
**COMPAGNIA
ASSICURATRICE
UNIPOL**
Stock Company

Head offices
Via Stalingrado 45 - 40128 Bologna
Share Capital ITL 281,728,504,000 fully paid
Company's Register no. 14602/BO - R.E.A. no. 160304
Authorized to provide insurance services by
M.D. 28.12.62 (O.J. 18.1.63 no. 15)
and M.D. 29.4.81 (O.J. 19.5.81 no. 135)

**1999 CONSOLIDATED
ANNUAL ACCOUNTS**

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According to Article 14 of the Company bylaws, the **Chairman** is the legal representative of the Company. The **Vice-Chairman** becomes the Company's legal representative only in the event of absence or impediment of the Chairman.

The **Board of Directors**, according to Article 13 of the Company bylaws, has conferred on each of the Managing Directors powers for the management of the Company's business - in particular for the implementation of the decisions taken by the Board of Directors and the Shareholders' Meeting, as well as for the co-ordination of activities aimed at the achievement of the Company's goals.

HONORARY CHAIRMAN: Enea MAZZOLI

BOARD OF DIRECTORS (*)

CHAIRMAN AND MANAGING DIRECTOR: Giovanni CONSORTE
VICE CHAIRMAN AND MANAGING DIRECTOR: Ivano SACCHETTI

BOARD MEMBERS:

Roger BELOT
Francesco BOCCETTI
Claudio CASINI
Piero COLLINA
Jacques FOREST
Giulia FRANCIOSI
Vanes GALANTI
Fabrizio GILLONE
Franco GIULIANI
Claudio LEVORATO
Ermanno LORENZANI
Enrico MIGLIAVACCA
Mario PETRONI
Piero ROSSI
Leone SIBANI
Jean SIMONNET
Aldo SOLDI
Giuseppe SOLINAS
Graziano TRERE'
Marco Giuseppe VENTURI
Mario ZUCCHELLI

BOARD OF STATUTORY AUDITORS

CHAIRMAN: Umberto MELLONI

MEMBERS:

Omer CAFFAGNI
Lorenzo ROFFINELLA

SUBSTITUTES:

Diego BASSINI
Giorgio RAGGI

GENERAL MANAGEMENT

JOINT GENERAL MANAGERS:

Maria BETTAZZONI
Valter CACCIARI
Franco MIGLIORINI

CENTRAL MANAGERS:

Giancarlo BERTI
Giancarlo BRUNELLO
Lucio CUPPINI
Carmelo DE MARCO
Riccardo LAURORA

(At the date of the General Shareholders' Meeting)

(*) As regards responsibilities and nature of the powers attributed to each member of the Board, please refer to the notes on page 4

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(After the General Shareholders' Meeting)

GROUP HIGHLIGHTS

(ITLbn)

(EUROm)

	1999	1998	1997	1999	1998	1997
Gross premiums	3,585.0	3,061.9	2,436.9	1,851.5	1,581.3	1,258.6
<i>% increase</i>	<i>17.1</i>	<i>25.6</i>		<i>17.1</i>	<i>25.6</i>	
Technical provisions	9,412.7	7,884.9	6,422.6	4,861.3	4,072.2	3,317.0
<i>% increase</i>	<i>19.4</i>	<i>22.8</i>		<i>19.4</i>	<i>22.8</i>	
Technical provisions-to-premiums ratio	262.6	257.5	263.6	262.6	257.5	263.6
Investments, cash and cash equivalents	9,948.8	8,258.8	6,774.5	5,138.1	4,265.3	3,498.7
<i>% increase</i>	<i>20.5</i>	<i>21.9</i>		<i>20.5</i>	<i>21.9</i>	
Net investment income and capital gains	502.9	543.3	487.0	259.7	280.6	251.5
<i>% increase</i>	<i>-7.4</i>	<i>11.6</i>		<i>-7.4</i>	<i>11.6</i>	
Payments (claims, amounts due out of maturity, surrender, annuity)	1,908.5	1,741.9	1,535.4	985.7	899.6	793.0
<i>% increase</i>	<i>9.6</i>	<i>13.5</i>		<i>9.6</i>	<i>13.5</i>	
Loss ratio - Non-Life business	83.3	85.2	82.4	83.3	85.2	82.4
Operating expenses	518.3	508.3	488.4	267.7	262.5	252.2
<i>% increase</i>	<i>2.0</i>	<i>4.1</i>		<i>2.0</i>	<i>4.1</i>	
Expense ratio	14.5	16.6	20.0	14.5	16.6	20.0
Group capital and reserves	1,271.9	1,148.5	1,118.3	656.9	593.2	577.6
<i>% increase</i>	<i>10.7</i>	<i>2.7</i>		<i>10.7</i>	<i>2.7</i>	
Profit before taxation	135.7	118.6	104.2	70.1	61.3	53.8
<i>% increase</i>	<i>14.4</i>	<i>13.9</i>		<i>14.4</i>	<i>13.9</i>	
Group net profit	73.4	62.2	48.2	37.9	32.1	24.9
<i>% increase</i>	<i>17.9</i>	<i>29.2</i>		<i>17.9</i>	<i>29.2</i>	
Net profit-to-premiums ratio	2.0	2.0	2.0	2.0	2.0	2.0
Staff number as at 31 December	1,545	1,574	1,520			

BOARD REPORT

As described in the attached table and diagram, the consolidated accounts for the Unipol Assicurazioni Group adopt the line-by-line method to aggregate the asset and liability accounts and the profit and loss accounts of five insurance undertakings, four property companies and one service company. Twenty-one companies have been valued using the equity method. The accounts have been drafted in accordance with the provisions and formats described in Legs. Decree 173 of 26/5/1997.

The Group has again seen significant growth in activity in 1999.

In particular, there has been sustained growth (+17.1%) in insurance activities, a sector which is a the core business of the Parent undertaking and in which four subsidiary companies are also operating in specialised contexts and via diversified distribution networks. Growth has been strongest in the Life business (+32.1%) because of the considerable contribution made by

the bancassurance channel.

In line with the development strategy being followed for managed savings, the distribution network of the subsidiary Unipol Banca was strengthened during the year by opening 15 new branches and launching a network of financial advisors. In order to offer clients an ever more complete and integrated range of insurance and financial services, new distribution models have been created, ranging from physical proximity of a Unipol agency and a bank branch of Unipol Banca, to converting a traditional Unipol agency into an integrated distribution point for standard insurance and banking products.

In addition, the company Unipol Fondi Ltd, based in Dublin, was established in May as a 100% investment of the Parent undertaking, in order to increase capacity in the managed savings sector and exploit significant synergy between the various Group undertakings.

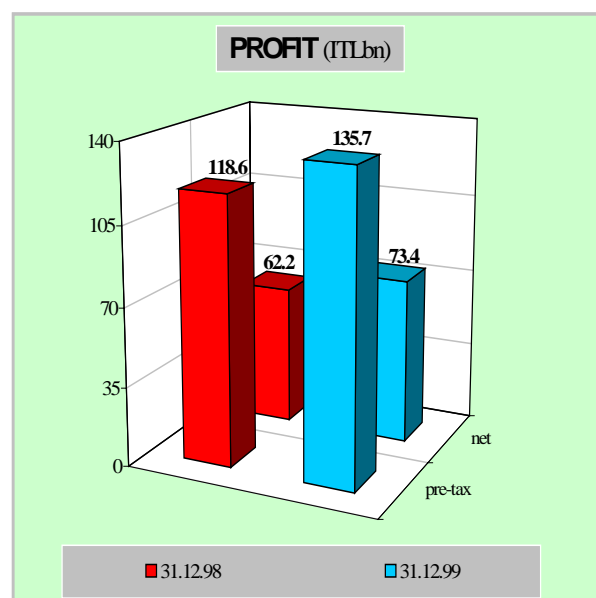
KEY DATA FROM THE CONSOLIDATED ACCOUNTS

The most significant items in the consolidated accounts are as follows, (in ITLbn):

	1999	1998	Var.% 99/98
Gross premiums	3,585.0	3,061.9	+17.1
Net premiums	3,381.5	2,867.4	+17.9
Investment income and capital gains, net of related expenses	502.9	543.3	-7.4
Gross technical provisions	9,412.7	7,884.9	+19.4
Net technical provisions	8,948.7	7,427.9	+20.5
Claims paid	1,908.5	1,741.9	+9.6
Operating expenses	518.3	508.3	+2.0
Depreciation of consolidation differences (goodwill)	4.5	2.8	+58.8
Investments / liquid assets	9,948.8	8,258.8	+20.5
Group capital and reserves	1,271.9	1,148.5	+10.7
Results:			
Balance on the technical account	-17.0	-80.7	-78.9
Ordinary operating profit	82.1	63.3	+29.6
Pre-tax profit	135.7	118.6	+14.4
Profit for the year	73.4	62.2	+17.9

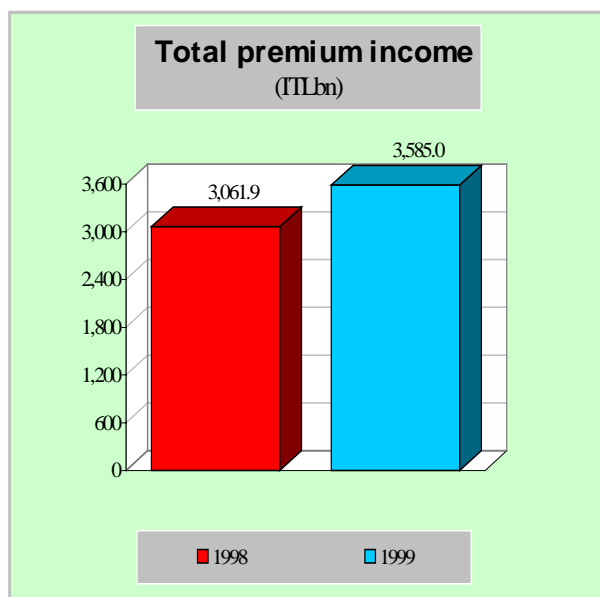
With regard to the balance on the technical account, which also includes operating expenses, note that Legs. Decree 173/97 did not provide for allocation of a share of the investment returns to

the technical account for Non-Life business.

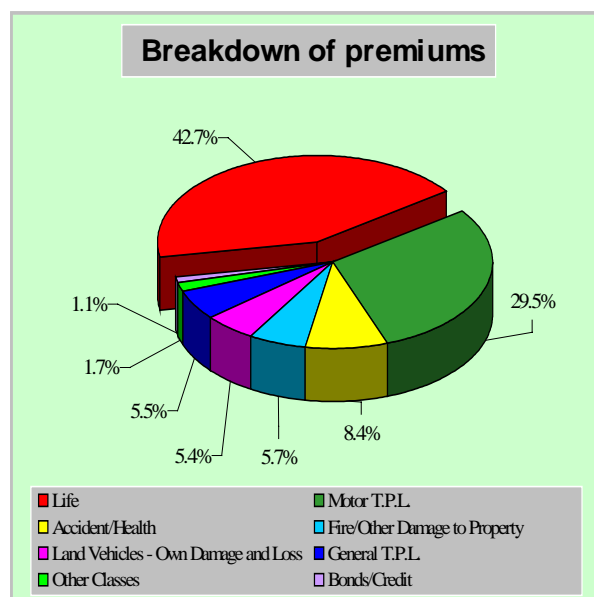


Overall, the technical account has a negative balance of 17bn (+38.9bn for Life business, -55.9bn for Non-Life business) against a negative amount of ITL80.7bn in 1998. Its growth derives from Non-Life business and reflects the improved loss ratio experienced in T.P.L. business, as well as containment of operating expenses. Ordinary profits have grown by 29.6%, whilst extraordinary profits have seen a slight reduction

compared to 1998 owing to the inclusion of deferred tax receivable entries relating to prior years, in a total amount of ITL8.5bn (of which ITL0.8bn relates to third parties).



For the portion pertaining to the Group, the consolidated balance sheet for 1999 shows a profit of ITL73.4bn compared to ITL62.2bn at the end of 1998 (+17.9%).



INSURANCE ACTIVITIES

Gross premiums, including reinsurance cessions, amount to ITL3,585bn and are broken down as follows (in ITLbn):

	1999	Comp. %	Var. % compared to 1998
Direct business:			
- Non-Life	2,008.3	57.3	+8.2
- Life	1,499.3	42.7	+32.3
	3,507.6	100.0	+17.4
Indirect business:			
- Non-Life	67.9	87.7	+5.7
- Life	9.5	12.3	+5.1
	77.4	100.0	+5.6
Overall total	3,585.0		+17.1

Thanks to the steady flow of income arriving via bank counters, the growth rate has again in 1999 been more satisfactory in the Life business (+32.1%), compared to the total for Non-Life business (+8.1%), which was positively reflected in the breakdown of premium income. In fact, the proportion of direct insurance due to Life business rose from 37.9% to 42.7%.

The new direct Life business, equal to ITL1,144.9bn, has shown an increase of 40.5% compared to 1998, largely due to growth in single premiums.

Pension Funds

In March, the Parent undertaking's activity in the pension funds sector saw the start of operations to manage a share of the assets of Fonchim, the first Italian occupational Pension Fund, and a share of the assets of Bayer Italia Pension Fund. The assets pertaining to the aforesaid funds amount to ITL91.9bn, shown at year-end in memorandum lines in Unipol's accounts.

Placement began in spring for the Open Pension Funds "Unipol Futuro" (depository bank: Banca Agricola Mantovana) and "Unipol Previdenza" (depository bank: Cassa di Risparmio in Bologna), with the simultaneous launch of operations through the agency network and the banking channels.

As at 31 December 1999 the combined assets of the two funds came to ITL7bn, representing a total of 1,653 members, with a significant proportion of group memberships. Despite the broad range offered, the rate of subscriptions has been somewhat slow at market level, especially for individuals, with a net preponderance of takings coming over bank counters.

Operations to put in place all the channels charged with placing the two Open Pension Funds, particularly intense in the second half, have continued in the first half of 2000.

On the occupational Funds side, we are still paying the price for the slow operational build-up for the funds and in 1999 only four have been in a position to make financial management bids. Unipol, in partnership with Citibank, will carefully follow the next calls for bids, which should involve about ten occupational funds.

For Non-Life business, with premiums standing at ITL2,076.2bn (+8.1% compared to 1998), the largest contributor is Motor T.P.L. (29.5% of direct business). In '99 this sector saw a significant increase in income (+12.7%), mainly due to tariff changes made during the year, especially in the 4-wheel (private and commercial motor vehicles) and 2-wheel sectors, resulting in an increase in the applicable average premiums.

The foreign portfolio is extremely limited (ITL58.3bn, deriving from inward reinsurance).

Net retention of premiums written has risen to 94.3% (93.6% in 1998).

Charges relating to claims and amounts paid on matured policies and surrenders totalled ITL1,908.5bn, of which ITL452.4bn from Life business (+37.1%) and ITL1,456.1bn from Non-Life business (+3.1%).

During the year, the average loss ratio for Non-Life business, inclusive of settlement expenses and net of outward reinsurance was 83.3% (85.2% in 1998).

The amount of technical provisions, including the reinsurers' share, reached ITL3,039.8bn for Non-Life business, ITL6,372.9bn for Life business, ITL9,412.7bn in total (+19.4%).

The ratio of technical provisions to premiums increased from 257.5% to 262.6%, broken down as follows: from 143.8% to 146.4% for Non-Life business and from 448.7% to 422.4% for Life business.

Operating expenses, which include acquisition and renewal commissions and other expenses relating to acquisition and administration, amounted to ITL518.3bn (+2%) in total. Their incidence on premiums has fallen to 14.5% (16.6% in 1998).

Products and commercial activity

During 1999 new product development activity mainly affected the Life and supplementary pension sectors in which the Parent undertaking and two specialised bancassurance companies

operate. During 1999, these two began marketing single-premium Unit-Linked policies with very satisfactory results.

The Parent undertaking has also been involved in product innovation, with the issue of:

- life annuity tariffs, for which life expectancy hypotheses have had to be updated;
- an Index-Linked product (tariff No. 211), returns on which are linked to the level of the MIB 30, the Nikkei 225 and the Dow Jones during the first half of the contractual period, and to an annual compound interest rate equal to 3.75% during the second half of the life of the contract;
- a new and extremely flexible product, with benefits subject to revaluation, linked to the special VITATTIVA fund, which also allows the option of making additional payments and also partial surrenders (tariff No. 404).

From the month of July, marketing began for a new Unit-Linked product (tariff No. 302) linked to four investment funds already launched by Unipol in 1998.

In accordance with ISVAP instructions, the Group companies have also updated the maximum rates of guaranteed interest to be applied to Life policies and to capitalisation operations.

Where the Non-Life sector is concerned, for the Parent undertaking the main innovations have concerned the revision of the "Unimedica" health line, reducing the number of products in order to rationalise the range and simplify administration.

In addition, the Motor sector has brought to market a new product, "Motor vehicles - boats", in which kasko guarantee cover can also be included.

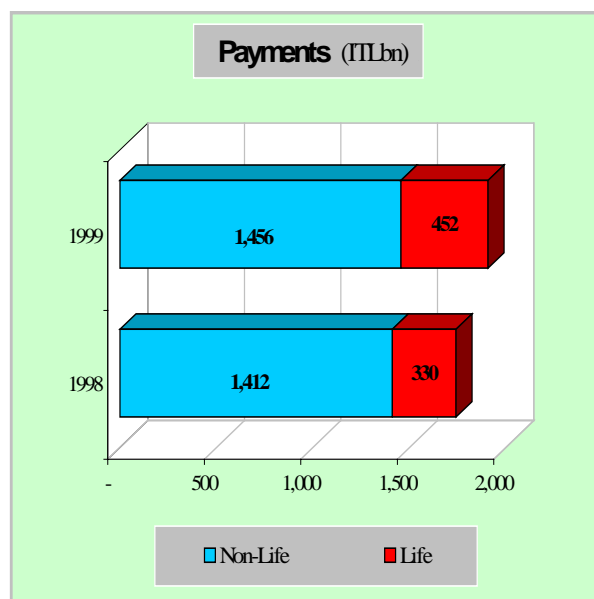
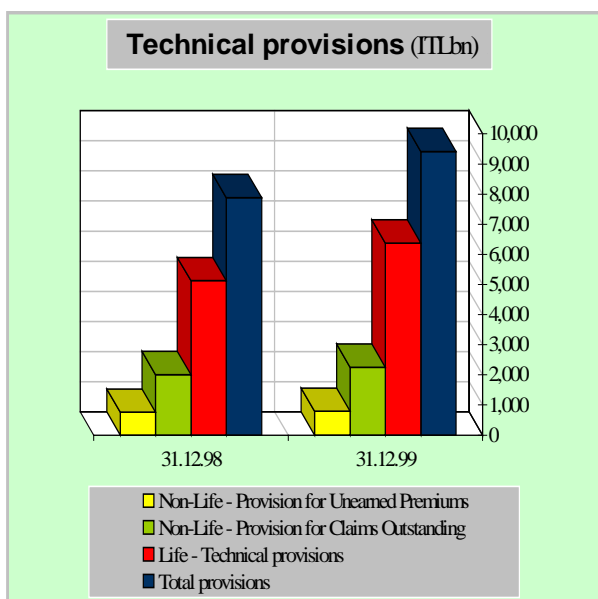
During 1999 the company Unisalute, a specialist in health care, brought out the first "long term care" insurance product, whilst on the assistance side it has established a new specialist unit charged with developing the assistance arm exclusively, in view of its relative potential in terms of growth and returns.

Finally, the company Linear, a specialist in telesales and Internet sales of Non-Life products (especially Motor policies), brought out on 1 June 1999 a new motor product which completely replaces its predecessor. This product has used the

Bonus-Malus clause for motorcycles and scooters and has further extended the guarantees included in Motor T.P.L. and Own Damage & Loss insurance policies.

Also during this year, the company completed work on new products specifically geared towards the Internet channel, a sales outlet which has seen significant growth in 1999, and has been developing computer applications which allow potential customers not only to obtain over the net all the main services offered by the company, but

also to use them in the stage following acquisition. At the level of commercial structure, alongside the traditional network of Agents and Sub-Agents, which for the Parent undertaking stood at 768 units and about 1,100 units respectively, there are 295 outlets of the Banca Agricola Mantovana and its subsidiaries, through which Quadrifoglio Life places its own products, and 288 outlets (167 of the Cassa di Risparmio in Bologna and 121 of the Banca Popolare dell'Adriatico) which distribute Noricum Life products.



PROPERTY AND FINANCIAL MANAGEMENT

The volume of investments and liquid assets reached ITL9,948.8bn at year-end, an increase of ITL1,689.9bn compared to 1998 (+20.5%).

The aforesaid increase is closely related to the growth in technical provisions (+1,520.8bn) within the Life business and the Non-Life business and to the increase in net equity (+123.4bn).

With regard to net technical liabilities, equal to ITL8,948.7bn, there is a surplus of ITL935.8bn net of financial liabilities (778.7bn as at 31/12/1998).

The overall structure of investments has seen the following changes in percentage terms:

	1999	1998
Land and buildings	9.7	12.5
Investments in undertakings within the Group and in other participating interests	9.1	6.2
Company stocks and shares	0.9	0.9
Unit trust shares	1.1	0.1
Bonds and other fixed-income securities	56.0	66.5
Loans	0.8	0.9
Sundry financial investments	10.0	6.7
Deposits with ceding undertakings	0.4	0.4
Class "D" investments	9.1	3.8
Other investments (bank deposits etc.)	2.9	2.0
Total	100.0	100.0

INVESTMENTS IN GROUP UNDERTAKINGS AND OTHER PARTICIPATING INTERESTS

At year end, these totalled ITL906.1bn, of which ITL647.5bn relates to the line “other participating interests”, which has increased by ITL340.1bn.

In fact, during 1999 significant shareholdings were taken in the companies Olivetti spa, Bell sa and Hopa spa totalling ITL358.1bn, deemed of interest in respect of broadening relationships which might contribute to the growth of the Group.

OTHER FINANCIAL INVESTMENTS

The section “Other investments” shows an increase of ITL80.8bn for bonds, compared to 31 December 1998, from ITL5,491.3bn to ITL5,572.1bn, whereas there has been a larger rise for sundry financial investments, from 550.2bn to 997.2bn, being ITL (+447bn). Note in particular the increase in repo securities, with a countervalue of ITL983.6bn (+437.6bn) at the end of 1999. The change in structure results from the investment strategy followed by the Group during the latter part of the year, characterised by a high degree of liquidity (both in the form of repo transactions and bank deposits), since the trend on the financial markets was towards higher interest rates.

The increase on the line “shares in unit trusts”, standing at ITL108.9bn at the end of 1999 (+102.4bn compared to 31/12/98) is due to the purchase of open-end funds in the context of growing diversification in types of investments with a high standard of quality.

With regard to the risk associated with selecting issuers, the Group has only traded in securities issued by sovereign states, supranational entities (EIB, World Bank) and by credit institutions having a minimum double-A rating, except for Italian credit institutions, for which a lower rating has been accepted.

Where a securities investment is expressed in a currency other than the Lira or those belonging to the Euro area, the foreign exchange risk is generally hedged.

INVESTMENTS FOR THE BENEFIT OF POLICY-HOLDERS WHO BEAR THE RISK THEREON AND THOSE ARISING FROM PENSION FUND MANAGEMENT

Investments covering Life assurance and capitalisation policies with benefits directly linked to investment funds or share indexes are reported separately.

At the end of the financial year, these investments are valued at current value, in strict correlation with the value of the associated liabilities (technical provisions).

At the end of 1999 the amount in question is ITL903.3bn, of which 411.2bn comprises assets covering Index-Linked policies (382.8bn in bonds and 28.4bn in bank deposits) and 492.1bn comprises assets covering Unit-Linked policies (487.9bn in unit trusts and 4.2bn in liquidity, net of transactions to be settled).

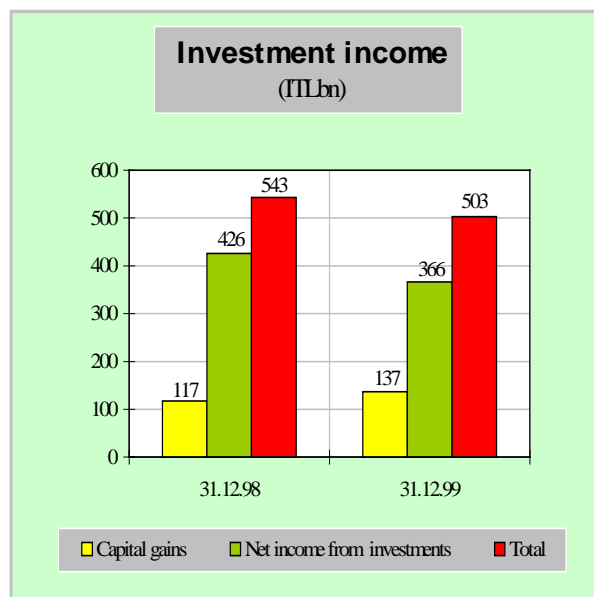
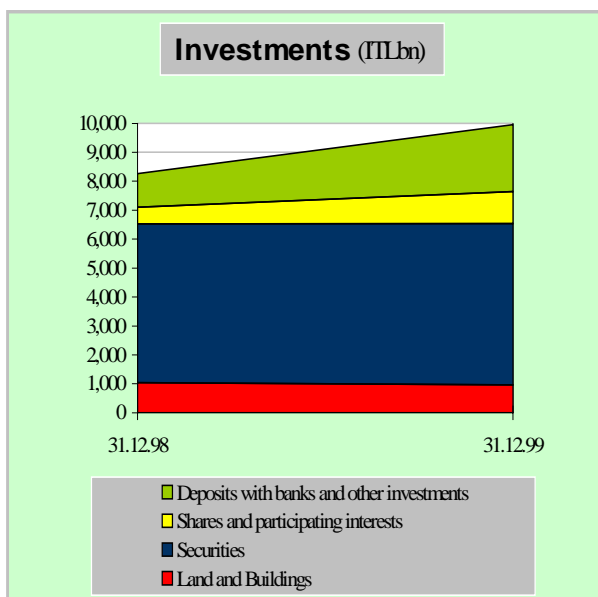
Investments deriving from pension fund management represent investments covering subscriptions to shares in open funds offered by the Parent undertaking.

The amount of these investments as at 31/12/1999 stands at ITL7bn, ITL1.2bn being held in shares, ITL1.9bn in bonds, ITL3.5bn in liquidity and ITL0.4bn in sundry transactions.

CAPITAL GAINS AND INVESTMENT INCOME

Income from investments and liquid assets, net of capital losses and financial charges, totalled ITL365.5bn (426.6bn in 1998). The reduction seen follows a significant fall in interest rates which, in 1999 too, has affected the fixed-income securities portfolio. Net realised capital gains for the period, on both long and short term investments, came to ITL137.4bn (116.7bn in 1998), of which ITL45.7bn relates to long term investments (ITL54.8bn in 1998).

Overall, then, net investment income and net capital gains amount to ITL502.9bn (543.3bn in 1998). The net rate of return on invested assets averaged 5.8% (7.4% in 1998).



SHAREHOLDERS' EQUITY

At the end of 1999 the amount of net equity pertaining to the Group stands at ITL1,271.9bn, as against ITL1,148.5bn on 31/12/1998, an increase of ITL123.4bn.

The portion of equity relating to third parties is ITL65.9bn (ITL58.5bn at the end of 1998).

As at 31 December 1999 the Parent undertaking Unipol Assicurazioni held 1,828,000 of its own ordinary shares, at a total nominal value of ITL1,828 million, equal to 0.65% of share capital. At the same date, the other companies in the Group did not own any shares in the controlling company.

SUMMARY OF ACTIVITIES CARRIED ON BY THE COMPANIES (PARENT UNDERTAKING AND SUBSIDIARIES)

Compagnia Assicuratrice Unipol spa

Salient points concerning the business carried on by the Parent undertaking in 1999 are:

- premium income ITL2,752.3bn, an increase of 6.6%. Direct premiums totalled ITL2,616bn, of which ITL1,920.4bn is from Non-Life business and ITL695.6bn from Life business. The rate of growth was 5.9% for all direct business (+6.5% Non-Life, +4% Life);
- significant improvement in the technical result for the Non-Life business;

- noticeable containment of operating expenses (about one percentage point less in terms of incidence on premiums);
- positive growth in investments, but accompanied by a fall in returns on financial investments;
- ordinary profit up 34% compared to the previous year and extraordinary profit substantially unchanged following posting of ITL6.7bn in deferred tax receivables relating to prior years.

The net profit for the financial year was ITL76bn (ITL58.5bn in 1998).

Quadrifoglio Vita spa - Bologna

(Jointly controlled by Unipol Assicurazioni and Banca Agricola Mantovana).

The Company operates in the bancassurance sector and markets its own products across the counters of Banca Agricola Mantovana, Banca Popolare di Abbiategrosso, Cooperbanca, Banca Popolare della Marsica, Banca Steinhauslin.

The premium income achieved during the year has grown strongly, reaching ITL404bn (+141.8% compared to 1998).

We must also point out new business in the amount of ITL379.7bn, an increase of 145%. Major contributors to this were the Line III products (78% of the total), with particular reference to Unit-Linked policies (58% of the total); these were first marketed in the early

months of 1999.

In December, the Shareholders' General Meeting decided on a capital increase of ITL10bn (from 35 to 45bn Lire).

The Company ended the year with a net profit of ITL1,995 million (a loss of ITL397 million in 1998).

Noricum Vita spa - Bologna

This Company, a specialist in the bancassurance sector, achieved premium income of ITL399.7bn in 1999, representing growth of 34.5%.

There were 15,183 new policies written, a premium volume of ITL354.6bn (+39.4%), 98.5% of this being obtained through banking channels.

The distribution network essentially comprises bank outlets of the Cassa di Risparmio in Bologna and of the Banca Popolare dell'Adriatico.

The 1999 accounts closed with a net profit of ITL3,740 million (ITL2,953 million in 1998).

Compagnia Assicuratrice Linear spa - Bologna

This company operates in the area of direct insurance sales (especially Motor insurance), mainly by tele-sales and the Internet. In 1999 sales via the Internet produced very satisfactory results.

The direct sales market in Italy, estimated at the end of 1999 at about 320bn in premiums, has almost doubled compared to the previous year (170bn).

In 1999, strategies followed by the Company in terms of the products and services offered to customers enabled the 1998 market share to be largely held (over 13%).

Premium income stood at ITL43bn, an increase of 93.4%.

The year in question closed with a positive result of ITL113 million, compared to a loss of ITL2,818 million in 1998.

Unisalute spa – Bologna

This Company, which operates in the Health Care sector, generated total premium income of ITL46.1bn (ITL32bn in 1998), a growth rate of 44.2% on the previous year.

In 1999, growth continued to be in the 'groups' segment: the most significant policies acquired occurred in the banking, pharmaceutical, quasi-governmental and partnership sectors.

June 1999 saw the approval of Decrees regulating the new 'Supplementary Health Funds' provided for in the reform of the Italian health system. Confirmation of tax deductible status, as well as the likelihood that unions and entrepreneurs will

be in favour of supplementary health funds, are elements which could guarantee consistent market expansion over the next few years.

The Company's website (www.Unisalute.it) is being completed; in the first phase it will be designed to supply health information and generate individual business via "on-line" cost estimates, but it may later enable a number of major tasks to be performed online (such as logging and checking the status of claims), these being performed today through the call centre.

The 1999 accounts closed with a net profit of ITL826 million (ITL780 million in 1998).

Unipol Banca spa – Bologna

For the first months of the year, the Bank was involved with revising its organisational structure, implementing computer and call centre systems which will enable it, amongst other things, to launch automated banking, with telephone banking, Internet banking and on-line trading, services to be operational by May 2000.

In January, the capital increase from ITL94.9bn to ITL155.3bn, agreed by the Shareholders' General Meeting on 4/12/1998 was implemented.

The second part of the year saw major commercial growth, achieved by the opening of 15 new outlets, integrated with Unipol's insurance agencies; the objective is to provide customers of the Group with insurance, banking and managed savings services. Steps were also taken to acquire a Cooperbanca outlet and set up a network of financial advisors.

At year-end the Bank has 29 branches (13 at the end of 98) and 132 financial advisors.

Unipol Banca closed the financial year with direct income from clients at ITL710bn (+51% compared to 31/12/1998).

The reduction in net profit, going from ITL1,189 million in 1998 to ITL235 million in 1999, is largely attributable to investments in technology and in human resources, necessary for the Bank's growth.

In order to further strengthen its equity, to support growth, the Company's board decided on 20/1/2000, to propose to the Shareholders' General Meeting to be held on 20/4/2000 a capital increase from ITL155.3bn to ITL250.1bn.

Unipol Sim spa – Bologna

In 1999 the Company has carried on investment portfolio management operations for account of third parties, including in a trustee capacity.

The General Meeting held on 26/1/2000 decided to convert Unipol Sim into Unipol Sgr, making

the necessary changes to the by-laws; at the same time it began the required authorisation process with the Bank of Italy, for it to operate under its new legal guise. In fact, the Company will be able to extend the range of managed savings products/services which it can offer its customers. In view of the characteristics of the sector in which the Company operates, the Euro was adopted as the unit of account with effect from 1 January 1999, and the accounting system was therefore converted. The Board of Directors has decided (on 18 January) to convert the share capital into Euros.

In 1999 the Company defined the new product lines GPM (asset management in securities) and GPF (asset management in funds) intended to be marketed to retail customers via the commercial network (outlets and financial advisors) of Unipol Banca.

The beginning of distribution in the retail sector, together with the process of acquiring large customers/undertakings, has enabled a significant increase in managed volume to be obtained, rising from ITL1,115bn at the end of 1998 to ITL2,062.7bn as at 31 December 1999 (+85%).

The net profit for the year is ITL302 million (ITL250 million in 1998).

Unipol Fondi Ltd – Dublin (Ireland)

This Company, established on 25 May 1999 with its base in Dublin (Ireland), obtained authorisation on 21 June 1999 for the management of 10 portfolios in the umbrella trust “Unipol Fund”.

The last stage has been reached in the Consob and

Bank of Italy authorisation process for placing shares with the public in Italy, which will take place via Unipol Banca's retail network. The Fund currently operates only for investors abroad.

At the end of the year the managed volume stood at ITL116bn.

The accounts closed with a net profit of ITL218 million.

Property companies

In the context of the plan to rationalise this sector, in January 1999 the Parent undertaking Unipol acquired the residual 5% of shares in Edifin Immobiliare srl.

Also completed during the year was the merger operation to incorporate Edifin Immobiliare and Unigestifimm in Unipol, which fully controlled them (merger deed of 28/9/1999).

As at 31 December 1999, the four property subsidiaries had on their books land and buildings to the total amount of ITL215.1bn, net of depreciation.

Uniservice spa – Bologna

This Company, by leasing computer and automated systems, provides Unipol and some of its participating interests with a data transmission service connecting the agency network with the claims settlement centres.

During the year the Company has extended the service to Unipol Banca by linking some branches to head office.

The 1999 accounts close with a net profit of ITL122 million (ITL230 million in 1998).

INTRA-GROUP TRANSACTIONS

As already shown in the Board of Directors' Report for the Parent undertaking, and in compliance with the Consob guidance of 27 February 1998 on the subject of accounting information concerning transactions with related

parties, it is confirmed that, between undertakings belonging to the Group, there have been no transactions which are atypical or unusual by reference to the normal activities of the companies.

CHANGEOVER TO YEAR 2000 AND THE EURO

Year 2000 updates to the computer system of the Parent undertaking (which also provides a service to the insurance companies in the Group) took place as planned, in good time, and no problem occurred at the time of the date change, or subsequently. Nor did 29 February 2000 cause any

errors or malfunctions.

The tests carried out in the last months of 1999, simulating the changeover, enabled full compliance of programs to be checked in advance. The estimated cost of the update (about ITL2bn, already fully accounted for in the administration

costs for the year and for the previous year) was shown to be accurate.

In terms of insurance implications, all necessary steps were taken, from last year, to prevent and limit all possible consequences in terms of damage and disputes.

To date there have been no reports of damage nor requests for compensation.

During 2000 and in 2001, action will have to be taken on the changeover to the Euro, adapting programs and procedures to the new currency, both for the transitional period of coexistence with the national currency and for the following period in which only the Euro will be used. This update will be more complex than that for the year 2000. Changes to numeric fields owing to the use of decimal numbers will in fact require modification of a high number of computer programs.

IMPORTANT FACTS WHICH HAVE EMERGED FOLLOWING YEAR-END CLOSE-OFF

The trend of activity for the first months of 2000 indicates continued sustained growth in the U.S. economy and also positive growth for the countries in the Euro area, whose expectations are that there will be strong growth in the GDP. In Italy, the overall trend of the industrial indicators, orders and production, signals stronger growth of the economy. The trend for the rate of inflation appears to be rising again, as it did in the second part of 1999, largely because of the prolonged rise in the price of fuel and the weakness of the Euro. Interest rates on the Euro market have seen slight rises, both over the short and long term. On 16/3/2000 the European Central Bank raised its lending rate to 3.50%.

Despite a high level of volatility, the stock exchange in Milan and some of the main European stock exchanges, have seen their business grow, rising above levels at the end of 1999.

Of note with regard to the insurance sector are the approval on 4 February of the bill on management of the provision for deferred salaries (TFR) and the issue on 18 February 2000 of Legs. Decree No. 47 revising the tax treatment of supplementary pension schemes.

This decree introduces some new things which are relevant in relation to the tax regime for Life policies, simultaneously defining four different threads which the companies may look at with interest:

- supplementary pension funds;
- individual supplementary pension schemes, using open-end pension funds and Life policies with a pension component;
- covering actual 'risks', for which deductions of 19% of the corresponding premiums are allowed; these are risk of death, invalidity

greater than 5% and lack of self-sufficiency in performing the acts of daily life (long term care);

- individual savings, for which all forms of assurance which provide for setting aside and capitalisation of premiums paid can be used.

The aforesaid saving and pension schemes differ in their implementation and in their access to tax exemptions, but all represent interesting opportunities for the insurance companies.

On 17 March the government approved a series of urgent measures, intended to contain inflation and which involve the insurance sector, especially Motor T.P.L. The most important aspects concern: freeze of the "bonus-malus" tariffs for one year; a one percentage point reduction in the tax rate on premiums paid; insurance companies to be obliged, on request, to draw up policies using the "bonus-malus plus deductible" tariff formula; identification of the criteria to be used for payment of permanent minor disabilities. The necessary research is being done on these measures, which will take effect following publication of the relevant provision.

As far as the Group is more directly concerned, in the investment sector Unipol has:

- paid ITL71bn for the capital increase of Unipol Banca spa;
- purchased, in the context of a reserved capital increase, 7,962 shares in the Company Bell sa, for a total amount of ITL40.3bn;
- paid ITL2.4bn in the capital increase of Finec Merchant spa and purchased 8,000,000 shares in this company for a total amount of ITL8bn;
- ceded 36,720,000 shares in Olivetti spa, for a total price of ITL265.7bn, realising a capital gain of ITL63.5bn, largely pertaining to special Life funds.

BUSINESS OUTLOOK

In the first two months of 2000 the trend for the insurance business is positive:

- growth in premium income for the Life business continues, especially in the bancassurance sector; for Non-Life business, too, growth is not substantially different from that which occurred last year;
- the loss rate is steady, without any particular ups and downs; attention continues to be paid to controlling operating expenses, which are behaving normally.

Investment returns are making good progress.

Overall, activity for the first months shows a

positive trend, in line with expectations.

From this financial year, information on the progress of the Group's activities will be made available on a quarterly basis.

Bologna, 24 March 2000

The Board of Directors

CONSOLIDATED ANNUAL ACCOUNTS

- **Balance sheet**
- **Profit and Loss Account**
- **Notes to the accounts**

Company **COMPAGNIA ASSICURATRICE UNIPOL - Società per Azioni**

CONSOLIDATED ACCOUNTS

Balance Sheet

1999 Financial Year

(Amounts in million ITL)

CONSOLIDATED BALANCE SHEET

ASSETS

as at 31 December 1999

A. SUBSCRIBED SHARE CAPITAL UNPAID			1	0
of which called-up capital	2	0		
B. INTANGIBLE ASSETS				
1. Deferred acquisition commissions	3	72,252		
2. Other acquisition costs	4	2,390		
3. Goodwill	5	18,581		
4. Other intangible assets	6	5,295		
5. Differences arising from consolidation	7	31,995	8	130,512
C. INVESTMENTS				
I - Land and buildings			9	963,477
II - Investments in affiliated undertakings and participating interests:				
1. Shares and participating interests in:				
a) holding companies	10	18,708		
b) subsidiaries	11	137,571		
c) associated undertakings	12	1,721		
d) affiliated undertakings	13	77,325		
e) other undertakings	14	647,480	15	882,804
2. Debt securities	16	960		
3. Corporate financing	17	22,320	18	906,083
III - Other financial investments				
1. Shares and participating interests	19	92,766		
2. Unit trust holdings	20	108,866		
3. Bonds and other fixed-income securities	21	5,572,069		
4. Loans	22	74,908		
5. Participation in investment pools	23	0		
6. Deposits with credit institutions	24	0		
7. Sundry financial investments	25	997,180	26	6,845,790
IV - Deposits with ceding undertakings			27	36,532
28				8,751,882
D. INVESTMENTS FOR THE BENEFIT OF LIFE-ASSURANCE POLICYHOLDERS WHO BEAR THE RISK THEREOF AND INVESTMENTS ARISING FROM PENSION FUND MANAGEMENT			29	910,310
to carry forward				9,792,705

as at 31 December 1998

			101	0		
	102	0				
	103	71,184				
	104	4,184				
	105	20,888				
	106	8,921				
	107	36,473	108	141,649		
			109	1,031,627		
110	18,708					
111	86,546					
112	1,694					
113	73,742					
114	307,335	115	488,025			
		116	960			
		117	22,639	118	511,624	
		119	71,083			
		120	6,470			
		121	5,491,270			
		122	77,749			
		123	0			
		124	2,480			
		125	550,208	126	6,199,259	
			127	31,419	128	7,773,929
				129	313,150	
	to carry forward				8,228,728	

CONSOLIDATED BALANCE SHEET

ASSETS

as at 31 December 1999

	carried forward		9,792,705
D. bis	TECHNICAL PROVISIONS - REINSURERS' SHARE		
	I - NON-LIFE INSURANCE BUSINESS		
	1. Provision for unearned premiums	30 41,919	
	2. Provision for claims outstanding	31 123,791	
	3. Other technical provisions	32 0	33 165,710
	II - LIFE ASSURANCE BUSINESS		
	1. Mathematical provisions	34 296,547	
	2. Provision for amounts payable	35 1,725	
	3. Other technical provisions	36 16	
	4. Technical provisions for life assurance policies where investment risk is borne by policyholders and pension fund management provision	37 0	38 298,288 39 463,998
E.	DEBTORS		
	I - Debtors arising out of direct insurance operations	40 477,352	
	II - Debtors arising out of reinsurance operations	41 146,646	
	III - Other debtors	42 129,128	43 753,126
F.	OTHER ASSETS		
	I - Tangible assets and stocks	44 10,429	
	II - Cash at bank and in hand	45 273,549	
	III - Own shares	46 13,025	
	IV - Other assets	47 25,208	48 322,210
G.	PREPAYMENTS AND ACCRUED INCOME		49 83,517
	TOTAL ASSETS		50 11,415,556

as at 31 December 1998

carried forward			8,228,728
130	42,796		
131	108,076		
132	0	133	150,872
134	304,723		
135	1,432		
136	0		
137	0	138	306,155
		139	457,028
		140	452,417
		141	121,010
		142	146,497
		143	719,924
		144	8,924
		145	165,392
		146	6,375
		147	43,680
		148	224,372
		149	88,601
		150	9,718,653

CONSOLIDATED BALANCE SHEET

LIABILITIES

as at 31 December 1999

A. CAPITAL AND RESERVES			
I - Capital and reserves - Group			
1. Subscribed share capital or equivalent funds	51	281,729	
2. Free reserves	52	903,364	
3. Consolidation reserve	53	-20,151	
4. Reserve for valuation differences on unconsolidated shareholdings	54	1,836	
5. Exchange risk reserve	55	0	
6. Reserves for own shares and holding company's shares	56	31,733	
7. Profit (loss) for the financial year	57	73,389	58 1,271,900
II - Capital and reserves - minority interests			
1. Capital and reserves - minority interests	59	62,989	
2. Profit (loss) for the year - minority interests	60	2,965	61 65,954 62 1,337,853
B. SUBORDINATED LIABILITIES			63 0
C. TECHNICAL PROVISIONS			
I - NON-LIFE INSURANCE BUSINESS			
1. Provision for unearned premiums	64	785,482	
2. Provision for claims outstanding	65	2,249,124	
3. Equalization provision	66	791	
4. Other technical provisions	67	4,412	68 3,039,809
II - LIFE ASSURANCE BUSINESS			
1. Mathematical provisions	69	5,357,524	
2. Provision for amounts payable	70	25,587	
3. Other technical provisions	71	79,595	72 5,462,706 73 8,502,516
D. TECHNICAL PROVISIONS FOR LIFE ASSURANCE POLICIES WHERE INVESTMENT RISK IS BORNE BY POLICYHOLDERS AND PENSION FUND MANAGEMENT PROVISION			74 910,236
E. PROVISIONS FOR OTHER RISKS AND CHARGES			
1. Provisions for pensions and similar obligations			75 0
2. Provision for taxation			76 6,294
3. Contingent consolidation provision			77 0
4. Other provisions			78 6,619 79 12,913
		to carry forward	10,763,517

as at 31 December 1998

151	257,753		
152	808,187		
153	-24,519		
154	1,742		
155	-617		
156	43,708		
157	62,250	158	1,148,503
159	58,215		
160	265	161	58,481
		162	1,206,984
		163	0
164	752,568		
165	2,003,299		
166	688		
167	3,678	168	2,760,233
169	4,735,113		
170	15,014		
171	61,525	172	4,811,652
		173	7,571,885
		174	313,053
		175	0
		176	14,830
		177	0
		178	9,285
		179	24,115
to carry forward			9,116,036

CONSOLIDATED BALANCE SHEET

LIABILITIES

as at 31 December 1999

	carried forward		10,763,517
F. DEPOSITS RECEIVED FROM REINSURERS		80	146,566
G. CREDITORS AND OTHER LIABILITIES			
I - Creditors arising out of direct insurance operations	81	21,427	
II - Creditors arising out of reinsurance operations	82	22,286	
III - Debenture loans	83	0	
IV - Amounts owed to credit institutions	84	27	
V - Debts secured by a lien on property	85	23,476	
VI - Sundry borrowings and other financial payables	86	40,791	
VII - Staff leaving indemnity	87	44,986	
VIII - Other creditors	88	167,113	
IX - Other liabilities	89	158,311	478,418
H. ACCRUALS AND DEFERRED INCOME			91 27,055
TOTAL LIABILITIES			92 11,415,556

CONSOLIDATED BALANCE SHEET

GUARANTEES, COMMITMENTS AND OTHER MEMORANDUM ACCOUNTS

as at 31 December 1999

GUARANTEES, COMMITMENTS AND OTHER MEMORANDUM ACCOUNTS			
I - Guarantees by the Company		93	31,151
II - Guarantees received from third parties		94	199,580
III - Guarantees by third parties in favour of consolidated undertakings		95	18,129
IV - Commitments		96	3,523,448
V - Third parties' assets held in deposit		97	182
VI - Pension fund assets managed on behalf of third parties		98	91,939
VII - Securities deposited with third parties		99	8,516,949
VIII - Other memorandum accounts		100	8,612

as at 31 December 1998

carried forward		9,116,036
		180 143,699
	181	15,642
	182	20,355
	183	0
	184	26,608
	185	25,606
	186	3,822
	187	43,689
	188	161,493
	189	138,990
		190 436,203
		191 22,715
	192 9,718,653	

as at 31 December 1998

		193 43,242
		194 203,588
		195 14,061
		196 3,567,624
		197 84,553
		198 0
		199 8,051,949
		200 8,924

Company **COMPAGNIA ASSICURATRICE UNIPOL - Società per Azioni**

CONSOLIDATED ACCOUNTS

Profit and Loss Account

1999 Financial Year

(Amounts in million ITL)

CONSOLIDATED PROFIT AND LOSS ACCOUNT

for the year ended 31 December 1999

I. TECHNICAL ACCOUNT - NON-LIFE INSURANCE BUSINESS			
1. EARNED PREMIUMS, NET OF REINSURANCE			
a) Gross premiums written	1	2,076,202	
b) (-) Outward reinsurance premiums	2	189,522	
c) Change in the provision for unearned gross premiums	3	32,526	
d) Change in the provision for unearned premiums, reinsurers' share	4	5,014	5 1,859,168
2. OTHER TECHNICAL INCOME, NET OF REINSURANCE			7 5,182
3. CLAIMS INCURRED, NET OF SUMS RECOVERABLE AND REINSURANCE			
a) Claims paid			
aa) Gross amount	8	1,456,062	
bb) (-) Reinsurers' share	9	94,022	
cc) change in the sums recoverable, net of reinsurers' share	10	38,597	11 1,323,443
b) Change in the provision for claims			
aa) Gross amount	12	246,912	
bb) (-) Reinsurers' share	13	21,676	14 225,236 15 1,548,679
4. CHANGES IN OTHER TECHNICAL PROVISIONS, NET OF REINSURANCE			16 -11
5. BONUSES AND REBATES, NET OF REINSURANCE			17 6,176
6. OPERATING EXPENSES:			
a) Acquisition commissions	18	266,152	
b) Other acquisition costs	19	42,028	
c) Change in deferred acquisition commissions and costs	20	-623	
d) Renewal commissions	21	45,840	
e) Administrative expenses	22	73,283	
f) (-) Reinsurance commissions and profit participation	23	67,199	24 360,727
7. OTHER TECHNICAL CHARGES, NET OF REINSURANCE			25 4,623
8. CHANGE IN THE EQUALIZATION PROVISIONS			26 103
9. BALANCE ON THE TECHNICAL ACCOUNT FOR NON-LIFE INSURANCE BUSINESS (Item III.1)			27 -55,949

for the year ended 31 December 1998

		111	1,919,806			
		112	179,090			
		113	51,893			
		114	4,072	115	1,692,895	
				117	1,300	
	118	1,412,047				
	119	99,891				
	120	40,736	121	1,271,421		
	122	176,693				
	123	6,331	124	170,362	125	1,441,782
				126	24	
				127	2,660	
		128	258,615			
		129	44,637			
		130	-55			
		131	44,802			
		132	72,841			
		133	60,965	134	359,984	
				135	5,591	
				136	90	
				137	-115,936	

CONSOLIDATED PROFIT AND LOSS ACCOUNT

for the year ended 31 December 1999

II. TECHNICAL ACCOUNT - LIFE ASSURANCE BUSINESS			
1. WRITTEN PREMIUMS, NET OF REINSURANCE			
a) Gross premiums written	28	1,508,785	
b) (-) outward reinsurance premiums	29	13,985	30
			1,494,800
2. (+) ALLOCATED INVESTMENT RETURNS TRANSFERRED FROM THE NON-TECHNICAL ACCOUNT (Item III.5)			
			40
			285,461
3. UNREALIZED GAINS ON INVESTMENTS FOR LIFE ASSURANCE POLICIES WHERE INVESTMENT RISK IS BORNE BY POLICYHOLDERS AND FOR PENSION FUNDS			
			41
			55,708
4. OTHER TECHNICAL INCOME, NET OF REINSURANCE			
			42
			2,970
5. CLAIMS INCURRED, NET OF REINSURANCE			
a) Claims paid			
aa) Gross amount	43	452,431	
bb) (-) Reinsurers' share	44	36,865	45
			415,566
b) Change in the provision for claims			
aa) Gross amount	46	10,901	
bb) (-) Reinsurers' share	47	671	48
			10,230
			49
			425,796
6. CHANGE IN THE MATHEMATICAL PROVISIONS AND OTHER TECHNICAL PROVISIONS, NET OF REINSURANCE			
a) Mathematical provisions			
aa) Gross amount	50	623,707	
bb) (-) Reinsurers' share	51	-4,646	52
			628,353
b) Other technical provisions			
aa) Gross amount	56	18,052	
bb) (-) Reinsurers' share	57	0	58
			18,052
c) Technical provisions for life assurance policies where investment risk is borne by policyholders and pension fund management provision			
aa) Gross amount	59	597,183	
bb) (-) Reinsurers' share	60	0	61
			597,183
			62
			1,243,588
7. BONUSSES AND REBATES, NET OF REINSURANCE			
			63
			1,113
8. OPERATING EXPENSES			
a) Acquisition commissions	64	39,482	
b) Other acquisition costs	65	14,948	
c) Change in deferred acquisition commissions and costs	66	805	
d) Renewal commissions	67	14,840	
e) Administrative expenses	68	21,941	
f) (-) Reinsurance commissions and profit participation	69	2,357	70
			88,050
9. INVESTMENT CHARGES AND UNREALIZED LOSSES ON INVESTMENTS FOR LIFE ASSURANCE POLICIES WHERE INVESTMENT RISK IS BORNE BY POLICYHOLDERS AND FOR PENSION FUNDS			
			75
			33,702
10. OTHER TECHNICAL CHARGES, NET OF REINSURANCE			
			76
			7,755
11. BALANCE ON THE TECHNICAL ACCOUNT - LIFE ASSURANCE BUSINESS (Item III.2)			
			78
			38,934

for the year ended 31 December 1998

		138	1,142,052		
		139	15,388	140	1,126,664
				150	280,097
				151	34,986
				152	6,267
		153	329,939		
		154	29,899	155	300,040
		156	1,431		
		157	-336	158	1,767
				159	301,808
		160	767,152		
		161	3,749	162	763,403
		166	15,135		
		167	0	168	15,135
		169	234,125		
		170	0	171	234,125
				172	1,012,664
				173	1,249
		174	34,969		
		175	14,902		
		176	-1,903		
		177	13,601		
		178	21,928		
		179	2,267	180	85,037
				185	3,587
				186	8,387
				188	35,282

CONSOLIDATED PROFIT AND LOSS ACCOUNT

for the year ended 31 December 1999

III. NON-TECHNICAL ACCOUNT			
1. BALANCE ON THE TECHNICAL ACCOUNT - NON-LIFE INSURANCE BUSINESS (Item I.9)			79 -55,949
2. BALANCE ON THE TECHNICAL ACCOUNT - LIFE ASSURANCE BUSINESS (Item II.11)			80 38,934
3. INVESTMENT INCOME			
a) Income from shares and participating interests			
aa) share of profit (loss) for the year of shareholdings included by the equity method	81 772		
bb) other income	82 9,842	83 10,614	
b) Income from other investments			
aa) income from land and buildings	84 34,418		
bb) income from other investments	85 386,426	86 420,844	
c) Value re-adjustments on investments		87 638	
d) Realized gains on investments		88 102,689	89 534,785
4. INVESTMENT CHARGES			
a) Investment management charges, including interest		90 98,795	
b) Value adjustments on investments		91 37,815	
c) Realized losses on investments		92 11,015	93 147,625
5. (-) ALLOCATED INVESTMENT RETURNS TRANSFERRED TO THE LIFE ASSURANCE TECHNICAL ACCOUNT (Item II.2)			94 285,461
6. OTHER INCOME			95 36,629
7. OTHER CHARGES			
a) Interest on financial debts		96 1,988	
b) Sundry charges		97 37,218	98 39,206
8. BALANCE ON ORDINARY ACTIVITIES			99 82,107
9. EXTRAORDINARY INCOME			100 56,546
10. EXTRAORDINARY CHARGES			101 2,952
11. BALANCE ON EXTRAORDINARY ACTIVITIES			102 53,594
12. PROFIT BEFORE TAXATION			103 135,701
13. TAX ON PROFIT			104 59,346
14. CONSOLIDATED PROFIT			105 76,354
15. PROFIT (LOSS) FOR THE FINANCIAL YEAR - MINORITY INTERESTS			106 2,965
16. PROFIT (LOSS) FOR THE FINANCIAL YEAR - GROUP			107 73,389

for the year ended 31 December 1998

			189	-115,936
			190	35,282
191	2,672			
192	6,259	193		8,931
194	43,133			
195	410,324	196		453,456
		197		2,507
		198		66,444
			199	531,339
		200		79,679
		201		19,962
		202		4,544
			203	104,186
			204	280,097
			205	57,418
		206		4,499
		207		55,969
			208	60,468
			209	63,352
			210	57,688
			211	2,393
			212	55,296
			213	118,648
			214	56,132
			215	62,516
			216	265
			217	62,250

The undersigned declare that the financial statements are free from irregularity or error

The Company legal representatives (*)

The Chairman (**)

Giovanni Consorte (**)

..... (**)

The Members of the Board of Statutory Auditors

U. Melloni

O. Caffagni

L. Roffinella

For internal use of the Company Register

Date of receipt

(*) In case of foreign undertakings - signature by the general representative in Italy

(**) Please indicate the functions of the signatory

NOTES TO THE ACCOUNTS

PART A – GENERAL DRAFTING CRITERIA AND BASIS OF CONSOLIDATION

The consolidated financial accounts have been drawn up in accordance with the layout and instructions prescribed by Legislative Decree No. 173 dated 26 May 1997. They also comply with the ISVAP Instruction No. 735 of 1 December 1997 relating to the layout of the accounts and incorporate the relevant guidance issue by the Supervisory Authority.

BASIS OF CONSOLIDATION

The consolidated accounts for Unipol Assicurazioni are produced by amalgamating its own accounts with those of its subsidiary companies which operate in the insurance sector or whose business activities fall within the scope of those carried on by the insurance companies in the context of their institutional investment activities.

The subsidiary companies Unipol Banca, Unipol Sim and Unieuropa have been valued, as in the previous financial accounts, by applying the equity method. In addition, the equity method has also been used in 1999 to value the company Unipol Fondi Ltd, total control of which was acquired by Unipol on 25/5/99, at formation. This investment, having its offices in Dublin, performs a fund management role for the umbrella unit trust “Unipol Fund”.

Investments in affiliated companies, with shares ranging from 20% to 50%, are valued on the relevant proportion of equity, including the result for the financial year, less dividends received and after adjustments required under the guidelines for producing the consolidated accounts.

A list of companies included in the consolidation is given on the following pages.

CHANGES TO THE AREA OF CONSOLIDATION

As already mentioned, the Parent undertaking has acquired control of the company Unipol Fondi Ltd; in accordance with the principle of consistency, this has been valued by application of the equity method.

The company Assicoop Imola spa, in which a 49% share was acquired by the Parent undertaking on 18/10/1999 at formation, has also

been valued according to the equity method. The company holds a mandate as a Unipol agency. The following have been removed from the area of consolidation:

- Edifin Immobiliare srl and Unigestifimm srl, incorporated into the Parent undertaking (which owned 100%) effective 1 January 1999;
- Syneteristiki Vita sa, incorporated into Syneteristiki Insurance sa.

The following changes to shareholdings of the Parent undertaking have also occurred:

- Unipol Banca spa from 69.15 to 74.81%
- Unifimm srl from 100 to 99%
- Pioquartosei srl from 100 to 99%
- Sofircoop srl from 96.35 to 100%
- Unisalute spa from 77.85 to 77.54%
- Finec Merchant spa from 31.6 to 30.77%
- Assicoop Ravenna spa from 47.43 to 49%

The company Quadrifoglio Vita, in which Banca Agricola Mantovana has a 50% share, has been included on a line-by-line basis because of the insurance aspect of its activity and by virtue of agreements between the partners.

REPORTING DATE

The reporting date for the consolidated accounts is 31/12/1999, the close-off date for the accounts of Unipol Assicurazioni. All the companies which are included in the area of consolidation close their own accounts on 31 December, with the exception of the affiliated companies Commerfin spa and Finec Merchant spa, which close off their accounts on 30 June and for which an interim financial statement has been used, based on the date of the consolidated accounts. In drawing up the consolidated accounts, the accounts approved

by the Shareholders' General Meetings of the respective companies have been used. In the event that the accounts had not yet been approved, the draft accounts approved by the respective Boards have been consolidated.

CONSOLIDATION CRITERIA

Companies included on a line-by-line basis

Except in the case of Unipol Banca spa, Unipol Sim spa, Unipol Fondi Ltd and Unieuropa srl, the accounts of subsidiaries are consolidated on a line-by-line basis. This method provides for the assets, liabilities, income and expenses of consolidated undertakings to be fully amalgamated, the book value of the investment being eliminated from the balance sheet of Unipol Assicurazioni; in the case of part-ownership, the share of net capital and of the profit for the financial year attributable to minority shareholders is disclosed.

The net amount of capital relating to minority shareholders is recorded on the equity line denominated "Capital and reserves - minority interests", whilst the relevant share of the consolidated profit or loss is shown under the heading "Profit (loss) for the financial year - minority interests".

Companies included by proportionate consolidation

This method provides for assets, liabilities, income and expenses of consolidated companies to be incorporated in proportion to the share held, with the book value of the shareholding being eliminated.

As at 31/12/1999 no shareholding was included by proportionate consolidation.

Companies included by the equity method

With this method, the value of the participating interest is adjusted to the corresponding fraction of equity, inclusive of the result for the financial year.

Consolidation difference

If the difference which arises from offsetting the book value of the shareholding against the corresponding fraction of the equity of the subsidiary is due to under-valuation or over-

valuation of asset or liability items on the subsidiary's accounts, it is posted as an adjustment to the individual items, within the limits allowed for correct financial/technical valuations in force on the date the holding is acquired.

Where some or all of the difference cannot be imputed to individual lines, if negative, it is credited to the equity line "Consolidation reserve" or "Reserve for valuation differences" in the case of companies included by the equity method; if positive, it is debited to the asset line "Consolidation difference", to the extent that it represents the value of goodwill at the time the participation was acquired and is financially valid at the date of consolidation.

Elimination of intra-group transactions

In drawing up the consolidated accounts, credits and debits flowing between companies included in the consolidation are eliminated, as are income and charges relating to transactions between these companies and profits and losses arising from transactions between such companies and not yet realised with third parties outside of the group.

COMPANIES INCLUDED IN THE CONSOLIDATED ACCOUNTS ON A LINE-BY-LINE BASIS

Company - Registered Office	Business - Share capital	% holding		Group share
		direct	indirect	
Compagnia Assicuratrice Unipol spa Bologna	1-Insurance and Reinsurance L. 281,728,504,000			
Compagnia Assicuratrice Linear spa Bologna	1-Insurance and Reinsurance L. 24,000,000,000	60.00		60.00
Noricum Vita spa Bologna	1-Insurance and Reinsurance L. 32,000,000,000	51.00		51.00
Quadrifoglio Vita spa Bologna	1-Insurance and Reinsurance L. 35,000,000,000	50.00		50.00
Unisalute spa Bologna	1-Insurance and Reinsurance L. 35,000,000,000	77.54		77.54
Midi srl Bologna	4-Property L. 50,000,000,000	97.00		97.00
Pioquartosei srl Bologna	4-Property L. 50,000,000,000	99.00		99.00
Sofircoop srl Bologna	4-Property L. 37,000,000,000	100.00		100.00
Unifimm srl Bologna	4-Property L. 85,000,000,000	99.00		99.00
Uniservice spa Bologna	9-Data transmission services L. 200,000,000	99.00		99.00

COMPANIES INCLUDED BY THE EQUITY METHOD

SUBSIDIARIES (applying the principle of consistency)				
Unipol Banca spa Bologna	3- Bank L. 155,250,000,000	74.81		74.81
Immobiliare Pietramellara srl Bologna	4-Property L. 1,000,000,000		100.00 (Unipol Banca)	74.81
Unipol Fondi Ltd Dublin	6-Investment fund management L. 250,000,000	100.00		100.00
Unipol Sim spa Bologna	2-Financial intermediary Euro 10.320.000	91.53		91.53
Unieuropa srl Bologna	9-Market analysis / research L. 1,000,000,000	98.00		98.00
ASSOCIATED				
Hotel Villaggio Città del Mare spa Terrasini (Pa)	9-Tourism / Hotels L. 3,382,579,200	49.00		49.00
AFFILIATED				
A.P.A. spa Parma	9-Insurance Agency L. 1,000,000,000	49.00		49.00
Assicoop Ferrara spa Ferrara	9-Insurance Agency L. 500,000,000	46.00		46.00
Assicoop Genova spa Genova	9-Insurance Agency L. 500,000,000	49.00		49.00
Assicoop Imola spa Imola (Bo)	9-Insurance Agency L. 500,000,000	49.00		49.00
Assicoop Modena spa Modena	9-Insurance Agency L. 4,000,000,000	47.00		47.00

Company - Registered Office	Business - Share capital	% holding		Group share
		direct	indirect	
Assicoop Ravenna spa Ravenna	9-Insurance Agency L. 7,000,000,000	49.00		49.00
Assicoop Sicura srl Bologna	9-Insurance Agency L. 390,000,000	40.00		40.00
Assicoop Siena spa Siena	9-Insurance Agency L. 1,400,000,000	49.00		49.00
Assicura spa Reggio Emilia	9-Insurance Agency L. 2,000,000,000	35.00		35.00
Commerfin spa Rome	2-Finance company L. 1,472,000,000	20.00		20.00
Consorzio ZIS Fiera R5.1 Bologna	9-Co-ordination and Planning L. 100,000,000		31.11 (Midi)	30.18
Consorzio ZIS Fiera 2 Bologna	9-Urbanization work L. 740,000,000		49.43 (Midi)	47.95
Euresa Holding sa Luxembourg	2-Finance Company Lux.Frcs. 654.554.000	21.01		21.01
Finec Merchant spa Bologna	2-Merchant Banking L. 170,291,000,000	30.77		30.77
Lavoro e Previdenza Service spa Bologna	9- Pension fund administration L. 20,000,000,000	30.10		30.10
OTHER SHAREHOLDINGS IN SUBSIDIARY AND AFFILIATED COMPANIES AT THEIR BOOK VALUE				
Unintesa spa - in liquidation Bologna	2-Finance company L. 3,917,400,000	97.43		97.43
Sofimer Soc. Fin. Meridionale spa - in liquidation Naples	2-Finance company L. 10,000,000,000	20.00		20.00

PART B - VALUATION CRITERIA

Section 1 – ILLUSTRATION OF VALUATION CRITERIA

The most significant criteria used in producing the consolidated accounts are given below, together with any changes compared to those previously adopted. These criteria are consistent with those adopted by the Parent undertaking for its year-end accounts.

Intangible assets

Deferred acquisition commissions

Pre-paid acquisition commissions on multi-year policies relating to Non-Life business are deferred and amortised evenly over a period of three years, beginning in the year in which such costs are incurred; for Life business these commissions are attributed based on the period of validity of policies, with a maximum of 10 years. This complies with tax regulations and prudential considerations relating to financial matching.

Any other expenses inherent in the acquisition of risks relating to multi-year policies and the management thereof are reflected in the profit and loss account for the year in which they are incurred.

Investments

Land and buildings

Except for some premises intended for sale and recorded as short-term investments, property is included with fixed assets and recorded on the accounts at the cost of acquisition or construction or at incorporation value in the case of buildings previously owned by incorporated companies. The book value of these assets includes ancillary expenses and write-ups performed in previous financial years under the provisions of specific legislation and, to a lesser extent, following voluntary write-ups.

Improvement and transformation costs are capitalised in cases where they translate into an increment in the useful life of the assets and their return.

Buildings used for the business of the Company are amortised in equal instalments according to the expected period of use.

Usually, other buildings are not depreciated, given that constant maintenance is performed to prolong their useful life and that they are long-term investments primarily intended as a hedge against liabilities to policyholders.

However, depreciation is recorded for the “Città

del Mare” holiday complex, situated in Terrasini (Palermo), the service centre located in Maratea, the shopping centres, the industrial workshops and one building located in Milan, because of their specific nature and purpose.

Investments in affiliated undertakings and participating interests

These mainly comprise long-term investments such as controlling shareholdings, shareholdings in affiliated companies and in other undertakings. Shareholdings in affiliated companies and subsidiaries whose activities are not consistent with the insurance sector are included by the equity method; those in other companies are valued at acquisition or underwriting cost or at a value below cost in cases where there has been lasting loss of value.

Where shares in other entities are held for trading purposes, they are valued at the lesser of the average acquisition cost and the current value based on the market rate at the end of the financial year.

Other financial investments

Stocks and shares

Shares which do not constitute fixed assets, own shares and shares in mutual funds are recorded at the lesser of the average acquisition cost and the market value, which for listed shares corresponds to the arithmetic mean of stock exchange prices in the last month of the financial year and, for unlisted shares, is based on a prudent estimate of their presumed realisation value.

Stocks and shares which are classified as long-term investments are held at acquisition cost, adjusted where applicable by write-downs deriving from losses in value which are deemed to be long term.

Bonds and other fixed-income securities

Securities intended to be held long-term by the company are valued at the average purchase or subscription cost, adjusted by or combined with an amount equal to the proportion of the negative or positive difference between repayment value and acquisition cost which has matured at the end of the financial year. Separate disclosure is made of the relevant proportion relating to any issue spread (Article 8 of Legislative Decree 27/12/94).

No. 719 and Law 8/8/95 No. 349). They may only be written-down in the event of verified permanent loss of value.

For securities with an implicit rate (such as zero coupon bonds) an adjustment is made for the appropriate proportion of capital which has already matured.

Securities used as short-term investments are adjusted to the lesser of the accounting book value (substantially maintained at cost), increased or reduced by matured issue spreads, and the market value; for listed securities, this is computed from the arithmetic mean of prices applicable in the month of December and for those which are not listed, at the presumed realisation value on 31 December, determined on the basis of the current value of securities traded on regulated markets which have similar characteristics.

Reductions in value applied in previous financial years are not retained if the rationale for them no longer applies.

Loans

These are recorded at their nominal value, which also corresponds to their presumed realisation value.

Financial derivatives

Financial derivatives, as defined in ISVAP Instruction No. 297 of 19 July 1996, are used exclusively for hedging purposes, to reduce the risk profile of the hedged assets and liabilities or to optimise their risk/return profile. Derivative contracts which are outstanding at the end of the period are therefore valued in a way which is consistent with the asset/liability being hedged.

Specifically:

- for contracts hedging short-term instruments, the difference between book value and the higher market value of the instruments themselves at the end of the period is included;
- for contracts hedging long-term assets the valuation-at-cost method is applied;
- for contracts hedging exchange rate risk, the principles followed for valuing accounting balances denominated in foreign currency are those adopted. The cash/forward differential is adjusted to the applicable time period by applying the appropriate accrual.

The current value of derivative contracts is determined by the "substitution cost" method, using the prices and rates prevailing at the end of the financial year for equal maturities and comparing these to the contractual ones.

Premiums received or paid for options on securities or currencies outstanding at the end of the period are recorded respectively on lines G.VI "Sundry borrowings and other financial payables" and C.III.7 "Sundry financial investments".

At the maturity of the option:

- if it is exercised, the premium is applied as an adjustment to the purchase or sale price of the underlying asset/liability;
- if it is not exercised, the premium is recorded under "Realised gains/losses on investments".

Income on securities

Accrued interest receivable is recorded in the financial accounts in accordance with the matching concept, as is the accrued difference between the repayment amount and the issue price of bonds and similar securities, as set out in Article 8 of Legislative Decree 27/12/94 No.719 mentioned earlier. For securities held as fixed assets the accrued difference between the repayment value and the book value is included. Dividends are recorded in the financial year in which they are paid, together with the relevant tax credit.

Gains and losses deriving from trading fixed interest securities and shares are shown on the profit and loss account according to the actual date of realisation.

Investments for the benefit of Life- assurance policyholders, who bear the risk thereon, and investments deriving from pension fund management

These are recorded at current value, as stipulated in Articles 17 and 19 of Legislative Decree 173/97.

Receivables

These are recorded at their presumed realisation value.

Other assets

Tangible assets and stocks

Assets (furniture, office machinery, equipment and property recorded in the public registers), which are included in fixed assets, are shown on the balance sheet at acquisition cost or at their conferment values and amortised on the basis of their presumed useful life. On assets which come into use in the course of the financial year, a proportion of 50% has been applied to the amounts, as this by and large corresponds to their period of use. Assets having a small unit value are

fully depreciated in the year of acquisition.

Prepayments and accrued income, accruals and deferred income

Prepayments and accrued income, as well as accruals and deferred income, are calculated in accordance with the criterion of financial and temporal matching.

Technical provisions - Non-Life business

Provision for unearned premiums

The provision for unearned premiums on direct insurance business is determined analytically for each policy according to the pro-tempore method, based on gross premiums booked less acquisition commissions and other directly attributable acquisition costs. For multi-year policies the depreciation allowance relating to the financial year is deducted.

Where necessitated by the expected loss ratio, the provision for unearned premiums also includes a provision for unexpired risks as required by Article 32 of Legs. Decree 173/1997, 3rd indent. The simplified method given in ISVAP guidance 360D/1999 has been used to estimate this.

For Bond and Credit business the flat rate method prescribed in Ministerial Decree 23/5/81 is applied.

The provision for unearned premiums also includes components required under specific legal provisions for business and risks of a particular nature (Credit, Hail, Atomic Risk, Natural disasters).

The total amount allocated to provisions is sufficient to meet costs arising from risks which recur in successive financial years.

The reinsurers' share of the provision for unearned premiums is calculated by applying to the ceded premiums the same criteria used to compute the provision for unearned premiums for direct business.

Provision for increasing age

The provision for increasing age is calculated at a flat rate, amounting to 10%, on policies in the Health portfolio which have the characteristics described in Article 25 of Legs. Decree. 175/95.

Provision for claims outstanding

The provision for claims outstanding for direct business is determined analytically by valuing all claims outstanding at the end of the financial year and is based on technically prudential estimates; these are arrived at by applying objective factors

which, as prescribed in Article 33 of Legs. Decree 173/1997, ensure that the amount of the provision is sufficient to meet benefits to be paid out and the related direct and settlement costs. In 1999, for motor T.P.L. claims only, the size of the provision was calculated using the criterion of average cost for groups of similar claims (damage to property and personal injury) in sufficiently large numbers and supported by historical data and specific forecasts from the Undertakings.

The provision for outstanding claims also includes a set-aside for incurred but not reported claims, estimated on the basis of experience gained regarding late-recorded claims in previous years, in accordance with the criteria established by the ISVAP Instruction of 4 December 1998.

The reinsurers' share of the provision for outstanding claims reflects the amount recoverable from them as prescribed in either individual treaties or contractual agreements

Technical provisions - Life business

The amount recorded on the accounts has been calculated in accordance with the provisions of Articles 24 and 25 of Legislative Decree 174/95 and as specified by the Ministerial Decree of 2 July 1987, concerning the minimum level of provisions for supplementary health and professional premiums and the provision for administrative charges.

The mathematical provision for direct Life business is calculated analytically for each contract on the basis of pure premiums, without deduction for policy acquisition costs, and by reference to the actuarial assumptions (technical interest rates, demographic models of elimination by death or invalidity) used to calculate the premiums relating to existing contracts.

The mathematical provision includes the proportion of pure premiums in relation to the premiums accrued during the financial year; it also includes all revaluations made by virtue of the contractual terms and is always greater than the redemption value.

In compliance with the provisions of Article 38 of Legs. Decree 173/97, technical provisions created to cover liabilities deriving from insurance policies on which the pay-out is determined on the basis of investments or indexes for which the policyholders bears the risk, and provisions arising from pension fund management, have been calculated by reference to commitments made under these contracts and to the provisions of Article 30 of Legs. Decree 174/95 and successive ISVAP instructions. As prescribed in Article 38 of

Legs. Decree 173/97, 3rd indent, the mathematical provision includes provisions established to cover mortality risk on assurance contracts under Line III of Table A attached to Legs. Decree 174/95, which guarantee a pay-out in the event of the death of the policyholder during the life of the policy.

The mathematical provision also includes an adjustment provision, pursuant to Article 25 of Legs. Decree 174/95, 12th indent. Under the terms of this, when a difference has been identified between the demographic bases used to calculate the constituent capital for life annuities and the latest figures from the General State Accounting Department, the provision to be established would have to include an adjustment to cover liabilities to policyholders, also complying with the ISVAP Instruction No. 01380-G. of 21 December 1999 and with the “Regulations on actuarial principles to be applied in calculating the supplementary provision for annuity assurance policies”, produced by the National Order of Actuaries and recognised by ISVAP.

Thus, as prescribed in Article 34 of Legs. Decree 173/97, the provision for amounts payable includes the total value of sums needed to cover payment of benefits which have fallen due but not yet been paid.

The provision for participation in bonuses and rebates was established to cover obligations of the Undertakings to set aside amounts accruing in the financial year as technical profits arising from the yield on individual contracts, for partial reimbursement of premiums on certain policies on a temporary group tariff in the event of death and/or disability.

The amount of technical provisions borne by Consap (Concessionaria servizi assicurativi pubblici S.p.A.), which has taken the place of I.N.A., with the Treasury having joint liability, is computed on the basis of liabilities transferred as “legal cessions” and applying prudential criteria. The recommendations made by ISVAP on the subject are also taken into consideration and the annual rates of return now fixed for financial years 1994, 1995, 1996, 1997 and 1998 and contained respectively in the Ministerial Decrees of 2/10/1998, 4/6/1999 and 21/12/1999 are used.

Current and deferred taxation

Taxes for the financial year are posted as

applicable, amongst other creditors, according to taxable income.

At the end of financial year 1998, the companies in the Group recorded deferred tax payables on accrued gains for tax purposes in accordance with Article 54 Pr. Decree 917/86, setting it aside as provision for taxation.

Following the introduction of accounting principle No. 25 by the accounting body “Consiglio Nazionale dei Dottori Commercialisti e Ragionieri”, and taking into consideration the Consob recommendation of 30 July 1999 relating to the accounting treatment of deferred taxation (receivable and payable), from financial year 1999 the amount for prepaid taxes has been recorded, representing short-term differences between the pre-tax profit for the year and taxable income. Application of this new accounting principle has led to the inclusion in the accounts of an extraordinary profit (relating to prior taxation receivables) amounting to ITL8,513m (of which ITL817m relates to third parties), with a contra of ITL6,688m to “Taxation reserve” and ITL1,825m to “Other assets”.

Also shown are deferred tax payables and prepaid prior year tax receivables which became due during the current financial year, being ITL4,696m and ITL2,237m respectively, as well as deferred tax payables and receivables arising from the financial year, being ITL5,725m and ITL2,930m respectively. These balances have affected the line “Taxes” in the profit and loss account, and, on the balance sheet, the “Provision for taxation” and “Other assets”.

Provision for staff-leaving indemnity

The provision for staff-leaving indemnity reflects the accrued liability in respect of employees, in accordance with prevailing legislation and collective labour agreements

Earned premiums

Premiums are recorded by reference to their due dates and in accordance with the provisions of Article 45 of Legs. Decree 173/1997. Taken in conjunction with the provision for unearned premiums it gives the total for the period.

Allocated investment return transferred from the non-technical account

The allocation of portions of investment returns to the technical account of the Life business has been effected in accordance with the relevant ISVAP Instruction dated 8 March 1999.

Inward reinsurance

In the case of risk accepted in reinsurance, the premiums and the costs for indemnities and the commissions already passed on by the cedants and relating to the financial year, are generally recorded on specific asset or liability lines (deferred reinsurance accounts receivable/payable) and posted to the profit and loss account for the following financial year; this deferred application, which also applies to the associated retrocessions, arises because of the impossibility of obtaining all the data in time and in full.

The provisions for inward reinsurance risk are those passed on by the cedants, with the possible application of adjustments to incorporate any subsequently predictable losses.

Conversion of foreign currency balances

Transactions expressed in foreign currency not arising from the consolidation of foreign undertakings are shown on the accounts at the year-end rates in accordance with multi-currency accounting standards. Any surplus which results from the conversion into Lira is offset by an entry to an appropriate liability account. Any shortfall arising, on the other hand, is balanced by a reduction to the same provision.

Conversion differences

Account balances expressed in currencies outside the Euro area are converted into Italian Lira by applying the year-end exchange rates to the entries on the balance sheet and profit and loss account.

Differences which derive from application of the aforesaid exchange rates are credited or debited to the "Exchange risk reserve".

Exchange rates used

The exchange rates applied to the main currencies for conversion into Lira are as follows:

Currencies	1999	1998
US Dollar	1,927.404	1,653.100
Pound Sterling	3,114.476	2,763.160
Swiss Franc	1,206.324	1,208.410
Euro	1,936.270	1,936.270

For currencies included in the Euro the fixed and irrevocable exchange rates established on 31/12/1998 between the Euro and the aforesaid currencies have been adopted.

PART C - INFORMATION ON THE CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNTS

BALANCE SHEET - ASSETS

There follows a commentary on the balance sheet items and the way their composition has varied in comparison with the previous financial year,

together with the information required by prevailing regulations.

Section 1 – Intangible assets (line B)

Deferred acquisition commissions (B.1)

These amount to ITL72,252m (+1,068m) split as follows:

- Non-Life business, ITL21,234m (+263m)
- Life business, ITL51,018m (+805m).

Goodwill (B.3)

This line, in the amount of ITL18,581m (-2,307m), mainly comprises the residual portion of goodwill paid by Quadrifoglio Vita in acquiring the business it purchased from Arca Vita (ITL15,300m).

Other intangible assets (B.4)

This line, amounting to ITL5,295m (-3,626m), includes ITL3,586m of residual costs relating to capital increases and ITL1,709m of sundry multi-year costs, predominantly incurred for the purchase of software.

Consolidation difference (B.5)

This line is made up of the residue of goodwill costs paid for the acquisition of participating interests. These are amortised over 10 years for companies with insurance, insurance intermediary or banking activities, which are by nature financially profitable over the medium and long term.

The variations which have occurred in the financial year are as follows (in millions of Lira):

	1999	Variations compared to 1998
Balance at start of financial year	36,473	24,262
Increases	0	(29,846)
Decreases	(4,478)	1,106
Balance at end of financial year	31,995	(4,478)

The decrease compared to 1998 relates entirely to the share in amortisation of consolidation differences occurring in previous financial years

Section 2 – Investments (line C)

Land and buildings (C.I)

Land and buildings, net of the relevant depreciation, were made up as follows as at 31 December 1999 (in millions of Lira):

	Land and building	Reserve for depreciation	Book value
Buildings:			
- for operational use	116,772	23,253	93,519
- for use of 3rd parties	894,839	29,981	864,858
Land	5,100	--	5,100
Total	1,016,711	53,234	963,477

Note that ITL34,615m of this arises from the attribution of consolidation differences.

It is also confirmed that no land and buildings are leased out.

The variations which have occurred in the composition of land and buildings are as follows (in millions of Lira):

Land and buildings as at 31 December 1998	1,085,560
New investments in the financial year	22,111
Capital increases and improvements	22,161
Decreases	(113,121)
Land and buildings as at 31 December 1999	1,016,711

Investments in Land and buildings are showing a downward variation compared to the previous financial year of ITL68,849m and ITL68,150m (-6.6%) net of the depreciation reserve.

During the year, financial charges amounting to ITL50m have been posted.

Investments in Group undertakings and other participating interests (C.II)

Stocks and shares in subsidiary undertakings (C.II.1.b)

Stocks and shares owned relate to subsidiary companies which, because their activities are not analogous to insurance activity, have been valued by the equity method.

The total as at 31/12/1999 amounts to ITL137,571m, an increase of ITL51,025m compared to 1998, substantially due to Unipol Banca.

The details are given below:

Company - Registered Office – Share Capital (millions of Lira / currency)	Group Share %	Value (ITLm)
Unipol Banca spa Bologna – ITL155,250	74.81	117,527
Unipol Sim spa Bologna – Euro 10	91.53	19,111
Unipol Fondi Ltd Dublin – ITL250	100.00	468
Unieuropa srl Bologna – ITL1,000	98.00	465
Total		137,571

Stocks and shares in associated and affiliated undertakings (C.II.1.c.d)

These relate to associated and affiliated companies valued using the equity method, as listed in the table below:

Company - Registered Office – Share Capital (millions of Lira / currency)	Group Share %	Value (ITLm)
Finec Merchant spa Bologna – ITL170,291	30.77	53,019
Euresa Holding sa Luxembourg – Lux. Fracs 654.5	21.01	7,215
Lavoro e Previdenza Service spa Bologna – ITL20,000	30.10	5,445
Assicoop Sicura srl Bologna – ITL390	40.00	3,236
Assicoop Ravenna spa Ravenna – ITL7,000	49.00	3,751
Assicoop Modena spa Modena – ITL4,000	47.00	2,113
Hotel Villaggio Città del Mare spa Terrasini (Pa) – ITL3,383	49.00	1,721
Assicoop Siena spa Siena – ITL1,400	49.00	489
Assicura spa Reggio Emilia – ITL2,000	35.00	605

Company - Registered Office – Share Capital (millions of Lira/currency)	Group Share %	Value (ITLm)
A.P.A. spa Parma – ITL1,000	49.00	406
Commerfin spa Rome – ITL1,472	20.00	286
Assicoop Ferrara spa Ferrara – ITL500	46.00	74
Assicoop Genova spa Genova – ITL500	49.00	249
Assicoop Imola spa Imola – ITL500	49.00	73
Consorzio ZIS 1 Bologna – ITL100	30.18	31
Consorzio ZIS 2 Bologna – ITL740	47.95	333
Total		79,046

Shareholdings in foreign companies amount to ITL7,215m (-1,983m) and those in Italian companies to ITL71,831m (+5,593m).

Stocks and shares in other undertakings (C.II.1.e)

This line, equal to ITL647,480m, shows an increase of ITL340,145m compared to 1998 and relates largely to investments in the companies Olivetti, Bell and Hopa made during 1999.

Of the total amount, ITL2,336m relates to shares in subsidiary and associated undertakings held at book value and in the process of liquidation, as detailed below:

Company - Registered Office – Share Capital (millions of Lira)	Group Share %	Value (ITLm)
Unintesa spa – in liquidation Bologna – ITL3,917	97.43	1,193
Sofimer spa – in liquidation Naples – ITL10,000	20.00	1,143
Total		2,336

The balance (ITL645,144m) relates to the various companies and entities listed below:

Company-Registered Office– Share Capital (millions of Lira / currency)	% holding		Group Share %
	direct	indirect	
Olivetti spa Ivrea (To) – ITL4,813,891	1.01		1.01
Caer spa Bologna – ITL1,088,512	4.55		4.55
Bell sa Luxembourg – ITL26,263	1.90		1.90
P & V Holding sa Brussels (Belgium)– BFrcs 13,918	4.51		4.51
Hopa spa Luxembourg – Euro 336.6	1.46		1.46
Comp. Foncière de la Macif sa Niort (France) – FF500	19.90		19.90

Italiana Assicurazioni spa Milan – ITL57,969	2.48		2.48
Delta Immo sa Niort (France) – FF507	5.00		5.00
Fincooper scarl Bologna – ITL32,692	25.79	0.66	26.22
Banca Agricola Mantovana spa Mantova – ITL585,935	0.20		0.20
Immobiliare Mirasole spa Turin – ITL100,000	7.46		7.46
Acteldirect sa Brussels (Belgium)– BFrcs 1,000	11.40		11.40
Cooperbanca spa Reggio Emilia – ITL27,463	2.00		2.00
Atlantis sa Barcelona (Spain) – Ptas 2,500	12.50		12.50
Syneteristiki Insurance sa Athens (Greece) – GrDx 1,444	16.39		16.39
The Co-Operators Group sa Guelph (Canada) – Can\$28	7.20		7.20
Atlantis Vida sa Barcelona (Spain) – Euro 10	12.50		12.50
Euresa Life sa Luxembourg – Lux. Frcs 200	10.00		10.00
Euresap sa Lisbon (Portugal) – PTE 2,000	9.60		9.60
Humanitas Mirasole spa Milan – ITL26,611	2.00		2.00
Rita Scarl Milan – ITL11,000	4.54		4.54
Union Capital spa (in liq.) Milan – ITL10,000	5.00		5.00
Unicard spa Milan – ITL4,000	10.00	10.00	17.48
Interporto spa Bologna – ITL26,584	1.43		1.43
Fondazione Cesar Bologna – ITL150	100.00		100.00
Cestar srl Pero (Milan) – ITL4,000	3.68		3.68
Aicer spa Bologna – ITL1,000	12.00		12.00
Banca Popolare Etica Scarl Padova – ITL14,873	0.67		0.67
Banca di Bologna Scarl Bologna – ITL11,450	0.75		0.75
Allnations sa Ohio (U.S.A.) – US\$2	3.63		3.63
Artigianfin spa Rome – ITL200	19.01		19.01
Inforcoop Scarl Bologna – ITL1,360	3.13		3.13
Sofincoop spa Genova – ITL1,124	3.69		3.69
Uci Milan – ITL1,000	4.25		4.25
Ctamar Viaggi srl Terrasini (PA)-ITL200	10.00		10.00
Autonomia Scarl Palermo – ITL292	6.16		6.16
SSN Napoli Scarl (in liq.) Naples – ITL1,820	6.67		6.67
Consorzio R54A Bologna – ITL20	30.56		30.56

Cooptechnical Scarl Rome – ITL196	2.55		2.55
Coop Libera Stampa Scarl Rome – ITL721	0.28		0.28
Simgest spa Bologna – ITL11,076		18.18	13.60

⁽¹⁾ Being 0.31% Noricum Vita spa, 0.01% Sofircoop srl, 0.02% Quadrifoglio Vita spa and 0.32% Unisalute spa

⁽²⁾ Being Unipol Banca spa

The above-mentioned shareholdings include short-term assets of ITL202.3 billion, entirely made up of 36,727,320 ordinary shares in Olivetti spa.

Such securities have been valued by the price for the day on 30/12/1999, deemed to be more representative of the current value of the investment than the average of December prices; this valuation involves recording a write-down of ITL10.6 billion.

Debt securities (C.II.2)

The balance on the line “Debt securities”, amounting to ITL960m, unchanged compared to the previous financial year, is entirely made up of the loan extended to the participating interest Euresa Life sa. This is a subordinated loan of Belgian Francs 20,000,000, of unlimited duration, the rate of interest being equal to that on 5-year Belgian government securities + 1% for the first five years (5.63% in 1999), then that of 5-year Italian government securities + 1% from the sixth year onwards (i.e. from 2003).

The loan may be repaid early, after five years from its start, subject to the approval of the local supervisory body; this option may be exercised again once another five years have passed.

Only in the event of regulatory, interpretative or political changes within the Grand Duchy of Luxembourg may the debtor reimburse the loan in a single payment, subject to the approval of the local supervisory body.

The loan is subordinate to repayments to principal creditors, on a par with other subordinate creditors, and is preferential debt with regard to receivables claimed by the holders of any type of shares in the company.

Loans (C.II.3)

The balance of ITL22,320m (-319m), relating to loans to participating interests, includes ITL14,759m paid to Compagnie Foncière de la Macif sa, ITL7,061m to the company Immobiliare

Mirasole spa and ITL500m relating to a subordinated loan extended to the subsidiary company Unintesa spa, in liquidation. This is a non-interest-bearing subordinated loan, given by Unipol on 29/4/1996 with a three-year maturity.

On 26 April 1999 (the maturity date of the loan being 29/4/1999), Unintesa, under clause b) point 6 of the agreement, advised that being in voluntary liquidation it cannot proceed with repayment of the loan until it has fully satisfied unsubordinated creditors and that repayment of the loan can therefore only take place at the end of the voluntary liquidation process.

Note that receivables falling due beyond the end of the next financial year and beyond five years amount to ITL6,709m and ITL4,907m respectively.

Other financial investments (C.III)

The total balance on this line amounts to ITL6,845,790m, being a positive variance of ITL646,531m compared to the previous financial year (+10.4%).

The components are (in millions of Lira):

		Variations 1999 compared to 1998
1. Stocks and shares	92,766	21,683
2. Unit trust holdings.	108,866	102,396
3. Bonds and other fixed-income securities	5,572,069	80,799
4. Loans	74,908	(2,841)
6. Deposits with credit institutions	0	(2,480)
7. Sundry financial investments	997,180	446,972
Total	6,845,790	646,531 (+10.4%)

Bonds and other fixed-income securities (C.III.3)

Bonds and other fixed-income securities amount to ITL5,572,069m (+80,799m compared to 1998); they are held solely by the insurance companies and are broken down as follows (in millions of Lira):

		Variations 1999 compared to 1998
Securities issued by Governments, public bodies and int'l organisations	2,565,828	410,011
Convertible bonds	89,001	83,093
Other listed securities	2,602,908	(70,594)
Other unlisted securities	314,332	(341,711)
Total	5,572,069	80,799 (+1.5%)

The figures for long-term commitments (mainly relating to special life contracts) and short-term commitments are, respectively, ITL4,109 billion and ITL1,463 billion. When the book values of the aforesaid securities are compared with their market prices, the potential gains and losses produce a net negative balance of ITL232 billion, largely deriving from the long-term commitments. The line "Bonds and other unlisted fixed-income securities", includes (in the amount of 120,000,000 Swedish Krone, equal to ITL27,136m at the rate on 31/12/1999) a subordinated debenture loan issued by the Swedish insurance company Folksam and underwritten by Unipol in 1995. The exchange rate risk on the full amount was hedged with a cross-currency swap contract at the time of the underwriting, maturing on 10/1/2000.

On 10/1/2000 the loan was repaid. On the same date, another subordinated debenture loan issued by Folksam was underwritten, with a maturity of 10/1/2010 and having the same subordination clauses as the previous loan. The new loan, for a nominal value of 100m Swedish Krone, has a fixed rate of 6.92% for the first 5 years (until 10/1/05). The rate for the next 5 years will be set on 3/1/2005. In the event that the parties do not agree, the interest rate will be decided by Unipol Assicurazioni, but may not exceed the average closing rates between 20 and 23 December 2004 for 5-year Swedish government securities, plus 3%. Folksam reserves the right to repay the loan early.

Loans (C.III.4)

These amount to ITL74,908m (-2,841m) and are broken down as follows (in millions of Lira):

		Variations 1999 compared to 1998
Secured loans	32,263	(6,273)
Loans on policies	40,533	3,836
Other loans	2,112	(404)
Total	74,908	(2,841)

Note that receivables becoming due beyond the next financial year and over five years amount to ITL60,489m and ITL36,531m respectively.

Sundry financial investments (C.III.7)

The balance of ITL997,180m is made up as follows (in millions of Lira):

		Variations 1999 compared to 1998
Securities - repo contracts	983,635	437,626
Premiums paid on Cap-Floor options purchased	10,999	8,210
Premiums paid for other options	2,546	1,136
Total	997,180	446,972 (+81.2%)

The major positions, chosen from those with a balance exceeding ITL60 billion and which constitute 68.1% of the total amount, relate to securities in repo transactions, detailed below (in millions of Lira):

Security	Counterparty	Amount
CCT 1/05/98-05	Banca Popolare Verona	240,990
CCT 1/03/97-04	Banca Popolare Milano	100,322
CCT 1/10/98-05	Banca Popolare Verona	100,145
CCT 1/12/04-01	Cassa di Risparmio Parma e Piacenza	97,685
BTP 1/11/93-23 9%	Cassa di Risparmio Turin	79,628
BTP 1/05/98-09 4.5%	Banca Popolare Emilia	60,255
		679,025

Section 3 – Other asset lines (lines D-Dbis-E-F-G)

Investments for the benefit of Life assurance policyholders who bear the investment risk and those deriving from pension fund management (line D)

The total amount of these investments reached ITL910,310m as at 31/12/1999, an increase of ITL597,160m compared to 31/12/1998. Of this, ITL903,280m represents investments relating to Index-Linked and Unit-Linked policies (+590,130m) and ITL7,030m represents investments deriving from management of two open-end defined-contribution pension funds (“Unipol Previdenza” and “Unipol Futuro”) established and managed by the Parent undertaking. The Pension Funds are separate from and autonomous from the assets of Unipol and are divided into four investment lines, with differing management methodologies.

Reinsurers' share of technical provisions (line D bis)

The balance on this line comes to ITL463,998m and has increased by ITL6,970m compared to 1998.

Deposits with ceding undertakings (C.IV)

These amount to ITL36,532m, an increase of ITL5,113m (+16.3%) compared to 1998.

These are surety deposits placed with the cedants in respect of inward reinsurance risks; movements (placements and repayments) take place on an annual or within-year schedule.

Their respective terms are largely dependant on the specific nature of the underlying insurance guarantees and the actual term of the reinsurance relationships; renewal of these is renegotiated at the end of each year.

Debtors (line E)

The amount of debtors, totalling ITL753,126m, shows an increase of ITL33,202m compared to 1998, as detailed below (in millions of Lira):

	1999	Variations compared to 1998
Debtors arising out of direct insurance operations (E.I)		
Premiums receivable from policyholders	284,345	22,482
Receivables from intermediaries	141,154	6,534
Company receivables - current accounts	21,249	(4,220)
Policyholders and third parties - amounts recoverable	30,604	139
	477,352	24,935 (+5.5%)
Debtors arising out of reinsurance operations (E.II)		
Current account balances	146,646	25,636 (+21.2%)
Other debtors (E.III)		
Taxation receivables	85,880	(12,749)
Sundry receivables	43,248	(4,620)
	129,128	(17,369) (-11.9%)
Total	753,126	33,202 (+4.6%)

“Sundry receivables” includes ITL15,607m deriving from the sale of property, ITL3,154m rental receivables and ITL3,446m in prepayments to suppliers. Note that the amount of receivables beyond the following financial year and beyond five years amount to ITL87,562m and ITL27,868m respectively.

Other assets (line F)

Tangible assets and stocks (F.I)

These comprise furniture, office machinery, electronic machines, vehicles, plant and equipment to the value of ITL92,207m, of which ITL81,778m is depreciated, thus giving a net value of ITL10,429m (+1,505m compared to 1998).

Cash at bank and in hand (F.II)

At year end, this amounted to ITL273,549m (+108,157m compared to 31/12/1998) and relates to the flow of liquidity which is a feature of the last days of the financial year.

Own shares (F.III)

The balance of ITL13,025m (+6,650m) is made up of own shares which are present at year-end in the portfolio of the Parent undertaking. Also note that

the Parent undertaking also holds shares in its own parent company in the total amount of ITL18,708m, recorded on the line “Stocks and shares in holding companies”.

Other assets (F.IV)

These stand at ITL25,208m (-18,472m compared to 1998) and relate to (in millions of Lira):

	1999	Variations compared to 1998
Deferred reinsurance accounts receivable	22,382	2,004
Financial derivatives	206	(20,448)
Other assets	2,620	(28)
Total	25,208	(18,472) (-42.3%)

Prepayments and accrued income (line G)

These amount to ITL83,517m, a downward variance of ITL5,084m, and are made up of ITL78,075m in accrued interest on securities, ITL3,501m in accruals on financial derivatives and ITL1,941m in other prepayments and accrued income.

BALANCE SHEET – LIABILITIES

Section 4 – Capital and reserves and subordinated liabilities (lines A-B)

Capital and reserves of the Group (line A.I)

The shareholders' equity, excluding shares pertaining to minority interests, is split as shown (in millions of Lira):

	1999	Variations compared to 1998
Share capital	281,729	23,976
Legal reserves	903,364	95,177
Consolidation reserve	(20,151)	4,368
Reserve for valuation differences on non-consolidated interests	1,836	94
Reserve for conversion differences	0	617
Reserve for own shares and holding company's shares	31,733	(11,975)
Profit for the financial year	73,389	11,139
Total	1,271,900	123,397 (+10.7%)

With regard to the share capital of the parent undertaking, note that 30 November 1999 was the final date, the start being 1 July 1997, for holders of the warrants attached to shares issued with the paid capital increase in November 1996 to exercise their right to subscribe to new ordinary and preference shares.

In 1999, subsequent to these subscriptions, share capital increased by ITL23,976m and reserves increased by ITL65,185m.

The line “Consolidation reserve” contains the differences arising from offsetting the book value of participating interests against the corresponding portion of the equity of consolidated companies, after attributions to the asset lines of such undertakings and to the consolidation difference (goodwill). It also includes consolidation adjustments owing to application of the accounting

principles of the Parent undertaking and elimination of intra-group dividends.

The line "Reserve for valuation differences on non-consolidated interests" houses valuation differences arising from application of the equity method, except for the part which derives from profits/losses for the financial year, which are applied to the Profit and Loss account on the line "Share of profit for the year of shareholdings

included by the equity method".

The reconciliation table between the parent company's capital, reserves and profit for the year, and consolidated capital, reserves and profit for the year is attached.

Subordinated liabilities (line B)

There are no subordinated liabilities.

Section 5 – Technical provisions and other provisions (lines C-D-E)

Technical provisions (line C)

These amount to ITL8,502,516m in total, an increase of ITL930,631m (+12.3%) compared to 1998, and comprise ITL5,462,706m in technical provisions and provisions for amounts payable for Life business and ITL3,039,809m of provision for unearned premiums, provision for outstanding claims and other Non-Life provisions.

The increase in technical provisions results from the growth in insurance operations, which has affected the main activity areas and the Life business in particular.

The amount is sufficient to meet the liabilities of the Undertakings in relation to life policyholders and Non-Life claimants.

Technical provisions where the investment risk is borne by the policyholders and provisions arising from pension fund management (line D)

These amount to ITL910,236m (+597,183m compared to 1998). Of this, ITL903,206m (+188.5%) represents technical provisions established to cover liabilities arising from life assurance contracts where the return is linked to investments or indexes of which the policyholder bears the risk (Class III of Table A attached to Legs. Decree. 174/95). The technical provisions arising from management of the two open pension funds amount to ITL7,030m.

In compliance with Article 38 of Legs. decree 173/97, the aforesaid provisions have been calculated by reference to the liabilities arising from the policies and are based as closely as possible on the underlying assets, in accordance with Article 30 of Legs. Decree. 174/95 and subsequent ISVAP provisions. In the case of contracts in Line III, additional technical provisions have been established to cover mortality risks, determined by reference to a demographic model based on an adjusted table of the male Italian population for 1992.

Provisions for other risks and charges (line E)

These amount to ITL12,913m (-11,202m) and include (in millions of Lira):

	1999	Variations compared to 1998
Provision for taxation	6,294	(8,536)
Provision for exchange rate risks	3,927	(2,650)
Provision for future charges	2,636	(16)
Provision for property charges	56	0
	12,913	(11,202)

The provision for taxation, being ITL6,294m, represents the net of deferred tax payables and prepaid tax receivables for 1999 and prior years.

Section 6 – Creditors and other liability lines (lines F-G-H)

Deposits received from reinsurers (line F)

These have risen from ITL143,699m to ITL146,566m on 31/12/1999, an increase of ITL2,867m.

They represent deposits made as surety in relation to ceded and retroceded risks, their maturity reflecting that of the corresponding receivables.

Creditors and other liabilities (line G)

This line, a total balance of ITL478,418m, shows an increase of ITL42,215m (+9.7%) compared to 1998, its components being described below.

Creditors arising out of direct insurance operations (G.I)

These are equal to ITL21,427m (+5,785m) and mainly relate to payables to agents and other intermediaries amounting to ITL3,915m, current account payables to Companies of ITL8,498m and ITL6,574m for the 1999 payment due to the "Road Accident Victims Guarantee Fund".

Creditors arising out of reinsurance operations (G.II)

This balance amounts to ITL22,286m, an upward variation of ITL1,931m compared to 1998.

Amounts owed to credit institutions (G.IV)

Their value as at 31/12/1999 is ITL27m, a decrease of ITL26,581m largely due to the extinction of amounts owed to banks by property companies.

Debts secured by a lien on property (G.V)

These amount to ITL23,476m and are down by ITL2,130m due to the portions of loans repaid during the year.

Note that the amounts of payables beyond the next financial year and beyond five years amount to ITL21,425m and ITL9,199m respectively.

Also note that the secured guarantees relating to investment funds comprise mortgages on land and buildings.

Sundry borrowings and other financial payables (G.VI)

This line, equal to ITL40,791m (+36,969m), comprises ITL32,349m from borrowings by the property companies and entries relating to financial derivatives still outstanding on 31/12/1999, specifically: ITL6,585m for the proportion of premiums received attributable to future years for cap options and ITL1,857m for the countervalue of premiums received for options sold (calls on shares and foreign currency, interest rate swap options) not yet exercised.

Other creditors (G.VIII)

Up by ITL5,620m compared to the previous year and composed of (in millions of Lira):

	1999	Variations compared to 1998
Payables for tax liabilities of policyholders	42,576	2,688
Payables - sundry taxes	76,053	1,525
Payables to suppliers	16,627	1,643
Payables to welfare bodies	9,327	508
Sundry payables	22,530	(744)
Total	167,113	5,620 (+3.5%)

The line "Payables - sundry taxes", on which there is a balance of ITL76,053m, is mainly composed of: ITL62,893m in income taxes (Irpeg and Irap) for the current year and ITL13,634m for the amount still due for the releasing tax on some items of shareholders' equity (Legs. Decree 467 of 18/12/97).

"Sundry payables" includes an amount of ITL1,948m for amounts due beyond the next year end.

Other liabilities (G.IX)

These show an increase of ITL19,321m compared to 1998 and are made up as follows (in millions of Lira):

	1999	Variations compared to 1998
Deferred reinsurance accounts payable	47,592	4,799
Commissions for premiums being collected and <i>rappels</i>	71,281	4,667
Financial derivatives	24,419	20,144
Other liabilities	15,019	(10,289)
Total	158,311	19,321 (+13.9%)

The amount relating to "financial derivatives" refers to the offset to valuations and alignments of transactions outstanding as at 31/12/1999.

Accruals and deferred income (line H)

These have risen from ITL22,715m in 1998 to ITL27,055m and relate to deferred interest income on portfolio recoupments and funding to agents of ITL8,107m, accruals on financial derivatives of ITL13,851m and various accruals and deferred income of ITL5,097m.

Section 7 – Guarantees, commitments and other memorandum accounts

These amount to ITL12,389,990m in total (+416,049m compared to 1998).

Guarantees (I, II, III)

I. Guarantees given: ITL31,151m.

This relates mainly to guarantees given in relation to property transactions.

II. Guarantees received: ITL199,580m.

These are guarantees received in connection with carrying out insurance activity, including ITL164 billion in surety on Agents' guarantor policies.

III. Guarantees given by third parties in favour of consolidated undertakings: ITL18,129m.

The larger amount results from CID surety for commitments assumed by the undertakings (ITL8,643m).

Commitments (IV)

Their value as at 31/12/1999, being ITL3,523,448m, represents a decrease of ITL44,176m compared to the prior year.

They largely comprise commitments recorded for financial derivatives outstanding at year-end, amounting to ITL2,452,202m, whilst ITL985,165m relates to commitments for repo transactions.

Pension fund assets managed in the name of and for the account of third parties (VI)

At year-end, pension fund assets managed in the name of and for the account of third parties stand at ITL91,939m, of which ITL69,095m is for the Fonchim Fund and ITL22,844m for the Bayer Italia Fund.

Of the total, ITL83,709m is in bonds, ITL6,989m in shares and ITL1,241m held as cash at bank and in hand.

PROFIT AND LOSS ACCOUNT

Section 8 – Information relating to technical accounts

Premiums for the year

Premiums written reached ITL3,585 billion in 1999, representing a growth rate of 17.1% (+32.1% occurring in Life business +8.1% in Non-Life) compared to the previous year.

The table which follows shows the split of premiums between activities (as per the table attached to Legs. Decrees 174 and 175/1995), their composition and their percentage variation compared to 1998:

BREAKDOWN OF WRITTEN PREMIUMS PER CLASS OF BUSINESS

(ITLm - net of tax on premiums)

Classes of Business	financial yr 1999		financial yr 1998		variations 1998/1997	
		%		%	absolute	in %
DIRECT ITALIAN BUSINESS						
Non-Life Business						
Accident and Health (classes 1 and 2)	293,367	8.4	281,418	9.4	11,949	4.2
Land Vehicles - Motor T.P.L. (class 10)	1,034,379	29.5	918,171	30.7	116,209	12.7
Land Vehicles - Own Damage or Loss (class 3)	187,694	5.4	189,526	6.3	-1,832	-1.0
Marine, Aviation and Transport (classes 4, 5, 6, 7, 11 and 12)	16,031	0.5	16,654	0.6	-623	-3.7
Fire and Other Damage to Property (classes 8 and 9)	199,405	5.7	190,467	6.4	8,938	4.7
General T.P.L. (class 13)	191,626	5.5	167,796	5.6	23,830	14.2
Credit and Bonds (classes 14 and 15)	39,315	1.1	45,708	1.5	-6,393	-14.0
Miscellaneous pecuniary loss (class 16)	24,056	0.7	25,189	0.8	-1,133	-4.5
Legal Protection (class 17)	12,623	0.4	10,716	0.4	1,907	17.8
Assistance (class 18)	9,815	0.3	9,929	0.3	-114	-1.1
Total Non-Life Business	2,008,312	57.3	1,855,573	62.1	152,739	8.2
Life Assurance Business						
I - Life assurance, annuities	821,907	23.4	863,689	28.9	-41,781	-4.8
III - Ass. linked to investment funds/market indexes	611,095	17.4	228,293	7.6	382,802	167.7
V - Capitalisation operations	60,499	1.7	41,034	1.4	19,465	47.4
VI - Fondi pensione	5,787	0.2	0	0.0	5,787	
Total Life Assurance Business	1,499,290	42.7	1,133,016	37.9	366,273	32.3
Total Direct Italian Business	3,507,602	100.0	2,988,590	100.0	519,012	17.4
INWARD REINSURANCE						
Indirect Non-Life Business						
Accident and Health (classes 1 and 2)	7,878	10.2	7,335	10.0	544	7.4
Land Vehicles - Motor T.P.L. (class 10)	21,649	28.0	21,442	29.3	207	1.0
Land Vehicles - Own Damage or Loss (class 3)	2,050	2.6	1,598	2.2	452	28.3
Marine, Aviation and Transport (classes 4, 5, 6, 7, 11 and 12)	1,831	2.4	2,073	2.8	-242	-11.7
Fire and Other Damage to Property (classes 8 and 9)	30,994	40.1	29,143	39.8	1,851	6.4
General T.P.L. (class 13)	1,606	2.1	1,278	1.7	328	25.7
Credit and Bonds (classes 14 and 15)	1,882	2.4	1,365	1.9	517	37.9
Total Indirect Non-Life Business	67,891	87.7	64,233	87.7	3,658	5.7
Indirect Life Assurance Business						
I - Life assurance, annuities	9,495	12.3	9,035	12.3	459	5.1
Total Indirect Life Assurance Business	9,495	12.3	9,035	12.3	459	5.1
Total Inward Reinsurance	77,385	100.0	73,268	100.0	4,117	5.6
TOTAL PREMIUM INCOME	3,584,987		3,061,858		523,129	17.1

Direct and indirect premiums for the individual companies, net of intra-group transactions, are as follows (in millions of Lira):

	Non-Life	Life	Total 1999	1998
Unipol Assicurazioni spa	1,988,321	705,076	2,693,397	2,544,646
Noricum Vita spa	0	399,667	399,667	297,159
Quadrifoglio Vita spa	0	404,042	404,042	167,116
Unisalute spa	44,933	0	44,933	30,729
Linear Assicurazioni spa	42,948	0	42,948	22,208
Total	2,076,202	1,508,785	3,584,987	3,061,858

Breakdown of gross premium income by geographic area

Of premiums written, 75.1% (83.1% in 1998) relate to the Parent undertaking and have been almost entirely written in Italy.

In 1999, premiums relating to Non-Life business amounted to ITL1,859,075m, an increase of 9.8%.

Allocated investment returns transferred to the technical account of Life business (II.2)

Note that, in accordance with the ISVAP Instruction No. 1140-G of 8/3/1999, a share of the investment returns equal to ITL285,461m has been transferred from the non-technical account to the technical account of the Life business (ITL280,097m in 1998).

Other technical income (I.2 - II.4)

Other technical income, net of reinsurance, amounts to ITL5,182m for Non-Life business and ITL2,970m for Life business.

For Non-Life business, this line includes an excused guarantee of ITL4 billion, the reversal of commissions relating to cancelled premiums for prior years (ITL535m) and premiums cancelled under reinsurance cessions (ITL193m). For Life business, this line includes the reversal of commissions relating to cancelled premiums for prior years (ITL76m), and interest to be paid by Consap on receivables for sums paid in connection with ex compulsory cession of life assurance premiums (ITL1,464m).

Other technical charges (I.7 - II.10)

Other technical charges, net of reinsurance cessions, amount to ITL4,623m for Non-Life business and ITL7,755m for Life business.

Other charges are, for Non-Life business, ITL921m for flat-rate write-downs of receivables from policyholders and ITL2,363m for cancellations of receivables from policyholders for premiums in prior years. With regard to Life business, ITL1,027m represents cancellations of receivables from policyholders for premiums for prior years, whilst ITL6,228m relates to recomputation of receivables from Consap for sums paid in connection with ex compulsory cessions, based on annual rates of return established by Ministerial Decree.

Section 9 – Information relating to the non-technical account

Income on other investments (III.3.b)bb)

These show a downward variation of ITL23,898m, and are made up as follows (in millions of Lira):

	1999	Variations compared to 1998
- Bonds / fixed-income securities	336,833	12,241
- Loans	5,947	(1,490)
- Interest on deposits with credit institutions	6,266	(9,421)
- Sundry financial investments	35,654	(25,386)
- Interest on deposits with ceding undertakings	1,726	158
Total	386,426	(23,898)

Value re-adjustments on investments (III.3.c)

Value readjustments have been made in the amount of ITL638m (-1,869m compared to 1998) on investments written-down during prior years, ITL122m of this relating to securities and ITL516m to other financial investments.

Realised gains on investments (III.3.d)

These show an increase of ITL36,245m (+54.6%) compared to 1998 and include (in millions of Lira):

	1999	Variations compared to 1998
Capital gains on divestitures		
- bonds / fixed-income securities	68,411	23,974
- stocks and shares	19,680	7,293
- property	4,593	278
- other financial investments	10,005	4,700
Total	102,689	36,245 (+54.6%)

These are capital gains arising from short-term investments.

Investment management charges and interest paid (III.4.a)

Investment management charges and other interest paid show an increase of ITL19,116m,

breaking down into the following lines (in millions of Lira):

	1999	Variations compared to 1998
Charges - sundry financial investments	64,473	16,448
Charges - shares/bonds	5,572	1,936
Charges - property investments	16,485	(2,518)
Interest on reinsurance deposits	10,779	3,067
Depreciation of assets	1,486	183
Total	98,795	19,116

Value adjustments on investments (III.4.b)

These amount to ITL37,815m (+17,853m) and relate to:

	1999	Variations compared to 1998
Value adjustments on:		
- bonds / fixed-income securities	9,584	7,503
- stocks and shares	20,834	11,686
- other financial investments	14	(392)
- property depreciation	7,383	(944)
Total	37,815	17,853

Realised losses on investments (III.4.c)

These amount to ITL11,015m (+6,471m) and are broken down as follows (in millions of Lira):

	1999	Variations compared to 1998
Capital losses on divestitures:		
- property	1,626	1,626
- bonds / fixed-income securities	4,029	2,393
- stocks and shares	549	(921)
- other financial investments	4,811	3,373
Total	11,015	6,471

Other income (III.6)

This stands at ITL36,629m (-20,789m). The most significant components relate to: ITL14,315m for exchange rate differences arising from the conversion of foreign currency entries at year-end exchange rates, ITL10,860m for interest earned on bank deposits and ITL2,619m for transfers from the exchange rate risk provision.

Interest on financial payables (III.7.a)

Of the total amount of ITL1,988m (-2,511m) for "interest on financial payables", ITL143m relates to interest on amounts owed to banks and ITL1,845m to interest on borrowings and funding received.

Sundry charges (III.7.b)

Of the total of ITL37,218m (-18,751m), the most significant portion is ITL16,562m for exchange rate differences arising from the conversion of foreign currency entries at year-end exchange rates (ITL26,901m on 31/12/1998).

Profit on ordinary activities

This shows growth of 29.6% compared to 1998, reflecting the significant improvement in technical profits for Non-Life business, due to a reduction in the loss ratio in the third party liability sector and containment of management costs.

Extraordinary income (III.9)

This shows a decrease of ITL1,142m, detailed

below (in millions of Lira):

	1999	Variations compared to 1998
Income from divestiture/trading of:		
- property	17,744	1,702
- bonds / fixed-income securities	27,500	6,797
- stocks and shares	440	(17,582)
- other extraordinary income	10,862	7,941
Total	56,546	(1,142)

The realised capital gains shown above relate to the long-term investments segment and also pertain to investments relating to special Life funds.

The line "other extraordinary income" includes ITL8,513m relating to deferred taxes receivable, for prior years.

Extraordinary charges (III.10)

This amount, equal to ITL2,952m (+559m), mainly comprises costs deriving from the sale of property (ITL883m) and from contingent liabilities (ITL1,725m).

PART D - OTHER INFORMATION

Staff

	Average Number 1998	Number as at 31/12/99
Unipol Assicurazioni	1,354	1,334
Quadrifoglio Vita	9	10
Unisalute	74	78
Noricum Vita	12	13
Linear Assicurazioni	95	110
Total	1,544	1,545

The average 1999 number is divided by category as follows:

Managers	60
Officers	163
Employees	1,234
Producers	84
Caretakers	3
Total	1,544

Altogether, the average structure of the Group saw a reduction of 14 units compared to the previous year.

Emoluments

Emoluments payable in 1999 to the Board Members and Auditors of the Parent undertaking for performance of their functions in Unipol Assicurazioni and in other undertakings included in the consolidation are as follows (in millions of Lira):

Board members	939,048
Auditors	211,552
Total	1,150,600

Information on the volume and type of activity of subsidiary undertakings which manage financial resources belonging to third parties in the context of fiduciary, intermediary or investment fund management activities

As already shown in the Board's report, the company Unipol Sim spa has in 1999 carried on investment portfolio management activities for

the account of third parties, including in a trustee capacity.

At the end of 1999 the volume managed reached the amount of ITL2,062.7 billion, an increase of 85% compared to 31/12/1998.

The managed volume of retail clients reached ITL95.3 billion in total (being 4.6% of managed volume); that deriving from institutional clients came to ITL1,967.4 billion (that is, 95.4% of managed volume). In order to better respond to market demand twelve new fund management lines have been established (six Asset Management and six Fund Management) with varying levels of risk; in addition, a start was made on distributing the products of Unipol Sim via the distribution network of Unipol Banca. This activity has entailed opening 296 new management mandates in the total amount of ITL71.1 billion.

1999 also saw the start of operations for the company Unipol Fondi Ltd based in Dublin. At year-end, managed volume amounted to ITL116 billion.

Consolidated cash flow

This table is provided in the pages which follow.

Bologna, 24 March 2000

The Board of Directors

**RECONCILIATION BETWEEN
THE PARENT COMPANY'S CAPITAL, RESERVES AND PROFIT FOR THE YEAR
AND CONSOLIDATED CAPITAL, RESERVES AND PROFIT FOR THE YEAR**
(ITLm)

	Capital and Reserves	Profit for the year	1999 Shareholders' Equity Total	1998 Shareholders' Equity Total
Balances on annual accounts of Unipol Assicurazioni	1,217,645	76,014	1,293,659	1,168,131
Difference between net book value and capital, reserves and profit for the year of the undertakings:				
-included on a line-by-line basis	(13,421)	3,373	(10,048)	(13,156)
-included by the equity method	889	1,443	2,332	4,389
Exchange risk provision	0	0	0	(617)
Deferred differences arising from consolidation	0	(4,476)	(4,476)	(2,818)
Elimination of intra-group dividends	2,831	(2,831)	0	0
Intra-group transactions	(9,690)	(68)	(9,758)	(11,288)
Application of Group accounting criteria	257	(66)	191	256
Consolidation adjustments	0	0	0	3,606
Balances on consolidated annual accounts - Group	1,198,511	73,389	1,271,900	1,148,503
Minority interests	62,989	2,965	65,954	58,481
Total for the Group, minority interests included	1,261,500	76,354	1,337,854	1,206,984

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT
(ITLm)

	1999	1998
TECHNICAL ACCOUNT		
net of reinsurance		
Earned premiums - Non-Life business	1,859,168	1,692,895
Premiums - Life business	1,494,800	1,126,664
Total	3,353,968	2,819,558
Claims paid - Non-Life business	(1,548,679)	(1,441,782)
Amounts paid and changes in technical provisions - Life business	(1,669,384)	(1,314,471)
Net operating expenses	(448,777)	(445,022)
Balance on other technical income/charges	(11,609)	(10,433)
Net investment income (1)	307,466	311,496
Balance on the Technical Account	(17,015)	(80,654)
NON-TECHNICAL ACCOUNT		
Investment income (2)	101,699	147,056
Other income	36,629	57,418
Other charges	(39,206)	(60,468)
Balance on ordinary activities	82,107	63,352
Extraordinary income	56,546	57,688
Extraordinary charges	(2,952)	(2,393)
Profit before taxation	135,701	118,648
Income tax	(59,346)	(56,132)
Profit for the year - minority interests	(2,965)	(265)
PROFIT FOR THE YEAR - GROUP	73,389	62,250

(1) Including investment income on Life business transferred from the non-technical account

(2) Net of investment income transferred to the Life assurance technical account

**STATEMENT OF CHANGES IN CONSOLIDATED CAPITAL AND RESERVES
FOR THE YEAR ENDED 31 DECEMBER 1999**

(ITLm)

	Share capital	Reserves	Profit / (Loss) for the year	TOTAL
Balances as at 31 December 1998	257,753	828,500	62,250	1,148,503
Allocation of 1998 profit				
-dividends	0	0	(39,685)	(39,685)
-reserves	0	22,565	(22,565)	0
Conversion of Warrants	23,976	65,185	0	89,161
Changes in other reserves	0	532	0	532
Profit for the year 1999	0	0	73,389	73,389
Balances as at 31 December 1999	281,729	916,782	73,389	1,271,900

CONSOLIDATED CASH FLOW

(ITLm)

	1999	1998
CASH INFLOW		
CASH INFLOW FROM OPERATING ACTIVITIES		
Net profit for the year	73,389	62,250
Net increase in technical provisions	1,520,843	1,457,710
Amortisations for the year	20,708	22,589
Net increase in provisions for risks and charges	(9,905)	382
Fixed-income securities, shares and participating interests written down	30,432	11,636
(Increase) in debtors and other assets net of creditors and other liabilities	65,486	7,213
Increase (decrease) in financial debts	(28,710)	(32,873)
	1,672,243	1,528,907
OTHER CASH INFLOW		
Capital increase - shares issue	89,161	469
Changes in equity reserves	531	4,555
Increase (decrease) in minority interests	7,473	29,213
TOTAL CASH INFLOW	1,769,408	1,563,144
CASH FLOWS WERE INVESTED AS FOLLOWS:		
Net increase in debt securities and other fixed-income securities	90,262	1,263,134
Net increase in shares and participating interests	546,342	118,092
Net increase in buildings	(60,767)	(91,832)
Net increase (decrease) in loans	(3,160)	16,129
Net increase in assets for corporate use and multiyear expenditure	7,102	25,552
Value adjustments on investments	638	2,507
Increase in class "D" investments	597,160	224,666
Other financial investments	443,990	(26,934)
Dividends paid	39,685	37,089
TOTAL CASH FLOW INVESTED	1,661,252	1,568,403
Increase (decrease) in cash and cash equivalents	108,156	(5,259)
TOTAL	1,769,408	1,563,144
CASH AND CASH EQUIVALENTS		
Cash in bank and at hand as at 1 January	165,392	170,651
Cash in bank and at hand as at 31 December	273,548	165,392
INCREASE (DECREASE) IN THE YEAR	108,156	(5,259)

**SUMMARY OF CONSOLIDATED
AS AT 31 DECEMBER**

ASSETS	(ITLm)		(EUROm)	
	1999	1998	1999	1998
Intangible assets	130,512	141,649	67,404	73,156
Investments				
Land and buildings	963,477	1,031,627	497,595	532,791
Investments in affiliated undertakings and participating interests	906,083	511,624	467,953	264,232
Other financial investments	6,845,790	6,199,259	3,535,556	3,201,650
Deposits with ceding undertakings	36,532	31,419	18,867	16,227
Total investments	8,751,882	7,773,929	4,519,970	4,014,899
Investments for the benefit of life assurance policyholders who bear the risk thereof and arising out of pension fund management	910,310	313,150	470,136	161,729
Technical provisions - reinsurers' share				
Non-Life insurance business	165,710	150,872	85,582	77,919
Life assurance business	298,288	306,155	154,053	158,116
Total technical provisions - reinsurers' share	463,998	457,028	239,635	236,035
Debtors				
Debtors arising out of direct insurance operations	477,352	452,417	246,532	233,654
Debtors arising out of reinsurance operations	146,646	121,010	75,736	62,497
Other debtors	129,128	146,497	66,689	75,659
Total debtors	753,126	719,924	388,957	371,810
Other assets				
Tangible assets and stocks	10,429	8,924	5,386	4,609
Cash at bank and in hand	273,549	165,392	141,276	85,418
Own shares	13,025	6,375	6,727	3,293
Other assets	25,208	43,680	13,019	22,559
Total other assets	322,210	224,372	166,408	115,878
Prepayments and accrued income	83,517	88,601	43,133	45,759
TOTAL ASSETS	11,415,556	9,718,653	5,895,643	5,019,265

BALANCE SHEET
1999 AND 1998

LIABILITIES	(ITLm)		(EUROm)	
	1999	1998	1999	1998
Capital and reserves				
Share capital	281,729	257,753	145,501	133,118
Free reserves	903,364	808,187	466,549	417,394
Consolidation reserve	(20,151)	(24,519)	(10,407)	(12,663)
Reserve for valuation differences on unconsolidated shareholdings	1,836	1,742	948	899
Exchange risk reserve	0	(617)	0	(319)
Reserve for own shares and holding company's shares	31,733	43,708	16,389	22,573
Profit (loss) for the year	73,389	62,250	37,902	32,150
Capital and reserves - minority interests	62,989	58,215	32,531	30,066
Profit (loss) for the year - minority interests	2,965	265	1,531	137
Total capital and reserves	1,337,853	1,206,984	690,944	623,355
Technical provisions				
Non-Life insurance business	3,039,809	2,760,233	1,569,931	1,425,541
Life assurance business	5,462,706	4,811,652	2,821,252	2,485,011
Total technical provisions	8,502,516	7,571,885	4,391,183	3,910,552
Technical provisions where investment risk is borne by policyholders and arising out of pension fund management	910,236	313,053	470,097	161,678
Provisions for other risks and charges	12,913	24,115	6,669	12,454
Deposits received from reinsurers	146,566	143,699	75,695	74,214
Creditors and other liabilities	478,418	436,203	247,082	225,280
Accruals and deferred income	27,055	22,715	13,973	11,731
TOTAL LIABILITIES	11,415,556	9,718,653	5,895,643	5,019,265

**SUMMARY OF CONSOLIDATED PROFIT AND LOSS ACCOUNT
AS AT 31 DECEMBER 1999 AND 1998**

	(ITLm)		(EUROm)	
	1999	1998	1999	1998
TECHNICAL ACCOUNT - NON-LIFE INSURANCE BUSINESS				
(+) Gross premiums written	2,076,202	1,919,806	1,072,269	991,497
(-) Outward reinsurance premiums	189,522	179,090	97,880	92,492
(-) Change in the provision for unearned gross premiums	32,526	51,893	16,798	26,800
(+) Change in the provision for unearned premiums, reinsurers' share	5,014	4,072	2,589	2,103
Earned premiums, net of reinsurance	1,859,168	1,692,895	960,180	874,307
(+) Other technical income, net of reinsurance	5,182	1,300	2,676	672
(-) Claims incurred, net of sums recoverable and reinsurance	1,548,679	1,441,782	799,826	744,619
(-) Changes in other technical provisions, net of reinsurance	(11)	24	(6)	12
(-) Bonuses and rebates, net of reinsurance	6,176	2,660	3,190	1,374
(-) Operating expenses	360,727	359,984	186,300	185,916
(-) Other technical charges, net of reinsurance	4,623	5,591	2,388	2,887
(-) Change in the equalization provisions	103	90	53	46
BALANCE ON THE TECHNICAL ACCOUNT FOR NON-LIFE INSURANCE BUSINESS	(55,949)	(115,936)	(28,895)	(59,876)
TECHNICAL ACCOUNT - LIFE ASSURANCE BUSINESS				
(+) Gross premiums written	1,508,785	1,142,052	779,223	589,820
(-) Outward reinsurance premiums	13,985	15,388	7,223	7,947
Written premiums, net of reinsurance	1,494,800	1,126,664	772,000	581,873
(+) Allocated investment returns transferred from the non-technical account	285,461	280,097	147,428	144,658
(+) Investment income and unrealized gains on investments for Life assurance policies where investment risk is borne by policyholders and arising out of pension fund management	55,708	34,986	28,771	18,069
(+) Other technical income, net of reinsurance	2,970	6,267	1,534	3,236
(-) Claims incurred, net of reinsurance	425,796	301,808	219,905	155,871
(-) Change in the mathematical provisions and other technical provisions, net of reinsurance	1,243,588	1,012,664	642,259	522,997
(-) Bonuses and rebates, net of reinsurance	1,113	1,249	575	645
(-) Operating expenses	88,050	85,037	45,474	43,918
(+) Investment charges and unrealized losses on investments for Life assurance policies where investment risk is borne by policyholders and arising out of pension fund management	33,702	3,587	17,405	1,853
(-) Other technical charges, net of reinsurance	7,755	8,387	4,005	4,331
BALANCE ON THE TECHNICAL ACCOUNT FOR LIFE ASSURANCE BUSINESS	38,934	35,282	20,108	18,222
NON-TECHNICAL ACCOUNT				
(+) Investment income	534,785	531,339	276,193	274,414
(-) Investment charges	147,625	104,186	76,242	53,807
(-) Allocated investment returns transferred to the life assurance technical account	285,461	280,097	147,428	144,658
(+) Other income	36,629	57,418	18,917	29,654
(-) Other charges	39,206	60,468	20,248	31,229
Balance on ordinary activities	82,107	63,352	42,405	32,719
(+) Extraordinary income	56,546	57,688	29,204	29,794
(-) Extraordinary charges	2,952	2,393	1,525	1,236
Balance on extraordinary activities	53,594	55,296	27,679	28,558
Profit before taxation	135,701	118,648	70,083	61,277
(-) Income tax for the year	59,346	56,132	30,650	28,990
Consolidated profit	76,354	62,516	39,434	32,287
Profit (loss) for the year - minority interests	2,965	265	1,531	137
Profit (loss) for the year - group	73,389	62,250	37,902	32,150

**REPORT BY THE BOARD
OF STATUTORY AUDITORS**

REPORT BY THE BOARD OF STATUTORY AUDITORS AT THE SHAREHOLDERS' GENERAL MEETING

At the Shareholders' General Meeting of *Unipol Assicurazioni*

During the financial year ending **31 December 1999**, the checks which were carried out were in accordance with the operational criteria recommended by the National Boards of Professional Accountants. In particular:

- we have carried out an initial investigation regarding the composition of the "Group" and the shareholdings between companies in the Group, in accordance with Art. 2359 of the Civil Code;
- with regard to the organisational structure of the Parent company, we have checked whether there exists an operating function which is responsible for dealing with the subsidiary and affiliated companies and we are satisfied that it operates efficiently and also gathers the appropriate information which is necessary to conform with legal requirements;
- with regard to the inspections carried out, the Board of Directors supplied us with information, as and when required, on the major economic, financial and asset-related transactions which have taken place within the Group, highlighting those transactions that involved a potential conflict of interest.

Through direct observations, gathering information from executive officials and meetings with the external auditors for the purpose of exchanging relevant data and information, we have deepened our understanding and carried out investigations falling within our remit in compliance with the principles of correct management;

- with regard to our checks on the annual accounts, also through information acquired from the external auditors, we have verified that legal provisions and regulations relating to the drafting procedure and its contents have been adhered to;
- also with regard to the Board Report, we feel it to be coherent with the data shown on the annual accounts and we find the information to be clearly presented;

- with regard to the so-called "Millennium bug" problems, the measures taken have produced satisfactory results;
- during our inspection, no significant irregularities have been found such as to require reporting to the relevant supervisory bodies or inclusion in this report. No complaints from the Shareholders have been recorded.

Bologna, 5 April 2000

THE BOARD OF AUDITORS

AUDITORS' REPORT

AUDITORS' REPORT

pursuant to article 156 of Legislative Decree of February 24, 1998, n. 58
and to article 75 of Legislative Decree of May 26, 1997, n. 173
(Translation from the original Italian text)

To the Shareholders of
COMPAGNIA ASSICURATRICE UNIPOL S.p.A.

1. We have audited the consolidated financial statements of COMPAGNIA ASSICURATRICE UNIPOL S.p.A. as of and for the year ended December 31, 1999. These financial statements are the responsibility of the COMPAGNIA ASSICURATRICE UNIPOL S.p.A.'s management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. Our audit was made in accordance with auditing standards and procedures recommended by CONSOB (the Italian Stock Exchange Regulatory Agency), integrated, where necessary, in accordance with the specific procedures for the audit of the financial statements of insurance companies. In accordance with such standards and procedures we planned and performed our audit to obtain such information necessary in order to determine whether the consolidated financial statements are materially misstated or if such financial statements, taken as a whole, may be relied upon. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, as well as assessing the appropriateness of the accounting principles applied and the reasonableness of the estimates made by management. We believe that our audit provides a reasonable basis for our opinion.

For our opinion on the consolidated financial statements of the prior year, which are presented for comparative purposes as required by the law, reference should be made to our report dated April 14, 1999.

3. In our opinion, the consolidated financial statements of COMPAGNIA ASSICURATRICE UNIPOL S.p.A. comply with the Italian regulations governing consolidated financial statements; accordingly, they clearly present and give a true and fair view of the consolidated financial position of COMPAGNIA ASSICURATRICE UNIPOL S.p.A. as of December 31, 1999, and the consolidated results of its operations for the year then ended.

Milan, April 10, 2000

Reconta Ernst & Young S.p.A.

Signed by: Carlo Cassamagnahi
(Partner)