Company's financial statements from which it was derived.

For a fuller understanding of the Company's financial position and the results of its operations for the year ended 31 December 2008, 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.:

Wojciech Maj  
Member of the Management Board  
Registered auditor  
No. 6128/2647

Registered Audit Company No. 144

Warsaw, 18 March 2009



# Financial Statement of

## Generali Życie T.U. S.A.



# Balance sheet

## Assets (Thousands PLN)

As of 31 December 2008

As of 31 December 2007

	As of 31 December 2008	As of 31 December 2007
<b>A. Intangible assets</b>	<b>758</b>	<b>47</b>
1. Goodwill	0	0
2. Other intangible assets and advances for intangible assets	758	47
<b>B. Investments</b>	<b>314,177</b>	<b>246,394</b>
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	314,177	246,394
1. Variable income equities and other securities as well as participation units and investment certificates in investment funds	0	4,665
2. Fixed income debt and other securities	139,078	191,287
3. Participations in investment joint ventures	0	0
4. Loans secured with a mortgage	0	0
5. Other loans	700	1,153
6. Long-term investments with credit institutions	138,331	25,726
7. Other investments	36,068	23,563
IV. Deposit receivables from assigners	0	0
<b>C. Net assets of life insurance with the investment risk with the insurer</b>	<b>793,797.00</b>	<b>939,845.00</b>
<b>D. Receivables</b>	<b>45,255</b>	<b>34,910</b>
I. Direct insurance	23,279	24,557
1. Receivables from insuring parties	23,115	24,412
1.1. From subsidiary entities	0	0
1.2. From other entities	23,115	24,412
2. Receivables from insurance agents	164	145
2.1. From subsidiary entities	0	0
2.2. From other entities	164	145
3. Other receivables	0	0
3.1. From subsidiary entities	0	0
3.2. From other entities	0	0
II. Reinsurance receivables	4,278	4,234
1. From subsidiary entities	0	0
2. From other entities	4,278	4,234
III. Other receivables	17,698	6,119
1. From State budget	11,627	515
2. Other receivables	6,071	5,604
2.1. From subsidiary entities	0	0
2.2. From other entities	6,071	5,604

<b>E. Other assets</b>	<b>3,054</b>	<b>950</b>
I. Tangible fixed assets	2,057	730
II. Cash	997	220
III. Other assets	0	0
<b>F. Accruals and prepaid expenses</b>	<b>144,619</b>	<b>79,184</b>
I. Deferred income tax	0	0
II. Acquisition costs	128,544	70,154
III. Accrued interest and commissions	2,889	633
IV. Other accruals	13,186	8,397
<b>Total assets</b>	<b>1,301,660</b>	<b>1,301,330</b>

## Liabilities (Thousands PLN)

As of 31 December 2008      As of 31 December 2007

<b>A. Equity</b>	<b>107,045</b>	<b>94,201</b>
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	24,224	7,128
V. Revaluation reserve	-74	-1,023
VI. Other reserves	10,000	10,000
VII. Retained Profit (loss)	0	0
VIII. Net profit (loss)	11,895	17,096
<b>B. Subordinated liabilities</b>		
<b>C. Technical provisions</b>	<b>1,086,907</b>	<b>1,110,337</b>
I. Provision for premiums and reserve for unexpired risks	4,098	4,045
II. Life insurance provision	259,685	149,661
III. Provision for undisbursed compensation and benefits	26,674	15,248
IV. Provision for bonus and rebate for insured	2,653	1,538
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	793,797	939,845
<b>D. Share of reinsurers in technical reserves (negative value)</b>	<b>3,770</b>	<b>1,984</b>
I. Share of reinsurers in provision for premiums and reserve for unexpired risks	62	52
II. Share of reinsurers in insurance life provision	124	46
III. Share of reinsurers in provision for undisbursed compensation and benefits	3,581	1,886
IV. Share of reinsurers in provision for bonus and rebate for insured	3	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
<b>E. Estimated recourse and recoup</b>	<b>0</b>	<b>0</b>
I. Gross estimated recourse and recoup	0	0
II. Share of reinsurers in estimated recourse and recoup	0	0
<b>F. Other provisions</b>	<b>10,369</b>	<b>9,573</b>
I. Provision for pension benefits and other mandatory employee benefits	0	0
II. Provision for deferred income tax	8,575	7,702
III. Other provisions	1,794	1,871
<b>G. Liabilities under investments of reinsurers</b>	<b>3,680</b>	<b>1,872</b>
<b>H. Other liabilities and special funds</b>	<b>27,396</b>	<b>30,541</b>
I. Liabilities under direct insurance	20,528	23,200
1. Liabilities to the insured	10,721	12,845
1.1. to subsidiary entities	0	0
1.2. to other entities	10,721	12,845
2. Liabilities to insurance agents	9,807	10,355
2.1. to subsidiary entities	0	0
2.2. to other entities	9,807	10,355



3. Other insurance related liabilities	0	0
3.1 to subsidiary entities	0	0
3.2 to other entities	0	0
II. Reinsurance liabilities	5,436	5,733
1. to subsidiary entities	0	0
2. to other entities	5,436	5,733
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	1,300	1,495
1. To State budget	787	747
2. Other liabilities	513	748
2.1. to subsidiary entities	0	0
2.2. to other entities	513	748
VI. Special funds	132	113
<b>I. Accruals and deferred income</b>	<b>70,033</b>	<b>56,790</b>
1. Accrued expenses	13,654	11,129
2. Negative goodwill	0	0
3. Deferred income	56,379	45,661
<b>Total liabilities</b>	<b>1,301,660</b>	<b>1,301,330</b>

# Profit and Loss Statement

## Technical account of life insurance total (Thousands PLN)

	12 months until 31 Decem- ber 2008	12 months until 31 Decem- ber 2007
<b>I. Premium (1-2-3+4)</b>	<b>779,278</b>	<b>527,343</b>
1. Gross written premium	792,027	537,539
2. Share of reinsurers in gross written premium	12,706	9,897
3. Change in provisions for gross premium and unexpired risk	53	246
4. Share of insurers in change of provisions for premium	10	-53
<b>II. Revenues from investments (1+2+3+4)</b>	<b>67,047</b>	<b>74,405</b>
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	51,160	36,663
3.1. equities and other variable income securities as well as participation units and investment certificates in investment funds	9,643	5,882
3.2. debt and other fixed income securities	28,741	23,082
3.3. term investments with credit institutions	8,866	2,555
3.4. other investments	3,910	5,144
4. Income on investment revaluation	0	0
5. Income on disposal of investments	15,887	37,742
<b>III. Unrealised investment gains</b>	<b>27,403</b>	<b>43,345</b>
<b>IV. Other technical income net of reinsurance</b>	<b>2,850</b>	<b>2,274</b>
<b>V. Indemnities and benefits (1+2)</b>	<b>488,470</b>	<b>318,183</b>
1. Indemnities and benefits paid, net of reinsurance	478,739	311,702
1.1. Gross indemnities and benefits paid	482,252	314,591
1.2. Share of reinsurers in indemnities and benefits paid	3,513	2,889
2. Change in provisions for unpaid indemnities and benefits, net of reinsurance	9,731	6,481
2.1. gross provisions	11,426	7,272
2.2. Share of reinsurers	1,695	791
<b>VI. Change in other technical provisions, net of reinsurance (1+2)</b>	<b>-36,102</b>	<b>153,643</b>
1. Change in life insurance provisions, net of reinsurance	109,946	-7,528
1.1. gross provisions	110,024	-7,588
1.2. reinsurance share	78	-60
2. Change in life insurance technical provisions, net of reinsurance, if the risk lies with the policy holders	-146,048	161,171
2.1. gross provisions	-146,048	161,171
2.2. reinsurance share	0	0
<b>VII. Bonus and rebates inclusive of change in provisions, net of reinsurance</b>	<b>1,385</b>	<b>641</b>
<b>VIII. Costs of insurance activity (1+2-3)</b>	<b>121,729</b>	<b>92,786</b>
1. Acquisition costs	83,269	64,646
1.1. Including change in deferred acquisition costs	-58,390	-26,906
2. Administration costs	41,326	29,985
3. Reinsurance commission and share in profit	2,866	1,845

<b>IX. Costs of investment activity (1+2+3+4)</b>	<b>193,824</b>	<b>12,260</b>
1. Costs of property maintenance	0	0
2. Other costs of investment activity	1,486	1,387
3. Loss of revaluation of investments	0	0
4. Loss on disposal of investments	192,338	10,873
<b>X. Unrealised loss on investments</b>	<b>78,286</b>	<b>37,732</b>
<b>XI. Other technical costs, net of reinsurance</b>	<b>12,928</b>	<b>10,609</b>
<b>XII. Net investment income, net of costs, recognised in the general profit and loss account</b>	<b>0</b>	<b>0</b>
<b>XIII. Technical result of life insurance</b>	<b>16,058</b>	<b>21,513</b>

## General profit and loss account (Thousands PLN)

12 months until  
31 December 2008

12 months until  
31 December 2007

	12 months until 31 December 2008	12 months until 31 December 2007
<b>I. Technical result on non-life and life insurance or technical result of life insurance</b>	<b>16,058</b>	<b>21,513</b>
<b>II. Investment revenues</b>	<b>0</b>	<b>0</b>
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
<b>III. Unrealised investment gains</b>	<b>0</b>	<b>0</b>
<b>IV. Investment revenues net of costs, transferred from technical life insurance account</b>	<b>0</b>	<b>0</b>
<b>V. Costs of investment activity (1+2+3+4)</b>	<b>0</b>	<b>0</b>
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
<b>VI. Unrealised loss on investments</b>	<b>0</b>	<b>0</b>
<b>VII. Net investment revenues, transferred to technical account of non-life and life insurance</b>	<b>0</b>	<b>0</b>
<b>VIII. Other operating income</b>	<b>1,743</b>	<b>2,949</b>
<b>IX. Other operating expense</b>	<b>1,378</b>	<b>2,466</b>
<b>X. Profit (loss) on operations</b>	<b>16,424</b>	<b>21,996</b>
<b>XI. Extraordinary profit</b>	<b>0</b>	<b>0</b>
<b>XII. Extraordinary loss</b>	<b>0</b>	<b>0</b>
<b>XIII. Gross profit (loss)</b>	<b>16,424</b>	<b>21,996</b>
<b>XIV. Income tax</b>	<b>4,529</b>	<b>4,900</b>
<b>XV. Other mandatory decrease of profit (increase of loss)</b>	<b>0</b>	<b>0</b>
<b>XVI. Net profit (loss)</b>	<b>11,895</b>	<b>17,096</b>

# Cash Flow Statement

## Cash flow statement (Thousands PLN)

	12 months until 31 December 2008	12 months until 31 December 2007
<b>A. Cash flows from operating activities</b>	<b>103,774</b>	<b>92,708</b>
I. Inflows	807,249	534,121
1. Inflows from direct insurance and reinsurance accepted	796,631	528,643
1.1. Inflow of gross premium	794,694	526,807
1.2. Gross inflows under recourse and refund of indemnities	0	0
1.3. Other inflows from direct insurance	1,937	1,836
2. Inflows from outward reinsurance	9,115	3,665
2.1. Payments by reinsurers due to share indemnities	4,519	1,294
2.2. Inflows due to reinsurance commissions and share in profit by reinsurers	3,162	1,525
2.3. Other inflows from outward reinsurance	1,434	846
3. Other operating inflows	1,503	1,813
3.1. Inflows for operating as claims representative	0	0
3.2. Disposal of intangible assets and tangible fixed assets other than investments	35	394
3.3. Other inflows	1,468	1,419
II. Outflows	703,475	441,413
1. Outflows on direct insurance and reinsurance accepted / inward reinsurance	672,379	429,768
1.1. Refund of gross premium	2,684	1,231
1.2. Gross paid indemnities and benefits	474,543	310,330
1.3. Acquisition costs	142,863	88,984
1.4. Administrative expenses	42,430	24,027
1.5. Expenses of loss settlement and recourse collection	7,709	4,262
1.6. Commission and profit share paid due to reinsurance accepted	0	0
1.7. Other expenses on direct insurance and reinsurance accepted	2,150	934
2. Expenses on outward reinsurance	14,050	9,105
2.1. Premium paid on reinsurance	13,730	8,599
2.2. Other costs of outward reinsurance	320	506
3. Costs of other operations	17,046	2,540
3.1. Costs of acting as claims representative	0	0
3.2. Purchase of intangible assets and tangible fixed assets other than investments	2,593	300
3.3. Other operating expense	14,453	2,240
III. Net cash flow from operating activities (I-II)	103,774	92,708
<b>B. Cash flows from investing activities</b>	<b>-102,997</b>	<b>-76,258</b>
I. Inflows	17,684,220	24,484,097
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	690,270	290,329
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	787,053	731,359
6. Closing of investments with credit institutions	8,284,165	11,035,397
7. Disposal of other investments	7,866,978	12,388,072
8. Income from real estate property	0	0
9. Interest received	47,932	34,091
10. Dividend received	7,822	4,849
11. Other investment income	0	0
II. Outflows	17,787,217	24,560,355
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	854,136	391,583
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	746,844	699,780
6. Term investments with credit institutions	8,359,427	11,001,574
7. Purchase of other investments	7,825,316	12,466,054
8. Expenses on maintenance of real estate property	0	0
9. Other investment costs	1,494	1,364
III. Net cash flows from investing activities (I-II)	-102,997	-76,258
<b>C. Cash flows from financing activities</b>	<b>0</b>	<b>-16,492</b>
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	0	16,492
1. Dividend	0	16,492
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)	0	-16,492
<b>D. Total net cash flows (A.III±B.III±C.III)</b>	<b>777</b>	<b>-42</b>
<b>E. Balance sheet change of cash, of which:</b>	<b>776</b>	<b>-42</b>
- change in cash due to foreign exchange differences	0	0
<b>F. Cash at beginning of period</b>	<b>220</b>	<b>262</b>
<b>G. Cash at end of period (F±D), of which:</b>	<b>997</b>	<b>220</b>
- with limited availability		

# Registered Auditor's Opinion



PRICEWATERHOUSECOOPERS 

**REGISTERED AUDITOR'S OPINION  
ON THE FINANCIAL INFORMATION  
TO THE SHAREHOLDERS OF  
GENERALI ŻYCIE TOWARZYSTWO UBEZPIECZEŃ S.A.**

**PricewaterhouseCoopers Sp. z o.o.**  
Al. Armii Ludowej 14  
00-638 Warszawa, Polska  
Telefon +48 (0) 22 523 4000  
Faks +48 (0) 22 508 4040  
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## TRANSLATORS' EXPLANATORY NOTE

This version of our the accompanying documents is a translation from the original, which was prepared in Polish. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

The financial information presented on pages from 30 to 38 of the Annual report for 2008, consisting of the balance sheet as at 31 December 2008, the technical account of property and casualty insurance, the general profit and loss account and cash flow statement for the period from 1 January 2008 to 31 December 2008 ("financial statement") of Generali Życie Towarzystwo Ubezpieczeń S.A. seated in Warsaw, Postępu 15 B ("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 2008 to 31 December 2008 ("the financial statements"). The financial statements were prepared in accordance with the Accounting Act of 29 September 1994 (uniform text, Journal of Laws of 2002, No. 76, item 694 with further amendments).

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.

We have audited the financial statements of the Company, from which the financial information was derived, in accordance with auditing standards issued by the National Council of Registered Auditors in Poland. On 18 March 2009 we issued an unqualified audit opinion on these financial statements.

In our opinion, the accompanying financial information presented on pages 30 to 38 of the Annual report for 2008 is consistent, in all material respects, with the Company's financial statements from which it was derived.

For a fuller understanding of the Company's financial position and the results of its operations for the year ended 31 December 2008, 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.:

Wojciech Maj

Registered Audit Company No. 144

Member of the Management Board  
Registered auditor  
No. 6128/2647

Warsaw, 18 March 2009



# Management Report of Generali Powszechnie Towarzystwo Emerytalne S.A.





# Management Report of Generali Powszechnie Towarzystwo Emerytalne S.A.

## REPORT ON THE COMPANY'S ACTIVITIES

### 1. Significant events

The year 2008 was one of the most difficult in the history of open pension funds, which noted negative return rates for the first time since the beginning of their existence. We had to face unprecedented turmoil on financial markets resulting from the crisis on the US real estate market. In those unfavourable market circumstances we managed to once again end the year with the result which was better than the market average.

During 2008 we observed positive transfer balance, which means that the number of members leaving Generali OFE was lower than the number of members who joined the Fund. The yearly balance equals 16,1 ths people. The result is mainly attributed to the active policy with regard to acquiring new Fund members and to very good investment results despite difficult situation on the markets.

The Fund also gained over 38 ths members in lotteries conducted in January and July 2008. The results achieved were mainly possible because of good investment results.

### 2. Fund members

Given the number of Fund members of 606.213, the Fund holds the eight position among all pension funds in the market

**Number of OFE members registered with ZUS (Social Insurance Institution) as at 31 December 2008**

Open Pension Fund (OFE)	Number of members	% share
AEGON OFE	770.268	5,57%
AIG OFE	1.113.209	8,05%
Allianz Polska OFE	354.721	2,57%
AXA OFE	680.188	4,92%
Bankowy OFE	436.522	3,16%
Commercial Union OFE BPH CU WBK	2.859.620	20,69%
<b>Generali OFE</b>	<b>605.920</b>	<b>4,38%</b>
ING OFE	2.787.715	20,17%
Nordea OFE	776.365	5,62%
Pekao OFE	333.944	2,41%
OFE Pocztylion	445.514	3,22%
OFE Polsat	328.317	2,37%
OFE PZU „Złota Jesień”	2.018.066	14,60%
OFE WARTA	313.437	2,27%
<b>Total</b>	<b>13.823.806</b>	<b>100,00%</b>

Source : [www.knf.gov.pl](http://www.knf.gov.pl), percentage share: own calculation



### 3. Fund's investment activities

Net assets as at 31 December 2008

Open Pension Fund (OFE)	Net assets (PLN million)	% share
AEGON OFE*)	5.897,31	4,27%
AIG OFE	11.116,81	8,04%
Allianz Polska OFE	3.644,82	2,64%
AXA OFE	6.557,59	4,74%
Bankowy OFE	4.030,44	2,91%
Commercial Union OFE BPH CU WBK	36.116,88	26,12%
<b>Generali OFE</b>	<b>5.476,02</b>	<b>3,96%</b>
ING OFE	33.058,45	23,91%
Nordea OFE	5.122,82	3,71%
Pekao OFE	2.218,32	1,60%
OFE Pocztylion	2.777,54	2,01%
OFE Polsat	1.243,59	0,90%
OFE PZU „Złota Jesień”	18.952,33	13,71%
OFE WARTA	2.048,53	1,48%
<b>Total</b>	<b>138.261,45</b>	<b>100,00%</b>

\* The liquidation of OFE Skarbiec – Emerytura and transferring OFE Skarbiec – Emerytura' s assets to AEGON OFE was completed on 7.11.2008.

Source: [www.knf.gov.pl](http://www.knf.gov.pl), percentage share: own calculation.

At the end of 2008 Generali OFE net assets amounted to PLN 5.476,02 million, which gave the Fund the 7<sup>th</sup> position on the market.

#### Investment activities

In 3 quarters of 2008 Polish economy experienced high economic growth. However, the crisis which began in the US and is spreading globally resulted in a slow-down at the end of the year. It is almost certain that the biggest world economies will face recession in 2009 which will also cause a major slow-down in Poland. The pressure on the weakening of our currency also remains a significant risk factor.

As far as treasury bonds are concerned 2008 turned out to be very profitable. In 2008 the index of Bank Handlowy w Warszawie S.A. reflecting the situation on the Polish treasury bonds market with fixed rates of interest has increased.

Obtaining such a result was possible thanks to a very good 4 quarter. The first half of the year was not too favourable to bondholders because of the interest rates which were continually raised by the Monetary Policy Council (MPC). High economic growth in the first half of the year was reflected in growing remuneration in companies, which generated fears of inflation growth. As a consequence the MPC increased the interest rates up to 6,00% which negatively affected the price of the bonds. The trend was reversed in the second half of the year when it turned out that the US crisis was quickly spreading to Europe and would strongly affect all the economies.

The signals of economic slow-down in Poland accompanied by the weakening inflationary pressure resulted in the price increase of treasury securities in the third quarter. The positive trend however was abruptly stopped by the dramatic deterioration of Hungarian economy and





significant weakening of its currency. October faced a panic sale of financial instruments by foreign investors in the whole of Central Europe, which also affected Poland. Deepening world crisis forced the central banks in almost all the countries to react in the form of different aid plans and substantial cuts in interest rates. Polish authorities reacted instantly and the last quarter of 2008 faced a total decrease in interest rates by 100 b.p. which resulted in considerable price increases of treasury bonds.

In 2008 our investment policy took into account considerable fluctuation on the bond market caused by the developing crisis which strongly affects developing countries, which still include Poland. Thus we actively tried to change the bond portfolio so as to maximize the return rate.

2009 will definitely be very difficult because of significant weakening of economic growth in Poland, huge pressure on our currency as well as foreign investors' aversion towards Central European assets. Additional negative influence on Polish economy will be exerted by the deteriorating situation of the countries in our region: Hungary, Ukraine, Russia, Latvia, Lithuania and Estonia. Bearing that in mind we expect major fluctuation on the bond market.

Last year brought also unprecedented falls on the global stock market. Neither did the slump pass the stock exchange in Warsaw – its main indexes WIG 20, WIG and MIDWIG fell by o 48,2%, 51,1% and 62,5% respectively.

Quickly worsening prospects for the global economy, the crisis on the financial market and growing aversion to risk are the main causes of index drops in 2008. The economic crisis in the US which we referred to in the letter summarizing 2007 exceeded the most pessimistic analysts' expectations both in scale and reach, hence such substantial drops on the stock markets.

Considering the deteriorating economic situation and applying conservative approach to risk in the first three quarters we consequently maintained our engagement in stocks, contrary to most pension funds. In October, when the falls strengthened we decided it was a good timing to increase the share of stocks in our portfolio. It is our conviction that as a long-term investor we should not be directed by extremely negative emotions typical in times of decline but consistently add to our portfolio such companies as seem to us undervalued in a long term.

Specific forecast as to the situation on stock markets in 2009 is considerably risky. It is certain that this year will be very difficult both for the global and national economies. It is worth remembering though that stock prices are a kind of barometer which precedes what happens in real economy. It means that if investors believe that 2010 may bring recovery, we may as well witness raising morale on the capital markets.

#### **Planned directions of investment policy**

In 2009 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	% share
Debt securities	50%
Commercial debt papers	10%
Securities with right to capital (stocks)	30%
Bank deposits	5%
Other assets	5%

In 2008 the Polish market of securities other than those issued by the Treasury became more attractive in terms of proposed interest rate. Taking that into account we increased the share of commercial bonds up to 3,5% of the Fund asset portfolio. The choice of the above mentioned bonds was made on the basis of the high reliability of the issuers and their good financial situation. Our plans for this year involve similar activities in that segment of debt securities.

In order to increase the investment portfolio diversification in 2009 we will consider investment in alternative asset classes, e.g. private equity funds.

In the current year the Polish economy will enter a slow-down phase. The forecasted slow-down of economic growth to the level of 0,5-2,0% is most probably already included in stock prices. On the other hand the prospect of the scale of the present crisis which is continually spreading in the global economy as well as its timing which is difficult to predict demand selective and careful approach to the stock market. In 2009 we will continue our efforts to find small and medium undervalued compa-



nies characterized by a long-term growth potential and to control short-term market risk at the same time. We will also try to actively manage the most liquid part of the stock portfolio consisting of companies with the biggest capitalization level.

As far as the bond part of the investment portfolio is concerned and in accordance with our forecast regarding strong debt market fluctuation we will be trying to use medium-term market trends in order to maximize the return rate.

### Risks

In order to mitigate risk each Generali investment is thoroughly considered with relation to market risk and issuer. Investments in the debt part of the portfolio are focused on the safest securities, i.e. treasury bonds. Investments in debt papers of other entities are preceded by exact analysis of their financial situation.

The section managing the stock part of the portfolio maintain appropriate sector and quantity diversification making decisions on the basis of a profound fundamental analysis.

### Value of settlement unit and return rate

Open Pension Fund (OFE)	31 December 2008 (PLN)	31 December 2007 (PLN)	Return rate
AEGON OFE	23,96	27,62	-13,25%
AIG OFE	23,24	26,94	-13,73%
Allianz Polska OFE	23,00	26,12	-11,94%
AXA OFE	24,19	27,66	-12,55%
Bankowy OFE	23,26	26,94	-13,66%
Commercial Union OFE BPH CU WBK	24,15	28,5	-15,26%
OFE Skarbiec-Emerytura	0,00	26,6	0,00%
<b>Generali OFE</b>	<b>25,25</b>	<b>29,12</b>	<b>-13,29%</b>
ING OFE	25,80	30,19	-14,54%
Nordea OFE	24,88	28,58	-12,95%
Pekao OFE	23,22	27,15	-14,48%
OFE Pocztylion	22,74	26,01	-12,57%
OFE Polsat	25,17	30,65	-17,88%
OFE PZU „Złota Jesień”	24,58	28,63	-14,15%
OFE WARTA	24,67	28,76	-14,22%
<b>weighted average</b>	<b>24,51</b>	<b>28,59</b>	<b>-14,24%</b>

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

## 4. Financial standing

As at the end of 2008, the Company recorded:

- gross profit of TPLN 24.315
- net profit of TPLN 20.022

### Income

Total income mostly comprised:

- income from distribution fees charged on member premium paid to the Fund (above 75% of total income) as a result of the large amount of premiums received from ZUS
- Fund management fee (14,7%)



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 the amount reported in the profit and loss account.

Structure of income	T PLN	in %
Sales and sales equivalents	72 323,86	94,4%
including		
Distribution fee	57 828,20	75,5%
Management fee	11 233,09	14,7%
Net return of funds from bonus and reserve accounts	2 886,36	3,8%
Other operating income	2 130,50	2,8%
Financial income	2 150,95	2,8%
<b>TOTAL</b>	<b>76 605,31</b>	<b>100,0%</b>

#### Expenses

Expenses mostly comprised:

- active member acquisition generating almost 22% of costs
- transfer agent's services (over 14% of all costs)
- salaries and employee benefits (in total 15% of costs)

Structure of expenses	T PLN	in %
Operating expenses	47 761,09	91,3%
including		
Acquisition costs	10 874,92	20,8%
Transfer agent costs	7 436,68	14,2%
Salaries and employee benefits	7 841,42	15,0%
ZUS fees	6 958,08	13,3%
Other operating expenses	4 471,23	8,6%
Financial expenses	57,74	0,1%
<b>TOTAL</b>	<b>52 290,06</b>	<b>100,0%</b>

#### Risks relating to financial instruments

Interest rate risk is considered as the most important financial risk and is controlled and mitigated by the Company's Investment Department on a current basis. 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.

Goals and methods applied by the Company with regard to financial risk management

The aim of the Company's investment policy is maximizing the investment return rate and maintaining appropriate level of investment security as well as Company's financial liquidity.

#### Investment portfolio risks are controlled by:

1. adapting the modified duration ratio to the market situation and Investment Department expectations with regard to the debt portfolio
2. using investment limits with relation to individual transactions



## **5. Expected development trends**

The main goals and plans for 2009 comprise:

- maintaining the Fund's rate of growth determined by the number of active customers and net assets
- intensifying acquisition in the sales network
- remaining at the top of open pension fund raking with regard to the rate of return from membership unit
- further improvement of services offered to Fund members

## **6. Main operating risks includes:**

- changes in law, regulations regarding the lottery could influence the number of the new clients

# Financial Statement of Generali Powszechnie Towarzystwo Emerytalne S.A.



# Balance sheet

## Assets (Thousands PLN)

As of 31 December 2008

As of 31 December 2007

	As of 31 December 2008	As of 31 December 2007
<b>A. Fixed assets</b>	<b>181,134</b>	<b>167,133</b>
I. Intangible fixed assets	333	61
1. Other intangible fixed assets	228	61
2. Advances on intangible assets	105	0
II. Tangible fixed assets	1,125	200
1. Fixed assets	1,061	114
a) plant and machinery	140	47
b) means of transportation	0	0
c) other fixed assets	921	67
2. Fixed assets in construction	64	86
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	73,626	60,822
1. Deferred income tax asset	0	0
2. Other term accruals	73,626	60,822
<b>B. Working assets</b>	<b>47,759</b>	<b>35,638</b>
I. Stocks	13	13
1. Materials	13	13
II. Short-term receivables	8,165	7,022
1. Receivables from related entities	8,079	6,167
a) Trade receivables, due within 12 months	7,979	6,167
b) Other	100	0
2. Receivables from other entities	86	855
a) Taxes, subsidies, duties, social and health insurance and other benefits	0	814
b) Other	86	41
III. Short-term investments	39,498	28,524
1. Short-term financial assets	39,498	28,524
a) In related entities	0	0
b) In other entities	34,060	25,264
– other securities	34,060	25,264
b) Cash and cash equivalents	5,438	3,260
– cash on hand and with banks	5,438	3,260
IV. Short-term accruals	83	79
<b>Total assets</b>	<b>228,893</b>	<b>202,771</b>



## Liabilities (Thousands PLN)

As of 31 December 2008

As of 31 December 2007

	As of 31 December 2008	As of 31 December 2007
<b>A. Equity</b>	<b>201,553</b>	<b>181,205</b>
I. Share capital	145,500	145,500
II. Supplementary capital	29,326	13,267
III. Revaluation reserve	-49	-375
IV. Retained profit (loss)	6,754	6,754
V. Net profit (loss)	20,022	16,059
<b>B. Liabilities and provisions</b>	<b>27,340</b>	<b>21,566</b>
I. Provisions	17,883	13,560
1. Deferred income tax provision	13,518	11,560
2. Other provisions	4,365	2,000
– short-term	4,365	2,000
II. Short-term liabilities	2,969	2,189
1. To related entities	1,630	1,250
a) Trade payables, due within		
– 12 months	1,630	1,250
2. To other entities	1,298	924
a) Trade payables, due within		
– 12 months	641	774
b) Taxes, duties, insurance and other benefits	657	150
c) Salaries	0	0
d) Other	0	0
3. Special funds	41	15
III. Accruals	6,488	5,817
1. Other accruals	6,488	5,817
a) short-term	6,488	5,817
<b>Total liabilities</b>	<b>228,893</b>	<b>202,771</b>

# Profit and loss account

(Thousands PLN)

	12 months until 31 December 2008	12 months until 31 December 2007
<b>A. Sales revenues and equivalent</b>	<b>72,324</b>	<b>58,411</b>
of which from related entities	71,969	58,224
I. Net revenues from sale of products	72,324	58,411
<b>B. Operating costs</b>	<b>47,762</b>	<b>42,284</b>
I. Depreciation / amortisation	183	307
II. Consumption of materials and energy	944	800
III. External services	23,688	23,256
IV. Taxes and duties	6	0
V. Salaries	6,620	5,243
VI. Social insurance and other benefits	1,222	801
VII. Other costs by type	15,099	11,877
<b>C. Profit on sales</b>	<b>24,562</b>	<b>16,127</b>
<b>D. Other operating income</b>	<b>2,131</b>	<b>2,418</b>
I. Profit on disposal of non-financial fixed assets	0	0
II. Other operating income	2,131	2,418
<b>E. Other operating expense</b>	<b>4,471</b>	<b>306</b>
I. Loss on disposal of non-financial fixed assets	0	22
II. Other operating expense	4,471	284
<b>F. Profit on operations</b>	<b>22,222</b>	<b>18,239</b>
<b>G. Financial income</b>	<b>2,151</b>	<b>1,460</b>
I. Interest	2,032	1,435
II. Profit on disposal of investments	112	20
III. Other	7	5
<b>H. Financial expense</b>	<b>58</b>	<b>190</b>
I. Interest	1	6
II. Loss on disposal of investments	32	172
III. Other	25	12
<b>I. Gross profit on business operations</b>	<b>24,315</b>	<b>19,509</b>
<b>J. Gross profit</b>	<b>24,315</b>	<b>19,509</b>
I. Income tax	4,293	3,450
<b>K. Net profit</b>	<b>20,022</b>	<b>16,059</b>

# Cash Flow Statement

(Thousands PLN)

12 months  
until 31 December 2008

12 months  
until 31 December 2007

	12 months until 31 December 2008	12 months until 31 December 2007
<b>A. Cash flows from operating activities</b>		
I. Net profit (loss)	20,022	16,059
II. Total adjustments:	-9,813	-13,216
1. Depreciation / amortisation	183	307
2. Foreign exchange profit (loss)	0	0
3. Interest and profit distribution (dividend)	-1,760	-1,221
4. Profit (loss) on investments	-80	173
5. Change in provisions	4,323	518
6. Change in stocks	1	-7
7. Change in receivables	-1,143	-2,126
8. Change in short-term liabilities, excepting loans and credits	859	418
9. Change in accruals	-12,138	-11,262
10. Other adjustments	-58	-16
<b>B. Net cash flows from operating activities</b>	<b>10,209</b>	<b>2,843</b>
<b>C. Cash flows from investing activities</b>		
I. Inflows	9,465	11,575
1. Sale of other intangible and tangible fixed assets	1	174
2. From financial assets, of which:	9,464	11,401
a) in other entities	9,464	11,401
– disposal of financial assets	7,800	9,879
– interest	1,664	1,522
II. Outflows	17,496	15,046
1. Purchase of intangible and tangible fixed assets	1,479	201
2. Purchases of financial assets, of which:	16,017	14,845
a) in other entities	16,017	14,845
– purchase of financial assets	16,017	14,845
<b>D. Net cash flows from investing activities</b>	<b>-8,031</b>	<b>-3,471</b>
<b>E. Cash flows from financial activities</b>		
I. Inflows	0	0
II. Outflows	0	0
<b>F. Net cash flows from financial activities</b>	<b>0</b>	<b>0</b>
<b>G. Total net cash flows</b>	<b>2,178</b>	<b>-629</b>
Net balance sheet change of cash	2,178	-629
– of which: change of cash due to foreign exchange profit/loss	0	0
<b>H. Cash at beginning of period</b>	<b>3,260</b>	<b>3,889</b>
<b>I. Cash at end of period</b>	<b>5,438</b>	<b>3,260</b>
of which: with limited availability	0	0

# Registered Auditor's Opinion

PRICEWATERHOUSECOOPERS 

**REGISTERED AUDITOR'S OPINION  
ON THE FINANCIAL INFORMATION  
TO THE SHAREHOLDERS OF  
GENERALI POWSZECHNE TOWARZYSTWO EMERYTALNE S.A.**

PricewaterhouseCoopers Sp. z o.o.  
Al. Armii Ludowej 14  
00-638 Warszawa, Polska  
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## TRANSLATORS' EXPLANATORY NOTE

This version of our the accompanying documents is a translation from the original, which was prepared in Polish. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

The financial information presented on pages from 48 to 51 of the Annual report for 2008, consisting of the balance sheet as at 31 December 2008, the technical account of property and casualty insurance, the general profit and loss account and cash flow statement for the period from 1 January 2008 to 31 December 2008 ("financial statement") of Generali Powszechne Towarzystwo Emerytalne S.A. seated in Warsaw, Postępu 15 B ("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 2008 to 31 December 2008 ("the financial statements"). The financial statements were prepared in accordance with the Accounting Act of 29 September 1994 (uniform text, Journal of Laws of 2002, No. 76, item 694 with further amendments).

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.

We have audited the financial statements of the Company, from which the financial information was derived, in accordance with auditing standards issued by the National Council of Registered Auditors in Poland. On 11 March 2009 we issued an unqualified audit opinion on these financial statements.

In our opinion, the accompanying financial information presented on pages 48 to 51 of the Annual report for 2008 is consistent, in all material respects, with the Company's financial statements from which it was derived.

For a fuller understanding of the Company's financial position and the results of its operations for the year ended 31 December 2008, 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  
Registered auditor  
No. 1750/287

Registered Audit Company No. 144

Warszawa, 11 marca 2009 r.

# Generali

and the insurance-style running





# 3... 2... 1... Generali: Start!



We, the long-distance runners from Generali, fully understand the notion of “healthy attitude” and why it should be followed. We try to complement our business activities with... relaxation and healthy sports competitions, at the same time helping those in dire need. This is our way of sharing positive energy, the approach we have been faithful to for the second year running. Take our word for that – it really works!

## On your mark, get set, GO! We STARTed in the spring of 2008.

March 29, 2008 – the Generali Group arrives at the starting line! During a “running weekend” organised by Warsaw Marathon Foundation, the Generali Running Team covered the distance of more than 170 kilometres! Our athletes came from the cream of the crop: 2 relay teams with **Andrzej Jarczyk, CEO of the Generali Group**, as captain. For him, running is not just a way to wind down after work. This is a true hobby, to which he dedicates almost any free moment at hand. On the team, we also had a group of 6 half-marathon runners.

During the first day, the Generali Running Team participated in the 5x5km relay, while in the successive day our brave Lions covered half of the most renowned distance in the athletics world – the marathon. This way, we combined pleasure with health. Literally, with all our might, we supported **the charitable activity for Sue Ryder Foundation** and took part in another edition of the programme “**Firma przyjazna bieganiu**” [A running-friendly company]. Sue Ryder foundation runs a chain of nursing homes for the gravely ill and also organises palliative care.

The competition was fierce, indeed, but the most important factor was the charitable cause and friendly atmosphere during the games. “Running-friendly companies” were given a chance to exchange every kilometre covered by their employees for specific amounts of money, thus **supporting the charitable actions of the foundation**. It needs to be pointed out that we did all we could in order to outperform our rivals in this field as well. Our runners completed successfully the half-marathon race – over 21 kilometres covered is a truly impressive figure.

At this point, we should describe our heroes – the Generali Running Team – in more detail. This is a perfect mix of passion and the aforementioned positive energy, a fine-tuned team of dedicated long-distance runners, understood not only in sports terms. Persistence and consistency in pursuing one’s goals are useful features both in private and professional life. What is more, they give you the power to find inner resources to help other people. After all, this was the main objective of the action!





### 3... 2... 1... Generali: Start!

The notions described above are best summarized by the leader of our Lions, Andrzej Jarczyk, CEO: *"I am delighted to see my team running not just for fun or relaxation in their free time, but also to help those that really need us. This provides motivation to all the members on the team to carry on and show their best during the race."*

### Generali encourages to compete – the autumn of 2008 marked by running!

Our performance was improving. During the next competition, we decided to "stir" the entire insurance industry. We encouraged other insurance companies to join in the races aimed at helping those in need. Andrzej Jarczyk, the CEO, was very outspoken in his heated encouragement: "I would like to draw in the entire insurance industry to participate in the Warsaw Marathon. In order to make the run even more exciting, I wish to challenge all the representatives of our industry to take part in the racing duel."

This simply had to bring about the effects. At the starting line we found runners from different insurance companies. Thanks to that, together we were able to support the charitable actions even better.

Active at work, active after the office hours – this is our well-tested approach to a healthy lifestyle, the unwritten motto for the growing number of our employees. To see the evidence, it is enough to observe the ever-growing interest in running among our staff. Our team has grown to encompass more than 20 athletes participating in marathon running – either in the relay, or in the main race, covering the full distance of 42.195 km. The members of Generali Running Team proved yet again that they had hearts of iron. **The distance of 42.195 km was completed!** The Generali team of over 20 excellent runners did just great. Among those who made a successful debut during the marathon race was Mr. Artur Olech, the Vice-President of Generali Życie T.U. Just as it happened six months earlier, the teams were able to exchange kilometres covered by the runners for sums of money







supporting charitable actions. "Dziennik Ubezpieczeniowy" daily was the media patron for this event. The marathon competitions were also supported by other patrons: Forum Odpowiedzialnego Biznesu and Polska Konfederacja Pracodawców Prywatnych Lewiatan.

## Maintaining good pace – the spring of 2009

This year, we have encouraged our industry competitors yet again to join us in the running events. We are delighted to see that the participants came in big numbers. Our goal was not to compete, but to integrate and, in unison, provide help. We got the insurance companies unable to provide the whole racing crew to form a combined relay team – "the insurance team". Together, we can achieve so much more!

The 5x5km relay race and the half-marathon in Warsaw proved once again that the **Generali Running Team** consists of tough veterans.

*„Running is one of the simplest forms of physical activity. The recreational version of this sport requires no resources apart from free time and the will to take it up. At the same time, it gives you a lot of satisfaction and fun. For me, personally, this is **a means of getting closer to nature, and a source of positive energy needed for day-to-day business matters,**”* says Andrzej Jarczyk, the Generali Group CEO. Do we need to say anything more?

And the wonderful side of it is that **we can help others while running.**

**Generali T.U. S.A.**

**Generali Życie T.U. S.A.**

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

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