Compagnia Assicuratrice Unipol S.p.A.

Registered and Head Offices in Bologna – Via Stalingrado 45 – Share capital €928,236,223 fully paid-up. Tax Code and Companies' Register in Bologna 00284160371 – R.E.A. 160304 – Authorized to provide insurance services by M.D. 28 December 1962 (O.J. 15/18.1.63) and M.D. 29 April 1981 (O.J. 135/19.5.81)

Unipol Assicurazioni
Consolidated Accounts 2004

Translation from the original Italian text.

COMPANY'S BOARDS AND OFFICIALS

	Honorary Chairman		Enea Mazzoli
Board of Directors (1)	**Chairman and Managing Director (2)**		Giovanni Consorte
	Vice Chairman and Managing Director (2)		Ivano Sacchetti
	Board Members	Antonio Silvano Andriani Jean Dominique Antoni (I) Francesco Boccetti Rocco Carannante (I) Claudio Casini Piero Collina Bruno Cordazzo Pier Luigi Fabrizi Jacques Forest Vanes Galanti Emilio Gnutti Claudio Levorato	Ivan Malavasi (I) Riccardo Margheriti Enrico Migliavacca (I) Massimo Pacetti (I) Marco Pedroni Aldo Soldi Giuseppe Solinas (I) Pierluigi Stefanini Graziano Trere' (I) Marco Giuseppe Venturi (I) Mario Zucchelli
	Secretary to the Board of Directors (2)		Roberto Giay
Remuneration Committee	**Members**		Vanes Galanti Massimo Pacetti Pier Luigi Stefanini
Internal Audit Committee	**Members**		Francesco Boccetti Rocco Carannante Giuseppe Solinas
Joint General Managers			Carlo Cimbri Carmelo De Marco Riccardo Laurora Salvatore Petrillo
Central Managers		Domenico Brighi Giancarlo Brunello Federico Corradini	Stefano Dall'Aglio Francesco Montebugnoli Stefano Scavo
Board of Statutory Auditors (1)	**Chairman**		Umberto Melloni
	Members		Carlo Cassamagnaghi Luigi Capè
	Alternate Members		Marco Baccani Roberto Chiusoli
External Auditors (3)			K.P.M.G. S.p.A.

(1) Appointed by the Shareholders' Meeting of Unipol Assicurazioni on 29 April 2004.
(2) Appointed by the Board of Directors on 29 April 2004.
(3) Mandate granted by the Shareholders' Meeting of Unipol Assicurazioni on 30 April 2003 (Second three years' period).
(I) Independent Board Members

Introduction

Macroeconomic background

Despite a situation that was still tense at international level, all the principal economies should notice better rates of growth at the end of 2004 compared with those of the previous year. A marked recovery in the United States and in Japan contrasted with a more moderate trend in the Eurozone.
More specifically, Italy recorded an increase in GDP of approximately 1.1%, still below the average for the countries in the Eurozone (+2.0%).
Inflation was down half a point on the end of 2003, having fallen from 2.7% to 2.2%. During the year the trend in prices in Italy was on average the same as in the Eurozone (2.2%).
The unemployment rate gradually fell, from 8.4% at the end of 2003 to 8.1% at the end of 2004.
The expected level of public borrowing as a proportion of GDP was 105.8%, down compared with the figure at the end of 2003 (106.3%).

Financial markets

Throughout 2004 the European Central Bank did not alter its official rate, leaving it at 2.0%, unchanged since 6 June 2003.
On the other hand the FED altered the US rate several times, raising it to 2.25% from 1% at the beginning of 2004. The Bank of England also altered British rates several times. The last squeeze, which raised rates to 4.75%, took place on 5 August, making the cost of borrowing in England currently the highest it has been for three years.
In the financial markets there was some uncertainty caused by the economic background and by the worrying international situation.
In Italy the bond market ended 2004 with the following rate levels: three-month Euribor 2.15% (down from 2.12% at the beginning of 2004), 5-year government rate 3% (down from 3.59%), 10-year 3.83% (down from 4.42%) and 30-year 4.48% (down from 5.20%).

Despite some weakening half-way through the year, the trends on the principal international stock markets were positive and, in some cases, the maxima for the year were reached at the end of 2004. The Italian Stock Exchange achieved a performance of +18.1%, the best performance in Europe (European average 9.4%) and was even +3.1% better than the Dow Jones index and +7.6% better than the Nikkei 225 index.
The US Dollar/Euro exchange rate was 1.36, the dollar having depreciated by 7.9% since the beginning of the year.

Insurance sector

Turning to the figures relating to the insurance market, according to information published by ANIA which is still provisional, premium income from direct Italian business was up 4.8% in 2004, a considerable slowdown compared with the figure of +10.6% recorded in 2003. Life premium income rose by 4.7% overall (13.5% in 2003). Despite an increase of 8.3% in premium income from traditional policies (Class I) there was a fall of 7.8% in premium income from linked policies (class III) which the previous year had recorded +8.1%.
In Non-Life business growth in premium income was 4.8% (5.5% in 2003). In Motor TPL the increase in premium income was 2.5% (6% in 2003), in line with the growth in the number of vehicles on the road (estimated at 2%) and with a slight increase in prices. (According to the ISTAT index Motor TPL tariffs rose on average 1% faster in 2004 than in 2003.)

Banking business and assets under management

Good performance in the financial markets appeared to have no significant effect on the behaviour of Italian investors. Though increasing their propensity to save, savers continued to look for minimum risk. Direct holdings of Government bonds increased, despite the historically low level of return on them. Against this background investment funds continued to lose ground within the portfolio of Italian families, which was exactly the opposite of what happened in the principal European countries. Insurance products benefited from this in terms of new policies.
Conditions remained favourable to families' applications for loans. Mortgages on property predominated, though there was a significant rise in the demand for consumer credit.
Overall bank lending rose by 6%, which was the same

as the increase recorded in 2003. At +13.6% medium- and long-term lending continued to lead the way in 2004, whilst yet again short-term lending recorded a negative balance (-3.7%).
Turning to customer deposits, bonds showed the highest level of growth (+10%), followed by current account deposits (+6.1%). On the other hand other types of customer deposit (certificates of deposit and repo contracts) showed a considerable downward trend. In 2004 credit institutions continued to finance the growth in lending through increased deposits from foreign customers (+5.1%) and securitization operations.

Principal new regulations in the insurance sector

Finally let us recall some of the new regulations introduced in 2004 that affect the insurance sector:

- *Decree 67 issued by the Ministry of Production on 28 January 2004 (in implementation of Article 20 of Law 273 of 12/12/2002), which was published in the Official Gazette of 17 March 2004 and came into effect on 1 April 2004, introduced the role of actuary into Motor TPL insurance. One of the actuary's duties is checking all the current tariffs and the technical provisions recorded in the Accounts.*

- *As agreed under the Memorandum of Understanding signed by ANIA, the Government and the Consumers' Associations on 5 May 2003, as from 1 June 2004 the Direct Indemnity Agreement (Convenzione Indennizzo Diretto, CID) also applies to claims for physical injury. Therefore those injured in road accidents between two vehicles can be compensated direct by the insurer of the vehicle in which they were travelling for losses incurred by each of them up to the amount of €15,000.*

- *On 1 July the Conciliation procedure provided by the Agreement between ANIA and the Consumers' Association signed on 18 March 2004 came into effect. It enables any disputes between insurer and claimant to be resolved swiftly without recourse to litigation. This procedure, to which the Unipol Group has signed up, applies to all Motor TPL claims, including claims under the Direct Indemnity Agreement, made after 1 July 2004 for amounts not exceeding €15,000.*

- *On 1 July 2004 several major new regulations came into effect relating to mopeds (following amendments to the Highway Code). These cover the introduction of a certificate and number plate, which is personal and is unique to each moped, the possibility of carrying a passenger and the requirement for minors to obtain a driving certificate by attending lessons at a state or private driving school.*

- *Decree-Law 168 of 12 July 2004 (converted into Law 191 of 30/7/2004, published in Official Gazette 178 of 31/7/2004), covering urgent action to keep public spending down, raised the level of tax on the actuarial provisions of Life classes (provided for in Legislative Decree 209/2002), the rate rising from 0.20% to 0.30% as from the 2004 tax year. A downpayment based on the new rate had to be made by 30 November.*

- *On 28 July the Chamber of Deputies approved the Enabling Act relating to pensions (Law 243 of 23/8/2004 published in the Official Gazette on 21/9/2004), which came into effect on 6 October 2004, even though the reform does not apply immediately. In fact the Government has a year in which to issue the enforcement orders. Some of the fundamental aspects of the reform are the allocation of staff-leaving indemnity to be accrued to supplementary pension schemes, placing the different supplementary pension schemes on an equal footing and the freedom to transfer from one pension plan to another. Also provided for was a series of changes to the current tax regime applying to supplementary pension schemes in order to make them more popular.*

- *1 October 2004 saw the coming into effect of ISVAP Circular 533/D of 4 June 2004 which, in order to provide greater protection for clients and better meet their requirements, introduced guidelines to which insurance companies and the network of agencies must adhere when carrying out their work. The Supervisory Body imposes on companies, inter alia, the duty to monitor sales networks constantly and to provide training in order to ensure that the network is able to carry out its work to a*

sufficiently high standard. Companies must also publish on their internet sites detailed information on their insurance products and on the composition of their sales networks. Finally it requires companies to collect premiums using methods of payment other than cash if possible.

- *On 29 November 2004 Legislative Decree 282 was passed, which included urgent provisions relating to tax and public finance. Insurance companies must, by 30 November of each year (deadline postponed until 15 December 2004 in the first instance), make a downpayment of 12.5% of the insurance tax paid for the previous year, net of tax on Motor TPL insurance.*

- *On 6 December 2004 ISVAP issued Ruling 2322-G relating to the solvency margin, in implementation of the provisions contained in Legislative Decree 307 of 3 November 2003. The Ruling contains the instructions and the new solvency margin statements, which must be used starting with the 2004 accounts.*

- *During 2004 the European Commission issued regulations imposing IAS international accounting standards 32 and 39, IFRS 1, 3, 4 and 5 and the revised versions of many of the standards already validated under the preceding Commission Regulation 1725/2003.*

* * *

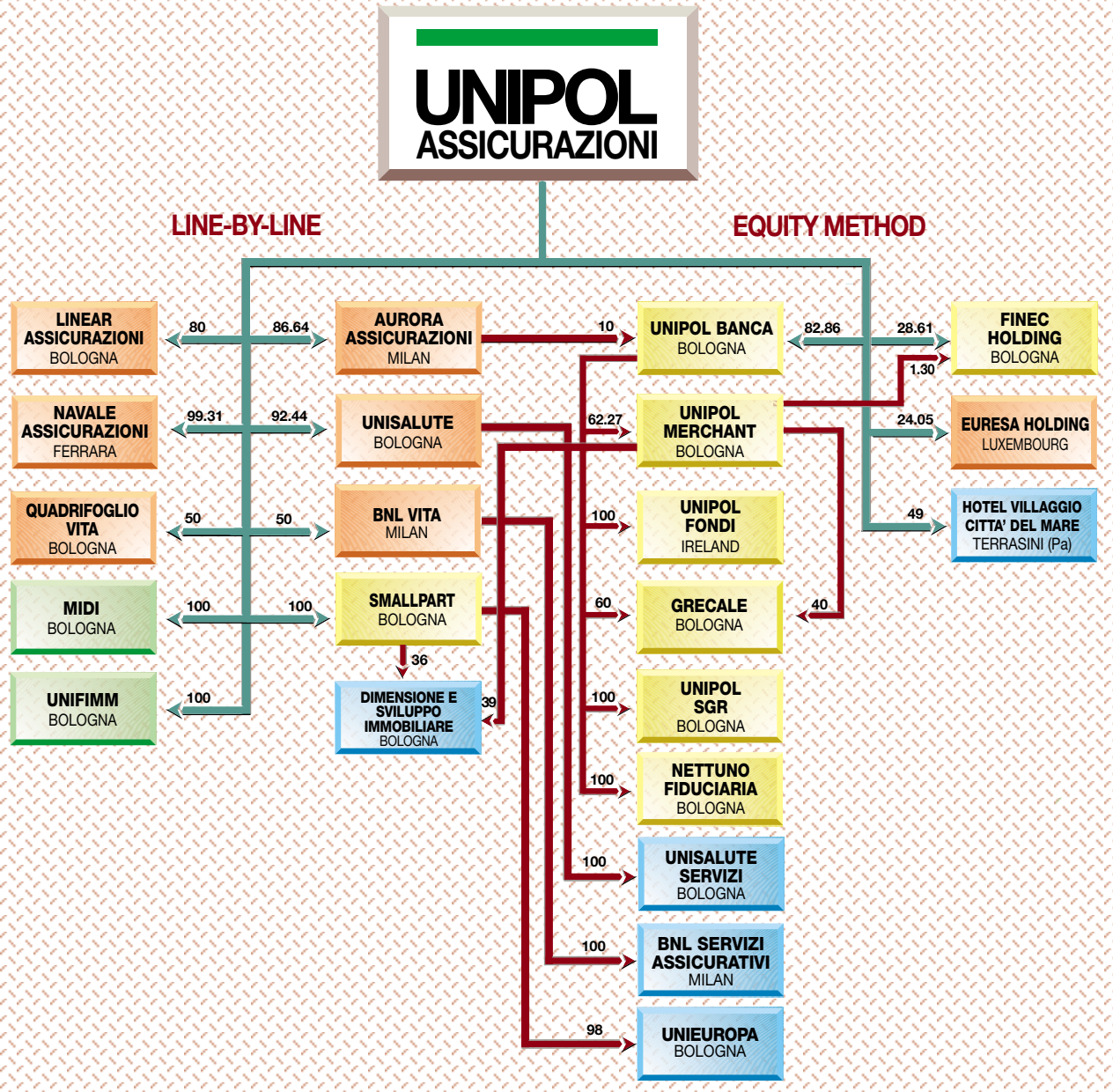
In the first few months of 2005 there were still sources of tension at international level (especially in the Middle East) and there were still concerns regarding the slowdown in growth worldwide (in particular in the principal economies), whilst Asian economies were doing extremely well. Inflation seems to be under control.
In Europe and in Italy in particular GDP forecasts for 2005 have already been revised downwards, whilst in February the trend in consumer prices was still 2% and 1.9% respectively.
The Euro, still strong against the US dollar, continues to penalize exports.
The family confidence index is hardly recovering and the difficulties families face in their daily lives are creating new poverty thresholds.
Despite the optimistic forecasts for 2005, the unemployment rate in Europe is stable.

In the United States the Central Bank decided to increase official rates again by a quarter of a point, raising them to 2.5% as from 2 February. In Europe and Japan short-term rates are stable.
Medium to long-term rates are slightly up in all the principal economies.
The principal share markets recorded positive performances in the first few months of 2005.

Amongst the latest legislation particular mention should be made of ISVAP Circular 551/D issued on 1 March 2005 covering 'Provisions relating to transparency in Life assurance policies', which introduced numerous changes to the 'Explanatory notes' and to the 'Summary', which covers the essential features of the policy in a form that can be easily understood by a potential client.

On 25 February 2005 the Government approved the Legislative Decree implementing the provision contained in Article 25 of EC Law 306/2003 on extending the adoption of the IAS/IFRS international accounting standards to the individual and consolidated accounts of different categories of undertaking.

BASIS OF CONSOLIDATION AS AT 31 DECEMBER 2004



INSURANCE COMPANIES INSURANCE HOLDINGS | PROPERTY | FINANCIAL SERVICES BANKS | OTHERS (*)

(*) Mainly service companies strictly related to insurance and property business.

GROUP HIGHLIGHTS
(€*m*)

	2004	2003	2002
Gross premiums	**9,623.7**	**7,492.3**	**6,045.8**
% variation	*28.4*	*23.9*	*22.3*
Direct premiums	**9,583.1**	**7,462.8**	**6,006.2**
% variation	*28.4*	*24.3*	*22.7*
Market share - direct business (%)	**9.4**	**7.7**	**6.8**
Payments (claims, amounts due out of maturity, surrender, annuity)	**5,576.9**	**3,651.0**	**2,804.4**
% variation	*52.7*	*30.2*	*16.6*
Non-Life business (net of reinsurance) - Loss ratio (%)	**71.8**	**73.0**	**75.7**
Net operating expenses	**945.2**	**695.4**	**542.1**
% variation	*35.9*	*28.3*	*7.5*
Expense ratio % (net operating expenses to net premiums)	**10.3**	**9.7**	**9.4**
Combined ratio % (1)	**93.5**	**93.8**	**95.3**
Combined ratio % - direct business	**93.2**	**93.2**	**95.5**
Net investment income and capital gains			
-Class D and value adjustments excluded	**922.9**	**693.0**	**579.1**
% variation	*33.2*	*19.7*	*-0.5*
-Class D excluded, value adjustments included	**851.9**	**591.2**	**429.5**
% variation	*44.1*	*37.7*	*-1.0*
Profit before taxation	**461.9**	**303.3**	**228.6**
% variation	*52.3*	*32.7*	*65.5*
Consolidated profit	**272.9**	**177.4**	**121.0**
% variation	*53.8*	*46.6*	*66.9*
Net profit - Group	**211.3**	**147.5**	**102.1**
% variation	*43.3*	*44.4*	*63.8*
Consolidated profit-to-premiums ratio (%)	**2.8**	**2.4**	**2.0**
Net profit-to-premiums ratio (%)	**2.2**	**2.0**	**1.7**

Investments, cash and cash equivalents	**29,402.2**	**26,385.2**	**17,686.0**
% variation	*11.4*	*49.2*	*19.3*
Technical provisions	**28,387.9**	**25,669.0**	**17,353.1**
% variation	*10.6*	*47.9*	*18.6*
Technical provisions-to-premiums ratio (%)			
-Non-Life	**174.3**	**164.7**	**165.9**
-Life	**377.3**	**353.1**	**362.7**
-Life and Non-Life	**295.0**	**285.8**	**287.0**
Capital and reserves - Group	**2,602.9**	**2,493.8**	**1,338.5**
% variation	*4.4*	*86.3 (2)*	*19.2*

Staff number (3)	**4,481**	**4,503**	**2,895**

(1) Net claims-to-earned premiums ratio and net operating expenses-to-net premiums ratio.
(2) Capital increase of the the Parent Company Unipol for €1,054m performed in the third quarter 2003.
(3) Staff number of undertakings consolidated on a line-by-line basis (excluding the Unipol Banca Group which had 1433 employees as at 31/12/2004).

N.B. It is noted that the consolidated accounts ended as at 31 December 2003 included only the 4th quarter 2003 of the profit and loss account of the companies in the Winterthur Italia Group (which were acquired on 26/9/2003).

Board Report

The Group

The Unipol Group

2004 was a particularly intense and positive year for the Unipol Group as a whole and was mainly characterized by the following events:

- The plan to merge Meieaurora and the Winterthur Italia Group was carried out and gave rise to Aurora Assicurazioni.

- Work on incorporating the structures, IT systems and logistics of the new company, Aurora Assicurazioni, was completed on schedule.

- Banking and Merchant Banking continued to grow as a result of strengthening Unipol Banca's sales network, operating in medium-term credit and developing new business initiatives.

- Good results were achieved in terms of both volumes and profitability.

Insurance business

In insurance business, during 2004, the Group completed the complex merger operation that involved Winterthur Assicurazioni incorporating Meieaurora, NewWin Assicurazioni and Winterthur Vita in turn in accordance with the specific regulations pertaining to the insurance sector and taking the name of Aurora Assicurazioni, the third largest composite company operating in Italy as far as level of premium income is concerned.
The technical procedures involved in streamlining the corporate structure, which led to the birth of Aurora Assicurazioni, enabled Unipol Assicurazioni's investment to be optimized.

At the same time as the companies were being integrated work was being undertaken to incorporate business activities within the Parent Company and to bring about the conditions for keeping running costs down as envisaged in the three-year plan.
In particular, activities carried out covered:

- extending Unipol Assicurazioni's computerized underwriting system to the former Winterthur network of agencies (linking the agencies on-line), setting up a single data-processing centre for the Group and seconding Aurora's EDP employees to Unipol Assicurazioni;
- reviewing the product list and redefining the financial relationship with the network of agencies;
- extending the claims-handling system already in use in the Group (handling claims by telephone and over the Internet and Group claims-handling centres) and seconding most of the former Winterthur employees to Unipol Assicurazioni;
- centralizing property and asset management at Unipol Assicurazioni;
- centralizing the management of the main contracts for the provision of services (telephone communications and consultancy) at Unipol Assicurazioni;
- transferring the offices of the former Meieaurora and former Winterthur to the new single registered office at San Donato Milanese in order to reduce logistical costs and to rationalize property assets.

During 2004, thanks to the initial savings achieved, especially in IT, and to the freeze on staff turnover (-116 employees), Aurora kept the incidence of acquisition and operating expenses on premium income almost constant despite recording extraordinary merger charges of approximately €19m. These were mainly incentive payments to the network of agencies for migrating to the new IT system, logistical costs (moving the registered office) and the publicity campaign advertising the new brand. It is expected that the effects of incorporating

the structures, IT systems and logistics will start to be felt in 2005 and will result in a significant increase in efficiency.

Today Aurora Assicurazioni represents the Unipol Group's base in Milan and complements its base in Bologna where the Parent Company Unipol Assicurazioni, the specialist insurance companies and the Unipol Banca Banking Group operate.

2004 also saw the launch of the project for the strategic repositioning of Navale Assicurazioni within Unipol Group's sales strategy, which will make it the company in the Group that specializes in the sales channel consisting of non-exclusive agents and small brokers. As from 2005 this project will be aided by the acquisition, completed in February, of the Italian subsidiaries of the Mutuelles du Mans Group (MMI Danni and MMI Assicurazioni), which will contribute premium income of approximately €150m and 170 insurance agencies.

The insurance business was consolidated in 2004, reinforcing the Group's commitments in banking both in terms of the value of the specific area of business and as a generator of synergies with insurance business. You will recall that the geographical expansion of Unipol Banca branches, whether completely new branches or newly-acquired branches, was planned to take place in the areas where the insurance sector, with its total of 6.5 million clients, had a major presence.

Banking and merchant banking

2004 was the first full year of operation of the Unipol Banca Banking Group. In September Unipol Banca increased its holding in Unipol Merchant – Banca per le Imprese from 50.5% to 62.27%. On 1 April 2004 Unipol SGR (wholly owned) was reactivated and took over managing Unipol Fondi's portfolio, and as from 2005 a fiduciary company (Nettuno Fiduciaria srl) will also be operational in order to provide the Banking Group with all the instruments it will need to compete on the market.

During 2004 Unipol Banca continued to develop the sales network both internally, by opening 14 more branches, and externally, by acquiring 22 branches. At the end of 2004 the Bank had 221 branches, 109 of which were combined with insurance agencies, 48 finance shops and 448 financial advisers. Another 12 branches, which had already been authorized, were opened by February 2005 and therefore the Bank now has 233 branches. In addition there are approximately 240 insurance sales outlets authorized to sell traditional banking products.

The Banca d'Italia inspection carried out by the Supervisory Body as part of the process of monitoring the growth of Unipol Banca was completed satisfactorily. The inspection, which did not result in the imposition of any sanctions on the bank or on its directors, may make it easier in future to obtain authorization for the plan to expand the sales network.

Management work continued to be based on the retail and corporate client synergies between the companies in the Group.
The number of clients rose to approximately 260,000, resulting in customer deposits exceeding €4.3bn, +64.4% over 2003, whilst lending was almost €3.6bn (€978m of which were securitized mortgage loans), an increase of 57%.
Despite the strong growth recorded in this sector selection policies and procedures for granting loans continued to be strict. This enabled the level of doubtful loans to be kept below 1% of the amount of loans granted in a year in which the continuing difficult economic conditions led to a deterioration in clients' ability to keep up with loan repayments. However, the ratio was well below that recorded by the banking system as a whole (approximately 2%).
Assets under management had reached €1.7bn by the end of 2004, an increase of 44.9%.
In this sector the subsidiary Unipol Fondi recorded growth of 11.3%, reaching a portfolio

of €589m as a result of sales made by Unipol Banca.
Funds under custody rose to more than €14.2bn, an increase of 38%.

Finally it is worth recalling that in 2004 two of the world's leading rating agencies, Fitchrating and Moody's, allocated Unipol Banca the ratings 'BBB' e 'BAA1' respectively (corresponding to Fitch and S&P's rating of 'BBB'). Moreover Moody's had already given the Unipol Group a rating of 'A2' (corresponding to Fitch and S&P's rating of 'A'). The valuation obtained is certainly gratifying in view of the fact that it is one of the highest valuations in Italian banking business.

In the Merchant Banking sector, having obtained authorization from the Supervisory Body in the second half of 2003, Unipol Merchant – Banca per le Imprese, a subsidiary of Unipol Banca, began to operate in medium- and long-term credit, reaching a level of corporate financing of more than €132m by the end of 2004 though continuing, when granting loans, to apply very selective policies which laid stress on the quality of the investments. The work of Unipol Merchant was aimed at undertakings with which the Unipol Group had good relations and in particular at insurance clients and Unipol Banca clients with which it had a high level of synergy.

As regards financial advisory services (Capital Markets, Mergers & Acquisitions, Corporate Finance Advisory and Financial Brokerage), some of the major tasks carried out during the period were:

- providing financial advice to Hera relating to the acquisition from ENI Ambiente of the Centro Ecologico di Ravenna, one of the largest waste-disposal plants in Italy;
- providing financial advice to Unigrana (the leading distributor of Parmigiano Reggiano) relating to the acquisition of Parmareggio spa (the third largest operator in this market);
- acting as co-lead manager of the institutional underwriting syndicate for getting the shares of Greenvision Ambiente spa listed on the Expandi market;
- acting as co-global coordinator and sponsor to Coop Adriatica, providing assistance in getting the shares of IGD (Immobiliare Grande Distribuzione) listed on the Milan Stock-Exchange (which took place in February 2005);
- providing assistance to BNL Vita for the sale to RB Vita (RAS Group) of the business relating to the Life portfolio placed by the financial advisers of the former BNL Investimenti.

In conclusion, the financial year 2004 was important for the Unipol Group not only because it achieved major targets in terms of turnover and laid the basis for further improvements in efficiency within the Group but also because it achieved a significant **consolidated result of €272.9m** (+53.8% on 2003), **€211.3m of which was net profit for the Group** (+43.3%). ROE reached 8.7% (8.4% at the end of 2003) despite the growth in the average level of Group capital and reserves following the capital increase carried out in 2003.
The objectives of Unipol Group's 2004-2006 three-year plan presented to the financial community in July 2003 were confirmed in the light of this performance.

Key Aspects of Group's Business Operations

The Group was made up of seven insurance companies, two real-estate companies, one holding company and one service company, all consolidated on a line-by-line basis. A further twenty-four companies, including nine subsidiaries carrying out a variety of different activities and fifteen affiliated companies, were consolidated using the net equity method.

Only the profit and loss accounts of the companies in the former Winterthur Italia Group (acquired on 26/9/2003) for the fourth quarter had been included in the consolidated accounts for the year ending 31 December 2003.

The most significant items in the **consolidated accounts** are summarized as follows (in €m):

	2004	2003	% Var.
Gross premiums	9,623.7	7,492.3	+28.4
Net premiums	9,151.7	7,176.9	+27.5
Net investment income and net capital gains	922.9	693.0	+33.2
Net income (charges) from Class D investments	305.4	314.3	-2.8
Gross technical provisions	28,387.9	25,669.0	+10.6
Net technical provisions	27,649.2	24,780.2	+11.6
Claims paid	5,576.9	3,651.0	+52.7
Net operating expenses	945.2	695.4	+35.9
Depreciation of goodwill:			
- companies consolidated on a line-by-line basis	44.5	34.9	+27.3
- companies valued by the equity method	3.5	2.1	+70.1
Investments/liquid assets	29,402.2	26,385.2	+11.4
Relevant net assets	2,602.9	2,493.8	+4.4
Results:			
Balance on the technical account	275.4	170.0	+62.1
Ordinary operating profit	354.7	252.5	+40.5
Extraordinary operating profit	107.2	50.8	+111.1
Pre-tax profit	461.9	303.3	+52.3
Consolidated net profit	**272.9**	**177.4**	**+53.8**
Consolidated net profit - Group	**211.3**	**147.5**	**+43.3**

The following are some of the most salient aspects of business operations:

A. Premium income, gross of reinsurance cessions, reached €9,623.7m, a rate of growth of 28.4%. (If the figures as at 31/12/2003 of the companies in the former Winterthur Italia Group had been included the variation would have been 8.3%.)

B. The loss ratio in Non-Life business, net of reinsurance cessions, was 71.8% (73% as at 31/12/2003).

C. The total amount of net technical provisions was €27,649.2m, an increase of €2,869m compared with the position as at 31 December 2003 (+11.6%).

D. Net operating expenses, amounting to €945.2m in total, had an incidence on net premiums of 10.3% (9.7% as at 31/12/2003).

E. The balance on the technical account rose from €170m to €275.4m (+62.1%).

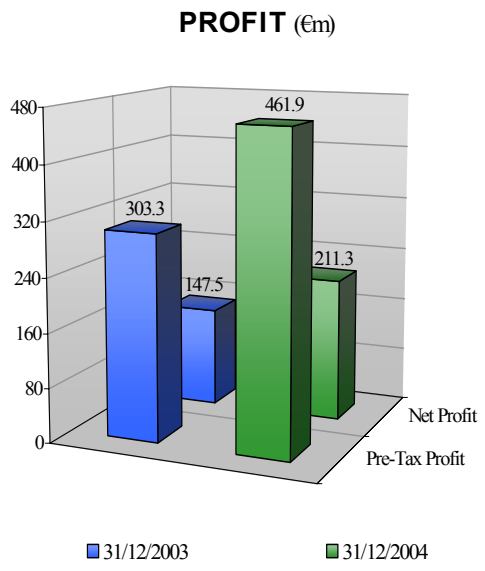
F. The level of investments and liquid assets rose to €29,402.2m, an increase of €3,017m compared with the position as at 31 December 2003 (+11.4%).

G. Net capital gains and investment income for the period and net gains from disposals and trading amounted to €922.9m (€693m as at 31/12/2003), whilst net value adjustments on investments amounted to €71.1m (€101.8m as at 31/12/2003).

H. After the balance on 'other income and charges' of €45.1m and depreciation relating to 'differences arising from consolidation' of €44.5m were deducted, the result for ordinary business for the period amounted to €354.7m (€252.5m as at 31/12/2003).

I. The total gross result rose to €461.9m (€303.3m as at 31/12/2003). Net of tax the consolidated profit was €272.9m (€177.4m in 2003) and the profit for the Group was €211.3m, 43.3% higher than as at 31 December 2003 (€147.5m).

As regards accounts the risk of which is borne by policyholders, the results of investments relating to benefits linked to investment funds, market indices and pension funds (Class D) provided net income (including unrealized capital gains/capital losses) of €305.4m (€314.3m as at 31/12/2003).



Profit and loss highlights, compared with those for the previous financial year, are set out below:

SUMMARY OF CONSOLIDATED PROFIT AND LOSS ACCOUNT (€m)						
	as at 31 December 2004			as at 31 December 2003		
	Life	Non-Life	Total	Life	Non-Life	Total
TECHNICAL ACCOUNT						
Gross premiums	5,721.0	3,902.7	9,623.7	4,653.5	2,838.8	7,492.3
Outward reinsurance premiums	(50.0)	(422.0)	(472.0)	(51.7)	(263.7)	(315.4)
Net change in the provision for unearned premiums		(40.8)	(40.8)		(95.1)	(95.1)
Total Life premiums and Non-Life earned premiums	5,670.9	3,439.9	9,110.9	4,601.8	2,480.0	7,081.8
Charges for claims and benefits, variations in Life technical provisions, Non-Life provisions for outstanding claims	(6,347.6)	(2,470.7)	(8,818.3)	(5,143.9)	(1,809.5)	(6,953.4)
Operating expenses	(191.3)	(753.9)	(945.2)	(159.3)	(536.0)	(695.4)
Sundry technical income and charges	23.5	(11.3)	12.2	22.3	1.9	24.2
Net income (charges) from Class D investments (1)	305.4		305.4	314.3		314.3
Net investment income allocated to the technical account of Life business	610.4		610.4	398.6		398.6
Balance on the technical account (2)	**71.4**	**204.1**	**275.4**	**33.6**	**136.3**	**170.0**
NON-TECHNICAL ACCOUNT						
Net investment income (3)			239.9			239.1
Net value adjustments			(71.1)			(101.8)
Amortisation of consolidation differences			(44.5)			(34.9)
Balance on sundry income/charges			(45.1)			(19.9)
Balance on ordinary activities			**354.7**			**252.5**
Extraordinary income			135.6			72.2
Extraordinary charges			(28.5)			(21.4)
Profit before taxation			**461.9**			**303.3**
Tax on profit			(188.9)			(125.9)
Consolidated profit			**272.9**			177.4
Profit (loss) for the year -minority interests			61.6			29.9
PROFIT FOR THE YEAR - GROUP			**211.3**			**147.5**

(1) Income from investments the risk of which is borne by policyholders. It is matched by a corresponding variation in technical provisions and therefore does not affect the profit for the financial year.

(2) The layout of the consolidated accounts does not require the transfer of income from the non-technical account for Non-life business.

(3) Net of the share transferred to the technical account of Life business, and of €3,5m for goodwill amortisation of undertakings included by the equity method.

INSURANCE BUSINESS

Premium income

Group premium income, gross of reinsurance cessions, totalled €9,623.7m, an increase of 28.4%, almost entirely from Italian direct business. In Non-Life business premium income was €3,902.7m (+37.5%) whilst in Life business premium income amounted to €5,721m (+22.9%). The consolidation of the companies in the former Winterthur Italia Group had a positive effect because as the Group was not acquired until the end of September 2003 only its premium income for fourth quarter was consolidated as at 31 December 2003.

On the same basis of consolidation, including the premium income from the newly-acquired companies for the whole of 2003, the rate of growth was 8.3% (+2.2% in Non-Life business, +12.9% in Life business).

Direct premium income for the Group as at 31 December 2004 amounted to €9,583.1m, 28.4% up on the previous year (+8.2% on the same basis of consolidation), 40.3% of which was Non-Life premium income and 59.7% Life

premium income. (As at 31/12/2003 the composition of the premium income was 37.7% Non-Life and 62.3% Life.)

Direct premium income achieved by the composite companies (Unipol Assicurazioni and Aurora Assicurazioni) together with the premium income of the specialist companies was €6,191.7m (+37.6% compared with 2003 and +5.2% compared with the proforma income for 2003), i.e. 64.6% of total premium income (60.3% in 2003), whilst premium income from bancassurance was €3,391.5m (+14.4% compared with 2003) or 35.4% of total premium income (39.7% in 2003).

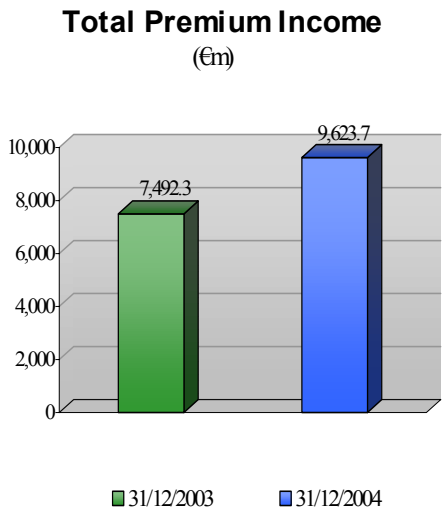
The Group's estimated market share for 2004 was expected to be around 9.4% compared with 7.7% in 2003 (9.1% on the same basis of consolidation). The Group was expected to continue to be the fourth largest group operating in Italy.

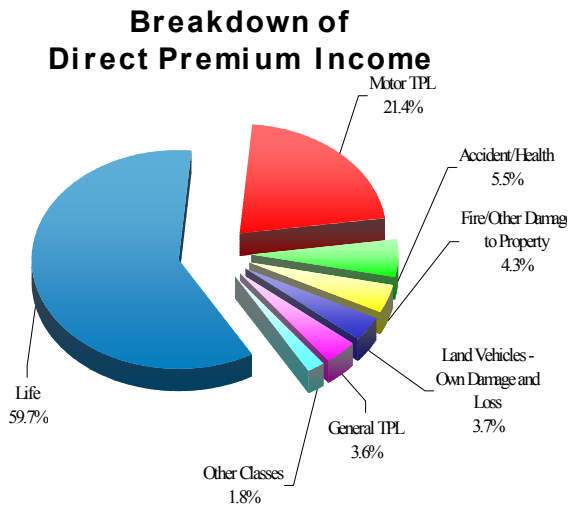
The following table shows direct premium income as at 31 December 2004 achieved by Unipol Assicurazioni, Aurora Assicurazioni and the other subsidiary companies, and premium income broken down by type of business (in €m):

Direct premium income	Non-Life	% Var. 2004/2003	Life	% Var. 2004/2003	Total	% Var. 2004/2003	Comp. %
Unipol Assicurazioni	1,394.7	5.4	1,195.8	11.1	2,590.5	8.0	27.0
Aurora Assicurazioni (*)	2,146.0	83.5	1,129.7	85.4	3,275.8	84.2	34.2
Other Subsidiaries	325.4	1.4	3,391.5	14.4	3,716.8	13.2	38.8
TOTAL DIRECT PREMIUMS	**3,866.1**	**37.4**	**5,717.0**	**23.0**	**9,583.1**	**28.4**	**100.0**
Direct premiums by sector							
Traditional composite companies	3,540.7	42.1	2,325.5	38.0	5,866.3	40.4	61.2
Non-Life specialist companies	325.4	1.4			325.4	1.4	3.4
Bancassurance companies			3,391.5	14.4	3,391.5	14.4	35.4
TOTAL DIRECT PREMIUMS	**3,866.1**	**37.4**	**5,717.0**	**23.0**	**9,583.1**	**28.4**	**100.0**

(*) 2003 premiums of the formerly Winterthur Italia Group were booked only for the IV Quarter.

During the fourth quarter premium income was €2,841.6m, an increase of 48.4% compared with the fourth quarter of 2003.





The table below shows premium income broken down between direct business and inward reinsurance (Non-Life and Life), premiums ceded in reinsurance and premiums retained (in €m):

	2004	Comp. %	2003	Comp. %	%Var. 2004/2003
Direct business:					
-Non-Life business	3,866.1	40.3	2,813.2	37.7	+37.4
-Life business	5,717.0	59.7	4,649.6	62.3	+23.0
	9,583.1	**100.0**	**7,462.8**	**100.0**	**+28.4**
Inward reinsurance:					
-Non-Life business	36.6	90.4	25.6	86.9	+42.8
-Life business	3.9	9.6	3.9	13.1	+0.1
	40.5	**100.0**	**29.5**	**100.0**	**+37.2**
Grand total	**9,623.7**		**7,492.3**		**+28.4**
Ceded premiums	472.0		315.4		+49.7
Retained premiums	**9,151.7**		**7,176.9**		**+27.5**

In 2004 the net retention rate was 95.1% (95.8% in 2003).

LIFE business

Total Life premium income amounted to €5,721m, an increase over the previous year of 22.9%. On the same basis of consolidation, i.e. including Winterthur Vita in 2003, the increase was 12.9%.

Direct Life premium income amounted to €5,717m (+13%).
Premium income in Class V (capital redemption policies) continued to perform well (+54.4%) in both retail and corporate business, whilst traditional products in Class I recorded a fall of 15.6%. The increase of 83.8% in Class III (unit- and index-linked policies), which was characterized by policies with guaranteed capital sum on maturity, was also significant.
Pension funds in Class VI rose from €20.2m in 2003 to €53.4m in 2004.

The composition of direct Life premium income as at 31 December 2004 changed as follows (on the same basis of consolidation):

	2004	2003
Line I	37.2%	55.5%
Line III	30.7%	19.6%
Line V	31.1%	24.4%
Line VI	0.9%	0.4%
	100%	100%

The introduction of the IAS/IFRS international accounting standards during 2005 will alter the composition of Life premium income as a consequence of the new rules for recording premium income. It will no longer be possible to record almost all the policies in Class III, nor a large percentage of premium income in Class I and Class V (made up of some of the policies matched by specific assets with yields fixed at the time of issue), in the consolidated accounts as premium income not presenting a significant insurance risk, and they will be have to be recorded under financial products. In addition the premium income of the jointly-controlled bancassurance companies (Quadrifoglio Vita and BNL Vita) will have to be included by proportionate consolidation, i.e. at 50%.

Pension funds

In 2004 occupational pension funds recorded nothing unusual apart from the approval on 6 October 2004, after a long passage through parliament, of the Enabling Act reforming the pension system, which was subject to the Government issuing, within the following twelve months, the decrees to implement it, which it is hoped will result in significant growth in personal pension funds.

During 2004 the Parent Company Unipol Assicurazioni continued to manage existing mandates as normal. Your attention is drawn to the fact that three new funds were awarded, to which must be added a mandate to manage

some of the assets in the Cometa pension fund (metal and mechanical industry), the leading Italian pension fund, which will take effect during 2005. Unipol has been entrusted with managing the minimum guaranteed yield business.
Assets under management at the end of the year reached €167.4m, to which must be added some of the assets in the 'Pension fund for employees of the Banca Agricola Mantovana', in 'Fundum' and in 'Eurofer', which amounted to €49.5m. (These are guaranteed accounts providing for the transfer of assets and the amount of which is included in Class D on the Balance Sheet.)

At the end of December assets in open-end pension funds managed by the Group amounted to €69.3m (€55.5m as at 31/12/2003), €61.8m of which related to three Unipol Assicurazioni funds (Futuro, Previdenza and Insieme) and the remaining €7.5m to Aurora Assicurazioni's open-end pension fund Aurora Previdenza.

* * *

The **traditional composite companies** (Unipol Assicurazioni and Aurora Assicurazioni) achieved direct Life premium income of €2,325.6m, an increase of 38% compared with 2003 (+10.9% on the same basis of consolidation).

As at 31 December 2004 the Parent Company **Unipol Assicurazioni** achieved total premium income of €1,195.9m, an increase of 11.1% compared with the previous year, which had in turn recorded an increase of 73.5%.
There was an increase in all classes, particularly the unit-linked policies in Class III that combined protection of the capital sum with investment requirements.
The total increase in Class III was 10.1%.
Income from Life policies sold through Unipol Banca's network of branches was significant, amounting to €262m compared with €126m as at 31 December 2003.
Inward Life reinsurance amounted to €4.1m, substantially the same as in the previous year (+0.4%).

The subsidiary **Aurora Assicurazioni** achieved premium income of €1,129.7m (+10.7% on the proforma amount for 2003) partly thanks to the contribution made by the banking channel (Reti Bancarie Holding) which provided premium income of €233m, making up for the expected fall in business from the financial advisers of Crédit Suisse.
Both premium income in Class V (capital redemption policies), which recorded +53.5%, and premium income in Class III, which recorded an increase of 52.2% over the previous year, were considerably up. On the other hand the traditional policies in Class I were down (-21.4%), partly because of the reduction in business from Crédit Suisse's network of financial advisers and partly because the involvement of agents in changing the IT system had a significant effect on their sales activity during the year.

Life business carried out by the sales networks consisting of Unipol Banca (under the Unipol Assicurazioni brand) and Reti Bancarie Holding (under the Aurora Assicurazioni brand) amounted to €595m and made up not only for the fall in business from Crédit Suisse's financial advisers but also for the contribution from Noricum Vita, the bancassurance company sold at the end of 2003 (approximately €300m).

* * *

The **bancassurance companies** (BNL Vita and Quadrifoglio Vita) ended the financial year with direct premium income of €3,391.5m, an increase of 14.4%.

BNL Vita achieved premium income of €2,578.3m (+24.1% on 2003), an increase of new premiums written of 26.8%, which would rise to 36.6% if the business achieved in 2003 by the advisers of Banca BNL Investimenti, which was sold in the fourth quarter of 2004, were not taken into account. Also worthy of note was the huge increase in premium income

in Class V, from €56.5m to €402.6m. Class III also recorded an excellent trend in growth with an increase of 117.2% compared with 31 December 2003, which was mainly due to premium income from index-linked policies (€940m). However, Class I fell by 36.8%.

Quadrifoglio Vita achieved direct premium income of €813.2m compared with €886.9m in 2003 (-8.3%), a year in which there had been large increases in business. The majority of the premium income was from traditional products that laid stress on protecting the capital sum assured and on consolidating yields. In contrast to an increase of 9.6% in premium income in Class III, there was an overall fall of 13.5% in premium income in Classes I and V.

NON-LIFE business

Total Non-Life premium income (direct and indirect) reached €3,902.7m, an increase of 37.5% compared with 31 December 2003, mainly owing to the contribution made by the newly-consolidated companies formerly belonging to the Winterthur Italia Group (+2.2% on the same basis of consolidation).
The proportion of Motor business in the Group's Non-Life portfolio rose to 62.2%, an increase of 38.9%, and the other classes rose to 37.8%, an increase of 35.1%.

Direct premium income alone amounted to €3,866.1m, an increase of 37.4% over 2003 (+2% on the same basis of consolidation).

The foreign portfolio was extremely limited (€32.7m, arising out of inward reinsurance).

The net retention rate of premiums written was 89.2% (90.7% at the end of December 2003).

* * *

The traditional sector of the **composite companies** (Unipol Assicurazioni and Aurora Assicurazioni) achieved direct premium income of €3,540.7m, an increase of 42.1% compared with 31 December 2003 (+2% on the same basis of consolidation).

The Parent Company **Unipol Assicurazioni** had direct premium income of €1,394.7m, an increase of 5.4% compared with 31 December 2003.
Worthy of note was the increase in Motor TPL premium income (+5.3%), which was due to the increase in the number of policies in the portfolio since by and large tariffs had remained the same, which also contributed to the growth in additional benefits linked to motor vehicles.
As regards non-Motor Classes (+6.3%) the increase in premium income from personal types of insurance continued to be greater than from those aimed at businesses. In particular there was an increase in Accident and Health of approximately 10%.
Inward reinsurance was €54.1m (+6.6%).

The subsidiary **Aurora Assicurazioni** recorded premium income of €2.146m, substantially the same as in the previous year (-0.1% compared with the proforma figure for 2003). Growth in business other than Motor was 3.8%, whilst Motor classes recorded a decrease of 2.1%, being affected by the selective underwriting policy applied and by the company signing up to the agreement with the Consumers' Associations not to raise tariffs. Also worthy of mention was the involvement of the former Winterthur network of agencies in the process of migrating its computerized underwriting system to the Group's system and revising the product list.

* * *

The three **specialist companies** (Linear, Unisalute and Navale) achieved direct premium income of €325.4m, an increase of 1.4% compared with 31 December 2003.

Linear, the company specializing in selling Motor policies direct, achieved direct premium income of €153.4m (+17.8%), 62% of it

generated by telephone and 38% via the company's Internet site. Linear is thought to have a share of between 17 and 18% of the direct-selling market.

Unisalute, the company specializing in health policies, achieved direct premium income of €74.4m (+15.5%), continuing the trend in growth of the last few years, which was higher than that achieved in the target market (+6.6%).

Navale Assicurazioni, a Non-Life composite company, achieved direct premium income of €97.5m compared with €126.1m in the previous year (-22.7%), the reduction being attributed to the work on reforming the portfolio in order to carry out the project of strategic repositioning of the company within the Group. Navale is destined to become the company specializing in obtaining business through multifirm networks and small brokers.

Sales Network and Products

During 2004 the guidelines followed by the Unipol Group when developing new Life products were geared towards a range of products with guaranteed capital sum on maturity whilst in the case of Non-Life products the emphasis was on expanding the range of products and services offered and on providing more flexibility in the combination of types of cover to meet clients' specific requirements.
In particular, Aurora Assicurazioni drew up its new list of Non-Life and Life products using the Aurora brand name.

The Unipol Group offers a full range of insurance, banking and asset management products through a diversified distribution network covering the whole of Italy and consisting of networks of exclusive and non-exclusive agencies, finance shops, direct sales channels, online channels (Internet and call centres) and bank branches. This network is run by a variety of professionals – exclusive and non-exclusive agents and subagents, brokers, financial advisers, employees (bank outlets) and head-office staff (on-line channels or direct sales channels).

In particular, the **composite companies** in the Group made use of a network that as at 31 December 2004 consisted of 1,813 agencies (570 Unipol Assicurazioni agencies and 1,243 Aurora Assicurazioni agencies). In addition, both Unipol and Aurora placed Life products direct through networks of banking outlets, namely branches of Unipol Banca and Reti Bancarie Holding.
It should be pointed out that during 2004 Aurora Assicurazioni's agencies that formerly belonged to Winterthur were involved in the process of migrating the computerized system they used for portfolio and administrative management to the Parent Company's IT system. This process was completed at the beginning of November.

As regards the Non-Life **specialist companies** Unisalute operated in Health and Assistance by selling 'managed care' group policies direct or through brokers to businesses, associations and various bodies. On the other hand individual policies were sold through 70 agencies (68 of which were Unipol agencies with a Unisalute mandate) and also through the company's internet site and by telemarketing.
In Motor business Linear operated through a call-centre with 212 employees and via the Internet.
Navale Assicurazioni used 41 non-exclusive agencies and brokers.

The **bancassurance** companies placed their products through networks of banking outlets. Quadrifoglio Vita used the 289 branches of the Banca Agricola Mantovana (MPS Group) whilst BNL Vita used the 700 or so sales outlets of the BNL Group.

As regards **banking business**, as at 31 December 2004 Unipol Banca had 221 points of sale, 109 of which were combined with insurance agencies, 48 finance shops and 448 financial advisers. The Bank also used

direct sales channels (telephone and Internet banking) and the principal Unipol Assicurazioni and Aurora Assicurazioni agencies, which sell traditional banking products.
Unipol Merchant – Banca per le Imprese, a subsidiary of Unipol Banca, is the bank in the Unipol Banca Banking Group that specializes in medium-term corporate business and also operates in merchant banking and investment banking. The principal sales channel for Unipol Merchant's products and services was represented by Unipol Banca's network of branches.

Technical Performance

The technical result of Life business, which amounted to €71.4m, was significantly up on 2003 (+112.2%) not only because of the contribution arising from the consolidation of the former Winterthur Vita but also because the investment policies adopted and the trend in interest rates in the bond markets led to a drop in write-downs, which did not affect the yields reverting to policyholders until the securities were actually sold.

Sums paid for claims, matured policies, surrendered policies and annuities amounted to €3,114.5m (+75.6%).
Technical provisions (including those in Class D) reached €21,586.3m, an increase of +12.3%.

Non-Life business continued to perform as well as it had in the previous financial year.
The Group continued to achieve positive results in 2004 as a result of a further fall in the Motor TPL claims frequency, which enabled the continuing increase in the average cost of claims, which exceeded the rate of inflation, to be kept down and tariffs to be kept stable on the whole.
In the other classes mention must be made of the rise in the loss ratio in General TPL, in particular that of the Parent Company, which was due to increases in the provisions for outstanding claims for previous years on coinsurance policies.
The Fire class, which last year was affected by major claims, performed better.

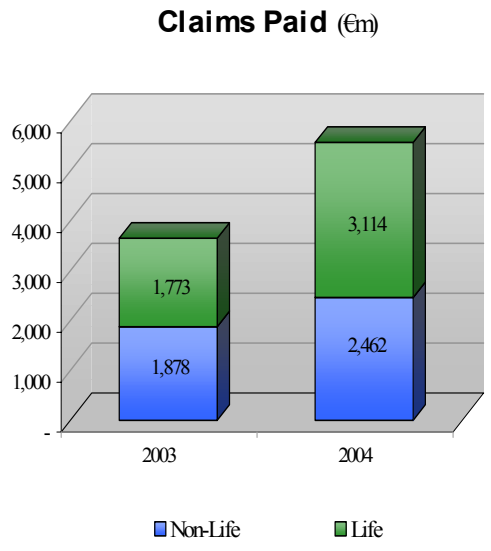
The loss ratio, including claims-handling costs and net of reinsurance items, was 71.8% (73% as at 31/12/2003).

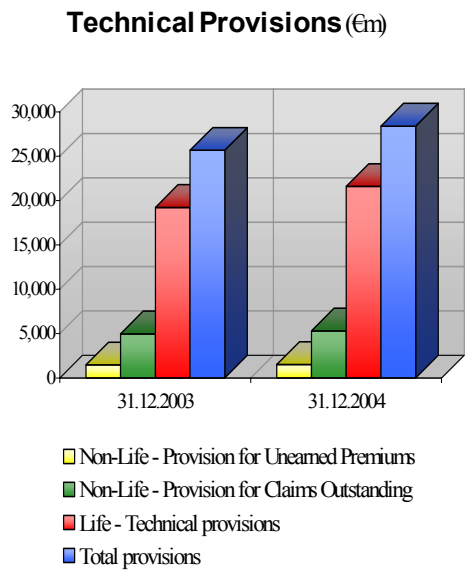
Payments relating to claims rose to €2,462.4m (+31.1%).
By the end of the year total amounts set aside for provisions had risen to €6,801.5m, an increase of 5.6%.

Overall Non-Life and Life technical provisions (provisions for unearned premiums, provisions for outstanding claims, mathematical provisions and other provisions) rose to €28,387.9m as at 31 December 2004, an increase of 10.6% compared with 31 December 2003.
As at 31 December 2004 these provisions were made up as follows (in €m):

	31/12/2004	31/12/2003
Life provisions	15,602.6	13,667.7
Life prov. -Class 'D' (*)	5,983.8	5,561.2
Non-Life provisions	6,801.5	6,440.1
Total	**28,387.9**	**25,669.0**

(*) Lines III and VI of Life assurance business





Reinsurance

Inward reinsurance

Reinsurance premium income as at 31 December 2004 amounted to €40.5m (+37.2% on 2003), €36.6m of which was from Non-Life business and €3.9m from Life business.

Outward reinsurance

Premiums ceded totalled €472m (+49.7% on 2003). This variation was due not only to the consolidation of the former Winterthur companies for the entire year (whereas in 2003 only the fourth quarter had been consolidated) but also to Aurora Assicurazioni's reinsurance policy which during 2004 was characterized by a higher level of cover.
The retention rate as at 31 December 2004 was 95.1%.

The reinsurance structure of each company in the Group in 2004 depended on the composition of the portfolio.
The joint guidelines remained substantially the same and provided, in the case of Non-Life business, for:

- proportional types of cover for most of the classes that were subject to reinsurance cessions;
- exclusively non-proportional types of cover for Motor and Marine TPL, General TPL and Hail.
- In addition to the proportional types of cover mentioned above, non-proportional types of cover intended to reduce the net exposure of the various companies to the risks retained were taken out in Fire, Accident, Land vehicles – Own damage or loss and Goods in transit classes.

Proportional and non-proportional types of facultative cover were also taken out to cover specific risks.

In Life business surplus proportional types of reinsurance cover continued to operate for sums assured that exceeded the retention layers of the individual undertakings.
Aurora Assicurazioni entered into a quota-share treaty for risk premiums on unit-linked policies and an excess-of-loss treaty for catastrophic events.

Operating Expenses and Combined Ratio

Operating expenses for Life and Non-Life business as at 31 December 2004 (acquisition and renewal commissions and other acquisition and administrative expenses), net of commissions received from reinsurers, amounted to a total of

€945.2m (€695.4m as at 31/12/2003).
The relative incidence of these on net premium income for the period came to 10.3% compared with 9.7% as at 31 December 2003.

In Non-Life business operating expenses incurred during the year totalled €753.9m. The relative incidence on net premium income was 21.7% (20.8% in 2003).
In Life business operating expenses came to a total of €191.3m. The relative incidence on net premium income was 3.4% (3.5% in 2003).

Staff
As at 31 December 2004 the insurance companies in the Group had 4,481 employees (22 fewer than as at 31/12/2003). In addition there were 85 employees on fixed-term contracts, bringing the total number of employees to 4,566.
The fall in numbers at Aurora contrasted with the increase in numbers at Unipol, especially those employed at Group level, and with the increase in the number employed by the specialist companies (Linear and Unisalute) where levels of business were increasing.
613 people were employed in the Group's call-centres as at 31 December 2004, 55 of them on fixed-term contracts.

Taking into account the 1,433 employees of the Unipol Banca Banking Group, the total number of employees in the Group was 5,999 (5,794 in 2003).

As regards training, the gradual process of merging the Group claims-handling and IT functions continued, as did the constant work of training and providing continuing professional development for the sales networks and the call-centre and office staff.

IT systems
As already mentioned the most significant operation was concentrating all the Group's IT functions in Bologna.

As a result of the merger between Meieaurora and Winterthur Assicurazioni, and the subsequent incorporation into Aurora of Winterthur Vita too, all the software, data and hardware were transferred from the base in Milan to the Parent Company's IT system, resulting in economies of scale and skill-sharing. In this way the Parent Company now operates a single technical, accounting and administrative system (through its data processing centre in Bologna) both for Unipol and for Aurora. The applications and systems of the former Winterthur Italia Group, which were integrated with those of Aurora at the time of the merger, have therefore contributed skills, experience and increased operational capacity to the Parent Company's IT Joint General Directorate.
At Group level the data transfer networks have been enlarged and new technology has been introduced. The use of a TCP/IP MPLS transfer protocol adds value by guaranteeing higher speeds, better security and improved services. This project is expected to be completed during 2005.

As already mentioned in relation to Aurora Assicurazioni, the completion of the project to integrate and rationalize the companies in the former Winterthur Italia Group provided the first cost savings and these enabled the incidence of costs to be kept almost constant despite extraordinary charges relating to the merger of approximately €19m, which were mainly due to the cost of making incentive payments to the network of agencies for migrating to the new underwriting system, to logistics costs (moving to the new office) and to the cost of the publicity campaign for advertising the new brand.

As at 31 December 2004 the **combined ratio** (the incidence of claims and net administrative costs on net premium income) was 93.5%, an improvement compared with 93.8% as at 31 December 2003. The combined ratio of direct business alone was 93.2% (93.2% as at 31/12/2003).

Litigation

Compulsory cessions

As far as the dispute with CONSAP is concerned, the items relating to the former Meieaurora and former Winterthur Vita companies were settled and closed successfully during 2004.
As a result of the settlement approximately €115.3m was received, the financial effect of which was positive to the tune of €9.6m.

Refund of Motor TPL premiums

During 2004 the total cost arising out of appeals submitted by policyholders as a result of the fine imposed in 2000 by the Antitrust Authority was approximately €2.1m.
It should be pointed out that decision 2207 issued on 4 February 2005 by the full bench of the *Corte di Cassazione* (Court of Cassation), which had heard an appeal by Unipol Assicurazioni, established that jurisdiction to rule in such cases lay with the *Corte d'Appello* (Court of Appeal) and not with the *Giudici di Pace* (Justices of the Peace).

Complaints Register (ISVAP Circular 518/D-2003)

In this Circular ISVAP requested companies to set up a Complaints Register and laid down the procedures to be followed for dealing with any disputes that might arise.
The Companies in the Group accepted the contents and arranged to implement the new procedure.
On 31 March 2004 each company set up an electronic register to catalogue complaints received and requests for information regarding them made by ISVAP.

The Group Internal Auditing Division is responsible for keeping the Register for Unipol Assicurazioni and for the companies for which it carries out internal auditing (Linear, Unisalute, Quadrifoglio Vita and Navale Assicurazioni) and is responsible for passing relevant information to the corporate bodies (as laid down by ISVAP). It is also the designated contact in the event of problems with ISVAP relating to how complaints are dealt with.
In the case of Aurora Assicurazioni and BNL Vita the responsibilities and tasks laid down in ISVAP Circular 518/D were entrusted to the various people in charge of internal auditing.

During the period April – December 2004 the Group received 5,107 complaints, 4,781 of which related to Non-Life business and 326 to Life business. Approximately 76.9% of the complaints relating to Non-Life business were for Motor TPL. 4,021 replies had been sent and 1,086 complaints were under investigation. The average number of days the Group took to reply was 24.1. Quadrifoglio Vita replied in an average of 11.8 days (with no complaints under investigation as at 31/12) whilst Aurora's average response time was 26.9 days (with 910 complaints under investigation). The Parent Company Unipol replied in 26.1 days on average (110 complaints under investigation).
Replies must be sent within 45 days of the complaint being received.
1,611 complaints were accepted, 2,012 were rejected and 398 were settled. 93 complaints were referred to the courts.

PROPERTY AND FINANCIAL MANAGEMENT

Investments and Liquid Assets

As at 31 December 2004 the level of the Group's investments and liquid assets had reached a total of €29,402.2m, an increase of €3,017m compared with the position as at 31 December 2003 (+11.4%).

In particular, investments can be broken down into Group investments and investments for the benefit of policyholders (Class D) as follows (in €m):

	31/12/2004	Comp. %	31/12/2003	Comp. %	% Var. 2004/2003
Group investments and liquid assets	23,416.2	79.6	20,823.5	78.9	+12.5
Investments for the benefit of policyholders	5,986.0	20.4	5,561.7	21.1	+7.6
TOTAL INVESTMENTS	**29,402.2**	**100.0**	**26,385.2**	**100.0**	**+11.4**

Group investments broken down according to type and variations over the previous year are set out in the following table:

INVESTMENTS AND LIQUID ASSETS
(€K)

	2004 Fin. Year	comp. %	2003 Fin. Year	comp. %	Var.% 2004/2003
Land and buildings	**894,726**	**3.8**	**647,586**	**3.1**	***38.2***
Investments in Group undertakings and other participating interests					
- Stocks and shares	1,395,893	6.0	1,372,986	6.6	*1.7*
- Debt securities	57,007	0.2	49,383	0.2	*15.4*
- Corporate financing	1,000	0.0	0	0.0	*0.0*
Total	**1,453,900**	**6.2**	**1,422,369**	**6.8**	***2.2***
Financial investments					
- Stocks and shares	729,645	3.1	469,796	2.3	*55.3*
- Units and shares in investment funds	133,250	0.6	115,122	0.6	*15.7*
- Bonds and other fixed-rate or variable-rate securities	17,690,210	75.5	16,787,292	80.6	*5.4*
- Financing	84,041	0.4	86,832	0.4	*-3.2*
- Deposits with credit institutions (1)	10,746	0.0	0	0.0	*0.0*
- Sundry financial investments (2)	1,306,474	5.6	590,382	2.8	*121.3*
- Cash and cash equivalents	1,088,080	4.6	677,992	3.3	*60.5*
- Deposits with ceding undertakings	25,119	0.1	26,110	0.1	*-3.8*
Total	**21,067,565**	**90.0**	**18,753,526**	**90.1**	***12.3***
TOTAL INVESTMENTS AND LIQUID ASSETS	**23,416,191**	**100.0**	**20,823,481**	**100.0**	***12.5***
Investments for the benefit of Life assurance policyholders who bear the risk thereof and arising out of pension fund management					
- Unit-linked and index-linked products	5,867,202	98.0	5,493,638	98.8	*6.8*
- Pension funds	118,814	2.0	68,033	1.2	*74.6*
Total	**5,986,016**	**100.0**	**5,561,672**	**100.0**	***7.6***

(1) Time deposits subject to access restrictions over 15 days.

(2) Almost all of them are repo securities and the rest are premiums for transactions on derivates.

Land and buildings

At the end of the year investments in land and buildings amounted to €894.7m, a net increase compared with 2003 of €247.1m (+38.2%).

During the year the Group's property assets were renovated and upgraded as part of a project the main aims of which were both the acquisition of property to be used by Group undertakings and the divestment of property that was no longer essential to the Group's organizational and operational requirements and of small pockets of property assets (mainly residential) scattered throughout the country. The effects of these operations on the balance sheet and the profit and loss account were only partially apparent in 2004 since although promises to sell were signed in December 2004 most of the divestments were not carried out until March 2005.

In particular, during the year €298m was paid for property to be used by the companies in the Unipol Group, including the property at San Donato Milanese (E-Tower), which became the registered office of Aurora Assicurazioni, the building in Piazza Costituzione, Bologna, which will be the registered office of Unipol Banca and of other companies in the Group, the building in Via del Pilastro, Bologna, which became Linear's registered office, and the building in Piazza Esquilino, Rome, which will become the Rome office of the companies in the Group.
At the same time divestments of property totalling €410m were made, the financial repercussions of which were only partially felt in 2004.

Investments in Group undertakings and other participating interests

At the end of the year resources invested in stocks and shares in Group undertakings and other participating interests came to a total of €1,395.9m, a net increase of €22.9m (+1.7%) over 31 December 2003, mainly as a result of:

- an increase in Unipol Banca's capital of €133.6m;
- the transfer of a holding in financial investments of €92.1m.

As at 31 December 2004 there were also bonds issued by participating interests of €57m on the books (€49.4m at the end of 2003).

Financial investments

Against a background of uncertainty about the trend in bond markets, with initial expectations of a rise in rates, which took place during the period June – August but did not continue in the second half of the year, investment policies were characterized by a substantial preference for low-risk cash investments. The need to improve yields in the bond portfolio was pursued by operating in options with no speculative content and in trading operations which enabled the volatility in interest rates recorded during the period to be translated into a financial benefit. Operations in share markets continued at low levels though they were higher than in the previous year, which initially was a reversal of the negative trends recorded in 2001 and 2002. Investments in trading shares concentrated on high-yield high-liquidity shares, with the risks underwritten being constantly monitored and partially hedged. Overall the results obtained were positive and contributed significantly to the total increase in income.
As at 31 December 2004 financial investments, including liquid assets and deposits with ceding undertakings, amounted to €21,067.6m, an increase of €2,314.1m compared with the previous year (+12.3%).
Debt securities constituted 84% of the financial investments, stocks and shares 3.4% and sundry financial investments (consisting mainly of repo contracts), together with liquid assets, accounted for 11.4%.
As regards the risk arising out of the choice of issuer, the Group mainly operated in bonds issued by sovereign states, supranational bodies (EIB, World Bank) and banks, all with a minimum rating of AA- with the exception of 'Istituti Bancari Italiani' for which a lower rating was accepted. Trading was also carried out in Tier I banking bonds with a minimum rating of A.

In the case of bond investments expressed in non-Euro currencies the exchange rate risk was generally hedged.

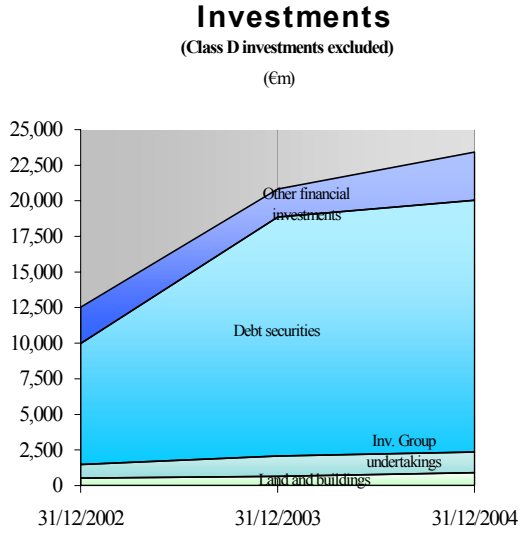
In compliance with CONSOB provisions, it should be mentioned that there were no Group investments in geographical areas recently affected by economic crises.

Investments for the benefit of policyholders who bear the risk thereof and those arising out of pension fund management (Class D)

Investments matching Life assurance and capital redemption policies with unit-linked or index-linked benefits are shown separately.
These investments were always valued at their current price, in strict correlation with the valuation of the matching liabilities (technical provisions).
At the end of 2004 they amounted to €5,867.2m (+6.8%), divided up as follows (in €m):

- index-linked policies
  €3,689.1
- unit-linked policies
  €2,178.1

Investments arising out of pension fund management were for subscriptions to units in the open-end funds promoted by the Parent Company and by Aurora and for closed guaranteed funds managed by Unipol.
As at 31 December 2004 the amount of these investments was €118.8m (+74.6%).



Capital Gains and Investment Income

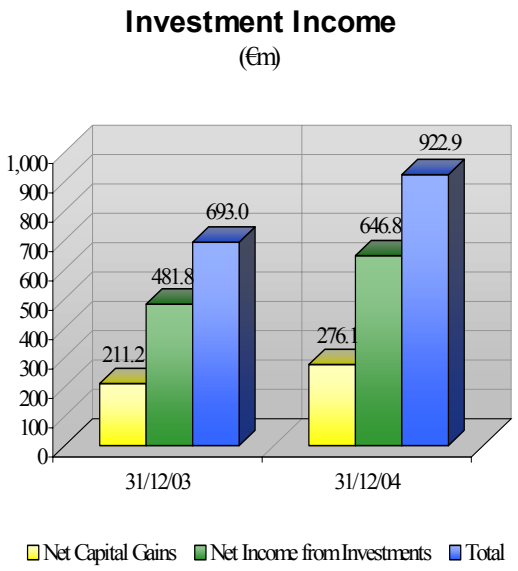
As at 31 December 2004 investment income, including cash investments, net of investment charges, amounted to €922.9m (€693m in 2003), an increase of 33.2%.
Net capital gains achieved on sales of land and buildings and arising out of trading in stocks and shares, fixed-yield securities and other financial investments totalled €276.1m (€211.2m at the end of the previous year).

The average net return on these investments was 4.2% (4.8% in 2003).

Value adjustments, net of value readjustments, amounted to €71.1m (€101.8m as at 31/12/2003). If these capital losses had been realized some of them would have fallen to policyholders, since they also related to assets belonging to Life segregated accounts.

Overall, net ordinary and extraordinary income, including net value adjustments on investments, amounted to €851.9m (€591.2m in 2003).

Income and charges relating to benefits linked to investment funds and market indices and pension funds (Class D) recorded a positive net result of €305.4m (€314.3m as at 31/12/2003).
This result was offset by a concomitant variation in the technical provisions and therefore had no effect on the profit for the financial year.



INVESTMENT INCOME (€K)	Financial yr 2004	comp. %	Financial yr 2003	comp. %	Var. %
INVESTMENT INCOME					
Stocks and shares	65,092	6.2	49,459	6.3	*31.6*
Land and buildings	23,099	2.2	18,515	2.4	*24.8*
Other investments	648,390	62.2	481,656	61.2	*34.6*
Bank and postal deposits	30,202	2.9	26,313	3.3	*14.8*
Total (a)	**766,783**	**73.5**	**575,943**	**73.2**	***33.1***
Capital gains (losses) (b)	276,085	26.5	211,205	26.8	*30.7*
Total (a+b)	**1,042,868**	**100.0**	**787,148**	**100.0**	***32.5***
Investment charges					
Investment management charges and interest payable	78,841		63,788		*23.6*
Interest on subordinated loans	41,095		30,367		*35.3*
Total (c)	**119,936**		**94,155**		***27.4***
Total (a+b-c)	**922,932**		**692,993**		***33.2***
Net value adjustments (d)	-71,064		-101,772		*-30.2*
GRAND TOTAL (a+b-c+d)	**851,868**		**591,221**		***44.1***
Net income from investments for the benefit of policyholders who bear the risk thereof:					
Unit-linked and index-linked products	301,953		312,125		*-3.3*
Pension funds	3,474		2,146		*61.9*
Total	**305,427**		**314,271**		***-2.8***

SHAREHOLDERS' EQUITY

Shareholders' equity

At the end of 2004 the Group's shareholders' equity amounted to €2,602.9m compared with €2,493.8m as at 31 December 2003, an increase of €109.1m.
The proportion of shareholders' equity belonging to minority interests amounted to €298.5m (€229.9m at the end of 2003).

As at 31 December 2004 the Parent Company Unipol Assicurazioni held no own shares. As at the same date the other subsidiaries in the Group held no shares in the holding company.

CONSOLIDATED PROFIT AND GROUP NET PROFIT AS AT 31 DECEMBER 2004

Group net profit amounted to €211.3m and was made up as follows:

GROUP NET PROFIT AS AT 31 DECEMBER 2004
(€m)

	31/12/2004	31/12/2003	Var. %
Net profit of the Parent Company, Unipol Assicurazioni	175.6	134.1	30.9%
Net profits of consolidated undertakings	260.1	82.4	215.7%
Total profits (Parent Company and consolidated undertakings)	**435.7**	**216.5**	**101.3%**
Consolidation adjustments:			
(-) dividends within the Group	(80.9)	(44.6)	81.5%
Amortisation of consolidation differences	(48.0)	(37.0)	29.7%
Other adjustments (1)	(33.9)	42.5	
Totale consolidation adjustments	**(162.8)**	**(39.1)**	**316.3%**
Consolidated profit	**272.9**	**177.4**	**53.8%**
Minority interests	(61.6)	(29.9)	105.7%
Net profit - Unipol Group	**211.3**	**147.5**	**43.3%**

(1) This item includes an adjustment for fiscal clean-up (€14m) and the share of profits pertaining to minority interests from undertakings consolidated by the equity method (€ 7.5m).

Parent Company and Major Subsidiaries – Business Summary

Insurance sector

Composite Companies

Compagnia Assicuratrice Unipol spa

Share capital: €916.5m

Parent Company

Unipol Assicurazioni closed 2004 with a net profit of €175.6m compared with €134.1m at the end of the previous year (+30.9%).

The rate of growth of direct premium income was 8% (5.4% from Non-Life business and 11.1% from Life business). By the end of the 2004 premium income had reached €2,648.7m, €2,590.5m of which related to direct business.

The balance on the technical account (see note [1]), which included operating expenses and income from the relevant investments, was positive to the tune of €127.1m (€125m in 2003), €15.8m of which was from Life business and €111.3m from Non-Life business.

The incidence of operating expenses on premium income fell to 13.7% from 14.1% in 2003. These expenses, which included acquisition and renewal commissions and other acquisition and administrative expenses, came to a total of €362.7m (+4.9%). Net of commissions paid by reinsurers the total was €326.3m (+6.1%).

Investments and liquid assets, net of value adjustments, rose to €9,885.4m, €692.4m of which related to investments in Class D (€597.2m at the end of 2003), an increase of €1,019.4m (+11.5%) compared with the situation as at 31 December 2003.

Net ordinary and extraordinary income from investments, including cash investments (excluding investments for the benefit of policyholders who bear the risk thereof and investments arising from pension fund management – Class D), less value adjustments, amounted to €273.2m, +0.5% compared with the previous year. (See note [1]).

By the end of 2004 technical provisions set aside for Life and Non-Life business had reached a total of €7,077.2m (+16.2% over the previous year), €6,971.2m (+16.5%) net of the reinsurers' share.

As at 31 December 2004 the Company had 1,491 employees, 19 of whom were salespersons, a net increase of 51 compared with the position as at 31 December 2003.

After confirmation of the rating (A2) and of the outlook (stable) had been received in June from Moody's, on 23 December 2004 the rating agency Standard & Poor's confirmed Unipol Assicurazioni spa's 'A-' rating on its long-term counterparty credit and on the financial soundness of the insurance side of the business, confirming the valuation already expressed in the previous year. The outlook for Unipol remained stable. Both agencies also confirmed the valuation relating to the subordinated debt securities issued by the Company (€600m, €300m of which will mature in 2021 and €300m in 2023).

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[1] The tax reform introduced as from 1 January 2004 by Legislative Decree 344/2003, in particular the fact that it limited tax on dividends to 1.65% (33% of 5%) of the amount in question and abolished the tax credit on them, made it impossible to compare the amounts of all the results and balances with those of 2003. **As at 31 December 2003 taxes on dividends, including tax credits, amounted to €32.9m (34%) and the tax credit as at the same date was €34.6m**

Aurora Assicurazioni spa – Milan
Share capital: €248.3m
Shareholding: 86.64%

Aurora Assicurazioni, which became operational in April 2004, arose out of the integration of Meieaurora and the companies in the former Winterthur Italia Group. In fact the delicate process of merging the companies was completed in 2004. This involved rationalizing the new company's legal structure, migrating Winterthur's IT systems to those of the Parent Company Unipol Assicurazioni, drawing up the new tariff structure and creating a joint product list.
Structures, functions, roles, staffing, responsibilities and operating procedures were reviewed in order to ensure that the company continued to operate successfully and to make best use of the synergies with the Unipol Group.
In 2004 the company had premium income from direct business and inward reinsurance of €3,277.2m, an increase of 3.4% over the previous year (€3,170.1m). Non-Life business was substantially the same as in the previous year whilst Life business recorded a total increase of 10.7%, a major determining factor of this result being the contribution made by the banking channel (€233m).
The loss ratio of 72.1% was an improvement compared with the previous year (72.3%).
Operating expenses totalled €560.8m (€547m in 2003) and had an incidence on direct premium income of 17.1% (17.3% in 2003).
At the end of the year the company had 2,254 employees (2,370 at the end of 2003).
In Non-Life business good technical performance brought the combined ratio down to 92.4% (93.1% in 2003).
The overall technical result was positive to the tune of €220.9m (€223.6m in 2003). In particular the result of the Non-Life technical account was positive to the tune of €204.2m (€199.8m in 2003) and that of the Life technical account amounted to €16.7m (€23.8m in 2003).
The level of investments and liquid assets at the end of the year amounted to €9,790m (€8,864m at the end of 2003), an increase of 10.4%.
Capital gains and investment income, net of charges, amounted to €311.4m (€354.1m in 2003). As regards other income and charges, the interest receivable on bank deposits amounted to €9.1m (€5.3m in 2003).
The company's extraordinary income from capital gains on the sale of land and buildings and on the disposal of long-term investments in securities amounted to €36.4m compared with €14.5m in 2003.
The year closed with a net profit of €145.3m (€130m in 2003), an increase of 11.8% over the previous year.

Specialist Companies

Compagnia Assicuratrice Linear spa – Bologna
Share capital: €19.3m
Shareholding: 80%

Linear distributes Motor insurance products by telephone and via the Internet.
In 2004 Linear had premium income of €153.4m, an increase of 17.8% over the previous year. Part of this growth was due to the significant contribution made by Internet sales, which brought in premium income of more than €58m, 38% of total premium income (37% in 2003).

In this context Linear continued to pursue its strategy for growth, being careful to maintain good technical results and to keep operating costs down whilst at the same time providing a high-quality service.
The loss ratio was the same as in the previous two years, with a ratio of claims to earned

premiums of 77.8%.
The incidence of operating expenses on direct premium income was 13.2%, down compared with 2003 (13.4%) despite the work carried out during 2004 to reinforce the company: at the end of the year the company had 302 employees, 201 of whom were call-centre operators (265 in 2003, 180 of whom were operators).
The balance on the technical account rose from €15m to €17.4m (+16.2%).
Investments and liquid assets amounted to €206m (€184m in 2003) and net investment income, both ordinary and extraordinary, amounted to €6.9m, an increase of 13.4% (€6.1m in 2003), with an average yield of 3.4%.
The 2004 financial year closed with a net profit of €10.6m (€10.3m in 2003), but this was affected by extraordinary charges of €2.5m linked to the transfer of the company's registered office in September.

UNISALUTE

Unisalute spa – Bologna
Share capital: €17.5m
Shareholding: 92.44%

Unisalute is a specialist company operating in Health and Assistance, and, insofar as the risks are linked, in Accident and Pecuniary Losses.
Premiums written during 2004 came to a total of €75.1m (+15.9% compared with the premium income for 2003), €74.4m of which was from direct business (+15.5%). Despite the unfavourable economic background the company's position in Health business (which accounted for 92.2% of its premium income) was further strengthened and its market share is expected to have risen to about 4.3% (4% at the end of 2003).
The number of Health policies, most of which were group policies, reached 600,000, whilst in Assistance the number of policyholders, albeit paying low premiums, was even higher (750,000) because of policies covering large groups of people, for instance the elderly inhabitants of some 60 towns.
During the year the trend in the incidence of the cost of claims on earned premiums was up whilst the incidence of operating expenses was slightly lower. The combined ratio was 95.2% compared with 87.1% in 2003.
During the year the number of Unisalute employees rose from 214 to 256 (15 of whom were on fixed-term contracts), 164 of whom worked in the Health and Assistance call-centres.
As at 31 December 2004 investments and liquid assets totalled €48.8m (€44.9m as at 31/12/2003) and net ordinary and extraordinary investment income for the year rose to €2.4m (€1.7m in 2003).
The 2004 accounts closed with a net profit of €2.5m (€3.7m at the end of the previous year).

NAVALE ASSICURAZIONI SpA

Navale Assicurazioni spa – Ferrara
Share capital: €26.25m
Shareholding: 99.31%

2004 was a turning point for Navale Assicurazioni: the portfolio reviews carried out over the previous few years resulted in a drop in sales that was particularly significant in the sectors most at risk and it was also affected by the start of the project for the strategic and operational relaunch of the company within the Unipol Group.
In fact the company's underwriting policy was once again geared towards reforming the existing portfolio and to reducing the risk profile of the policies underwritten.
Direct premium income amounted to €97.5m, a drop of 22.7% over 2003.
The overall loss ratio rose to 102.3%, an increase compared with 2003 (83.9%) mainly because of the substantial increase in provisions for claims reported in previous years, especially in Third-Party Liability, and it was also affected by a major Fire claim from previous years' coinsurance business.

Operating expenses of €20.9m (€25.2m in 2003) accounted for 21.4% of premium income compared with 20% in 2003. At the end of 2004 the company had 99 employees (102 at the end of 2003).
Investments and liquid assets amounted to €197.6m, an increase of 36% compared with 2003 thanks to the amounts paid in during 2004 in order to strengthen the company's capital and reserves.
Investments generated net ordinary income of €3.6m (€7.9m in 2003) whilst the result of extraordinary business rose to €9.3m, generated by the capital gain from the sale of almost all the property assets and from writing off the depreciation on land and buildings applied in previous years exclusively for tax purposes, which amounted to €2.1m.
Therefore the accounts closed with a loss of €9.5m.
During 2004 work continued on drawing up the business plan for the strategic repositioning of the company within the Unipol Group in order to relaunch it and thus enable it to obtain technical positive results and to become profitable by radically altering its role, its market position, its product range, its IT system and its organizational structure. Against this background, an agreement for the acquisition of MMI Assicurazioni spa, MMI Danni spa and MMI Vita spa was entered into on 11 November 2004.

Bancassurance Companies

Quadrifoglio Vita spa – Bologna
Share capital: €29.5m
Shareholding: 50% (jointly controlled by the Banca Agricola Mantovana)

Quadrifoglio Vita distributes its products through the 289 branches of the Banca Agricola Mantovana.
In 2004 it recorded premium income of €813.2m (€886.9m in 2003) whilst new business, from 18,426 policies underwritten (17,206 in 2003), amounted to €802.5m (€876m in 2003).
As during the previous year, against a background in which the market continued to be characterized by clients' requests for security, premium income came mainly from the products that placed emphasis on protecting the capital sum assured and consolidating the returns achieved. These guidelines were reflected in the composition of the premium income from new business, 72.9% of which was accounted for by traditional products, 20% by index-linked policies and the remaining 7.1% by unit-linked policies.
Total operating costs amounted to €16.6m (€20.1m in 2003) and had an incidence on premium income of 2% (2.3% in 2003).
At the end of 2004 the company had 19 employees.
Investments and liquid assets, including investments the risk of which is borne by the policyholders, rose from €2,491.6m in 2003 to €3,197.1m as at 31 December 2004 (+28.3%).
Ordinary and extraordinary investment income, net of charges and excluding income and charges in Class III, amounted to €93.4m (+72.7%). Net of value adjustments it amounted to €93.1m (€53.9m in 2003).
The profits for the financial year amounted to €13.4m compared with €7.3m for the previous year (+84%).
On 6 September 2004, in order to provide the company with the resources required to cover its solvency margin, the Board of Directors resolved to increase the capital by €16.1m, including the price above par, and to issue subordinated callable notes amounting to €8m, both of which were fully subscribed.

BNL Vita spa – Milan
Share Capital: €110m
Shareholding: 50% (jointly controlled by BNL)

BNL Vita places its products through BNL's 700 or so sales outlets.
On 26 October 2004 the contract to sell the

business branch relating to the portfolio placed by the financial advisers of the former BNL Investimenti was signed with RB Vita spa.
The sale gave rise to a gross capital gain of €38.4m.
Premium income for 2004 amounted to €2,578.3m, an increase of 24.1% compared with 2003. Premium income from new business was €2,442m, an increase of 26.8%. Approximately 48% of business in 2004 was accounted for by traditional products and 52% by financial products, the mix of which showed a distinct prevalence of index-linked policies.
Operating expenses amounted to €85.4m and had an incidence on premium income of 3.3% compared with 3.8% in the previous financial year. The number of employees at the end of the year was 85 (the same as on 31/12/2003).
Investments and liquid assets, including those the risk of which is borne by the policyholders, rose from €7,717.4m in 2003 to €7,997.8m in 2004, an increase of 3.6%. The variation was affected by the sale of the part of the business that involved transferring investments and liquid assets of €926m to RB Vita.
Ordinary and extraordinary investment income, net of charges and excluding income and charges in Class III, rose to €186m, an increase of 20.8% compared with 2003.
Net value adjustments in the securities portfolio resulted in gains of €3.1m, compared with losses of €12.1m in the previous year.
Net profit for the year was €66.6m (€31.4m in 2003) and was significantly affected by the capital gain from the sale of a business branch.

Banking, Managed Savings and Merchant Banking

Unipol Banca spa – Bologna
Share capital: €511.6m
Unipol Assicurazioni: 82.86%
Aurora Assicurazioni: 10%

Operations carried out during 2004 continued to be aimed at reinforcing the sales network which, through the opening of 14 new branches and the acquisition from Banca Antonveneta of 22 branches, reached a total of 221 branches (185 at the end of 2003). The Bank's sales network also included 48 finance shops and 448 financial advisers.
At the end of 2004 Unipol Banca recorded customer deposits of approximately €4.3bn (+64.4% compared with the €2.6bn achieved at the end of 2003) and customer funds of approximately €15.9bn (€11.5bn in 2003), €1.7bn of which were assets under management compared with €1.2bn at the end of 2003. Growth in sales of Unipol Assicurazioni Life policies (€262m) continued to be positive. Lending to customers rose to €3.6bn (€2.6bn net of securitization schemes carried out, +34.1% over 2003). The increase was mainly in medium- to long-term mortgages, loans of more than €980m having being granted during the year. Net doubtful loans accounted for 0.9% of lending, well below the average for the market as a whole (around 2%).
In December 2004 the securitization scheme for 'performing' mortgage loans on residential property amounting to €978m came to an end and a new scheme for securitizing 'performing' mortgage loans on commercial property was launched with initial loans totalling approximately €570m being assigned.
As at 31 December 2004 Unipol Banca had 1,387 employees, an increase of 207 compared with the close of the 2003 financial year. Analysis of the principal items in the profit and loss account shows that the gross operating income increased by 28.3% to €193.5m, enabling EBITDA (calculated as earnings before interest, tax, depreciation and allocations) of €66m to be obtained.
The cost/income ratio fell to 64.4% from 72.5% recorded at the end of 2003.
The profit for the financial year, net of €15.3m of tax (€7.8m in 2003) and after depreciation and allocations of approximately €34m (€24m in 2003), was €18.1m, an increase of 19.9% on the previous year's result (€15.1m).

Unipol Merchant – Banca per le Imprese spa – Bologna
Share capital: €105.5m
Unipol Banca: 62.27%

The financial year 2004 was the first full year in which the Bank had operated in the sector of medium-term credit combined with traditional business in the field of Merchant Banking.
As at 31 December 2004 loans to customers amounted to €129.6m, €109.6m of which related to 27 corporate loans granted during the year. As at the same date surety bonds issued amounted to €9.6m.
The level of files processed as a proportion of corporate financing granted was approximately 31% owing to the Bank's strict underwriting policy, and the consequent high quality of the loans is proved by the fact that there are currently no items classified as doubtful loans.
The funding requirement as at 31 December 2004 of €65m was covered by the use of a line of credit granted by the Parent Company Unipol Banca.
Investments in shareholdings amounted to €13.3m and divestments to €14.8m, bringing in capital gains on sales of €4.7m.
The various consultancy services (Capital Markets, Mergers and Acquisitions and Corporate Finance Advisory) brought in income from fees of €3.8m from 43 mandates under management. We have already mentioned the most significant activities carried out during 2004.
In particular, the successful outcome of the financial advice provided to Hera for the acquisition from ENI of one of the largest waste-disposal plants in Italy and the success of the listing of IGD (Immobiliare Grande Distribuzione) on the Milan Stock-Exchange were well covered in the national press and provided yet more good publicity for Unipol Merchant.
During the year work continued on strengthening the organizational structure. As at 31 December 2004 the company had 44 employees (40 as at 31/12/2003).
On 30 March 2004 the final tranche was paid for the capital increase resolved by the Board of Directors on 5 November 2003 under the power granted by the Extraordinary Shareholders' Meeting of 30 October 2002.
The 2004 financial year closed with a net result of €4.4m, which was more than double the net result for 2003 (€2m).

Unipol Fondi Ltd – Ireland
Share capital: €125K
Unipol Banca: 100%

At the end of 2004 the subsidiary Unipol Fondi Ltd, a unit trust management company registered in Ireland, achieved total assets under management of €589m, an increase of 11.3% compared with the figure at the end of 2003. The net profit for 2004 amounted to €1,758K, well up on the figure of €834K for 2003.

Unipol Sgr – Bologna
Share capital: €5m
Unipol Banca: 100%

During the year, having obtained the prescribed authorization from both the Banca d'Italia and the Irish Supervisory Body, Unipol Banca acquired the entire share capital of Unipol SGR spa and relaunched it on 1 April 2004 by beginning to manage Unipol Fondi Ltd's ten portfolios on its behalf.
The 2004 financial year showed a net profit of approximately €53K.
During 2005 Unipol Sgr will be involved in managing closed investment funds, including property investment funds, currently at the planning stage.

***

Property companies
As at 31 December 2004 the two property companies (Midi and Unifimm) had building land and buildings worth a total of €82.8m on their books.

Relations among Group Undertakings

The Parent Company Unipol had normal dealings with the companies in the Group covering coordination and:

- reinsurance and coinsurance with the subsidiary and affiliated companies that operated in insurance;
- renting out property and businesses (tourist village);
- agency mandates;
- corporate financing;
- provision of asset management services;
- provision of property management services;
- provision of IT services;
- secondment of staff;
- provision of administrative and claims-handling services;
- current account management;
- internal auditing services (ISVAP Circular 366/D/1999).

These dealings, which included no atypical nor unusual operations, were governed by normal market terms with the exception of the secondment of staff and the provision of services, which were mainly invoiced on the basis of the costs actually incurred and determined in accordance with analytical accounting criteria.
These services enabled departments to be operated more rationally and the undertakings concerned to be provided with a better level of service.

Under Article 2497 et seq. of the Civil Code none of the Parent Company's shareholders carried out any of the work of managing and coordinating Unipol Assicurazioni spa.
It should be pointed out that Finsoe spa, which had a holding in Unipol Assicurazioni spa large enough to give it legal control in accordance with Article 2359 (1) of the Civil Code, did not carry out any of the work of managing and coordinating Unipol Assicurazioni spa, nor any of the technical nor financial work, since it was merely the holding company for Unipol Assicurazioni spa.

Transition to IAS/IFRS

Changes in legislation

During 2004 and 2005 work continued on updating legislation relating to the IAS/IFRS international accounting standards.

- The first International Financial Reporting Standard, IFRS 1, was adopted under Commission Regulation 707 of 6 April 2004 (published in the Official Journal of the European Union on 17/4/2004). It lays down accounting rules and procedures for drawing up accounts (company or consolidated) in accordance, for the first time, with the international accounting standards.
- On 19 November 2004 the European Commission approved Regulation 2086 (published in the Official Journal of the European Union on 9/12/2004), under which accounting standard IAS 39 relating to the classification and valuation of financial instruments was adopted.
- On 29 December 2004 Commission Regulations 2236, 2237 and 2238 were approved (and published in the Official Journal of the European Union on 31/12/2004). These came into effect on 1 January 2005 and incorporated the final international accounting standards issued by the IAS Board and all the amendments made to the standards already issued under Regulation 1725/2003.

It should also be pointed out that Phase I relating to the insurance sector was completed with the issuing of accounting standard IFRS 4 which provides, inter alia, for:

- insurance business to be reclassified as insurance contracts, financial contracts or, if relevant, service contracts. In particular, Life policies in which there is no significant insurance risk must no longer be classified as premium income but must be recorded as financial contracts and dealt with in accordance with the provisions contained in accounting standard IAS 39. This will involve a formal reduction in Life premium income in the consolidated accounts but no change in Non-Life premium income;

- equalization provisions and any other catastrophe provisions in Non-Life business to be eliminated;
- the Liability Adequacy Test to be applied to the provisions in order to ensure that the provisions for unearned premiums and the provisions for outstanding claims are sufficient.

In the case of products with a predominantly insurance content, the other items typical of insurance accounts will continue to be valued in accordance with the current accounting standards until the completion of Phase II, which will determine once and for all the accounting standards to be applied to the insurance sector.

- In addition, 4 February 2005 saw the issue of European Commission Regulation 211 (published in the Official Journal of the European Union on 11/2/2005), under which international accounting standard IFRS 2 governing payments based on shares was adopted.

Nationally, on 28 February 2005 Legislative Decree 38 was issued (O.G. 66 of 21/3/2005). It dealt with extending the IAS/IFRS international accounting standards to the individual and consolidated accounts of some categories of Italian undertaking, implemented the power referred to in Article 25 of EC Law 306/2003 and confirmed that the IAS do not apply to insurance companies' individual accounts unless they are listed and do not draw up consolidated accounts.

It will be remembered that the consolidated accounts of listed companies will have to be drawn up in accordance with the IAS/IFRS international accounting standards with effect from the 2005 annual accounts.

As regards drawing up quarterly and half-yearly reports, on 17 February 2005 CONSOB published a Guideline (international accounting standards, periodic statements, prospectuses, listings, definition of the concept of related parties) which provided that undertakings might choose whether to draw up their report for the first quarter of 2005 and their 2005 half-yearly report in accordance with the current accounting standards or by applying the new IAS/IFRS standards, but they must adopt the IAS for their report for the third quarter of 2005 and for subsequent reports.

The Guideline also provided for a statement reconciling the balance sheet and profit and loss account figures calculated in accordance with the IAS/IFRS accounting standards to be inserted into 2005 half-yearly reports if they are drawn up in accordance with the current accounting standards.

Transition to IAS/IFRS

On the date this report was drawn up the Unipol Group had undertaken the following:

- launched a project to lay down and implement the new international accounting standards by setting up a planning group, with the help of external consultants, the members of which are drawn from all business sectors. Particular attention was paid to valuing goodwill, to the new rules for classifying and valuing financial instruments, to Life business and to adapting IT systems and accounting procedures;
- put the finishing touches to the project to analyse, classify and evaluate Life assurance policies in accordance with the provisions of IFRS 4 and IAS 39 with the help of external consultants and with the participation of all the relevant companies in the Group;
- taken a proactive part in the working groups set up by ANIA to deal with the various aspects of the IAS/IFRS, which have started work on the final draft of the documents implementing the new accounting standards.

It should be pointed out that during the year the internal working groups dealing with the implementation of the new international accounting standards operated in an atmosphere of uncertainty because not all the standards had been defined (Commission regulations were not approved until the end of the year) and because various criteria for implementation were still shrouded in uncertainty.

The result is that the economic and financial impact of the new accounting standards on the Group's consolidated accounts, and their impact on capital and reserves, are still being studied and evaluated. More information on the effects of the initial application of the IAS/IFRS may be provided during 2005 when the quarterly and half-yearly reports are published and also as a result of further provisions and explanatory notes issued by the Supervisory Authority, in view of the special features of the insurance sector.

As far as the Group is concerned, the principal areas and items that will be subject to change when the IAS/IFRS are applied are summarized below:

Consolidated accounts

1. The jointly-controlled bancassurance Companies (Quadrifoglio Vita and BNL Vita) will no longer be consolidated on a line-by-line basis but will have to be included by proportionate consolidation (50%).
2. The subsidiary companies carrying out activities other than insurance, currently valued using the net equity method, will be consolidated on a line-by-line basis (Unipol Banca Group).
3. The goodwill paid when majority shareholdings and bank branches are acquired no longer have to be amortised, but each year the 'level' of the purchase value will be assessed (impairment test). This is an important consequence for the Unipol Group in view of the level of 'Differences arising from consolidation'.

Insurance business

1. In the Life technical account, in addition to premium income of the jointly-controlled bancassurance companies being consolidated proportionately, policies in which there is no significant insurance risk but only a financial risk will no longer be recorded as premium income but will have to be recorded as financial contracts in accordance with IAS 39. This will lead to a reduction in Life premium income, since many index- and unit-linked policies and some traditional products (with returns linked to specific assets and with no death rate risk) will have to be classified as financial contracts.
2. Both Non-Life and Life provisions will have to be subjected to a Liability Adequacy Test in order to assess whether they are sufficient or to determine the amounts required to top them up. It is expected that during Phase I of the application of the IAS to Non-Life provisions the current level of the technical provisions will meet the minimum requirements of IFRS 4 whereas specific assessment procedures are being carried out in the case of Life provisions.
3. It will no longer be possible to allocate provisions in Non-Life business for equalizing catastrophic events (equalization provisions and other supplementary provisions).

Financial business/shareholdings

The current categories of long-term and short-term investments will be replaced by four new categories of financial instrument, each of which is associated with a specific criterion for assessing and recording any capital losses or capital gains:

› financial assets and liabilities assessed at their market value with the capital gains/capital losses recorded in the profit and loss account (fair value through profit and loss*);*
› investments held to maturity, maintained at their historical cost less depreciation;
› loans and receivables, valued at cost less depreciation;
› financial assets available for sale, assessed at their market value (fair value) with capital gains/capital losses recorded as shareholders' equity.

Strategic shareholdings lower than 20% will no longer be classified as long-term investments and maintained at cost but will be assessed at their market value (fair value).

Banking

The changes that will have the greatest financial

impact on Unipol Banca will relate to:

1. income from securitization, that may no longer be allocated to the profit and loss account entirely within the year in which it is received but will have to be distributed throughout the whole period of the securitization operation. In addition, these operations will involve the consolidation of the vehicle companies;
2. the goodwill paid for the acquisition of the bank branches, that will no longer be amortised over a set period but will be assessed each year in order to ensure that the value is maintained (impairment test);
3. receivables, for which estimating the probability of future default of *in bonis* loans will become compulsory.

Significant Events after the End of the Financial Year

On 15 February 2005, in order to provide the subsidiary Navale Assicurazioni spa with the resources needed to acquire the companies in the MMI Italia Group, Unipol Assicurazioni subscribed to the capital increase approved on 30 November 2004 of a total of €70m (from €26.25m to €96.25m).
The total amount paid by Unipol was €69.5m, €20m of which had already been paid in December 2004 into a future capital increase account.

On 16 February 2005, having obtained the prescribed legal authorizations, Navale Assicurazioni finalized the acquisition of MMI Danni spa, MMI Assicurazioni spa and MMI Vita spa from the French group Mutuelles du Mans Assurances.

It should also be mentioned that on 18 February 2005, having obtained the prescribed legal authorization, Navale Assicurazioni acquired 9.99% of MMI Danni spa and 7.99% of MMI Assicurazioni spa from the associated company Unipol Merchant for a total countervalue of €5.5m.

During the first few months of 2005, as part of the project to restructure and rationalize the Group's property assets launched during 2004 when promises to sell were signed, property with a total value of €157m was sold, providing capital gains of more than €40m.

As the reasons that led the Unipol Group to buy into the share capital of Finec Holding spa, which related to core business and synergy, no longer exist, today it has sold its entire holding in the associated company Finec Holding spa (29.35%) to the cooperatives that are already members of the company, for a total of €58m.

As from May 2005 Unipol Assicurazioni and Aurora Assicurazioni will be marketing two Motor TPL products that are not only new but the only ones of their kind, both able to combine significant savings on Motor TPL and Fire/Theft tariffs with greater security for drivers, and including assistance.

- The first (known as Unibox at Unipol and Aurobox at Aurora) will make use of satellite technology to enable the effects of accidents to be better monitored, fraud to be tackled more effectively, rapid and timely assistance to be provided to clients in difficulty following road accidents and new personalized tariffs to be developed. Clients who agree to have the system fitted to their vehicles will immediately benefit from a discount on their premiums.
- As the result of an agreement between the company and Unipol Banca, the second new product, *Franchigia Fruttuosa* (interest-bearing deductible), will enable clients to obtain a discount on the Motor TPL tariff and at the same time to benefit from the interest accrued on the deductible deposited in advance, as a bond, to cover part of the cost of any accidents caused. None of this should involve any expense.

These two new products will enable Unipol and Aurora to expand the range of tariffs they offer to their existing clients and to the public.

In the first few months of 2005 Unipol Banca opened 12 more bank branches, 10 of which are combined with insurance agencies. The total number of operational branches currently stands at 233, 121 of which are combined.

Finally it should be mentioned that since 21 March 2005 Unipol ordinary shares have once again been included in Midex, the index calculated by the Italian Stock Exchange that covers listed companies that have an average market value.

Business Outlook

According to initial estimates, during the first two months of 2005 Group insurance business recorded only a slight increase in Non-Life premium income compared with the first two months of 2004, influenced by the further slowdown in the performance of Motor TPL tariffs, whilst Life premium income recorded a more substantial increase.
The trend in the loss ratio continued to be positive, in particular because of the slight decrease in the Motor TPL claims frequency.
The trend in operating costs was normal. As already mentioned it is expected that the effects of the synergies arising out of incorporating Aurora's structures, IT systems and logistics will lead to significant savings in the current financial year.
The trend in property and financial management has been positive.

As regards banking business, Unipol Banca is continuing to expand its client base, which is increasingly focussed on the Group's insurance clients. To this end specific campaigns are being planned to advertise both the products and the brand.
In April the securitization scheme for loans on residential property will come to an end with the placement of two classes of security totalling more than €600m with international investors.

Unipol Merchant – Banca per le Imprese has continued to reinforce the sales structures that support not only the activities promoted by the Bank direct but also the activities carried out by Unipol Banca's network of branches. This reinforcement work involves the major objectives of increasing lending whilst continuing to adopt very selective policies when granting loans.

Overall, business performance in the first few months of 2005 has been good and in line with the objectives for the end of the year which, on the basis of the current accounting standards, should lead to further growth in both turnover and Group results.

Bologna, 24 March 2005

The Board of Directors

2004 Consolidated Accounts

Annex IV

Company **COMPAGNIA ASSICURATRICE UNIPOL S.p.A.**

CONSOLIDATED ACCOUNTS

Balance Sheet

2004 Financial Year

(Amounts in €K)

CONSOLIDATED BALANCE SHEET

ASSETS

as at 31 December 2004

A. SUBSCRIBED SHARE CAPITAL UNPAID						1 0
of which called-up capital			2 0			
B. INTANGIBLE ASSETS						
1. Deferred acquisition commissions			3 71,398			
2. Other acquisition costs			4 0			
3. Goodwill			5 44,865			
4. Other intangible assets			6 29,933			
5. Differences arising from consolidation			7 1,007,483			8 1,153,679
C. INVESTMENTS						
I - Land and buildings					9 894,726	
II - Investments in Group undertakings and participating interests:						
1. Shares and participating interests in:						
a) holding companies		10 0				
b) subsidiaries		11 610,359				
c) associated undertakings		12 0				
d) affiliated undertakings		13 67,135				
e) other undertakings		14 718,399	15 1,395,893			
2. Debt securities			16 57,007			
3. Corporate financing			17 1,000		18 1,453,900	
III - Other financial investments						
1. Shares and participating interests			19 729,645			
2. Units and shares in investment funds			20 133,250			
3. Bonds and other fixed-income securities			21 17,690,210			
4. Loans			22 84,041			
5. Participation in investment pools			23 0			
6. Deposits with credit institutions			24 10,746			
7. Sundry financial investments			25 1,306,474		26 19,954,366	
IV - Deposits with ceding undertakings					27 25,119	28 22,328,111
D. INVESTMENTS FOR THE BENEFIT OF LIFE-ASSURANCE POLICYHOLDERS WHO BEAR THE RISK THEREOF AND INVESTMENTS ARISING OUT OF PENSION FUND MANAGEMENT						29 5,986,016
			to carry forward			29,467,806

as at 31 December 2003

				101	0
	102	0			
	103	76,203			
	104	887			
	105	16,890			
	106	49,556			
	107	1,069,698		108	1,213,234
			109	647,586	
110	0				
111	479,281				
112	0				
113	72,466				
114	821,239	115	1,372,986		
		116	49,383		
		117	0	118	1,422,369
		119	469,796		
		120	115,122		
		121	16,787,292		
		122	86,832		
		123	0		
		124	0		
		125	590,382	126	18,049,424
				127	26,110	128	20,145,489
				129	5,561,672
		to carry forward			26,920,395

CONSOLIDATED BALANCE SHEET

ASSETS

as at 31 December 2004

	carried forward					29,467,806
D. bis TECHNICAL PROVISIONS - REINSURERS' SHARE						
I - NON-LIFE INSURANCE BUSINESS						
1. Provision for unearned premiums	30	95,833				
2. Provision for outstanding claims	31	471,672				
3. Other technical provisions	32	0	33	567,505		
II - LIFE ASSURANCE BUSINESS						
1. Mathematical provisions	34	164,853				
2. Provision for amounts payable	35	5,459				
3. Other technical provisions	36	908				
4. Technical provisions for Life assurance policies where investment risk is borne by policyholders and arising out of pension fund management	37	0	38	171,220	39	738,725
E. DEBTORS						
I - Debtors arising out of direct insurance operations			40	884,647		
II - Debtors arising out of reinsurance operations			41	107,106		
III - Other debtors			42	357,569	43	1,349,322
F. OTHER ASSETS						
I - Tangible assets and stocks			44	29,895		
II - Cash at bank and in hand			45	1,088,080		
III - Own shares			46	0		
IV - Other assets			47	87,610	48	1,205,585
G. PREPAYMENTS AND ACCRUED INCOME					49	177,874
TOTAL ASSETS					50	**32,939,312**

as at 31 December 2003

carried forward					26,920,395
130	103,485				
131	399,416				
132	402	133	503,303		
134	379,799				
135	5,591				
136	114				
137	0	138	385,504	139	888,807
		140	865,018		
		141	182,260		
		142	297,580	143	1,344,858
		144	28,552		
		145	677,992		
		146	0		
		147	93,919	148	800,463
				149	212,097
				150	**30,166,620**

CONSOLIDATED BALANCE SHEET

LIABILITIES

as at 31 December 2004

A. CAPITAL AND RESERVES						
I - Capital and reserves - Group						
1. Subscribed share capital or equivalent funds	51	916,459				
2. Free reserves	52	1,521,347				
3. Consolidation reserve	53	-54,719				
4. Reserve for valuation differences on unconsolidated participating interests	54	8,519				
5. Exchange risk reserve	55	0				
6. Reserves for own shares and holding company's shares	56	0				
7. Profit (loss) for the financial year	57	211,322	58	2,602,928		
II - Capital and reserves - minority interests						
1. Capital and reserves - minority interests	59	236,924				
2. Profit (loss) for the year - minority interests	60	61,584	61	298,508	62	2,901,436
B. SUBORDINATED LIABILITIES					63	674,000
C. TECHNICAL PROVISIONS						
I - NON-LIFE INSURANCE BUSINESS						
1. Provision for unearned premiums	64	1,494,112				
2. Provision for outstanding claims	65	5,294,417				
3. Equalization provision	66	6,432				
4. Other technical provisions	67	6,626	68	6,801,587		
II - LIFE ASSURANCE BUSINESS						
1. Mathematical provisions	69	15,260,415				
2. Provision for amounts payable	70	131,566				
3. Other technical provisions	71	210,608	72	15,602,589	73	22,404,176
D. TECHNICAL PROVISIONS FOR LIFE ASSURANCE POLICIES WHERE INVESTMENT RISK IS BORNE BY POLICYHOLDERS AND ARISING OUT OF PENSION FUND MANAGEMENT					74	5,983,760
E. PROVISIONS FOR OTHER RISKS AND CHARGES						
1. Provisions for pensions and similar obligations			75	21		
2. Provision for taxation			76	34,124		
3. Contingent consolidation provision			77	0		
4. Other provisions			78	29,679	79	63,824
	to carry forward					32,027,196

as at 31 December 2003

151	906,230				
152	1,487,663				
153	-48,331				
154	778				
155	0				
156	0				
157	147,456	158	2,493,796		
159	199,937				
160	29,934	161	229,871	162	2,723,667
				163	666,000
164	1,455,877				
165	4,973,166				
166	5,865				
167	5,175	168	6,440,083		
169	13,329,133				
170	129,815				
171	208,742	172	13,667,690	173	20,107,773
				174	5,561,192
		175	0		
		176	17,636		
		177	0		
		178	29,177	179	46,813
to carry forward					29,105,445

CONSOLIDATED BALANCE SHEET

LIABILITIES

as at 31 December 2004

carried forward				32,027,196
F. DEPOSITS RECEIVED FROM REINSURERS			80	247,005
G. CREDITORS AND OTHER LIABILITIES				
I - Creditors arising out of direct insurance operations	81	64,316		
II - Creditors arising out of reinsurance operations	82	44,099		
III - Debenture loans	83	0		
IV - Amounts owed to credit institutions	84	0		
V - Debts secured by a lien on property	85	2,233		
VI - Sundry debts and other financial debts	86	21,331		
VII - Staff leaving indemnity	87	62,716		
VIII - Other creditors	88	221,346		
IX - Other liabilities	89	208,976	90	625,017
H. ACCRUALS AND DEFERRED INCOME			91	40,094
TOTAL LIABILITIES			92	**32,939,312**

CONSOLIDATED BALANCE SHEET

GUARANTEES, COMMITMENTS AND OTHER MEMORANDUM ACCOUNTS

as at 31 December 2004

GUARANTEES, COMMITMENTS AND OTHER MEMORANDUM ACCOUNTS		
I - Guarantees issued by the Company	93	30,888
II - Guarantees received from third parties	94	159,261
III - Guarantees issued by third parties in favour of consolidated undertakings	95	28,911
IV - Commitments	96	5,189,006
V - Third parties' assets held in deposit	97	5,911
VI - Pension fund assets managed on behalf of third parties	98	167,394
VII - Securities deposited with third parties	99	28,418,160
VIII - Other memorandum accounts	100	186,408

as at 31 December 2003

carried forward				29,105,445
			180	405,217
	181	65,972		
	182	65,871		
	183	0		
	184	1		
	185	2,790		
	186	8,458		
	187	64,367		
	188	212,274		
	189	198,352	190	618,085
			191	37,873
			192	**30,166,620**

as at 31 December 2003

			193	33,516
			194	185,527
			195	36,250
			196	2,488,301
			197	5,881
			198	238,183
			199	26,843,328
			200	213,651

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

The Company legal representatives (*)

The Chairman ..... (**)

Giovanni Consorte ..... (**)

..... (**)

The Statutory Auditors

Umberto Melloni .....

Carlo Cassamagnaghi .....

Luigi Capè .....

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

Annex V

Company **COMPAGNIA ASSICURATRICE UNIPOL S.p.A.**

CONSOLIDATED ACCOUNTS

Profit and Loss Account

2004 Financial Year

(Amounts in €K)

CONSOLIDATED PROFIT AND LOSS ACCOUNT

for the year ended 31 December 2004

I. TECHNICAL ACCOUNT - NON-LIFE INSURANCE BUSINESS						
1. EARNED PREMIUMS, NET OF REINSURANCE						
a) Gross premiums written			1	3,902,695		
b) (-) Outward reinsurance premiums			2	421,985		
c) Change in the provision for unearned gross premiums			3	36,688		
d) Change in the provision for unearned premiums, reinsurers' share			4	-4,079	5	3,439,943
2. OTHER TECHNICAL INCOME, NET OF REINSURANCE					7	10,856
3. CLAIMS INCURRED, NET OF SUMS RECOVERABLE AND REINSURANCE						
a) Claims paid						
aa) Gross amount	8	2,462,411				
bb) (-) Reinsurers' share	9	196,206				
cc) change in the sums recoverable, net of reinsurers' share	10	40,747	11	2,225,458		
b) Change in the provision for outstanding claims						
aa) Gross amount	12	320,213				
bb) (-) Reinsurers' share	13	74,965	14	245,248	15	2,470,706
4. CHANGES IN OTHER TECHNICAL PROVISIONS, NET OF REINSURANCE					16	1,988
5. BONUSES AND REBATES, NET OF REINSURANCE					17	1,111
6. OPERATING EXPENSES:						
a) Acquisition commissions			18	492,166		
b) Other acquisition costs			19	99,154		
c) Change in deferred acquisition commissions and costs			20	-4,808		
d) Renewal commissions			21	97,882		
e) Administrative expenses			22	176,619		
f) (-) Reinsurance commissions and profit sharing			23	116,717	24	753,912
7. OTHER TECHNICAL CHARGES, NET OF REINSURANCE					25	18,058
8. CHANGE IN THE EQUALIZATION PROVISIONS					26	968
9. BALANCE ON THE TECHNICAL ACCOUNT FOR NON-LIFE INSURANCE BUSINESS (Item III.1)					27	204,056

for the year ended 31 December 2003

		111	2,838,821		
		112	263,687		
		113	92,122		
		114	-3,023	115	2,479,989
				117	6,742
118	1,877,741				
119	168,630				
120	36,572	121	1,672,539		
122	133,410				
123	-3,549	124	136,959	125	1,809,498
				126	-476
				127	1,540
		128	351,367		
		129	81,169		
		130	-171		
		131	70,796		
		132	103,572		
		133	71,042	134	536,033
				135	8,535
				136	-4,740
				137	136,341

CONSOLIDATED PROFIT AND LOSS ACCOUNT

for the year ended 31 December 2004

II. TECHNICAL ACCOUNT - LIFE ASSURANCE BUSINESS						
1. WRITTEN PREMIUMS, NET OF REINSURANCE						
a) Gross premiums written			28	5,720,971		
b) (-) outward reinsurance premiums			29	50,029	30	5,670,942
2. (+) ALLOCATED INVESTMENT RETURNS TRANSFERRED FROM THE NON-TECHNICAL ACCOUNT (Item III.5)					40	610,418
3. 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					41	344,570
4. OTHER TECHNICAL INCOME, NET OF REINSURANCE					42	40,236
5. CLAIMS INCURRED, NET OF REINSURANCE						
a) Claims paid						
aa) Gross amount	43	3,114,485				
bb) (-) Reinsurers' share	44	33,777	45	3,080,708		
b) Change in the provision for claims						
aa) Gross amount	46	3,272				
bb) (-) Reinsurers' share	47	1,480	48	1,792	49	3,082,500
6. CHANGE IN THE MATHEMATICAL PROVISIONS AND OTHER TECHNICAL PROVISIONS, NET OF REINSURANCE						
a) Mathematical provisions						
aa) Gross amount	50	2,408,642				
bb) (-) Reinsurers' share	51	3,796	52	2,404,846		
b) Other technical provisions						
aa) Gross amount	56	8,658				
bb) (-) Reinsurers' share	57	-99	58	8,757		
c) Technical provisions for life assurance policies where investment risk is borne by polichyholders and arising out of pension fund management						
aa) Gross amount	59	851,488				
bb) (-) Reinsurers' share	60	0	61	851,488	62	3,265,091
7. BONUSES AND REBATES, NET OF REINSURANCE					63	2,670
8. OPERATING EXPENSES						
a) Acquisition commissions			64	102,594		
b) Other acquisition costs			65	29,472		
c) Change in deferred acquisition commissions and costs			66	-593		
d) Renewal commissions			67	16,658		
e) Administrative expenses			68	55,334		
f) (-) Reinsurance commissions and profit sharing			69	13,316	70	191,335
9. 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					75	39,143
10. OTHER TECHNICAL CHARGES, NET OF REINSURANCE					76	14,077
11. BALANCE ON THE TECHNICAL ACCOUNT - LIFE ASSURANCE BUSINESS (Item III.2)					78	71,350

for the year ended 31 December 2003

		138	4,653,519		
		139	51,723	140	4,601,796
				150	398,570
				151	359,345
				152	36,373
153	1,773,267				
154	26,508	155	1,746,759		
156	12,609				
157	93	158	12,516	159	1,759,275
160	2,743,749				
161	15,907	162	2,727,842		
166	15,271				
167	-18	168	15,289		
169	641,542				
170	0	171	641,542	172	3,384,673
				173	688
		174	97,230		
		175	28,215		
		176	-4,174		
		177	15,244		
		178	30,138		
		179	15,664	180	159,337
				185	45,074
				186	13,418
				188	33,619

CONSOLIDATED PROFIT AND LOSS ACCOUNT

for the year ended 31 December 2004

III. NON-TECHNICAL ACCOUNT						
1. BALANCE ON THE TECHNICAL ACCOUNT - NON-LIFE INSURANCE BUSINESS (Item I.9)					79	204,056
2. BALANCE ON THE TECHNICAL ACCOUNT - LIFE ASSURANCE BUSINESS (Item II.11)					80	71,350
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	19,344				
bb) other income	82	45,748	83	65,092		
b) Income from other investments:						
aa) income from land and buildings	84	23,099				
bb) income from other investments	85	648,390	86	671,489		
c) Value re-adjustments on investments			87	27,616		
d) Capital gains on disposals of investments			88	244,348	89	1,008,545
4. INVESTMENT CHARGES						
a) Investment management charges, including interest payable			90	78,841		
b) Value adjustments on investments			91	98,680		
c) Capital losses on disposals of investments			92	51,744	93	229,265
5. (-) ALLOCATED INVESTMENT RETURNS TRANSFERRED TO THE LIFE ASSURANCE TECHNICAL ACCOUNT (Item II.2)					94	610,418
6. OTHER INCOME					95	75,365
7. OTHER CHARGES						
a) Interest on financial debts			96	41,880		
b) Sundry charges			97	123,086	98	164,966
8. BALANCE ON ORDINARY ACTIVITIES					99	354,667
9. EXTRAORDINARY INCOME					100	135,648
10. EXTRAORDINARY CHARGES					101	28,460
11. BALANCE ON EXTRAORDINARY ACTIVITIES					102	107,188
12. PROFIT BEFORE TAXATION					103	461,855
13. TAX ON PROFIT					104	188,949
14. CONSOLIDATED PROFIT					105	272,906
15. PROFIT (LOSS) FOR THE FINANCIAL YEAR - MINORITY INTERESTS					106	61,584
16. PROFIT (LOSS) FOR THE FINANCIAL YEAR - GROUP					107	211,322

				189	136,341
				190	33,619
191	12,172				
192	37,286	193	49,458		
194	18,515				
195	481,656	196	500,171		
		197	23,963		
		198	238,952	199	812,544
		200	63,788		
		201	125,735		
		202	87,142	203	276,665
				204	398,570
				205	67,115
		206	31,176		
		207	90,716	208	121,892
				209	252,492
				210	72,219
				211	21,435
				212	50,784
				213	303,276
				214	125,886
				215	177,390
				216	29,934
				217	147,456

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

The Company legal representatives (*)

The Chairman ..... (**)

Giovanni Consorte ..... (**)

..... (**)

The Statutory Auditors

Umberto Melloni .....

Carlo Cassamagnaghi .....

Luigi Capè .....

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 173 dated 26 May 1997. They also comply with Isvap Ruling 735 of 1 December 1997 relating to the layout of the accounts and incorporate the relevant guidance issued by the Supervisory Authority.
In accordance with Isvap Ruling 1008-G of 5 October 1998, the 2004 consolidated accounts and the Notes to the Accounts have been drawn up in thousands of euro (€K).

Basis of consolidation

The consolidated accounts for the Unipol Group are produced by amalgamating the accounts of the Parent Company, Unipol Assicurazioni, with those of its subsidiaries operating in the insurance sector or the business activities of which fall within the scope of those carried out by the insurance companies in the context of their own institutional investment activities.

Investments in affiliated companies, with holdings 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).

Quadrifoglio Vita, 50% of which is owned by Banca Agricola Mantovana, and BNL Vita, 50% of which is owned by Banca Nazionale del Lavoro, have been consolidated on a line-by-line basis because of its insurance activities and by virtue of agreements between the partners.

The companies consolidated on a line-by-line basis and those valued using the net equity method or maintained at their book value are listed on the following pages.

Changes to the basis of consolidation

During the financial year 2004 the operations carried out and the other changes that occurred concerned:

- sale by Unipol Assicurazioni to Winterthur Assicurazioni of 60.22% of the company Winterthur Vita, 29.78% of which it already held;
- merger through incorporation of Meieaurora and NewWin Assicurazioni into Winterthur Assicurazioni, which at the same time changed its company name to Aurora Assicurazioni spa (with effect, for legal purposes, from 19/4/2004, and for retroactive accounting and tax purposes from 1/1/2004);
- merger through incorporation of Winterthur Vita, Centro Servizi Missori, Immobiliare San Vigilio into Aurora Assicurazioni (with effect, for legal purposes, from 1/11/2004, and for retroactive accounting and tax purposes from 1/1/2004);
- merger through incorporation of Winterthur Sim and Wintervesa into Aurora Assicurazioni (with effect, for legal purposes, from 31/12/2004, and for retroactive accounting and tax purposes from 1/1/2004);
- merger through incorporation of Winterthur Italia Holding into Unipol Assicurazioni (with effect, for legal purposes, from 20/12/2004, and for retroactive accounting and tax purposes from 1/1/2004);

- sale by Unipol Assicurazioni to the subsidiary Unipol Banca of its entire holding (100%) in Unipol Sgr;
- sale by Aurora Assicurazioni to third parties of its entire holdings in Advenia srl (75%) and Mediss Health Care Services (20%);
- purchase of the company Dimensione e Sviluppo Immobiliare spa by Unipol Merchant (a share of 39%) and Smallpart (a share of 36%);
- purchase of the company (100%) Nettuno Fiduciaria srl by Unipol Banca;
- putting into liquidation of the company Uniservice spa (100% subsidiary of Smallpart), for which a resolution was passed on 21 June 2004, and write-off of the same on 10 November 2004.

There were also the following changes in holdings:

of the Parent Company:

- Unisalute spa from 87.44 to 92.44%
- Navale spa from 98.24 to 99.31%
- Finec Holding spa from 37.44 to 28.61%

of Unipol Banca:

- Unipol Merchant spa from 53.47 to 62.27%

of Aurora:

- CarFlash spa from 40.00 to 19.90%

Reporting date

The reporting date for the consolidated accounts is 31 December 2004, the closing date for the annual accounts of the Parent Company, Unipol Assicurazioni. All the companies included in the basis of consolidation close their accounts on 31 December, with the exception of the affiliated company Finec Holding spa, which ended its financial year on 30 June 2004 and for which interim accounts have been used based on the date of the consolidated accounts. For the purposes of drawing up the consolidated accounts, the accounts approved by the respective companies' Shareholders' Meetings have been used. If the accounts have not so far been approved, the draft accounts approved by the various Boards of Directors have been consolidated.

Consolidation criteria

Companies included on a line-by-line basis

This method provides for the assets, liabilities, income and expenses of the consolidated companies to be fully amalgamated as from the acquisition date, the book value of the investment being eliminated from the balance sheet of the Parent Company and, in the case of part-ownership, disclosing the share of net shareholders' equity and of the profit for the financial year attributable to minority shareholders.
The net amount of capital relating to minority shareholders is shown under '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'.
The accounts of the subsidiaries are consolidated on a line-by-line basis, except in the case of nine companies (listed in the following pages), where the equity method has been used, given that the nature of the business activities makes it inappropriate to use the line-by-line method.

Treatment of the deficit arising from merger operations

It should be noted moreover that, with reference to the operations involving the merger through incorporation of Meieaurora into Winterthur Assicurazioni (subsequently Aurora Assicurazioni), which took effect for legal purposes on 19 April 2004, and then of Winterthur Vita, Centro Servizi Missori, Immobiliare San Vigilio into Aurora (effective 1/11/2004), the merger deficit recorded in the accounts of Aurora Assicurazioni as an additional item on the asset side was eliminated from the consolidated accounts.

More specifically, the following reversals were made:

- a deficit reversal in the sum of €23.2m, recorded in the accounts of Aurora as an increase in the value of buildings;

- a deficit reversal in the sum of €306.7m, recorded in the accounts of Aurora as goodwill (amortized over 20 years), for the share pertaining to the Group.

The pre-existing capital gains, net of amortization charges, that emerged at the time of the acquisition of the holdings in Meieaurora in 2000 and in Winterthur Vita, Centro Servizi Missori in 2003, continue to be recorded in the consolidated accounts under the items 'Land and buildings' and 'Consolidation difference'.

Companies included by proportionate consolidation

This method provides for assets, liabilities, income and expenses of the consolidated companies to be incorporated in proportion to the holding, with the book value of the shareholding being eliminated.
As at 31 December 2004 no shareholding was included by proportionate consolidation.

Companies included by the equity method

With this method, the value of the interest is adjusted to the corresponding fraction of equity, including the result for the financial year but making all the adjustments required for consolidation.

Consolidation difference

If the difference arising from offsetting the book value of the shareholding against the corresponding fraction of the equity of the subsidiary is due to under or over-valuation of asset or liability items in 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 participating interest is acquired. Where some or all of the difference cannot be imputed to individual items, if it is negative it is credited to the equity item 'Consolidation reserve' or 'Reserve for valuation difference' in the case of companies included by the equity method; if it is positive it is entered under 'Consolidation difference' to the extent that it represents the value of goodwill at the time the shareholding 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 the companies included in the consolidation are eliminated, as are income and charges relating to transactions carried out between these companies and profits and losses arising from transactions carried out between these companies and not yet realized with third parties outside the Group.

UNDERTAKINGS INCLUDED ON A LINE-BY-LINE BASIS

Company name - Registered offices	Type of business - Share capital (€)	% holding direct	% holding indirect	% Group
Compagnia Assicuratrice Unipol spa Bologna	Insurance and reinsurance € 916,458,965			
Aurora Assicurazioni spa Milan	Insurance and reinsurance € 248,346,783	86.64		86.64
Bnl Vita spa Milan	Insurance and reinsurance € 110,000,000	50.00		50.00
Compagnia Assicuratrice Linear spa Bologna	Insurance and reinsurance € 19,300,000	80.00		80.00
Navale Assicurazioni spa Florence	Insurance and reinsurance € 26,250,000	99.31		99.31
Quadrifoglio Vita spa Bologna	Insurance and reinsurance € 29,500,000	50.00		50.00
Unisalute spa Bologna	Insurance and reinsurance € 17,500,000	92.44		92.44
Midi srl Bologna	Property company € 72,000,000	100.00		100.00
Unifimm srl Bologna	Property company € 43,350,000	100.00		100.00
Dimensione e Sviluppo Immobiliare spa Bologna	Property advisory services € 5,200,000		39.00 (Unipol Merchant) 36.00 (Smallpart)	58.23
Smallpart spa Bologna	Holding company € 16,000,000	100.00		100.00

UNDERTAKINGS INCLUDED BY THE EQUITY METHOD

SUBSIDIARIES				
Unipol Banca spa Bologna	Bank € 511,560,000	82.86	10.00 (Aurora Assic.)	91.52
Unipol Merchant - Banca per le Imprese spa Bologna	Bank € 105,468,007		62.27 (Unipol Banca)	56.99
Unipol Fondi Ltd Dublin	Unit trust management € 125,001		100.00 (Unipol Banca)	91.52
Unipol Sgr spa Bologna	Financial brokerage € 5,000,000		100.00 (Unipol Banca)	91.52
Nettuno Fiduciaria srl Bologna	Fiduciary company € 12,000		100.00 (Unipol Banca)	91.52
Grecale srl Bologna	Loan securitization € 10,000		60,00 (Unipol Banca) 40,00 (Unipol Merchant)	77.71
Unieuropa srl Bologna	Market analysis and research € 510,000		98.00 (Smallpart)	98.00
Unisalute Servizi srl Bologna	Healthcare services € 52,000		100.00 (Unisalute)	92.44
Bnl Servizi Assicurativi srl Milan	Insurance agency € 10,400		100.00 (Bnl Vita)	50.00
AFFILIATED				
Hotel Villaggio Città del Mare spa Terrasini (Pa)	Tourism/hotels € 5,000,000	49.00		49.00
Finec Holding spa Bologna	Holding company € 177,729,994	28.61	1.30 (Unipol Merchant)	29.35
A.P.A. spa Parma	Insurance agency € 1,000,000		46.50 (Smallpart)	46.50
AR.CO. Assicurazioni spa Modena	Insurance agency € 250,000		40.00 (Smallpart)	40.00
Assicoop Ferrara spa Florence	Insurance agency € 270,300		47.40 (Smallpart)	47.40

Company name - Registered offices	Type of business - Share capital (€)	% holding direct	% holding indirect	% Group
Assicoop Firenze spa Florence	Insurance agency € 1,000,000		44.00 (Smallpart)	44.00
Assicoop Imola spa Imola (Bo)	Insurance agency € 1,000,000		47.34 (Smallpart)	47.34
Assicoop Modena spa Modena	Insurance agency € 2,080,000		47.00 (Smallpart)	47.00
Assicoop Ravenna spa Ravenna	Insurance agency € 3,640,000		49.00 (Smallpart)	49.00
Assicoop Romagna spa Forlì	Insurance agency € 774,700		48.00 (Smallpart)	48.00
Assicoop Sicura srl Bologna	Insurance agency € 202,800		40.00 (Smallpart)	40.00
Assicoop Siena spa Siena	Insurance agency € 510,000		49.00 (Smallpart)	49.00
Assicura spa Reggio Emilia	Insurance agency € 1,040,000		35.00 (Smallpart)	35.00
Consorzio ZIS Fiera 2 Bologna	Urbanization works € 810,000		30.90 (Midi)	30.90
Euresa Holding sa Luxembourg	Holding company € 10,000,000	24.05		24.05
OTHER SHAREHOLDINGS IN AFFILIATED UNDERTAKINGS AT THEIR BOOK VALUE				
Assicoop Genova spa in liquidation - Genoa	Insurance agency € 260,000	49.00		49.00

With effect from 2005, the Consolidated Accounts, which are to be drawn up in accordance with the international accounting standards IAS/IFRS, will provide for the consolidation of all subsidiaries, irrespective of their business sector, on a line-by-line basis, and for the consolidation of Bancassurance companies under joint control (BNL Vita and Quadrifoglio Vita) using the proportionate method. For the purposes of comparison with the accounts of the previous year, it will also be necessary to draw up the 2004 accounts again using the same criteria.

Part B: Valuation Criteria

Section 1 – Illustration of valuation criteria

The most significant criteria used in producing the consolidated accounts are given below; such criteria are the same as those used when drawing up the 2003 accounts, with the exceptions arising from the regulatory changes introduced by the reform of company law, which came into force with effect from 1 January 2004 (Legislative Decree 6 of 17/1/2003 and subsequent amendments and additions).
These criteria are consistent with those adopted by the Parent Company 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 amortized on a straight-line basis over a period of three years beginning in the year in which the costs are incurred. For Life business these commissions are attributed on the basis of the period of validity of policies, up to the limit of the expenses charged on them, but for a period not exceeding 10 years. This complies with prudential considerations relating also to financial matching.
Any other expenses incurred in the acquisition of risks relating to multi-year policies and in managing them are reflected in the profit and loss account for the year in which they are incurred.

Consolidation difference
The consolidation difference is subject to amortization, calculated using the straight-line method, as from the time the subsidiary is acquired. Depending on the expected period of recovery of the individual components of the item the useful life of this item is estimated as 10 or 20 years. In particular, in the case of the consolidation differences relating to Navale, the goodwill has been subject to amortization for a period of 20 years, whilst in the case of BNL Vita the goodwill paid will be subject to amortization for a period of 10 years

It should be noted that as the result of the corporate integration of Meieaurora and the companies of the former Winterthur Italia Group, which gave rise to the company Aurora Assicurazioni, the original depreciation plans of the former Meieaurora (term remaining as at 1/1/2004 16.5 years) and of the former Winterthur Assicurazioni and Winterthur Vita (term remaining as at 1/1/2004 19.75 years) were updated, and a new useful life was estimated for Aurora of 20 years with effect from 1 January 2004.
This plan is based on the greater growth potential of the new Company, characterized in terms of increased competitiveness, strengthened commercial synergies and ever higher levels of efficiency.
Had this change not been made, the shareholders' equity and Group profit as at 31 December 2004 would have been below €3.7m.

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 in 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.
In addition, the consolidated property companies include in the book value investment expenses incurred for capital borrowed specifically for purchasing and rebuilding fixed assets, where appropriate.
Improvement and transformation costs are capitalized if they translate into an increment in the useful life of the assets and their productivity.
Buildings to be used by the Company are depreciated at constant rates according to the expected period of use.
Other buildings are not usually depreciated, given that constant maintenance is carried out in order to prolong their useful life and to keep up their value.
However, depreciation is recorded for the holiday complexes 'Città del Mare' (Terrasini - Pa) and 'Pianeta Maratea' (Maratea - Pz), the complex housing Rome's Jolly Hotel (Via Pio IV), supermarkets, factories and a building in Milan, given their particular nature and use.
Properties showing lasting losses in value have been written down accordingly. The market value is calculated in accordance with Isvap Ruling 1915-G of 20 July 2001.
In the case of the buildings owned by Aurora, book values include part of the allocation of consolidation differences arising at the time of acquisition.

Investments in Group undertakings and participating interests

These mainly consist of long-term investments such as controlling shareholdings, shareholdings in affiliated companies and in other undertakings.
Shareholdings in affiliated companies and subsidiaries, the activities of which are not consistent with the insurance sector, are included by the equity method; those in other companies are valued at acquisition or subscription cost or at a value below cost in cases where there has been permanent loss of value.
In the case of participating interests that have been put into liquidation, account has been taken of expected payback at the end of liquidation.
Investments in securities of other participating interests (both those intended for trading purposes and those intended as long-term assets) are valued at the average cost of purchase or subscription in accordance with the criteria mentioned below for other financial investments.

Other financial investments

Stocks and shares in investment funds

Shares that do not constitute fixed assets, own shares and units and shares in investment funds are recorded at the lesser of the average acquisition cost and the market value, which for listed shares corresponds to the average stock exchange price in the final month of the financial year and for unlisted shares is based on a prudent estimate of their presumed disposal value.
For listed securities, moreover, if the average of the last month is not representative of the market value then, as a precaution, more representative averages will be used.
Units and shares in investment funds that are classified as long-term assets are held at acquisition cost, adjusted where applicable by write-downs deriving from losses in value 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 that has accrued during the financial year. The relevant proportion relating to any issue spread is recorded separately (Article 8 of Legislative Decree 719 of 27/12/1994 and Law 349 of 8/8/1995). They are written down only in the event of verified long-term loss of value.
For securities with an implicit rate (such as zero coupon bonds) an adjustment is made for the appropriate proportion of capital that has already accrued.

Securities used as short-term investments are adjusted to the lesser of average cost, increased or reduced by matured issue spreads and the market value; for listed securities the market value is computed from the average of prices recorded in the month of December and for those that are not listed from the presumed disposal value as at 31 December, determined on the basis of the current value of securities traded on regulated markets that 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 disposal value.

Derivatives
Derivatives, as defined in Isvap Ruling 297 of 19 July 1996, are used exclusively for hedging purposes, to reduce the risk profile of the hedged assets and liabilities or to optimize their risk/return profile. Derivative contracts in existence at the end of the period are evaluated in accordance with the hedged assets/liabilities.
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 with the contractual ones.
Premiums received or paid for options on securities, shares, currencies or rates in existence at the end of the period are recorded in G.VI 'Sundry borrowings and other financial payables' and C.III.7 'Sundry financial investments' respectively.
When the option matures:

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

Income from securities
Accrued interest receivable is recorded in the profit and loss account in accordance with the matching concept, as is the accrued difference between the repayment value and the issue price of bonds and similar securities, as set out in Article 8 of Legislative Decree 719/94 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 received.
Gains and losses deriving from trading fixed-income securities and shares are shown in the profit and loss account according to the date on which they are made.

Investments for the benefit of Life-assurance policyholders who bear the risk thereof and investments arising out of 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 disposal value.

Other assets

Tangible assets and stocks
Assets (furniture, office machinery, equipment and movable goods recorded in the public registers) included with fixed assets are shown on the balance sheet at purchase cost or at their conferment values and depreciated on the basis of their presumed useful life. Assets having a low unit value are depreciated in full in the year of acquisition on account of their limited useful life.

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 principle of financial and temporal matching.

Technical provisions Non-life business

Provision for unearned premiums

The provision for unearned premiums for direct insurance business is determined analytically for each policy according to the pro-rata temporis 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 in accordance with the provisions of Article 32 (3) of Legislative Decree 173/97. This has been estimated using the simplified method laid down in Isvap Ruling 360D/99, which is a forecast based on the loss ratio for claims incurred during the year.

For Credit business the flat-rate method provided for in the Ministerial Decree of 23 May 1981 for premiums written before 1992 has been applied, whilst for policies issued from 1992 onwards the pro-rata temporis method has been applied.

For Bond business as from 2002 the provision for unearned premiums has been calculated using the pro-rata temporis method, supplemented by the criteria laid down in Isvap Ruling 1978 of 4 December 2001.

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

The total amount allocated to the provision is expected to meet costs arising from proportions of risk pertaining to subsequent financial years.

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

Provision for increasing age

The provision for increasing age is calculated at a flat rate of 10% on policies in the Health portfolio having the characteristics described in Article 25 of Legislative Decree 175/95.

Provision for outstanding claims

The provision for outstanding claims 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 arrived at by applying objective factors which, as prescribed in Article 33 of Legislative Decree 173/97, ensure that the global amount of the provision is sufficient to meet claims to be paid and the related direct and claims-handling costs. As to Motor T.P.L. claims reported in the financial year, the estimate of the provision was based on the criterion of average cost for groups of similar claims (material damage and personal injury) in sufficiently large numbers and supported by historical data and specific forecasts made by the various Companies.

The provision for outstanding claims also includes an allocation for claims incurred but not reported, estimated on the basis of experience gained regarding claims reported late in previous years, in accordance with the criteria established by the Isvap Ruling of 4 December 1998.

The reinsurers' share of the provision for outstanding claims reflects the amount recoverable from them as laid down in either specific treaties or contractual arrangements.

Technical provisions Life business

The amount recorded in 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 regarding the minimum level of provisions for additional health- and work-related premiums and the provision for administrative charges.

The mathematical provision for direct Life assurance is calculated analytically for each contract on the basis of pure premiums, with no deductions for policy acquisition costs, and by reference to the actuarial assumptions (technical interest rates, demographic models of

death or disability) 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 write-ups made by virtue of the contractual terms and is always greater than the redemption value. In compliance with the provisions of Article 38 of Legislative Decree 173/97, technical provisions set up to cover liabilities deriving from assurance policies on which the benefit is determined on the basis of investments or indices for which the policyholder bears the risk, and provisions arising out of pension fund management, have been calculated by reference to commitments made under these contracts and to the provisions of Article 30 of Legislative Decree 174/95 and subsequent Isvap rulings. As provided for by Article 38 (3) of Legislative Decree 173/97, the mathematical provision includes the provisions set up to cover the mortality risk in insurance contracts from Class III of Table A attached to Legislative Decree 174/95, guaranteeing a benefit should the insured party die during the term of the contract. The mathematical provision also includes an adjustment provision, in accordance with Article 25 (12) of Legislative Decree 174/95. 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 must include an adjustment to cover liabilities to policyholders, also complying with Isvap Ruling 01380-G of 21 December 1999 and with the 'Regulations on actuarial principles to be applied when calculating the supplementary provision for annuity assurance policies' issued by the National Order of Actuaries and recognized by Isvap.
In addition, in accordance with the provisions of Isvap Ruling 1801-G of 21 February 2001 and with the 'Guidelines for the evaluation of the adequacy of the supplementary provision for interest rates' issued by the National Order of Actuaries, the mathematical provision has been supplemented by an item covering any difference between the forecast rate of returns from assets covering the technical provisions and the liabilities underwritten, with regard to the levels of financial cover and the dynamics of adjustment of the benefits contractually provided for.
As laid down in Article 34 of Legislative Decree 173/97, the provision for sums payable includes the total amount needed to cover payment of benefits that have fallen due but have not so far been paid.

The provision for bonuses and rebates is set aside to cover the Company's commitment to allocate, on certain policies on a temporary group tariff in the event of death and/or disability, sums accruing in the financial year as technical profits arising from the yield on individual contracts.

Tax on profit for the financial year

In their capacity as consolidated companies and pursuant to Article 117 et seq. of Presidential Decree 917/1986 and to the Ministerial Decree of 9 June 2004, Unipol Assicurazioni and the other subsidiaries Aurora Assicurazioni, Navale, Unisalute, Smallpart, Unieuropa, have opted for the Group consolidated taxation system (for the purposes of IRES). The option is available for the financial years 2004 – 2005 – 2006.
For tax purposes the company Finsoe spa shall act as the consolidating company.
On 23 December 2004, the companies listed above entered into an agreement with the aforesaid company concerning the regulation of the economic, financial and procedural aspects that govern the option in question.
Consequently, the IRAP tax and the income/charges linked to the transfer to the consolidating company of the assessable profit for the purposes of IRES are recorded under the item taxes of the profit and loss account based on the calculation of the taxable income and in accordance with the provisions of law, taking into account the applicable exemptions and the tax credits due, as well as that which is

provided for in the aforesaid agreement with the consolidating company.

Deferred tax assets and liabilities have also been recorded, calculated on temporary differences between the unconsolidated profits and the taxable profits of individual consolidated companies (having emerged or having been deducted during the year, concerning the sundry assets and the provision for tax respectively), and on the consolidation adjustments.

Provision for staff-leaving indemnity

The provision for staff-leaving indemnity reflects the accrued liability to employees, in accordance with current legislation and collective labour agreements.

Earned premiums

Premiums are booked by reference to their due dates and in accordance with the provisions of Article 45 of Legislative Decree 173/97. Taking these in conjunction with the provision for unearned premiums gives the earned premiums.

Allocated investment return transferred from the non-technical account

Portions of investment income are allocated to the technical account of Life business in accordance with the relevant Isvap ruling dated 8 March 1999.

Inward reinsurance

In the case of risks accepted as reinsurance the time lag for the period was made up for accordingly.
For all those technical items relating to the financial year that were passed on by the ceding undertakings, even if incomplete, the residual portion of these were estimated, as were the pertinent retrocessions, and they were no longer recorded in specific asset or liability accounts (deferred reinsurance accounts receivable/payable) as they were in previous financial years.

The technical provisions are those passed on by the ceding undertakings, possibly adjusted to take account of any subsequently predictable losses.

Conversion of balances in foreign currencies

In compliance with the provisions of Article 2426.8-bis of the Civil Code, tangible and intangible fixed assets, as well as long-term investments represented by shareholdings, which are in foreign currency are recorded at the exchange rate prevailing at the time of their acquisition (exchange rate of 31/12/2003 for those existing at the time of opening the 2004 accounts), whilst the other items expressed in foreign currency are recorded at year-end exchange rates. Rather than balancing such entries through allocations to or withdrawals from the provisions for exchange rate risks, all the balances arising from conversion are charged to the profit and loss account.
The unrealized net profit that might possibly result from this is recorded, as part of the process of allocation of the profit for the financial year, to a reserve that cannot be distributed until the profit has been effectively realized.
For the parent company Unipol, the change has had a net positive effect as at 31 December 2004 on the capital and reserves and on the profit and loss account to the tune of €191K. The company has moreover opted for the allocation to the profit and loss account of the pre-existing provisions for exchange rate risks.

Conversion differences

Amounts expressed in currencies outside the Eurozone are converted into Euro by applying the end-of-year exchange rates to the entries in the balance sheet and the profit and loss account.
Differences arising from application of the aforesaid exchange rates are credited or debited to the 'Exchange risk reserve' item in the consolidated shareholders' equity.

Section 2 – Adjustments and tax appropriations

In the consolidated accounts adjustments were always carried out on items shown in the company accounts purely for tax purposes.
Furthermore, based on new rules (abrogation of Article 2426 (2) of the Civil Code, Legislative Decree 6 of 17/1/2003), it is no longer permitted to record items of such nature in unconsolidated accounts.

Part C: Information on the Consolidated Balance Sheet and Profit and Loss Account

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 current regulations.

Section 1 – Intangible assets (item B)

Deferred acquisition commissions (B.1)

These amount to €71,398K (-€4,805K) and are subdivided as follows:

- Non-life business €38,252K (-€3,921K)
- Life business €33,146K (-€884K).

Goodwill (B.3)

This item, which totals €44,865K (+€27,975K compared with 2003), mainly relates to Aurora (€41,135K) and Quadrifoglio Vita (€3,254K).

Other intangible assets (B.4)

This item, amounting to €29,933K (-€19,623K compared with 2003), includes €3,190K of residual costs relating to capital increase and €26,743K of sundry multi-year costs mainly incurred in purchasing software (€11,071K).

Consolidation difference (B.5)

The item 'Difference arising from consolidation', net of depreciation, was €1,007,483K (+€1,069,698K compared with 31/12/2003).
€55.6m of this amount is for the remaining amounts of goodwill paid for the acquisition of Navale and BNL Vita carried out in 2000. Differences relating to Navale are being depreciated over 20 years on a straight-line basis, whilst BNL Vita is being depreciated over 10 years.
As for the new company Aurora resulting from the incorporation of Meieaurora into Winterthur Assicurazioni (subsequently Aurora) and then of Winterthur Vita, the remaining amount of goodwill as at 31 December 2004 is €949.2m. The original depreciation plans for the incorporated companies were updated, and a useful life of 20 years with effect from 1 January 2004 was estimated for the new company Aurora.

Section 2 – Investments (item C)

Land and buildings (C.I)

Land and buildings, net of the relevant depreciation, were made up as follows as at 31 December 2004 (in €K):

	Land and buildings	Reserve for depreciation	Book value
Buildings used for corporate business	195,542	53,024	142,518
Buildings leased to third parties	690,266	46,074	644,192
Land	2,323		2,323
Property companies	82,842		82,842
Work in progress/payments on account	394		394
Total recorded in the accounts of consolidated undertakings	**971,367**	**99,098**	**872,269**
Rettifiche da consolidamento:			
Consolidation difference allocated to buildings used for corporate business			17,394
Consolidation difference allocated to buildings leased to third parties			29,903
Elimination of the merger deficit			(20,426)
Other consolidation adjustments			(4,414)
Total			**894,726 (+38.2%)**

The variations that have occurred in the composition of land and buildings, before depreciation, are as follows (in €K):

Land and buildings as at 31 December 2003	691,564
New investments made during the financial year	298,525
Additions and improvements	34,667
Disposals	(53,389)
Land and buildings as at 31 December 2004	**971,367**

In 2004 the property assets of the Group recorded a net increase of €247,140K (+38.2% compared with 2003).

In particular, a further €298m was expended on acquisitions of office buildings, earmarked for corporate business use by companies in the Unipol Group.
The main buildings acquired are located in Milan-San Donato E-Towers (which has become the head office of the subsidiary Aurora Assicurazioni), in Rome, the twin building to the one already owned by Unipol in Piazza Esquilino and in Bologna.
It should also be noted that no property is leased out.

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 subsidiaries that transact business other than insurance business and therefore have been valued by the equity method.
The total as at 31 December 2004 amounts to €610,359K, a net increase of €131,078K over 2003, mainly thanks to Unipol Banca.
The details are given below:

Company - Registered offices - Share capital (€)	% holding		Group share %	Value
	direct	indirect	Total	(€K)
Unipol Banca spa - Bologna - €511,560,000	82.86	10.00 (Aurora)	91.52	606,411
Unipol Merchant spa - Bologna - €105,468,007		62.27 (Unipol Banca)	56.99	1,917
Unipol Sgr spa - Bologna - €5,000,000		100 (Unipol Banca)	91.52	(207)
Unipol Fondi Ltd - Dublin - €125,001		100 (Unipol Banca)	91.52	1,640
Unieuropa srl - Bologna - €510,000		98.00 (Smallpart)	98.00	418
Unisalute Servizi srl - Bologna - €52,000		100 (Unisalute)	92.44	145
Grecale srl - Bologna - €10,000		60.00 (Unipol Banca) 40.00 (Unipol Merch.)	77.71	2
Nettuno Fiduciaria srl – Bologna - €12,000		100 (Unipol Banca)	91.52	(31)
BNL Servizi Assicurativi srl – Milan - €10,400		100 (BNL Vita)	50.00	64
Total				**610,359**

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

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

Company – Registered offices – Share capital (€)	% holding		Group share %	Value
	direct	indirect	Total	(€ K)
Finec Holding spa - Bologna - €177,729,994	28.61	1.30 (Unipol Merchant)	29.35	51,037.3
Euresa Holding sa - Luxembourg - €10,000,000	24.05		24.05	2,932.3
Assicoop Sicura srl - Bologna - €202,800		40.00 (Smallpart)	40.00	2,707.8
Assicoop Ravenna spa – Ravenna - €3,640,000		49.00 (Smallpart)	49.00	2,099.0
Assicoop Modena spa - Modena - €2,080,000		47.00 (Smallpart)	47.00	1,921.2
Hotel Villaggio Città del Mare spa - Terrasini (Pa) - €5,000,000	49.00		49.00	2,552.3
Assicoop Siena spa - Siena - €510,000		49.00 (Smallpart)	49.00	291.9
Assicura spa - Reggio Emilia - €1,040,000		35.00 (Smallpart)	35.00	923.4
AR.CO. Assicurazioni spa - Modena - €250,000		40.00 (Smallpart)	40.00	183.8
A.P.A. spa - Parma - €1,000,000		46.50 (Smallpart)	46.50	556.0
Assicoop Romagna spa - Forlì - €774,700		48.00 (Smallpart)	48.00	514.9
Assicoop Ferrara spa - Ferrara - €270,300		47.40 (Smallpart)	47.40	128.1
Assicoop Imola spa - Imola (Bo) - €1,000,000		47.34 (Smallpart)	47.34	736.9
Assicoop Firenze spa - Florence - €1,000,000		44.00 (Smallpart)	44.00	300.0
Consorzio ZIS Fiera 2 - Bologna - €810,000		30.90 (Midi)	30.90	250.3
Total				**67,135**

Shareholdings in foreign companies amount to €2,932K and those in Italian companies to €64,203K.

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

This item, amounting to €718,399K, shows a net decrease of €102,840K over 2003. The decrease was mainly due to the transfer of a shareholding to the item 'Other financial investments'.

Of the total amount, €39.2K relates to a shareholding in affiliated companies held at book value (Assicoop Genova spa). The balance (€679,199K) relates to the companies and entities listed below:

Company – Registered offices – Share capital (€/currency)	% holding		Group share %
	direct	indirect	Total
Hopa spa - Brescia - €709,800,000	7.13		7.13
Banca Monte dei Paschi di Siena spa - Siena - €1,935,272,832	1.98		1.98
Reti Bancarie Holding spa – Milan - €145,869,663		5.79 (Aurora)	5.02
Bios spa – Milan - €143,000,000	7.31	2.41 (Aurora)	9.40
Earchimede spa – Milan - €4,680,000		7.91 (Aurora)	6.85
P & V Holding sa - Brussels (Belgium) - €345,050,000	2.39		2.39
Previnet spa - Mogliano V. (TV) - €5,164,600	14.00		14.00
Atlantis sa - Barcelona (Spain) - €41,678,090	2.88		2.88
The Co-Operators Group sa - Guelph (Canada) – Cad 28,812,850	6.94		6.94
Atlantis Vida sa - Barcelona (Spain) - €9,616,200	12.50		12.50
Syneteristiki Insurance sa – Athens (Greece) - €4,332,000	16.39		16.39
Rita srl – Milan - €5,720,000		4.54 (Smallpart) 0.46 (Navale) 5.76 (Aurora)	9.99
Partisagres SGPS sa - Lisbon (Portugal) - €7,500,000	4.36		4.36
Fondazione Cesar – Bologna - €258,230	100.00		100.00
Sagres sa – Lisbon (Portugal) - €17,201,118	3.17		3.17
Cestar srl – Pero (Milan) - €2,040,000	3.68	9.35 (Aurora) 0.02 (Navale)	11.80
Nomisma spa – Bologna - €5.345.328		4.35 (Smallpart)	4.35
Inarcheck spa – Milan - €900,000		13.33 (Smallpart)	13.33
Protos SOA spa – Rome - €877,975		10.59 (Smallpart)	10.59
Banca Popolare Etica scarl – Padua - €16,078,475	0.32		0.32
Banca di Bologna scarl – Bologna - €26,733,098	0.19		0.19
CarFlash spa – Milan - €250,000		19.90 (Aurora)	17.24
Fibo spa – Bologna - €14,654,240		14.88 (Smallpart)	14.88
Protos spa – Rome - €465,000		6.97 (Dimensione Imm.)	4.06
Arcobaleno spa – Crevalcore (Bologna) - €9,000,000		18.18 (Dimensione Imm.)	10.59

Debt securities (C.II.2)

This item amounts to €57,007K (+€7,624K compared with 2003). The amount mainly pertains to the Parent Company (€55m) and relates to bonds issued by companies where participating interests are held and, in particular, by Banca Monte dei Paschi di Siena (€25m) and Hopa spa (€30m).

Other financial investments (C.III)

The total balance for this item amounts to €19,954,366K, an increase of €1,904,942K over the previous financial year.
The components are (in €K):

	2004	Changes compared with 2003
1. Stocks and shares	729,645	259,849
2. Units and shares in investment funds.	133,250	18,128
3. Bonds and other fixed-income securities	17,690,210	902,918
4. Loans	84,041	(2,791)
6. Deposits with credit institutions	10,746	10,746
7. Sundry financial investments	1,306,474	716,092
Total	**19,954,366**	**1,904,942 (+10.6%)**

The change in the item 'Stocks and shares' takes into account the transfer of a shareholding from section *C.II.1e*, and reflects the increase, compared with 2003, in operability on the stock markets.

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

Bonds and other fixed-income securities amount to €17,690,210K:

	2004	Changes compared with 2003
Securities issued by Governments, public bodies and international organizations	13,530,317	636,388
Convertible bonds	13,332	(23,510)
Other listed securities	3,908,835	284,190
Other unlisted securities	237,726	5,850
Total	**17,690,210**	**902,918 (+5.4%)**

The figures for long-term investments (mainly relating to Life business segregated accounts) and short-term investments are €3,278.5m and €14,411.7m respectively.
For the year-end debt securities portfolio, comparison with market prices, taking into account corrections for the effect of derivatives (-€1.8m), net of tax withheld for non-possession, gives a positive balance between unrealized capital gains and losses amounting to €130.9m (compared with a gain of €32.9m as at 31/12/2003).
Item C.III.3 includes €715,758K relating to subordinated debt securities issued by leading financial institutions (€1,644,791K as at 31/12/2003).

Loans (C.III.4)

These amount to €84,041K (-€2,791K) and are subdivided as follows (in €K):

	2004	Changes compared with 2003
Secured loans	18,001	(2,787)
Loans on policies	60,070	367
Other loans	5,970	(371)
Total	**84,041**	**(2,791) (-3.2%)**

It should be noted that receivables due beyond the next financial year and over five years amount to €67,214K and €28,921K respectively.

Sundry financial investments (C.III.7)

The amount of €1,306,474K is an increase of €716,092K compared with 2003 and is made up as follows (in €K):

	2004	Changes compared with 2003
Repo securities	1,271,656	705,069
Premiums paid on cap/floor/swap options acquired	30,858	10,973
Other (capitalization policy)	3,960	50
Total	**1,306,474**	**716,092 (+121.3%)**

The increase in 'Repo securities' (+€705,069K) mainly relates to Aurora Assicurazioni (+€600,955K compared with 2003). Major items, with a balance exceeding €100m, which make up 89% of the total amount, relate to repo securities and are shown below (in €K):

Security	Counterparty	Amount
CTZ-AP 29-05-24M	Banca Popolare di Novara	250,015
BTP 6% - 1/5/2031	Unipol Banca	200,071
BTP 3%- 15/4/09	Unipol Banca	140,064
BTP 4.75%- 15/3/06	Unipol Banca	132,565
BTP 5%- 1/5/98-08	Unipol Banca	108,352
BTP 9% - 1/11/93-23	Unipol Banca	100,113
CTZ-AP 29-05-24M	Unipol Banca	100,060
BTP 9.50% - 1/2/06	B.A.M.	100,044
		1,131,284

Items due beyond the following financial year amount to €689K.

Deposits with ceding undertakings (C.IV)

These amount to €25,119K, a decrease of €991K compared with 2003.
These are deposits placed with ceding undertakings in respect of inward reinsurance risks; movements (placements and repayments) take place on an annual or within-year schedule. Their respective terms are largely dependent on the specific nature of the underlying insurance guarantees and on the actual term of the reinsurance agreements, renewal of which is negotiated at the end of each year.

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

Investments for the benefit of Life assurance policyholders who bear the risk thereof and investments arising out of pension fund management (D)

The total amount of these investments reached €5,986,016K as at 31 December 2004, an increase of €424,344K compared with the position as at 31 December 2003. Of this, €5,867,202K represents investments relating to index-linked and unit-linked policies (+€373,564K compared with 2003), divided up as follows (in €K):

- index-linked policies 3,689,065
- unit-linked policies 2,178,137

The remaining €118,814K (+€50,781K compared with 31/12/2003) includes investments relating to the open-end pension fund 'Aurora Previdenza' (€7,544K) and the investments deriving from the management of three open-end, fixed-contribution pension funds ('Unipol Previdenza', 'Unipol Futuro' and 'Unipol Insieme') set up and managed by the Parent Company (in accordance with Legislative Decree 124 of 21/4/1993) and of three capital-guaranteed occupational pension funds ('BAM employees', 'Fundum' and 'Eurofer') which Unipol manages.
The Pension Funds are independent assets separate from those of the Companies. The open-end funds are split into four lines of investment in the case of 'Aurora Previdenza', four lines in the case of 'Unipol Previdenza' and 'Unipol Futuro' and five lines in the case of 'Unipol Insieme', with diversified management features, and each of the three closed funds has a single line.

Reinsurers' share of technical provisions (item D bis)

The balance on this item was €738,725K and was €150,082K lower than in 2003. The decrease relates essentially to BNL Vita and concerns the transfer of the class of business to RB Vita, which involved the transfer to the aforesaid company of provisions in the sum of €171.6m.

Debtors (item E)

The amount of debtors, totalling €1,349,322K, is an increase of €4,464K compared with 2003 and is detailed below:

	2004	Changes compared with 2003
Debtors arising out of direct insurance business (E.I)		
Premiums receivable from policyholders	464,777	(14,585)
Receivables from intermediaries	334,731	42,986
Insurance undertakings, amounts receivable	36,082	(4,196)
Policyholders and third parties amounts recoverable	49,057	(4,576)
	884,647	**19,629 (+2.3%)**
Debtors arising out of reinsurance business (E.II)		
Account balances	**107,106**	**(75,154) (-41.2%)**
Other debtors (E.III)		
Inland Revenue, receivables	304,487	91,504
Sundry receivables	53,082	(31,515)
	357,569	**59,989 (+20.2%)**
Total	**1,349,322**	**4,464 (+0.3%)**

'Receivables from the Inland Revenue' include:

- €151.5m for amounts paid for substitute tax on mathematical provisions, introduced by Decree Law 209 of 25 September 2002, which we will begin to recover with effect from January 2005;
- €29.7m relating to the advance payment of tax on insurances introduced by Decree Law 282/2004, to be recovered with effect from January 2005.

'Sundry receivables' include receivables from the consolidating company Finsoe in the sum of €11.3m. These are the result of offsetting (for companies which belonged to the tax consolidated group) the payables due to the consolidating company for IRES for the year 2004 against the receivables arising from the IRES advance payments made, and from withholding taxes and tax refunds for the financial year transferred to the combined group payment, and having generally taken into account the sums arising from the application of the specific contractual agreements entered into with the consolidating company Finsoe.

It should be noted that receivables due beyond the next financial year and over five years amount to €68,110K and €26,601K respectively.

Other assets (item F)

Tangible assets and stocks (F.I)

These consist of furniture, office machinery, electronic machines, motor vehicles, plant and equipment to the value of €137,320K, of which €107,425K is depreciation, thus giving a net book value of €29,895K (+€1,343K compared with 2003).

Cash at bank and in hand (F.II)

At the end of the year this item amounted to €1,088,080K (+€410,088K compared with 31/12/2003). This mainly concerns sums housed in Unipol Banca current accounts.

Own shares (F.III)

As far as own shares are concerned, during the year the parent company Unipol Assicurazioni did not realize any transactions and as at 31 December 2004 (just as at 31/12/2003), there were no shares in the portfolio.

Other assets (F.IV)

These amounted to €87,610K, a decrease of €6,309K compared with 2003:

	2004	Changes compared with 2003
Deferred reinsurance accounts receivable	0	(8,345)
Derivatives	23,478	12,853
Other assets	64,132	(10,817)
Total	**87,610**	**(6,309) (-6.7%)**

The deferred reinsurance accounts payable were reduced to zero as a result of the change to the accounting criteria, as shown in Part B 'Valuation Criteria'.

Prepayments and accrued income (item G)

These amounted to €177,874K, a decrease of €34,223K They are made up of accruals on income from securities of €166,904K, of multiyear prepayments on the costs of issuing subordinated bonded loans amounting to €5,123K and of other prepayments and accrued income amounting to €5,847K.

Balance Sheet – Liabilities

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

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

The shareholders' equity, excluding shares pertaining to minority interests, is divided up as shown (in €K):

	2004	Changes compared with 2003
Share capital	916,459	10,229
Free reserves	1,521,347	33,684
Consolidation reserve	(54,719)	(6,388)
Reserve for valuation differences on non-consolidated interests	8,519	7,741
Reserve for own shares and holding company's shares	0	0
Profit for the financial year	211,322	63,866
Total	**2,602,928**	**109,132 (+4.4%)**

As regards Unipol Assicurazioni's equity, during the year bearers of the warrants linked to the share and bonds issued in July 2000 continued to exercise the right to subscribe to new ordinary and preference shares (which will cease on 20/6/2005).
As a result of these subscriptions, the level of capital and reserves increased by €13,475K on the position as at 31 December 2003.

The item 'Consolidation reserve' contains the differences arising from offsetting the book value of participating interests against the corresponding portion of the shareholders' equity of the consolidated companies, after allocations to the asset lines of such undertakings and to the consolidation difference (goodwill). It also takes account of consolidation adjustments as a result of applying the accounting principles of the Parent Company and elimination of intra-group dividends.
The item 'Reserve for valuation differences on non-consolidated interests' contains valuation differences arising from application of the equity method, except for the part that derives from profits/losses for the financial year that is applied to the Profit and Loss account on the item 'Share of profit for the year of shareholdings included by the equity method'.

The table showing the reconciliation between the unconsolidated capital, reserves and profit for the year and consolidated capital, reserves and profit for the year is attached, together with the statement of changes in consolidated shareholders' equity.

Subordinated liabilities (item B)

The amount of this item was €674,000K (a net increase of €8,000K compared with 2003) and related to loans issued by the following companies (in €K):

- Unipol Assicurazioni 600,000
- BNL Vita 50,000
- Quadrifoglio Vita 24,000

The amount of €600m is made up of two subordinated bonded loans issued by the Parent Company. Both loans have a nominal value of €300m, are for twenty years and are listed on the Luxembourg Stock Exchange.
The degree of subordination is similar to Tier II (supplementary capital consisting of second-level capital items).
The first loan, issued in May 2001, has a fixed interest rate of 7% until the date on which the early repayment clause is exercised (as from the tenth year) and a variable rate thereafter.
The second, which was fully subscribed by institutional investors on 28 July 2003, has a fixed annual interest rate of 5.66% for the first 10 years and a variable rate thereafter.
The subordinated debenture loans of the other companies in the Group amounted to €74m; €32m of which was issued in 2002, €34m in 2003 and €8m in 2004.
These loans are not listed and are for a period of five years.
The degree of subordination is similar to Tier II.

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

Technical provisions (item C)

These amounted to a total of €22,404,176K, an increase of €2,296,403K compared with 2003, and consisted of €15,602,589K in technical provisions and provisions for amounts payable for Life business and €6,801,587K in provision for unearned premiums, provision for outstanding claims and other Non-Life provisions.

Technical provisions where the investment risk is borne by the policyholders and provisions arising out of pension fund management (item D)

These amount to €5,983,760K (+€422,568K compared with 2003). Of this, €5,864,946K represents technical provisions established to cover liabilities arising from life assurance contracts where the return is linked to investments or indices of which the policyholder bears the risk (Class III of Table A appended to Legislative Decree 174/95). The technical provisions arising from management of open-end pension funds and closed capital-guaranteed pension funds amount to €118,814K
In compliance with the provisions of Article 38 of Legislative 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 matching assets, in accordance with the provisions of Article 30 of Legislative Decree 174/95 and subsequent Isvap rulings. In the case of contracts in Class III, additional technical provisions have been established to cover mortality risks.

Provisions for other risks and charges (item E)

These amount to €63,824K, an increase of €17,011K, and include (in €K):

	2004	Changes compared with 2003
Provision for taxation	34,124	16,488
Provision for future charges	29,278	6,726
Provision for exchange rate		(5,355)
Others	422	(848)
Total	**63,824**	**17,011 (+36.3%)**

The 'Provision for taxation' relates to the charge expected with respect to the deferred taxes that will fall due in future financial years.
'Provision for future charges' is set up to meet any investment charges, which are considered to be likely, including those attributable to current disputes.
The 'Provision for exchange rate fluctuations', which at 31 December 2003 presented a balance of €5,355K, was reduced to zero by 31 December 2004.

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

Deposits received from reinsurers (item F)

These rose from €405,217K to €247,005K as at 31 December 2004, a net decrease of €158,212K. This decrease relates essentially to BNL Vita and it concerns the transfer of the class of business to RB Vita, which involved the transfer of deposits in the sum of €171.6m.

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 (item G)

This item, totalling €625,017K, increased by €6,932K compared with 2003 and is made up of the elements listed below.

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

These amount to €64,316K (-€1,656K) and mainly relate to payables to agents and other intermediaries amounting to €39,435K and current account payables to companies amounting to €13,335K.

Creditors arising out of reinsurance operations (G.II)

The balance amounts to €44,099K, a decrease of €21,772K compared with 2003, and this is essentially due to the companies Aurora e Navale.

Amounts owed to credit institutions (G.IV)

As at 31 December 2004 amounts owing to banks and financial institutions were zero (€1K as at 31/12/2003).

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

These amounted to €2,233K (-€557K compared with 2003), relate to the mortgage loan on property belonging to the Parent Company and are payable after the end of the next financial year.

Sundry borrowings and other financial payables (G.VI)

This item, amounting to €21,331K (+€12,873K over 2003), consists entirely of entries relating to derivatives.

Other creditors (G.VIII)

These are up by €9,072K over the previous financial year and totalled €221,346m. They consist of (in €K):

	2004	Changes compared with 2003
Payables for policyholders' tax liabilities	72,153	1,460
Payables – sundry taxes	53,187	(30,709)
Payables to suppliers	36,287	15,437
Payables to welfare bodies	9,594	(1,323)
Sundry payables	50,125	24,207
Total	**221,346**	**9,072 (+4.3%)**

'Payables – sundry taxes' includes sums payable to the Inland Revenue (net of advance payments made) for income tax due in the following financial year amounting to €33,894K. The amount is lower than the previous year, since it includes, apart from the IRAP, the payables for IRES for the year only of those companies that did not belong to the tax consolidated group.
'Sundry payables' includes liabilities payable beyond the following financial year amounting to €2,536K.

Other liabilities (G.IX)

These increased by €10,624K compared with 2003 and were made up as follows (in €K):

	2004	Changes compared with 2003
Deferred reinsurance accounts payable	0	(15,457)
Commissions on uncollected premiums and incentives ('rappels')	131,809	23,209
Derivatives	9,712	5,624
Other liabilities	67,455	(2,752)
Total	**208,976**	**10,624 (+5.4%)**

The amount relating to 'derivatives' refers to the offset to valuations and alignments of transactions outstanding as at 31 December 2004.

Accruals and deferred income (item H)

These increased by €2,221K, with a balance as at 31 December 2004 of €40,094K. Most relate to interest on bonded loans of €20,647K (including €1,791K for the issue premium), to accruals on derivatives of €5,120K, to deferred income for interest on portfolio recoupments and loans to agents of €3,227K.

Section 7 – Guarantees, commitments and other memorandum accounts

These total €34,185,939K (€28,418,160K of which is for securities deposited with third parties), an increase of €4,141,302K compared with 2003.

Guarantees (I, II, III)

I. Guarantees given: €30,888K.
These are mainly guarantees given in relation to property transactions.

II. Guarantees received: €159,261K.
These are guarantees received in connection with carrying out insurance business and include €69,629K in surety on Agents' bond policies.

III. Guarantees given by third parties in favour of consolidated undertakings: €28,911K.
The larger amount results from CID surety for commitments assumed by the undertakings (€19,953K).

Commitments (IV)

Their value, amounting to €5,189,006K, is up compared with last year, when it amounted to €2,700,705K.
They largely relate to commitments recorded for derivatives outstanding at the end of the year amounting to €2,330,108K (by and large relating to the nominal values of the underlying assets), whilst €1,751,469K relates to commitments under repo transactions.

Pension fund assets managed in the name of and on behalf of third parties (VI)

At the end of the year pension fund assets managed in the name and on behalf of third parties totalled €167,394K and related to the following pension funds:

Solidarietà Veneto	34,057
Previcooper	26,651
Bayer Italia	18,550
Arco	25,280
Cooperlavoro	21,021
Fon.Te	23,547
Gommaplastica	18,288
	167,394

They are made up as follows:

Bonds	122,018
Shares	42,079
Cash at bank and in hand	1,306
Other net assets	1,991

Profit and Loss Account

Section 8 – Information relating to technical accounts

Premiums for the year

Premiums written reached €9,623,667K in 2004, an increase over the previous financial year of 28.4%.

On the same basis of consolidation, if we include the data of the former Winterthur Italia Group (whose premium income was subject to consolidation only for the fourth quarter 2003) for the whole of the 2003 financial year, the variation would have been +8.3% (+2.2% in Non-Life business and +12.9% in Life business). The following table shows the breakdown of premiums per class of business (as per the table appended to Legislative Decrees 174 and 175/95), their composition and their percentage changes compared with 2003:

BREAKDOWN OF WRITTEN PREMIUMS PER CLASS OF BUSINESS

(Net of tax on premiums- Amounts in €K)

	Financial yr 2004	comp. %	Financial yr 2003	comp. %	Variations 2004/2003 amount	in %
DIRECT ITALIAN INSURANCE BUSINESS						
Non-Life insurance business						
Accident and Health (classes 1 and 2)	529,200	5.5	395,304	5.3	*133,896*	*33.9*
Land vehicles - TPL (class 10)	2,053,382	21.4	1,476,216	19.8	*577,165*	*39.1*
Land vehicles - Own damage or loss (class 3)	350,093	3.7	254,084	3.4	*96,009*	*37.8*
Marine, Aviation, Goods in transit (classes 4, 5, 6, 7, 11 and 12)	39,833	0.4	42,987	0.6	*-3,154*	*-7.3*
Fire and Other damage to property (classes 8 and 9)	412,961	4.3	279,013	3.7	*133,948*	*48.0*
General TPL (class 13)	344,506	3.6	269,519	3.6	*74,987*	*27.8*
Credit and Bonds (classes 14 and 15)	43,189	0.5	33,663	0.5	*9,526*	*28.3*
Miscellaneous pecuniary losses (class 16)	35,745	0.4	24,304	0.3	*11,440*	*47.1*
Legal protection (class 17)	21,806	0.2	14,892	0.2	*6,914*	*46.4*
Assistance (class 18)	35,350	0.4	23,182	0.3	*12,167*	*52.5*
Total Non-Life insurance business	**3,866,063**	**40.3**	**2,813,165**	**37.7**	***1,052,898***	***37.4***
Life assurance business						
I - Life assurance	2,125,905	22.2	2,519,917	33.8	*-394,013*	*-15.6*
III - Unit-linked / Index-linked products	1,757,788	18.3	956,473	12.8	*801,315*	*83.8*
V - Capital redemption operations	1,779,947	18.6	1,153,051	15.5	*626,896*	*54.4*
VI - Pension funds	53,444	0.6	20,195	0.3	*33,249*	*164.6*
Total Life assurance business	**5,717,084**	**59.7**	**4,649,636**	**62.3**	***1,067,448***	*23.0*
Total direct Italian business	**9,583,147**	**100.0**	**7,462,801**	**100.0**	***2,120,346***	***28.4***
INWARD REINSURANCE						
Indirect Non-Life insurance business						
Accident and Health (classes 1 and 2)	2,062	5.1	1,215	4.1	*847*	*69.7*
Land vehicles - TPL (class 10)	7,773	19.2	6,348	21.5	*1,425*	*22.4*
Land vehicles - Own damage or loss (class 3)	299	0.7	249	0.8	*50*	*20.0*
Marine, Aviation, Goods in transit (classes 4, 5, 6, 7, 11 and 12)	2,154	5.3	2,162	7.3	*-7*	*-0.3*
Fire and Other damage to property (classes 8 and 9)	21,086	52.0	12,903	43.7	*8,184*	*63.4*
General TPL (class 13)	2,420	6.0	2,005	6.8	*415*	*20.7*
Credit and Bonds (classes 14 and 15)	838	2.1	756	2.6	*82*	*10.8*
Miscellaneous pecuniary losses (class 16)	0	0.0	18	0.1	*-18*	*-100.3*
Total indirect Non-Life insurance business	**36,632**	**90.4**	**25,656**	**86.9**	***10,976***	***42.8***
Indirect Life assurance business						
I - Life assurance, annuities	3,887	9.6	3,883	13.1	*4*	*0.1*
Total indirect Life assurance business	**3,887**	**9.6**	**3,883**	**13.1**	***4***	***0.1***
Total inward reinsurance	**40,520**	**100.0**	**29,539**	**100.0**	***10,981***	***37.2***
TOTAL PREMIUM INCOME	**9,623,667**		**7,492,340**		***2,131,327***	***28.4***

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

	2004 Financial Year			2003 Financial Year		
	Non-Life	Life	Total	Non-Life	Life	Total
Unipol Assicurazioni	1,428,568	1,199,713	2,628,281	1,345,986	1,080,048	2,426,034
Aurora Assicurazioni	2,147,407	1,129,773	3,277,180	1,170,385	609,395	1,779,780
B.N.L. Vita Spa		2,578,271	2,578,271		2,077,169	2,077,169
Linear Spa	153,439		153,439	130,233		130,233
Navale Assicurazioni Spa	98,850		98,850	127,793		127,793
Quadrifoglio Vita Spa		813,214	813,214		886,906	886,906
Unisalute Spa	74,432		74,432	64,425		64,425
TOTAL	**3,902,696**	**5,720,971**	**9,623,667**	**2,838,821**	**4,653,519**	**7,492,340**

2003 premium income for former companies NewWin Assicurazioni, Winterthur Vita and Winterthur Assicurazioni (now Aurora) related only to the fourth quarter.

In 2004, net earned premiums for Non-Life business amounted to €3,439,943K.

Breakdown of gross premium income by geographical area

Premiums written have been almost entirely written in Italy and 27.3% of them (32.4% in 2003) relate to the Parent Company.

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

It should be noted that, in accordance with Isvap Ruling 1140-G of 8 March 1999, a share of the investment returns of €610,418K has been transferred from the non-technical account to the technical account of Life business.

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

Other technical income, net of reinsurance, amounted to €10,856K for Non-life business (+€4,114K) and to €40,236K for Life business (+€3,863K).
For Non-Life business, this item includes the reversal of commissions relating to cancelled premiums for prior years (€4,472K) and premiums cancelled under reinsurance cessions (€2,047K). For Life business, this item includes management fees for investments relating to benefits linked to investment funds and market indices and for investments arising out of pensions fund management (€38,365K).

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

Other technical charges, net of reinsurance cessions, amounted to €18,058K for Non-life business (+€9,523K) and to €14,077K for Life business (+€659K).

Other charges are, for Non-Life business, €10,885K for cancellations of receivables from policyholders for prior years' premiums. In the case of Life business, the higher amount of €6,255K related to Quadrifoglio Vita management fees.

Section 9 – Information relating to the non-technical account

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

These are up by €166,734K compared with 2003 and consist of (in €K):

	2004	Changes compared with 2003
Units and shares in investment funds	143	(101)
Bonds/fixed-income securities	617,556	162,487
Loans	4,045	452
Sundry financial investments	25,795	3,874
Interest on deposits with ceding undertakings	851	22
Total	**648,390**	**166,734 (+34.6%)**

Value readjustments on investments (III.3.c)

Value readjustments have been made to the amount of €27,616K (+€3,653K compared with 2003) on investments written down during prior years, in particular €14,945K being for stocks and shares, €8,975K for other financial investments and €3,508K for bonds and other fixed-income securities.

Gains made on investments (III.3.d)

These rose by €5,396K compared with 2003. They are represented by (in €K):

	2004	Changes compared with 2003
Capital gains on disposals:		
- bonds/fixed-income securities	174,308	70,351
- stocks and shares	38,821	10,901
- buildings	940	(53)
- other financial investments	30,279	(75,803)
Total	**244,348**	**5,396 (+2.3%)**

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 €15,053K and are subdivided into the following items (in €K):

	2004	Changes compared with 2003
Charges, sundry financial investments	18,729	2,939
Charges, shares/bonds	36,145	13,216
Charges, property investments	14,928	4,911
Interest on reinsurers' deposits	8,719	(5,912)
Asset depreciation	320	(101)
Total	**78,841**	**15,053 (+23.6%)**

Value adjustments on investments (III.4.b)

These amount to €98,680K, a decrease of €27,055K, and relate to:

	2004	Changes compared with 2003
Value adjustments on:		
- bonds/fixed-income securities	11,856	(86,641)
- stocks and shares	68,297	53,359
- other financial investments	8,723	5,214
- property depreciation	9,804	1,013
Total	**98,680**	**(27,055) (-21.5%)**

Losses made on investments (III.4.c)

These amount to €51,744K (-€35,398K compared with 2003) and are represented by (in €K):

	2004	Changes compared with 2003
Capital losses on disposals:		
- bonds/fixed-income securities	23,041	8,168
- stocks and shares	11,172	5,055
- other financial investments	17,531	(48,621)
Total	**51,744**	**(35,398) (-40.6%)**

Other income (III.6)

This amounts to €75,365K (+€8,250K). The most significant components relate to €30,202K for interest earned on bank deposits and €25,024K for drawing on funds.

Interest on financial payables (III.7.a)

Of the total amount of €41,880K (+€10,704K) for 'Interest on financial payables', €41,373K relates to interest on and the issue costs for the subordinated bonded loans and €507K to interest on mortgage loans.

Sundry charges (III.7.b)

These amount to €123,086K, an increase of €32,370K compared with 2003. They include €44,458K for depreciation of the difference arising from consolidation of the companies consolidated on a line-by-line basis, € 23,449K for the depreciation allowances on intangible assets, and €11,834K concern sums allocated to funds

Profit from ordinary activities

This amounted to €354,667K, an increase of 40.5% compared with the previous financial year, mainly as a result of the improvement in the technical result.

Extraordinary income (III.9)

This recorded an increase of €63,429K and is set out in detail in the following table (in €K):

	2004	Changes compared with 2003
Income from disposal of/trading in:		
- property	27,313	26,761
- bonds/fixed-income securities	50,083	20,920
- stocks and shares	6,270	(23,708)
- extraordinary income	11,339	1,759
- other extraordinary income	40,643	37,697
Total	**135,648**	**63,429 (+87.8%)**

The 'other extraordinary income' includes the capital gain realized by BNL Vita as a result of the transfer of the class of business to RB Vita in the sum of €38.4m.

The capital gains shown above relate to long-term investments and also pertain to investments relating to Life business segregated accounts.

Extraordinary charges (III.10)

This amount, which increased by €7,025K during the year, was €28,460K. It includes capital losses on the disposal of long-term investments for €208K, contingent liabilities for €9,807K and other extraordinary charges for €18,445K.

Part D: Other Information

Staff of consolidated undertakings

	Average number for 2004	Number as at 31/12/2004
Unipol Assicurazioni	1,468	1,491
Aurora Assicurazioni	2,303	2,244
Linear Assicurazioni	286	302
Unisalute	226	241
Navale Assicurazioni	101	99
BNL Vita	85	85
Quadrifoglio Vita	19	19
Total	**4,488**	**4,481**

The average number for 2004 is broken down by category as follows:

Senior officials	124
Junior officials	579
Clerical staff	3,239
Other employees (*)	546
Total	**4,488**

(*) mainly call centre advisers

In all, the average number of employees of the companies included in the consolidation has reduced by ten compared to the average back in 2003.
The average number of employees of the new company Aurora is seen to have reduced by 101 units, whilst 48 new operators have been brought in to the call centres of Unipol Assicurazioni, Linear and Unisalute.

Emoluments

Emoluments payable for 2004 to the Parent Company's Directors and Auditors for carrying out their functions in Unipol Assicurazioni and in other undertakings included in the basis of consolidation are as follows (in €K):

Directors	2,338
Auditors	395
Total	**2,733**

Information on the volume and type of activity of subsidiaries that manage financial resources belonging to third parties in the context of fiduciary, brokerage or investment fund management activities

The subsidiaries that manage financial resources belonging to third parties are Unipol Banca, Unipol Fondi Ltd and Unipol Sgr.

Unipol Banca spa: assets amounted to €5,289m (€3,564.5m as at 31/12/2003) and shareholders' equity, including the profit for the year, amounted to €638.9m.
At the end of the year assets under management amounted to €1.7bn (€1.2bn as at 31/12/2003).
Unipol Fondi Ltd is a unit trust under the laws of Ireland for the purpose of the collective investment of its assets in transferable securities.
As at 31 December the company's assets amounted to €2.7m (€2.6m as at 31/12/2003); its shareholders' equity, including the profits for the year, amounted to €1.9m.
At the end of the financial year the assets under management amounted to €589m, as against €529m at the end of 2003 (+11.3%).
Unipol Sgr spa: the company was put back into operation with effect from 1 April 2004, with the task of managing assets on behalf of the ten portfolios of Unipol Fondi Ltd; this involved a combined asset base of more than €580m.
The shareholders' equity including profit for the financial year amounted to €5.4m.

Further information concerning the above three companies is given in the Board Report, in the chapter entitled 'Summary of the activities carried out by consolidated companies'.

Consolidated financial statement

The relevant table appears on the following pages.

Bologna, 24 March 2005

The Board of Directors

Notes to the Accounts - Annexes

RECONCILIATION TABLE
OF THE PARENT COMPANY'S CAPITAL, RESERVES AND PROFIT FOR THE YEAR
TO THE CONSOLIDATED CAPITAL, RESERVES AND PROFIT FOR THE YEAR

(€K)

	Capital and reserves	Profit for the year	2004 Shareholders' equity Total	2003 Shareholders' equity Total
Balances on the accounts of Unipol Assicurazioni	**2,427,357**	**175,586**	**2,602,943**	**2,529,549**
Difference between net book value and capital, reserves and profit for the year of consolidated undertakings:	(1,253,980)	184,191	**(1,069,789)**	(1,187,904)
Differences arising from consolidation adjustments	1,065,204	(57,721)	**1,007,483**	1,069,698
Difference posted to other assets (buildings)	60,205	(12,908)	**47,297**	60,205
Valuation of undertakings included by the equity method	5,820	19,394	**25,214**	16,124
Elimination of inter-group dividends	80,876	(80,876)	**0**	0
Inter-group transactions	(9,534)	36	**(9,498)**	(9,534)
Application of group accounting standards	15,658	(16,380)	**(722)**	15,658
Balances on the consolidated annual accounts - Group	**2,391,606**	**211,322**	**2,602,928**	**2,493,796**
Minority interests	236,924	61,584	298,508	229,871
Grand total, minority interests included	**2,628,530**	**272,906**	**2,901,436**	**2,723,667**

STATEMENT OF CHANGES IN CONSOLIDATED CAPITAL AND RESERVES
FOR THE YEAR ENDED 31 DECEMBER 2004

(€K)

	Share capital	Reserves	Profit / (Loss) for the year	TOTAL
Balances as at 31 December 2003	**906,230**	**1,440,110**	**147,456**	**2,493,796**
Allocation of 2003 profit				
-dividends			(115,684)	(115,684)
-reserves		31,772	(31,772)	0
Warrant conversion	10,229	3,246		13,475
Changes in other reserves		18		18
Profit for the year 2004			211,322	211,322
Balances as at 31 December 2004	**916,459**	**1,475,147**	**211,322**	**2,602,928**

CONSOLIDATED CASH FLOW STATEMENT

(€K)

	31/12/2004	31/12/2003
CASH INFLOW		
CASH INFLOW FROM OPERATING ACTIVITIES		
Net profit for the year	211,322	147,456
Net increase in technical provisions	2,869,052	8,188,475
Write-down of securities and participating interests	88,444	116,944
Increase (decrease) in investment funds	17,935	100,361
Decrease in loans	1,791	(15,597)
(Increase) decrease in receivables and other assets, net of payables and other liabilities	(116,210)	12,447
OTHER CASH INFLOW		
Capital increase in return for payment	13,475	1,064,638
Changes in equity reserves	18	56
Increase (decrease) in minority interests	68,637	66,588
TOTAL CASH INFLOW	**3,154,465**	**9,681,368**
CASH FLOWS WERE INVESTED AS FOLLOWS:		
Increase investments in securities	918,704	8,402,291
Increase investments in participating interests	354,236	579,884
Increase investments in buildings	245,468	162,399
Increase in Class D investments	424,344	399,949
Write-ups of securities and participating interests	27,616	23,963
Other cash investments	658,324	188,224
Dividends paid	115,684	56,900
TOTAL CASH FLOW INVESTED	**2,744,377**	**9,813,610**
Increase (decrease) in cash and cash equivalents	410,088	(132,242)
TOTAL	**3,154,465**	**9,681,368**
Cash at bank and in hand as at 1 January	**677,992**	**810,234**
Cash at bank and in hand as at 31 December	**1,088,080**	**677,992**

Statutory Auditors' Report

Report of the Board of Statutory Auditors on the Consolidated Accounts for the Financial Year 2004

Dear Shareholders,

With reference to the Consolidated Accounts the Board of Auditors:

- has ascertained that the accounting standards and the valuation criteria have been applied correctly, in particular that the basis of consolidation, the regulations on determining the basis of consolidation and the date to which the figures apply have been complied with;
- has ascertained that the Parent Company's organizational and procedural structure is adequate to manage the flows of information and the operations arising from consolidation;
- has ascertained that the Parent Company has responded to requests from CONSOB for accounting information relating to the business performance of the various categories of activity and to its expected trend;
- declares that the certification of the subsidiary companies complies with the provisions of Legislative Decree 58/1998 and with those of CONSOB Ruling 11971/1999;
- has ascertained that in accordance with Articles 2467 et seq. of the Civil Code none of the shareholders carries out any of the management and coordination work and that although Finsoe S.p.A. owns a holding large enough to give it legal control it does not do any of the work of managing and coordinating Unipol Assicurazioni since it is merely the holding company for Unipol Assicurazioni spa.
- has followed the process of adjusting to the IAS international accounting standards developed by the Group prior to applying them during 2005, when the economic and financial impact on the consolidated accounts and the effect on the Group's capital and reserves will be made public.

Bologna, 11 April 2005

The Board of Statutory Auditors

External Auditors' Report

KPMG

KPMG S.p.A.
Revisione e organizzazione contabile
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(Translation from the Italian original which remains the definitive version)

Report of the auditors in accordance with article 156 of legislative decree no. 58 of 24 February 1998 and article 75 of legislative decree no. 173/97

To the shareholders of
Compagnia Assicuratrice Unipol S.p.A.

1 We have audited the consolidated financial statements of Unipol Group as at and for the year ended 31 December 2004. These financial statements are the responsibility of the parent company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

2 We conducted our audit in accordance with the auditing standards recommended by Consob, the Italian Commission for Listed Companies and the Stock Exchange. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement and are, as a whole, reliable. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion. The responsibility for the audit of the financial statements of certain subsidiaries, representing 27% and 28% of consolidated assets and consolidated gross premiums, respectively, rests with other auditors.

Reference should be made to the report dated 9 April 2004 for our opinion on the prior year consolidated figures which are presented for comparative purposes as required by law.

3 In our opinion, the consolidated financial statements of Unipol Group as at and for the year ended 31 December 2004 comply with the Italian regulations governing their preparation; therefore they are clearly stated and give a true and fair view of the financial position and results of the Group.

Bologna, 11 April 2005

KPMG S.p.A.

(Signed on the original)

Massimo Tamburini
Director of Audit

Translated from the original Italian by SEL, the translation company owned by the University of Salford, Manchester, UK