# Vittoria Assicurazioni

SOCIETÀ PER AZIONI
REGISTERED OFFICES: 20153 MILAN - VIA CALDERA, 21
SHARE CAPITAL:EURO 30,000,000 FULLY PAID-UP
FISCAL CODE AND MILAN COMPANIES REGISTER
NO. 01329510158 - REA NO. 54871
COMPANY AUTHORISED TO CARRY OUT INSURANCE ACTIVITIES
PURSUANT TO ARTICLE 65 OF LEGISLATIVE DECREE NO. 966
OF 29 APRIL 1923

# 2004 Consolidated Annual Report

Ordinary Shareholders' meeting of 29 April 2005

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# Contents


| | | page |
|---|---|---|
| Company officers | | 4 |
| **2004 ANNUAL REPORT** | | |
| Directors' Report | | 7 |
| Consolidated financial statements | | 27 |
| Consolidated balance sheet | | 28 |
| Consolidated profit and loss account | | 36 |
| Notes to the consolidated financial statements | | 43 |
| Part A: | Preparation criteria and consolidation area | 47 |
| Part B: | Accounting policies | 50 |
| Part C: | Notes to the consolidated balance sheet and profit and loss account | 63 |
| Part D: | Other information | 84 |
| REPORT OF THE INDEPENDENT AUDITORS | | 89 |

## BOARD OF DIRECTORS

| | |
|---|---|
| Luigi GUATRI | Chairman |
| Carlo ACUTIS | Deputy Chairman |
| Giorgio COSTA | Deputy Chairman |
| Roberto GUARENA | Managing Director |
| Adriana ACUTIS BISCARETTI di RUFFIA | Director |
| Andrea ACUTIS | Executive director |
| Francesco BAGGI SISINI | Independent director |
| Tiberto BRANDOLINI d'ADDA | Independent director |
| Marco BRIGNONE | Independent director |
| Arnaud HELLOUIN de MENIBUS | Independent director |
| Pietro Carlo MARSANI | Independent director |
| Giorgio MARSIAJ | Independent director |
| Giacomo MOTTURA | Director |
| Edgar MÜLLER-GOTTHARD | Independent director |
| Luca PAVERI FONTANA | Director |
| * Giuseppe SPADAFORA | Independent director |
| Mario RAVASIO | Secretary |

## BOARD OF STATUTORY AUDITORS

| | |
|---|---|
| Angelo CASÒ | Chairman |
| Giovanni MARITANO | Standing auditor |
| Livio STRAZZERA | Standing auditor |
| Ferruccio ARALDI | Substitute auditor |
| Sergio VASCONI | Substitute auditor |

## GENERAL MANAGEMENT

| | |
|---|---|
| Mario RAVASIO | Deputy General Manager |
| Cesare CALDARELLI | Central Manager |
| Enrico CORAZZA | Central Manager |
| Sergio GIOMINI | Central Manager |

## AUDIT COMPANY

BDO Sala Scelsi Farina
Joint-stock audit company

* Director appointed by the shareholders' meetings of 29 April 2005

## APPOINTMENT AND REMUNERATION COMMITTEE

| | |
|---|---|
| Luca PAVERI FONTANA | Non executive chairman |
| Francesco BAGGI SISINI | Non executive, independent |
| Arnaud HELLOUIN de MENIBUS | Non executive, independent |
| Giacomo MOTTURA | Non executive |

## INTERNAL CONTROL COMMITTEE

| | |
|---|---|
| Giacomo MOTTURA | Non executive chairman |
| Francesco BAGGI SISINI | Non executive, independent |
| Giorgio COSTA | Non executive, independent |

## FINANCE COMMITTEE

| | |
|---|---|
| Andrea ACUTIS | Executive chairman |
| Carlo ACUTIS | Executive |
| Giorgio COSTA | Non executive, independent |
| Roberto GUARENA | Executive |
| Luca PAVERI FONTANA | Non executive |

## REAL ESTATE COMMITTEE

| | |
|---|---|
| Andrea ACUTIS | Executive chairman |
| Carlo ACUTIS | Executive |
| Francesco BAGGI SISINI | Non executive, independent |
| Giorgio COSTA | Non executive, independent |
| Roberto GUARENA | Executive |
| Arnaud HELLOUIN de MENIBUS | Non executive, independent |
| Giacomo MOTTURA | Non executive |
| Luca PAVERI FONTANA | Non executive |

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# Directors' Report

The third consolidated financial statements prepared by Vittoria Assicurazioni S.p.A., accompanying the eighty-third statutory financial statements, show a consolidated net profit of Euro 25,917 thousand, up 34.4% on the Euro 19,290 thousand recorded in the previous year. As described in the section on "Accounting policies", the increase is partly due to adoption by the group of a new accounting policy for real estate units being built, which are now stated using the percentage of completion method rather than the completed contract method. If the percentage of completion method had been applied constantly over time the group's net profit for the period would have increased by 14.2% to Euro 22,980 thousand (Euro 20,127 thousand at 31 December 2003).

Comparative figures at 31 December of the previous year have been restated accordingly.

As in the previous year, the only consolidated insurance company is the parent company, Vittoria Assicurazioni S.p.A.. Its net profit for the year totalled Euro 17,779 thousand (Euro 15,147 thousand at 31 December 2003).

Companies forming part of the group are listed in "part A" of the notes to the consolidated financial statements in the section on the consolidation area.

As in the previous year, the consolidated net profit is affected by a significant technical accrual. The mathematical reserves of the life business have been increased by Euro 7,986 thousand considering that the subsidiaries Vittoria Immobiliare S.p.A. and Immobiliare Bilancia S.r.l. are partly allocated to the separate accounts. Accordingly, part of the parent company's revenues should be retroceded to policyholders.

## Insurance operations

The following were the main operations contributing to the net profit for the year.

Total premiums written rose 13.5% to Euro 519,268 thousand.

Direct life insurance premiums increased by 19.3%; this result was achieved thanks to the productive collaboration of the agency network and good returns on the products sold. As well as low risk investments found on the market, the parent company's financial strategy favours real estate investments acquired through the group companies operating in this sector, whose returns are extremely satisfactory for life policyholders.

Total premiums written in the direct non-life business rose 11.8% to Euro 405,650 thousand.

Premiums of the motor business rose 13.9%; in particular, the motor vehicle hulls line of business rose 16.7%, which was achieved thanks to both ongoing commercial agreements and those signed during the year.

Thanks to the acquisition of new policyholders, the motor third-party liability line increased 13.4%. The rise in premiums is a consequence of the particular care dedicated to the affinity groups and the further strengthening of the commercial organisation through the opening of new points of sale. The group obtained this significant growth keeping at the same time its average frequency of claims target unchanged with respect to previous years.

Direct other non-life premiums excluding aviation, marine, bonds and credit rose 5.7%, thanks to the special attention the group paid to this area, which is considered strategic.

Premiums relating to aviation, marine, bonds and credit increased 11.0%. This growth, limited in comparison with the opportunities offered by the market, was affected by a stringent risk underwriting policy.

Overheads as a percentage of premiums fell from 10.2% to 9.7%, in accordance with the strategic objective to contain cost.

## Real estate operations

The consolidated financial statements are positively affected by the results of the real estate subsidiaries which have been consolidated on a line-by-line basis. Net of intercompany transactions, their main results are as follows:

- turnover - services, mainly real estate brokerage services of Euro 3,091 thousand (2003: Euro 2,856 thousand);
- profit on real estate trading of Euro 22,728 thousand (2003: Euro 1,158 thousand).

The group's real estate companies continued to take the opportunities offered by the market, which continued to show bullish trends, although at a slower growth rate. Demand in the real estate business was boosted by favourable interest rates on loans offered by the market.

Since associated company have been stated using the equity method, the portion of net profit pertaining to the group (Euro 3,508 thousand against Euro 5,244 thousand in 2003 using consistent accounting policies) has been included in the profit and loss caption "income on investments".

Investments totalled Euro 1,320,313 thousand. They are split between investments where the policyholders bear the risk (Euro 130,477 thousand) and those where the group bears the risk (Euro 1,189,836 thousand). The increase over the previous year is 12.8%. Income on investments where the group bears the risk amounted to Euro 65,948 thousand, a 31.4% increase on the previous year. During the year, taking into account the flattening of market rates, the parent company decided to make the duration of its non-life business securities portfolio shorter by carrying out specific divesting and investing transactions. Overall, these transactions brought in capital gains of Euro 11,888 thousand. This has enabled the group to significantly increase its non-life business technical reserves, which, net of the reinsurers' share, rose 17.2%. The securities portfolio of the parent company at 15 March 2005 showed an overall net unrealised capital gain of Euro 62,574 thousand.

Group shareholders' equity increased to Euro 144,612 thousand from Euro 125,532 thousand in 2003 using consistent accounting policies. Minority interests grew to Euro 6,900 thousand from Euro 6,455 thousand in 2003.

## Performance

A breakdown of premiums written in 2004 and 2003 and their impact on the total portfolio is given in the following table.

BREAKDOWN OF GROSS PREMIUMS UNDERWRITTEN IN 2004 AND 2003
DIRECT AND INDIRECT INSURANCE

(in thousands of Euros)

| | Year 2004 | Year 2003 | Change % | Percentage of portfolio 2004 | 2003 |
|---|---|---|---|---|---|
| Domestic direct insurance | | | | | |
| **Life business** | | | | | |
| Total life business | 112,176 | 94,021 | 19.31 | 21.60 | 20.55 |
| **Non-life business** | | | | | |
| Total other non-life premiums excluding aviation, marine, bonds and credit | 96,159 | 90,987 | 5.68 | 18.52 | 19.89 |
| Total premiums relating to aviation, marine, bonds and credit | 12,431 | 11,196 | 11.03 | 2.39 | 2.44 |
| Total motor business | 297,060 | 260,725 | 13.94 | 57.21 | 56.98 |
| Total non-life business | 405,650 | 362,908 | 11.78 | 78.12 | 79.31 |
| Total direct insurance | 517,826 | 456,929 | 13.33 | 99.72 | 99.86 |
| Domestic indirect insurance | | | | | |
| Life business | 29 | 35 | -17.14 | 0.01 | 0.01 |
| Non-life business | 1,413 | 600 | 135.50 | 0.27 | 0.13 |
| Total indirect insurance | 1,442 | 635 | 127.09 | 0.28 | 0.14 |
| Total | 519,268 | 457,564 | 13.49 | 100.00 | 100.00 |

# Life business

Premiums of direct insurance rose 19.3%. This increase is due to development of class V (capitalisation) policies.
The returns on separate accounts during 2004 were as follows:

(in thousands of Euros)

| | Returns | Investments |
|---|---|---|
| Vittoria Valore Crescente | 4.82% | 347,262 |
| Vittoria Liquinvest | 5.00% | 8,039 |
| Vittoria Rendimento Mensile | 5.01% | 184,124 |

The rate of return retroceded to policyholders complies with the specific contractual terms.
As in previous years, acquisition costs on long-term policies and incentives paid to agents for new products have been capitalised and amortised within the total limit of the related retained premium, in accordance with the duration of the contract, or for a maximum period of ten years.

## Claims, accrued sums, annuities and surrenders

Summarised figures relating to direct insurance claims, accrued sums and annuities and surrenders and comparative 2003 figures, with reference to Classes I, IV and V, are set out below.

(in thousands of Euros)

| | 31/12/04 | 31/12/03 |
|---|---|---|
| Claims | 1,490 | 2,202 |
| Accrued sums and annuities | 42,697 | 38,778 |
| Surrenders | 15,033 | 13,455 |
| **Total** | 59,220 | 54,435 |

Surrenders and claims relating to investments where policyholders bear the risk (Classes III and VI index-linked policies, unit-linked policies and open pension fund) totalled Euro 17,980 thousand with respect to Euro 6,912 thousand in the previous year.

## Reinsurance

Outwards reinsurance

With respect to Class I of the life business, the following treaties are in place:

- Surplus;
- Pure commercial premiums outwarded in 1996 and 1997.

Outwards premiums amounted to Euro 2,899 thousand in 2004.

Inwards reinsurance

With respect to the life business, there is a traditional treaty no longer applied which only records changes in the related portfolio.

# Non-life business

## Operating costs

Premiums of direct insurance rose 11.8% (2003: 12.3%).

Operating costs relating to direct insurance, gross of commissions and profit participation received from reinsurers, grew 11.9%. As a percentage of premiums written, they remained unchanged at 24.7%, despite the further investments made to the benefit of the agency network, aimed at enhancing customer loyalty and the opening of new sub-agencies.

(in thousands of Euros)

| | 31/12/04 | 31/12/03 | Change % |
|---|---|---|---|
| Acquisition commissions, premium collection commissions and other acquisition costs | 71,882 | 63,782 | 12.7% |
| Overheads allocated to sales costs | 14,733 | 12,879 | 14.4% |
| Overheads allocated to other administrative costs | 13,750 | 13,007 | 5.7% |
| Total | **100,365** | **89,668** | **11.9%** |

Operating costs net of intercompany charges which have been eliminated during consolidation, totalled Euro 100,079 thousand (Euro 89,593 thousand in the previous year).

## Reported claims

The following table of reported claims derives from positions open during 2004.

(in thousands of Euros)

| | Year 2004 | | Year 2003 | | Change % | |
|---|---|---|---|---|---|---|
| | number | total cost | number | total cost | number | total cost |
| Total non-motor business | 37,687 | 70,369 | 49,911 | 70,679 | -24.49 | -0.44 |
| Total motor business | 79,180 | 188,275 | 65,597 | 144,236 | 20.71 | 30.53 |
| | | | | | | |
| Total non-life business | 116,867 | 258,644 | 115,508 | 214,915 | 1.18 | 20.35 |

The decreased number of reported claims is due to the termination of two agreements in the health insurance business.

## Claims paid

Claims paid related to the group's direct business, net of recoveries, and the reinsurers' share may be analysed by line of business and on an accruals basis as follows

(in thousands of Euros)

| | Claims settled 31/12/04 | | | Recoveries from reinsurers | Claims settled 31/12/03 | | | Change in gross claims % |
|---|---|---|---|---|---|---|---|---|
| | Current year | Previous years | Total | | Current year | Previous years | Total | |
| Total non-motor business | 24,167 | 33,616 | 57,783 | 12,555 | 22,952 | 37,078 | 60,030 | -3.74 |
| Total motor business | 83,840 | 95,235 | 179,075 | 46,009 | 66,059 | 100,128 | 166,187 | 7.76 |
| | | | | | | | | |
| Total non-life business | 108,007 | 128,851 | 236,858 | 58,564 | 89,011 | 137,206 | 226,217 | 4.70 |

The additional charge to the guarantee fund for road casualties amounted to Euro 5,767 thousand in 2004 (2003: Euro 4,974 thousand).

## Claims settlement rate

A breakdown of the claims settlement rate by number of reported claims, net of claims cancelled without pay out, split into current and previous generations of the main lines of business is set out below.

(percentage)

| | current generation | | previous generations | |
|---|---|---|---|---|
| | 31/12/04 | 31/12/03 | 31/12/04 | 31/12/03 |
| Accident insurance | 54.05 | 51.34 | 62.24 | 59.70 |
| Health insurance | 86.80 | 62.63 | 94.85 | 57.20 |
| Motor vehicle hulls | 82.76 | 84.51 | 83.12 | 77.26 |
| Fire and natural events | 69.96 | 65.35 | 43.21 | 47.59 |
| Miscellaneous damage - theft | 81.94 | 77.10 | 78.17 | 71.53 |
| Motor third-party liability | 67.08 | 67.05 | 67.73 | 63.19 |
| General third-party liability | 57.02 | 53.66 | 38.99 | 31.44 |

## Technical result (before allocation of revenues)

The following table shows the total technical results and the result by line of business of direct and indirect insurance, net of outwards, gross of related operating costs and net of related revenues. Previous year's comparative figures are also given.

(in thousands of Euros)

| | Technical balance of direct insurance net of outwards | Technical balance of indirect insurance net of retroceded business | Change in equalisation reserves | 2004 technical result | 2003 technical result |
|---|---|---|---|---|---|
| Accident insurance | 3,576 | 1 | 0 | 3,577 | 2,117 |
| Health insurance | 172 | 1 | 0 | 173 | -702 |
| Motor vehicle hulls | 7,778 | -1 | -146 | 7,631 | 10,079 |
| Railway truck hulls | 2 | 0 | 0 | 2 | 2 |
| Aviation hulls | -1 | 51 | 0 | 50 | 56 |
| Marine hulls | 42 | 4 | 0 | 46 | 38 |
| Cargo insurance | 1,453 | 0 | -7 | 1,446 | -341 |
| Fire and natural events | 4,772 | 58 | -68 | 4,762 | 3,027 |
| Miscellaneous damage | -573 | 0 | -19 | -592 | 112 |
| Motor third-party liability | -8,819 | -10 | 0 | -8,829 | 5,841 |
| Aviation third-party liability | 1 | -1 | 0 | 0 | 8 |
| Marine third-party liability | -140 | 0 | 0 | -140 | 64 |
| General third-party liability | -4,376 | 40 | 0 | -4,336 | -5,346 |
| Credit insurance | 1 | 0 | 0 | 1 | 1 |
| Bond insurance | -7,566 | 3 | 0 | -7,563 | -6,243 |
| Pecuniary losses | 3,548 | 0 | 0 | 3,548 | 2,943 |
| Legal protection | -33 | 0 | 0 | -33 | 1 |
| Support and assistance | 124 | 0 | 0 | 124 | -64 |
| Total non-life business | -39 | 146 | -240 | -133 | 11,593 |

From the analysis of the technical account of each line of business, we can note the following:

Accident insurance: premiums increased by 7.2%. The technical performance remained positive. The reduction in the frequency of claims, confirmed during the year, was partly offset by the increase in the average claims charge. The lower impact of serious claims contributed to the further improvement in the technical result with respect to the previous year.

Health insurance: Premiums fell 16.6% due to the group's decision not to renew a master policy handled by another insurer, which was not performing in line with targets. The underwriting policy is mainly focused on indemnification policies that are not affected by changes in the healthcare market. This policy has enabled the group to reduce the claims rate, which improved significantly over the previous year, and achieve a positive technical result.

Motor vehicle hulls, marine hulls, railway truck hulls and support and assistance: these lines of business include all ancillary covers to vehicles included in this sector. The 16.5% rise in premiums follows the underwriting policy implemented in this sector which, in addition to the particular care taken in matching ancillary covers to motor third-party liability policies and the further strengthening of affinity groups, is aimed at developing new business areas linked to the sale of vehicles and related services. The positive technical result confirms the validity of the group's underwriting policy.

Aviation hulls: premiums rocketed 41.4% thanks to the underwriting activities commenced in the general aviation sector through the participation in a special agreement. The performance of the spatial risks sector was stable. The technical result continued to be positive.

Cargo insurance: premiums written were in line with the previous year (up 0.3%) following the careful risk selection applied in underwriting policies. The technical result shows a net improvement over the previous years also thanks to the good results achieved with recourses.

Fire and natural elements: the 5.7% rise in premiums was achieved within the careful risk selection policy to which the agency network contributed significantly. Thanks to this policy, the claims rate during the year was very limited. The technical result further improved over the positive result of the previous year.

Miscellaneous damage: this line of business includes theft, electronic equipment damage and hail damage. Premiums rose 11.7% and the claims rate is in line with the previous year. The technical result is negative.

Motor, aviation, watercraft third-party liability: premiums grew by 13.5% as a consequence of an annual 11.8% increase in the number of insured vehicles. Tariffs remained for the most part steady since the company followed the Memorandum of Understanding signed by the Government, ANIA and consumer associations.
The underwriting policy for this line provides for adoption of highly customised tariffs aimed at reducing reported claims with a view to further improving results.
The frequency of claims is in line with the previous year while the average claims charged rose as a result of inflation in this sector, which recorded rates significantly greater than the official inflation rates. As a result of this trend, doubts arise as to the future growth in this sector and, therefore, the group prudently increased technical reserves in order to cope with any decline.

General third party liability: the 4.6% increase in premiums is mainly due to the tariff adjustments made during the last few years, which are still being made in order to redress the operating results of this sector. The effect of this activity is to reduce the negative performance. The technical result improved but remained negative. It was affected by a significant increase in the claims reserves, made on a prudent basis to mitigate the effect of the recent trend in court decisions towards awarding compensation for damage to the person's health and professional risks.

**Credit and bond insurance**: premiums grew 3.9%, a turnabout with respect to the last two years, which showed a decrease due to the effects of the restructuring process implemented in 2001 and 2002. The growth was boosted by the start-up of a new operating structure dedicated to dealing with brokers and banks.
The technical performance was still affected by the phenomenon of fraud involving VAT reimbursements and advances on EU subsidies relating to policies issued in the period from 1999 to 2001. These situations are subject to legal proceedings and the parent company is both taking legal steps and negotiating out-of-court settlements in order to limit claims charges.
The technical result suffered from the effects of the action implemented to benefit from the tax amnesty in order to settle VAT reimbursement positions at risk. It was also affected by the further increase in the accrual to the premium reserve for unexpired risks.

**Pecuniary losses** - Legal protection: premiums, covers of which mainly relate to pecuniary losses arising from the use of cars, rose by 34.3%; The positive technical result rose again with respect to the previous year.

## Reinsurance

### Outwards reinsurance

Group policies on outwards reinsurance are focused on the underwriting selection criteria used to increase and maintain the portfolio in line with risks covered and are aimed at reaching the net retention balance. Transactions are carried out at an international level with highly rated reinsurers.

The main existing treaties relate to:

| Non-life business | Type of treaty |
|---|---|
| 05 - Aviation hulls | Pure premium for spatial risks |
| | Pure premium for general aviation |
| 07 - Cargo insurance | Voluntary-mandatory |
| 08 - Fire and natural events | Excess of loss |
| 10 – Motor third-party liability | Pure premium |
| | Excess of loss |
| 15 - Bond insurance | Pure premium |
| 13 - General third-party liability | Excess of loss |
| 17 – Legal protection | Pure premium |

Premiums ceded during the year amounted to Euro 91,069 thousand.

### Inwards reinsurance

Inwards insurance mainly arises from participation in syndicates and activities carried out in class 05 - Aviation hulls.

## The insurance commercial organisation

Development of the sales network continued steadily during the year, in line with previous years. Seventeen new agencies were opened and 20 were restructured. Two agencies, including one special, were closed. The group also extended the network of professional sub-agencies, opening another 31 points of sale together with the agencies.
The parent company had 217 general agencies and 240 professional sub-agencies at year end.

The "VIP Project" was launched during the year, aimed at the setting up of a new insurance promoter network to develop the sale of life products at certain agencies. Eighteen promoters were operative at year end.
The group also continued to dedicate its full attention to developing the other non-life premiums excluding aviation, marine, bonds and credit, and motor lines of business in a balanced manner, without neglecting the traditional careful selection of risks, aimed at further improving the technical result and profits.

New products in the life business rocketed in 2004 compared to the previous year. Such results were mainly obtained through the agencies which followed the group strategies of encouraging the sale of traditional products with annual premiums while stepping up measures aimed at containing the payment of accrued sums upon the maturity of policies.

The group paid even more attention to the Affinity Groups by continuing to carry out activities aimed at enhancing customer loyalty and consolidating existing relationships.

The Astralis Club initiative, implemented during the previous year, gave remarkable and encouraging results. Thanks to this initiative, customer loyalty improved and a significant number of "loyal" customers acquired new policies in addition to those already signed. The Astralis club had also an impact on the acquisition of new policies in the other non-life lines of business, excluding aviation, marine, bonds and credit, helping the parent company to reach its strategic objective of improving its portfolio mix.

New products were developed and others were reviewed during the year. In particular:

- Motor business: The tariffs were adjusted for certain geographical areas and categories of policyholders and a new legal protection cover matching motor third-party liability policies was introduced.
- Other non-life premiums excluding aviation, marine, bonds and credit: new products were developed, including "Formula Benessere", "Multiprotezione per campagne di vendita da bancone", "CAR" covering all risks in the civil construction sector and "Formula Sicura" for Touring Club Italiano members. The following products were reviewed: "Garanzie Eventi Speciali, "Formula Azienda", "Formula Commercio" and "Formula Guida Sicura".
- Life business: the following new products were developed: "Collettiva di Capitalizzazione a premio unico", "Temporanea di Rendita certa a premio unico", "Temporanea caso morte a capitale decrescente" and "Formula Oxygen (Index)". The "Formula Long Term Care" product was reviewed.

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# Overheads

## Insurance

Total insurance overheads, which include personnel expenses, other costs and depreciation charges, gross of allocation to specific functions, such as claims settlement, production organisation and asset management, increased by 7.7% from Euro 46,561 thousand to Euro 50,169 thousand.

These costs include not only current operating charges, but also the depreciation of investments in IT structures and processes aimed at controlling future overheads incurred by the headquarters and agencies to improve assistance given to policyholders with respect to insurance policies and claims settlement. They are made up as follows:

(in thousands of Euros)

| | 31/12/2004 | 31/12/2003 | Change % |
|---|---|---|---|
| Personnel expenses | 24,841 | 23,609 | 5.2 |
| Other costs | 17,892 | 16,454 | 8.7 |
| Amortisation | 7,436 | 6,498 | 14.4 |
| Total | 50,169 | 46,561 | 7.7 |

Other costs mainly include office operating costs, IT costs, legal and corporate expenses, mandatory contributions and membership fees.
Overheads continued to drop as forecast, decreasing from 10.2% to 9.7% of premiums.

## Real estate

Real estate overheads are as follows:

(in thousands of Euros)

| | 31/12/2004 | 31/12/2003 | Change % |
|---|---|---|---|
| Personnel expenses | 2,430 | 2,027 | 19.9 |
| Other costs | 2,612 | 1,973 | 32.4 |
| Amortisation | 260 | 178 | 46.1 |
| Total | 5,302 | 4,178 | 26.9 |

As certain real estate overheads are deferred as they relate to revenues to be recognised in the profit and loss account when the related sales agreement has been signed and in proportion with the construction progress, the costs that were effectively expensed amounted to Euro 7,046 thousand (2003: Euro 3,148 thousand).

# Investments

Investments grew 12.8% to Euro 1,320,313 thousand.

They may be analysed as follows.

(in thousands of Euros)

| Investments | 31.12.20004 | 31.12.2003 | 31.12.2003 (*) | Change % (*) |
|---|---|---|---|---|
| Land and buildings | | | | |
| - Areas being built on | 112,834 | 70,426 | 75,476 | 49.5 |
| - Buildings relating to trading activities | 117,768 | 71,262 | 71,262 | 65.3 |
| - Buildings classified as subsidiaries' fixed assets | 1,704 | 1,754 | 1,754 | -2.9 |
| - Payments on account | 6,786 | - | - | n.v. |
| - Buildings owned by the parent company | 8,735 | 9,120 | 9,120 | -4.2 |
| Investments in group and other companies | | | | |
| - Equity investments | 73,314 | 55,204 | 57,901 | 26.6 |
| - Loans | 8,165 | 9,390 | 9,390 | -13.1 |
| Other financial investments: | | | | |
| - Unit trust units | 8,280 | 33,273 | 33,273 | -75.1 |
| - Bonds and other fixed-interest securities | 840,139 | 780,607 | 780,607 | 7.6 |
| - Loans | 11,135 | 11,254 | 11,254 | -1.1 |
| - Other financial investments | - | 478 | 478 | -100.0 |
| Deposits with ceding companies | 976 | 1,162 | 1,162 | -16.0 |
| Total investments where the parent company bears the risk | 1,189,836 | 1,043,930 | 1,051,677 | 13.1 |
| Investments benefiting life policyholders bearing the risk | 130,477 | 119,268 | 119,268 | 9.4 |
| Total investments | 1,320,313 | 1,163,198 | 1,170,945 | 12.8 |
| Bank accounts and cash-in-hand | 56,835 | 49,264 | 49,264 | 15.4 |

(*) These figures have been recalculated as if the percentage of completion method had been applied to buildings under construction constantly over time.

# Income on investments

A breakdown of income on investments with separate disclosure of investments where risk is borne by life policyholders is set out below:

(in thousands of Euros)

| Income on investments (net of related costs) | 31/12/04 Amount | 31/12/04 % of breakdown | 31/12/03 Amount | 31/12/2003 (*) Amount | 31/12/2003 (*) % of breakdown | Change % (*) |
|---|---|---|---|---|---|---|
| Income on associated companies stated using the equity method | 3,508 | 7.1 | 4,608 | 5,244 | 11.1 | |
| Income on other equity investments | 868 | 1.7 | 667 | 667 | 1.4 | |
| Income on other investments: | | | | | | |
| - land and buildings | 1,761 | 3.6 | 169 | 169 | 0.4 | |
| - land and buildings (income on the valuation of buildings using the stage of completion method) | 8,403 | 16.9 | - | 4,250 | 9.0 | |
| - bonds and other fixed-interest securities | 37,323 | 75.1 | 39,014 | 39,014 | 82.1 | |
| - income on unit trust units | 70 | 0.1 | 299 | 299 | 0.6 | |
| - interest on loans | 776 | 1.6 | 790 | 790 | 1.7 | |
| - interest on reinsurance deposits | -3,032 | -6.1 | -2,980 | -2,980 | -6.3 | |
| Total income | **49,677** | 100.0 | 42,567 | 47,453 | 100.0 | 4.7 |
| Adjustments to investment values: | | | | | | |
| - equity investments | - | 0.0 | - | - | 0.0 | |
| - unit trust units | - | 0.0 | - | - | 0.0 | |
| - bonds and other fixed-interest securities | -35 | 100.0 | 28 | 28 | 100.0 | |
| Total adjustments to investment values | **-35** | 100.0 | 28 | 28 | 100.0 | |
| Profit on sale of investments: | | | | | | |
| - land and buildings | 14,324 | 87.8 | 1,158 | 1,158 | 42.9 | |
| - equity investments | - | 0.0 | - | - | 0.0 | |
| - unit trust units | 1,967 | 12.1 | 1,497 | 1,497 | 55.5 | |
| - bonds and other fixed-interest securities | 15 | 0.1 | 43 | 43 | 1.6 | |
| Total profit on sale of investments | **16,306** | 100.0 | 2,698 | 2,698 | 100.0 | |
| Total income on investments where the parent company bears the risk | **65,948** | | 45,293 | 50,179 | | 31.4 |
| Net income on investments benefiting life policyholders bearing the risk | 8,720 | | 6,768 | 6,768 | | |
| Total | **74,668** | | 52,061 | 56,947 | | 31.1 |

(*) Figures restated applying the percentage of completion method to buildings under construction.

The average weighted return on bonds and other fixed-interest securities decreased to 4.6% from 5.1% in the previous year, in line with market trends.

# Real estate business

Prices on the domestic real estate market grew for the seventh year in a row. The nominal increase for the 1997-2004 period (+70.4% for housing) corresponds to a 46.1% increase on real basis. Trading volumes remained substantially unchanged with respect to previous years.

The book value of the group's real estate at year end was Euro 247,827 thousand, up 57.2% on the previous year. It may be analysed as follows:

- Euro 8,735 thousand relating to the parent company;
- Euro 239,092 thousand relating to subsidiaries, of which:
  - Euro 1,704 thousand classified as fixed assets held through Vittoria Properties S.r.l.;
  - Euro 112,834 thousand of areas being built on of which Euro 73,932 thousand relating to Turin areas in which residential buildings are being constructed by the indirect subsidiary VRG Domus S.r.l. and Euro 38,902 thousand relating to Peschiera Borromeo (Milan) areas being built on and belonging to Vittoria Immobiliare S.p.A.;
  - Euro 117,768 thousand of buildings held for trading, of which Euro 65,965 thousand through Immobiliare Bilancia S.r.l., Euro 22,783 thousand through Immobiliare Bilancia Prima S.r.l., Euro 20,470 thousand through Immobiliare Bilancia Seconda S.r.l. and Euro 8,550 thousand through Vittoria Immobiliare S.p.A.;
  - Euro 6,786 thousand of payments on account relating to purchase agreements.

As already mentioned, operations of the group in the real estate sectors include trading, brokerage and management of own and third party assets. Its main operating figures are set out below.

<u>Brokerage activities</u>

The following companies are active in this sector:

- Interimmobili S.r.l. - Rome

  Revenues from brokerage activities totalled Euro 6,608 thousand (Euro 2,544 thousand net of intercompany transactions).

  During the year, the company continued to sell buildings in Rome, Turin and Milan on the basis of the warrants of sale granted by group companies and leading institutional investors, social security bodies and building contractors.

- Gestimmobili Intermediazione S.r.l. - Turin

  Operations of this company include brokerage for buildings, rents and appraisals and technical assistance. Its turnover totalled Euro 102 thousand (Euro 32 thousand net of intercompany transactions).

<u>Trading activities</u>

The following companies are active in this sector:

- Vittoria Immobiliare S.p.A. - Milan

  This company mainly operates in the real estate trading sector, both directly and through special purpose real estate companies. Turnover from the sale of buildings amounted to

Euro 22,030 thousand. Closing inventory totalled Euro 47,453 thousand (2003: Euro 39,955 thousand). The increase is mainly due to the construction progress of the buildings in Peschiera Borromeo (Milan), net of sales realised on other trading transactions.

- V.R.G. Domus S.r.l. - Turin

  The company continued its real estate operation in Turin, named “Spina 1”. Closing inventory totalled Euro 73,932 thousand. The first sales agreements were signed at the end of the year and the related sales totalled Euro 4,482 thousand.

- Immobiliare Bilancia S.r.l. - Milan

  During the year, the company sold almost all of the buildings it acquired at the end of 2003, recording revenues of Euro 54,953 thousand and related margin of Euro 10,232 thousand. In December, it acquired a prestigious building in Via Benedetto Croce, Rome, for Euro 53.4 million, which will be sold in 2005.

- Rovimmobiliare S.r.l. - Rome

  This company, controlled through Vittoria Immobiliare S.p.A., almost completed the sale of the building in Via Ciappi, Rome, and purchased a building in Viale Romagna, Milan for Euro 11 million.

- Immobiliare Bilancia Prima S.r.l. - Milan

  The company acquired a prestigious building for commercial use in the historic centre of Rome (Via delle Quattro Fontane) for Euro 22 million. Negotiations are underway for the sale of this building, which is of great interest to institutional investors for its potential profitability.

- Immobiliare Bilancia Seconda S.r.l. - Milan

  The company acquired a prestigious building in Rome (Via delle Quattro Fontane) for Euro 20 million, which will be sold in lots in 2005.

- Immobiliare Bilancia Terza S.r.l. - Milan
  The company is dormant.

Management activities

Gestimmobili S.r.l. (Milan) is active in this sector and manages real estate on behalf of both the group and third parties. Turnover from these activities totalled Euro 1,442 thousand (Euro 277 thousand net of intercompany transactions).

Yarpa International Holding N.V. group – Holland

This is a real estate holding company active in Europe, especially France.
Through its 39.43% investment in Inbro B.V. and 75% investment in Calhoun Invest B.V., it controls the French real estate group Cogedim S.A.S., which sold buildings worth Euro 268 million in 2004.
2004 total net profit of Yarpa International Holding N.V. group was Euro 23.8 million for consolidation purposes, Euro 10.8 million of which due to changes in accounting policies.

Laumor B.V. group – Holland

This is a real estate holding company active in France.
Through special purpose vehicles, it performs real estate trading with 2004 sales of Euro 52.3 million. It also holds a stake in the French cement group Materis, active in the building materials sector, through the French investment fund F.C.P.R. Francois III.
The total net result of Laumor B.V. group was Euro 881 thousand at year end. Vittoria Assicurazioni's share was Euro 274 thousand.

# Fixed-interest securities, investments and unit trusts

## Investment policies

The investments in securities of the subsidiaries companies are only aimed at investing temporary liquidity. The parent company's investment policies are as follows:

A) Life and non-life business investments where the group bears the risk

– Objectives

Investments are managed in line with the following objectives:

- ensuring the group's sound financial position;
- with respect to the life business, ensuring a stable return, greater than the technical return rate of the contracts in portfolio;
- with respect to the non-life business, ensuring a stable return, in line with the forecasts included in the relevant product tariffs;
- matching the duration of the securities portfolio with that of liabilities;
- preferring consistency of returns to obtaining high returns in particular periods.

  With respect to the separate accounts of the life business, the investment securities portfolio considers treasury cash flows in line with the parent company's plans, taking into account the legal time limits of the portfolio due to natural and voluntary reasons. With respect to the non-life business, the parent company's policies for investment securities are more than fully covered by the forecast working capital liquidity in the business plans. The estimated liquidity was actually generated in recent years. Where necessary, such expected cash flows will also cover possible increases in the claims settlement rate.

  The parent company can use derivative financial instruments to hedge investments against exchange rate fluctuations.
  It can acquire and sell warrants received as part of transactions carried out by issuers of shares in its portfolio.

B) Life business investments where policyholders bear the risk

– Objectives

Investment benefiting policyholders bearing the risk (index-linked and unit-linked policies) and those arising from pension fund management are managed in accordance with the objectives established by the related policies and regulations of the pension funds, pursuant to the total transparency obligation to policyholders and relevant legislation. The parent company can use derivative financial instruments to hedge investments against exchange rate fluctuations.

If expressly provided for by the fund regulations, it can also acquire and sell warrants of internal funds linked to unit-linked policies.
It can acquire structured products to hedge reserve relating to index-linked policies, pursuant to supervisory regulations.

– Current management

The parent company continued investing in real estate through its subsidiaries. With respect to its fixed-interest securities portfolio, taking into account the flattening of market rates during the year, it believed it prudent to invest Euro 290,953 thousand in Italian government securities, mainly with variable interest rates. During the year, it sold fixed interest securities held for investment for Euro 148,727 thousand and foreign currency OEICs for Euro 32,493 thousand, recording capital gains of Euro 13,349 thousand.

The Argentine securities in the non-life business portfolio were sold for Euro 2,376 thousand, generating capital gains of Euro 1,180 thousand. At year end, the remaining Argentine securities are stated at 20% of their face value (book value: Euro 1,859 thousand).

Changes in the equity portfolio held for investment, excluding subsidiary and associated companies, may be analysed as follows:

- Mediobanca S.p.A.: acquisition of 1,167,000 shares for Euro 11,443 thousand, equal to a 0.15% investment, as provided for in the related shareholders' agreement;
- B.P.C. S.p.A.: increase in the investment from 8.40% to 19.17% at a cost of Euro 987 thousand, partly for new shares and partly for the subscription of the capital increase;
- Liguria S.p.A.: this is a financial company that acquires equity investments. The parent company obtained 10.30% of its share capital for Euro 494 thousand;
- Europrius N.B.I. Asset Management S.A.: sale of the entire investment, recording a capital loss of Euro 2 thousand;
- Elsag Supernet S.p.A. in liq.: full liquidation of the company, recording capital losses of Euro 73 thousand.

Investments in associated and related companies related to:

- Yarpa International Holding N.V.: collection of Euro 1,500 thousand as partial repayment of share premiums. The investment book value was reduced accordingly;
- Touring Vacanze S.r.l.: increase of Euro 360 thousand in the investment book value as a result of the acquisition of the investment co-sale right;
- Warrant Cam Finanziaria S.p.A.: sale of the warrants in portfolio, recording a capital gain of Euro 513 thousand.

Following acquisition of control on the Interbilancia S.r.l. group, the following companies held by this parent are included in the group's equity portfolio:

- Banca di Credito Cooperativo Apuana: the Euro 50 thousand investment is classified as "Other companies";
- Le Api S.r.l.: the Euro 8 investment is classified under investments in "Associated companies".

Pursuant to paragraphs 3 and 4 of article 2428 of the Civil Code, we note that none of the Vittoria Assicurazioni group companies carried out transactions involving shares of the parent or ultimate parent company, either directly or through a trustee or nominee.

### Investments benefiting life policyholders bearing the risk and stemming from pension fund management

These investments increased by 9.4% to Euro 130,477 thousand. They relate to unit-linked policies, linked to external funds (Euro 57,847 thousand), unit-linked policies, linked to internal funds (Euro 29,496 thousand), index-linked policies, linked to OEICs (Euro 41,101 thousand) and the Vittoria Formula Lavoro open pension fund (Euro 2,033 thousand).

The total profit on these investments was Euro 8,720 thousand.

## "Vittoria Assicurazioni S.p.A. Fixed/Floater 2001/2016 subordinated bonds convertible into ordinary shares" (ISIN Code IT0003184758)

The main characteristics of the convertible subordinated bonds approved by the extraordinary shareholders' meeting on 26 April 2001 and fully subscribed in 2001 are as follows:

- total nominal amount of Euro 18,000,000;
- composed of 3,750,000 bonds with a nominal value of Euro 4.80 each;
- nominal interest rate:
  - fixed 5.5% up to 31 December 2010 - annual coupons
  - variable six-monthly Euribor plus a spread of 2.5% six-monthly coupons from 1 January 2011;
- due date of coupon as from 12 November 2001;
- first coupon payable on 1 January 2002 (interest of the period);
- conversion option can be exercised from 20 May 2006;
- maturity: 1 January 2016
- Subordination clause: in the case of dissolution, liquidation, insolvency or compulsory liquidation of the company, the bonds will be repaid, in terms of residual principal and interest, only after all other company creditors (unsecured, secured, unsubordinated or with a subordination level lower than those of the bonds) have been satisfied.

Furthermore, the parent company reserved the right to early repayment of all outstanding bonds at any time from 1 January 2011, with prior notice of at least one month to bondholders.

These bonds are subordinated liabilities of the issuer, taken into account for the purpose of the calculation of the solvency margin of the issuer, pursuant to article 33 of Legislative decree no. 174 of 17 March 1995 and article 33 of Legislative decree no. 175 of 17 March 1995 with respect to the life and non-life business, respectively.

## Advertising pursuant to article 2497-bis of the Civil Code

In accordance with the reform of company law, the companies that are subject to the management and coordination of Vittoria Assicurazioni, as per their deeds of incorporation and correspondence, are:

| | |
|---|---|
| - Vittoria Immobiliare S.p.A. | Milan |
| - Vittoria Properties S.r.l. | Milan |
| - Immobiliare Bilancia S.r.l. | Milan |
| - Immobiliare Bilancia Prima S.r.l. | Milan |
| - Immobiliare Bilancia Seconda S.r.l | Milan |
| - Immobiliare Bilancia Terza S.r.l. | Milan |
| - Gestimmobili S.r.l. | Milan |
| - Gestimmobili Intermediazione S.r.l. | Turin |
| - Interimmobili S.r.l. | Rome |
| - V.R.G. Domus S.r.l. | Turin |

In accordance with the reform of company law, the companies that are subject to the management and coordination of Interbilancia S.r.l., as per their deeds of incorporation and correspondence, are:

| | |
|---|---|
| - A.Spe.Vi. S.r.l. | Milan |
| - Aspeca S.r.l. | Milan |
| - Vittoria.net S.r.l. | Milan |

## Relationships with group companies and related parties

This section sets out all transactions carried out with group companies, excluding those with companies consolidated on a line-by-line basis.

### Relationships with parent companies

No transactions of a trading or supply nature have been carried out with Vittoria Capital N.V. - Holland, which held 15,307,200 ordinary shares of Vittoria Assicurazioni, equal to 51.024% of its share capital, at year end.
The direct ultimate parent company holds subordinated convertible bonds issued by Vittoria Assicurazioni for a nominal value of Euro 9,240 thousand. The captions other charges of the non-technical account and accrued expenses include Euro 508 thousand relating to the interest payable on such bonds.
No transactions of a trading or supply nature have been carried out with the indirect ultimate parent company Yura International Holding B.V. - Holland, which holds a 66% stake in Vittoria Capital N.V.. Its direct investment at year end consisted of 757,150 shares, equal to 2.52% of the share capital.
Yura International Holding B.V. sold 32.48% of Vittoria Immobiliare S.p.A. and 51% of Interbilancia S.r.l. to Vittoria Assicurazioni Group in December. The sale price for the two transactions, carried out after having obtained the approval of the supervisory authorities, was based on the appraisals carried out by independent experts. The sale prices totalled Euro 7,472 thousand for the 32.48% investment in Vittoria Immobiliare S.p.A. and Euro 63 thousand for the 51% investment in Interbilancia S.r.l..

As a result, the Vittoria Assicurazioni Group stake in Vittoria Immobiliare S.p.A. and Interbilancia S.r.l. respectively grew from 54.76% to 87.24% and from 49% to 100%.
Moreover, the ultimate parent company holds subordinated convertible bonds issued by Vittoria Assicurazioni amounting to Euro 990 thousand. The captions other charges of the non-technical account and accrued expenses include Euro 54 thousand relating to the interest payable on such bonds.

## Relationships with its associated companies

### Yarpa International Holding NV - Holland

The loan of Euro 2,837 thousand at 31 December 2003 granted by Vittoria Assicurazioni to this associated company was repaid in December. Accrued interest at the Euribor rate plus 100 basis points totalled Euro 91 thousand.
This company also repaid part of the share premiums to its shareholders. The amount paid to Vittoria Assicurazioni was Euro 1,500 thousand.

### Laumor BV - Holland

The parent company increased the loans granted to this associated company from Euro 6,152 thousand to Euro 7,115 thousand. Equivalent increases were disbursed by the other shareholders.
Part of the loan (Euro 2,928 thousand) was given for the real estate trading performed by this company through its French subsidiary Arbitrages et Investissement SAS and bears interest at the three-month Euribor rate plus 30 basis points. The related interest was Euro 62 thousand. The remainder (Euro 4,125 thousand) does not bear interest and was given for the acquisition, through the French investment fund F.C.P.R. Francois III, of a stake in the French building materials group Materis.

### Touring Vacanze S.r.l. - Milan

Vittoria Assicurazioni paid Euro 6 thousand plus VAT to this company for advertising services.

## Relationships with its related companies

### S.In.t. S.p.A. - Turin

Services provided by S.in.t. S.r.l. to the parent company related to the “Formula Salute” policies and commercial agreements signed by Vittoria. The total cost of these services amounted to Euro 727 thousand plus VAT.

## Relationships with its subsidiaries

### Interbilancia S.r.l. - Milan

Interbilancia group companies provided services to Vittoria Assicurazioni at a cost of Euro 2,152 thousand. They also received brokerage commissions and contributions totalling Euro 3,675 thousand.
These amounts were not eliminated during consolidation since acquisition of control occurred at year end.

In compliance with Consob communication no. 98015375 dated 27 February 1998, we note that transactions with group companies or other related parties have been carried out during the normal course of business, using specific professional skills and on an arm’s length basis. There were no atypical or unusual transactions.

# Performance of the first few months of 2005 and expected future developments

## Insurance business

After the balance sheet date, the group carried out the following financial transactions:

- sale of the Argentine securities still in portfolio for Euro 1,859 thousand, generating capital gains of Euro 820 thousand;
- sale of the long-term treasury strips included in the life business investment portfolio – separate account “Rendimento Mensile” - for Euro 9,637 thousand, generating capital gains of Euro 3,272 thousand;
- subscription of the relevant portion of the share capital increase of Camfin S.p.A. at a cost of Euro 10,144 thousand;
- acquisition of a 5.35% investment in Mediorischi S.p.A., an insurance broker, for Euro 11 thousand.

During the first few months of 2005, the group set up three new agencies.

## Real estate business

The construction and sales of the residential buildings in corso Rosselli, corso Mediterraneo and corso Lione (“Spina 1”), Turin, and in Peschiera Borromeo (Milan) continued during the first quarter).

In January 2005, Vittoria Immobiliare acquired a number of buildings in Rome, previously held by an insurance company, investing Euro 32.3 million. The buildings will be sold in lots starting from this year.

In March 2005, Vittoria Immobiliare acquired a building for commercial use in Via Lovanio, Rome, together with another company. This building will be subject to a significant renovation, which will restore its original residential use, and sold in lots. The price paid by Vittoria Immobiliare amounted to Euro 14.3 million.

Board of directors

Milan, 22 March 2005

# Consolidated financial statements as at and for the year ended 31 December 2004

# CONSOLIDATED BALANCE SHEET

## ASSETS

| | | | | Current year | |
|---|---|---|---|---|---|
| A. SHARE CAPITAL PROCEEDS TO BE RECEIVED | | | | | 1 0 |
| of which: called-up | | 2 0 | | | |
| B. INTANGIBLE ASSETS | | | | | |
| 1. Deferred acquisition costs | | 3 12,937 | | | |
| 2. Other acquisition costs | | 4 0 | | | |
| 3. Goodwill | | 5 13 | | | |
| 4. Other intangible assets | | 6 14,764 | | | |
| 5. Goodwill arising on consolidation | | 7 1,071 | | | 8 28,785 |
| C. INVESTMENTS | | | | | |
| I - Land and buildings | | | | 9 247,827 | |
| II - Investments in group and other companies | | | | | |
| 1. Equity investments in: | | | | | |
| a) parent companies | 10 0 | | | | |
| b) subsidiaries | 11 0 | | | | |
| c) related companies | 12 258 | | | | |
| d) associated companies | 13 30,982 | | | | |
| e) other companies | 14 42,074 | 15 73,314 | | | |
| 2. Bonds | | 16 0 | | | |
| 3. Loans | | 17 8,165 | | 18 81,479 | |
| III. - Other financial investments | | | | | |
| 1. Equity investments | | 19 0 | | | |
| 2. Unit trust units | | 20 8,280 | | | |
| 3. Bonds and other fixed-interest securities | | 21 840,139 | | | |
| 4. Loans | | 22 11,135 | | | |
| 5. Shares in investment pools | | 23 0 | | | |
| 6. Deposits with banks | | 24 0 | | | |
| 7. Other financial investments | | 25 0 | | 26 859,554 | |
| IV - Deposits with ceding companies | | | | 27 976 | 28 1,189,836 |
| D. INVESTMENTS BENEFITING LIFE POLICYHOLDERS BEARING THE RISK AND STEMMING FROM PENSION FUND MANAGEMENT | | | | | 29 130,477 |
| | | to carry forward | | | 1,349,098 |

Previous year

| | | | |
|---|---|---|---|
| | | | 101 0 |
| | 102 0 | | |
| | 103 13,618 | | |
| | 104 0 | | |
| | 105 0 | | |
| | 106 14,823 | | |
| | 107 7 | | 108 28,448 |
| | | 109 152,562 | |
| 110 0 | | | |
| 111 0 | | | |
| 112 314 | | | |
| 113 25,661 | | | |
| 114 29,229 | 115 55,204 | | |
| | 116 0 | | |
| | 117 9,390 | 118 64,594 | |
| | 119 0 | | |
| | 120 33,273 | | |
| | 121 780,607 | | |
| | 122 11,254 | | |
| | 123 0 | | |
| | 124 0 | | |
| | 125 478 | 126 825,612 | |
| | | 127 1,162 | 128 1,043,930 |
| | | | 129 119,268 |
| | to carry forward | | 1,191,646 |

# CONSOLIDATED BALANCE SHEET

## ASSETS

| | | | | | | |
|---|---|---|---|---|---|---|
| | | | Current year | | | |
| brought forward | | | | | | 1,349,098 |
| D bis. REINSURERS' SHARE OF TECHNICAL RESERVES | | | | | | |
| I - NON-LIFE BUSINESS | | | | | | |
| 1. Premium reserve | 30 | 36,416 | | | | |
| 2. Claims reserve | 31 | 78,860 | | | | |
| 3. Other | 32 | 0 | 33 | 115,276 | | |
| II - LIFE BUSINESSES | | | | | | |
| 1. Mathematical reserves | 34 | 23,205 | | | | |
| 2. Reserve for payable amounts | 35 | 21 | | | | |
| 3. Other | 36 | 38 | | | | |
| 4. Technical reserves where investment risk is borne by policyholders and reserves relating to pension fund management | 37 | 0 | 38 | 23,264 | 39 | 138,540 |
| E. RECEIVABLES | | | | | | |
| I - Receivables relating to direct insurance | | | 40 | 109,410 | | |
| II - Receivables relating to reinsurance business | | | 41 | 11,731 | | |
| III. - Other receivables | | | 42 | 37,381 | 43 | 158,522 |
| F. OTHER ASSETS | | | | | | |
| I - Tangible assets and inventory | | | 44 | 4,689 | | |
| II - Liquid funds | | | 45 | 56,835 | | |
| III. - Own shares or quotas | | | 46 | 0 | | |
| IV - Other assets | | | 47 | 3,704 | 48 | 65,228 |
| G. PREPAYMENTS AND ACCRUED INCOME | | | | | 49 | 14,338 |
| **TOTAL ASSETS** | | | | | 50 | 1,725,726 |

Previous year

| | | |
|---|---|---|
| brought forward | | 1,191,646 |
| 130 35,119 | | |
| 131 74,024 | | |
| 132 0 | 133 109,143 | |
| 134 20,929 | | |
| 135 21 | | |
| 136 38 | | |
| 137 0 | 138 20,988 | 139 130,131 |
| | 140 100,963 | |
| | 141 4,999 | |
| | 142 34,050 | 143 140,012 |
| | 144 4,690 | |
| | 145 49,264 | |
| | 146 0 | |
| | 147 3,710 | 148 57,664 |
| | | 149 16,936 |
| | | 150 1,536,389 |

# CONSOLIDATED BALANCE SHEET

## LIABILITIES AND SHAREHOLDERS' EQUITY

| | Current year | | |
|---|---|---|---|
| A. SHAREHOLDERS' EQUITY | | | |
| I. Group shareholders' equity | | | |
| 1. Subscribed share capital or equivalent fund | 51 30,000 | | |
| 2. Equity reserves | 52 83,712 | | |
| 3. Consolidation reserves | 53 -2,274 | | |
| 4. Reserve for valuation difference of unconsolidated investments | 54 7,257 | | |
| 5. Conversion difference reserve | 55 0 | | |
| 6. Reserve for purchase of own shares and shares of parent company | 56 0 | | |
| 7. Net profit (loss) for the year | 57 25,917 | 58 144,612 | |
| II. Minority interests | | | |
| 1. Share capital and reserves pertaining to minority interests | 59 2,536 | | |
| 2. Net profit (loss) for the year pertaining to minority interests | 60 4,364 | 61 6,900 | 62 151,512 |
| B. SUBORDINATED LIABILITIES | | | 63 18,000 |
| C. TECHNICAL RESERVES | | | |
| I - NON-LIFE BUSINESS | | | |
| 1. Premium reserve | 64 159,230 | | |
| 2. Claims reserve | 65 393,515 | | |
| 3. Equalisation reserve | 66 1,616 | | |
| 4. Other | 67 1,836 | 68 556,197 | |
| II - LIFE BUSINESSES | | | |
| 1. Mathematical reserves | 69 554,139 | | |
| 2. Reserve for payable amounts | 70 18,214 | | |
| 3. Other | 71 3,409 | 72 575,762 | 73 1,131,959 |
| D. TECHNICAL RESERVES WHERE THE INVESTMENT RISK IS BORNE BY POLICYHOLDERS AND RESERVES ARISING FROM PENSION FUND MANAGEMENT | | | 74 130,477 |
| E. PROVISIONS FOR CONTINGENCIES AND OTHER CHARGES | | | |
| 1 Pension and similar provisions | | 75 0 | |
| 2 Provision for taxation | | 76 8,227 | |
| 3 Consolidation provision for future contingencies and charges | | 77 0 | |
| 4 Other provisions | | 78 938 | 79 9,165 |
| to carry forward | | | 1,441,113 |

Previous year

| | | |
|---|---|---|
| 151 30,000 | | |
| 152 72,164 | | |
| 153 -1,807 | | |
| 154 2,946 | | |
| 155 0 | | |
| 156 0 | | |
| 157 19,290 | 158 122,593 | |
| 159 4,309 | | |
| 160 238 | 161 4,547 | 162 127,140 |
| | | 163 18,000 |
| 164 144,599 | | |
| 165 338,025 | | |
| 166 1,377 | | |
| 167 1,375 | 168 485,376 | |
| 169 511,733 | | |
| 170 16,881 | | |
| 171 3,224 | 172 531,838 | 173 1,017,214 |
| | | 174 119,268 |
| | 175 0 | |
| | 176 317 | |
| | 177 0 | |
| | 178 1,505 | 179 1,822 |
| to carry forward | | 1,283,444 |

## CONSOLIDATED BALANCE SHEET

### LIABILITIES AND SHAREHOLDERS' EQUITY

| | | Current year | | |
|---|---|---|---|---|
| brought forward | | | | 1,441,113 |
| F. DEPOSITS FROM REINSURERS | | | 80 | 103,210 |
| G. PAYABLES AND OTHER LIABILITIES | | | | |
| I - Payables arising from direct insurance business | 81 | 7,973 | | |
| II - Payables arising from reinsurance business | 82 | 7,785 | | |
| III. - Bond issues | 83 | 0 | | |
| IV - Due to banks and other financial institutions | 84 | 29,512 | | |
| V - Secured debts | 85 | 14,900 | | |
| VI - Sundry loans and other financial payables | 86 | 9,109 | | |
| VII - Employees' leaving entitlement | 87 | 5,930 | | |
| VIII - Other sums payable | 88 | 91,569 | | |
| IX - Other liabilities | 89 | 13,615 | 90 | 180,393 |
| H. ACCRUED EXPENSES AND DEFERRED INCOME | | | 91 | 1,010 |
| **TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY** | | | 92 | 1,725,726 |

## CONSOLIDATED BALANCE SHEET

### GUARANTEES, COMMITMENTS AND OTHER MEMORANDUM AND CONTINGENCY ACCOUNTS

| | | Current year |
|---|---|---|
| GUARANTEES, COMMITMENTS AND OTHER MEMORANDUM AND CONTINGENCY ACCOUNTS | | |
| I - Guarantees given | 93 | 0 |
| II - Guarantees received | 94 | 250 |
| III - Guarantees given by third parties in the interest of consolidated companies | 95 | 0 |
| IV - Commitments | 96 | 81,140 |
| V - Third party assets | 97 | 2,868 |
| VI - Assets pertaining to pension funds managed in favour and on behalf of third parties | 98 | 2,033 |
| VII - Securities held by third parties | 99 | 1,031,066 |
| VIII - Other memorandum and contingency accounts | 100 | 0 |

Previous year

| | | |
|---|---|---|
| brought forward | | 1,283,444 |
| | | 180 95,501 |
| | 181 7,250 | |
| | 182 7,325 | |
| | 183 0 | |
| | 184 29,461 | |
| | 185 41,500 | |
| | 186 6,909 | |
| | 187 5,651 | |
| | 188 49,367 | |
| | 189 8,938 | 190 156,401 |
| | | 191 1,043 |
| | | 192 1,536,389 |

Previous year

| | | |
|---|---|---|
| | | 193 2,075 |
| | | 194 0 |
| | | 195 0 |
| | | 196 40,478 |
| | | 197 4,122 |
| | | 198 1,705 |
| | | 199 973,976 |
| | | 200 0 |

# CONSOLIDATED PROFIT AND LOSS ACCOUNT

| | | | | | Current year |
|---|---|---|---|---|---|
| | **I. NON-LIFE BUSINESS TECHNICAL ACCOUNT** | | | | |
| 1 | PREMIUMS, NET OF OUTWARDS REINSURANCE | | | | |
| | a) gross premiums accounted for | | 1 | 407,063 | |
| | b) (-) outwards reinsurance premiums | | 2 | 92,066 | |
| | c) Change in gross premium reserve | | 3 | 14,779 | |
| | d) Change in reinsurer premium reserve | | 4 | 2,411 | 5 | 302,629 |
| 2 | OTHER TECHNICAL INCOME, NET OF OUTWARDS REINSURANCE | | | | 7 | 1,694 |
| 3 | CHARGES RELATING TO CLAIMS, NET OF RECOVERIES AND OUTWARDS REINSURANCE | | | | |
| | a) Amounts paid | | | | |
| | aa) Gross amount paid | 8 | 245,266 | | |
| | bb) (-) reinsurers' share | 9 | 59,984 | | |
| | cc) changes in recoveries, net of reinsurers' share | 10 | 9,587 | 11 | 175,695 | |
| | b) Change in claims reserve | | | | |
| | aa) Gross amount | 12 | 55,689 | | |
| | bb) (-) reinsurers' share | 13 | 13,544 | 14 | 42,145 | 15 | 217,840 |
| 4 | CHANGE IN OTHER TECHNICAL RESERVES, NET OF OUTWARDS REINSURANCE | | | | 16 | 461 |
| 5 | REVERSALS AND PROFIT PARTICIPATION, NET OF OUTWARDS REINSURANCE | | | | 17 | 0 |
| 6 | OPERATING COSTS: | | | | |
| | a) Acquisition commissions | | 18 | 61,041 | |
| | b) Other acquisition costs | | 19 | 20,730 | |
| | c) Change in commissions and other acquisition costs to be amortised | | 20 | 1,240 | |
| | d) Premium collection commissions | | 21 | 6,213 | |
| | e) Other administrative costs | | 22 | 13,464 | |
| | f) (-) Profit participation and other commissions received by reinsurers | | 23 | 19,456 | 24 | 80,752 |
| 7 | OTHER TECHNICAL CHARGES, NET OF OUTWARDS REINSURANCE | | | | 25 | 4,783 |
| 8 | CHANGE IN EQUALISATION RESERVES | | | | 26 | 239 |
| 9 | RESULT OF NON-LIFE BUSINESS TECHNICAL ACCOUNT (caption III. 1) | | | | 27 | 248 |

Previous year

| | | | | | |
|---|---|---|---|---|---|
| | | 111 | 363,508 | | |
| | | 112 | 92,005 | | |
| | | 113 | 18,438 | | |
| | | 114 | 2,712 | 115 | 255,777 |
| | | | | 117 | 1,316 |
| 118 | 232,024 | | | | |
| 119 | 59,208 | | | | |
| 120 | 7,964 | 121 | 164,852 | | |
| 122 | 19,683 | | | | |
| 123 | 12,514 | 124 | 7,169 | 125 | 172,021 |
| | | | | 126 | 487 |
| | | | | 127 | 0 |
| | | 128 | 53,097 | | |
| | | 129 | 18,238 | | |
| | | 130 | 454 | | |
| | | 131 | 5,858 | | |
| | | 132 | 12,930 | | |
| | | 133 | 21,650 | 134 | 68,019 |
| | | | | 135 | 4,624 |
| | | | | 136 | 212 |
| | | | | 137 | 11,730 |

# CONSOLIDATED PROFIT AND LOSS ACCOUNT

| | | | | Current year |
|---|---|---|---|---|
| | **II. LIFE BUSINESS TECHNICAL ACCOUNT** | | | |
| 1 | PREMIUMS, NET OF OUTWARDS REINSURANCE | | | |
| | a) gross premiums accounted for | | 28 112,205 | |
| | b) (-) outwards reinsurance premiums | | 29 2,899 | 30 109,306 |
| 2 | (+) INCOME ON INVESTMENTS TRANSFERRED FROM NON-TECHNICAL ACCOUNT (Caption III.5) | | | 40 28,457 |
| 3 | INCOME AND NON-REALISED CAPITAL GAINS RELATING TO INVESTMENTS BENEFITTING POLICYHOLDERS BEARING THE RISK AND INVESTMENTS STEMMING FROM PENSION FUND MANAGEMENT | | | 41 12,352 |
| 4 | OTHER TECHNICAL INCOME, NET OF OUTWARDS REINSURANCE | | | 42 1,209 |
| 5 | CHARGES RELATING TO CLAIMS, NET OF OUTWARDS REINSURANCE: | | | |
| | a) Amounts paid | | | |
| | aa) Gross amount paid | 43 76,114 | | |
| | bb) (-) Reinsurers' share | 44 621 | 45 75,493 | |
| | b) Change in reserve for payable amounts | | | |
| | aa) Gross amount | 46 1,333 | | |
| | bb) (-) Reinsurers' share | 47 0 | 48 1,333 | 49 76,826 |
| 6 | CHANGE IN MATHEMATICAL RESERVES AND OTHER TECHNICAL RESERVES, NET OF OUTWARDS REINSURANCE | | | |
| | a) Mathematical reserves: | | | |
| | aa) Gross amount | 50 41,314 | | |
| | bb) (-) Reinsurers' share | 51 2,277 | 52 39,037 | |
| | b) Other technical reserves | | | |
| | aa) Gross amount | 56 200 | | |
| | bb) (-) Reinsurers' share | 57 0 | 58 200 | |
| | c) Technical reserves where investment risk is borne by policyholders and reserves arising from pension fund management | | | |
| | aa) Gross amount | 59 11,209 | | |
| | bb) (-) Reinsurers' share | 60 0 | 61 11,209 | 62 50,446 |
| 7 | REVERSALS AND PROFIT PARTICIPATION, NET OF OUTWARDS REINSURANCE | | | 63 -9 |
| 8 | OPERATING COSTS: | | | |
| | a) Acquisition commissions | | 64 2,392 | |
| | b) Other acquisition costs | | 65 2,159 | |
| | c) Change in commissions and other acquisition costs to be amortised | | 66 -1,920 | |
| | d) Premium collection commissions | | 67 2,081 | |
| | e) Other administrative costs | | 68 4,393 | |
| | f) (-) Profit participation and other commissions received by reinsurers | | 69 438 | 70 12,507 |
| 9 | CAPITAL AND FINANCIAL CHARGES AND NON-REALISED CAPITAL LOSSES RELATING TO INVESTMENTS BENEFITTING POLICYHOLDERS WHO BEAR THE RISK AND INVESTMENTS STEMMING FROM PENSION FUND MANAGEMENT | | | 75 3,632 |
| 10 | OTHER TECHNICAL CHARGES, NET OF OUTWARDS REINSURANCE | | | 76 19 |
| 11 | RESULT OF LIFE BUSINESS TECHNICAL ACCOUNT (Caption III. 2) | | | 78 7,903 |

Previous year

| | | | | | |
|---|---|---|---|---|---|
| | | 138 | 94,056 | | |
| | | 139 | 3,124 | 140 | 90,932 |
| | | | | 150 | 22,375 |
| | | | | 151 | 10,579 |
| | | | | 152 | 1,148 |
| 153 | 63,919 | | | | |
| 154 | 698 | 155 | 63,221 | | |
| 156 | -2,377 | | | | |
| 157 | 0 | 158 | -2,377 | 159 | 60,844 |
| 160 | 24,520 | | | | |
| 161 | 2,108 | 162 | 22,412 | | |
| 166 | 9 | | | | |
| 167 | 1 | 168 | 8 | | |
| 169 | 19,606 | | | | |
| 170 | 0 | 171 | 19,606 | 172 | 42,026 |
| | | | | 173 | 6 |
| | | 174 | 2,543 | | |
| | | 175 | 2,632 | | |
| | | 176 | -2,381 | | |
| | | 177 | 2,144 | | |
| | | 178 | 4,326 | | |
| | | 179 | 448 | 180 | 13,578 |
| | | | | 185 | 3,811 |
| | | | | 186 | 57 |
| | | | | 188 | 4,712 |

# CONSOLIDATED PROFIT AND LOSS ACCOUNT

| | | | | Current year |
|---|---|---|---|---|
| | **III. NON-TECHNICAL ACCOUNT** | | | |
| 1 | RESULT OF NON-LIFE BUSINESS TECHNICAL ACCOUNT (Caption I. 9) | | | 79 248 |
| 2 | RESULT OF LIFE BUSINESS TECHNICAL ACCOUNT (Caption II .11) | | | 80 7,903 |
| 3 | INCOME ON INVESTMENTS: | | | |
| | a) Income on equity investments | | | |
| | aa) share of profits of associates accounted for using the equity method | 81 3,508 | | |
| | bb) other | 82 1,018 | 83 4,526 | |
| | b) Income on other investments: | | | |
| | aa) land and buildings | 84 10,384 | | |
| | bb) other investments | 85 42,550 | 86 52,934 | |
| | c) Adjustments to investment values | | 87 5 | |
| | d) Profit on sale of investments | | 88 16,308 | 89 73,773 |
| 4 | CAPITAL AND FINANCIAL CHARGES: | | | |
| | a) Investment management charges and interest payable | | 90 7,784 | |
| | b) Adjustments to investment values | | 91 39 | |
| | c) Loss on sale of investments | | 92 1 | 93 7,824 |
| 5 | (-) INCOME ON INVESTMENTS TRANSFERRED TO LIFE BUSINESS TECHNICAL ACCOUNT (Caption II.2) | | | 94 28,457 |
| 6 | OTHER INCOME | | | 95 6,271 |
| 7 | OTHER CHARGES | | | |
| | a) Interest on financial payables | | 96 1,754 | |
| | b) Other charges | | 97 16,970 | 98 18,724 |
| 8 | RESULT OF ORDINARY BUSINESS | | | 99 33,190 |
| 9 | EXTRAORDINARY INCOME | | | 100 17,509 |
| 10 | EXTRAORDINARY EXPENSE | | | 101 719 |
| 11 | RESULT OF EXTRAORDINARY BUSINESS | | | 102 16,790 |
| 12 | PROFIT (LOSS) BEFORE TAXATION | | | 103 49,980 |
| 13 | TAXATION ON PROFIT FOR THE YEAR | | | 104 19,699 |
| 14 | CONSOLIDATED NET PROFIT (LOSS) FOR THE YEAR | | | 105 30,281 |
| 15 | NET PROFIT (LOSS) FOR THE YEAR PERTAINING TO MINORITY INTERESTS | | | 106 4,364 |
| 16 | NET PROFIT (LOSS) OF THE GROUP | | | 107 25,917 |

Previous year

| | | | | | |
|---|---|---|---|---|---|
| | | | | 189 | 11,730 |
| | | | | 190 | 4,712 |
| 191 | 4,608 | | | | |
| 192 | 765 | 193 | 5,373 | | |
| 194 | 178 | | | | |
| 195 | 44,727 | 196 | 44,905 | | |
| | | 197 | 32 | | |
| | | 198 | 2,891 | 199 | 53,201 |
| | | 200 | 7,709 | | |
| | | 201 | 4 | | |
| | | 202 | 194 | 203 | 7,907 |
| | | | | 204 | 22,375 |
| | | | | 205 | 5,082 |
| | | 206 | 1,633 | | |
| | | 207 | 9,759 | 208 | 11,392 |
| | | | | 209 | 33,051 |
| | | | | 210 | 812 |
| | | | | 211 | 1,351 |
| | | | | 212 | -539 |
| | | | | 213 | 32,512 |
| | | | | 214 | 12,984 |
| | | | | 215 | 19,528 |
| | | | | 216 | 238 |
| | | | | 217 | 19,290 |

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# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

These notes, which pursuant to article 2423 of the Civil Code form an integral part of the consolidated financial statements, are presented together with the consolidated balance sheet as at 31 December 2004 and the consolidated profit and loss account for the year then ended, for your approval.

## Contents and format of the consolidated financial statements

The consolidated financial statements, prepared in Euros, have been drawn up in accordance with the guidelines set out in Legislative decree no. 173 of 26 May 1997 implementing EEC Directive no. 91/674 governing the statutory and consolidated accounts of insurance companies. In compliance with ISVAP regulation no. 1008 G of 5 October 1998, the consolidated financial statements have been prepared as follows:

- the figures of the consolidated balance sheet and consolidated profit and loss account are expressed in thousand of Euros: total rounding differences are recorded under captions F.IV Other assets or G.IX Other liabilities in the balance sheet and III.9 Extraordinary income or III.10 Extraordinary expense in the profit and loss account;
- the notes to the consolidated financial statements, the reclassified consolidated balance sheet and profit and loss account are presented in thousands of Euros. Any rounding has been calculated to ensure consistency with the figures reported in the consolidated balance sheet and profit and loss account.

In compliance with the law, the notes are divided into the following four parts:

Part A - general preparation criteria and consolidation area
Part B - accounting policies
Part C - notes to the consolidated balance sheet and profit and loss account
Part D - other information and cash flow statement

These notes include annexes that analyse the technical and financial components of the insurance and financial operations.
For the purposes of more complete disclosure, a reclassified consolidated balance sheet and a reclassified consolidated profit and loss account have been prepared. These show the amounts that would have emerged had the group constantly adopted its 2004 accounting policies for buildings being built.

The captions in the reclassified consolidated balance sheet are net of the reinsurance figures.
The consolidated financial statements have also been prepared in compliance with Legislative decree nos. 174/1995 and 175/1995.

# Reclassified consolidated balance sheet

(in thousands of Euros)

| ASSETS | 2004 | 2003 | 2004 (*) | 2003 (*) |
|---|---|---|---|---|
| Investments | | | | |
| Land and buildings | 247,827 | 152,562 | 247,827 | 157,612 |
| Investments in group and other companies | | | | |
| - Equity investments | 73,314 | 55,204 | 73,314 | 57,901 |
| - Loans | 8,165 | 9,390 | 8,165 | 9,390 |
| Other financial investments: | | | | |
| - Equity investments | - | - | - | - |
| - Unit trust units | 8,280 | 33,273 | 8,280 | 33,273 |
| - Bonds and other fixed-interest securities | 840,139 | 780,607 | 840,139 | 780,607 |
| - Loans | 11,135 | 11,254 | 11,135 | 11,254 |
| - Other financial investments | - | 478 | - | 478 |
| Deposits with ceding companies | 976 | 1,162 | 976 | 1,162 |
| Investments benefiting life policyholders | 130,477 | 119,268 | 130,477 | 119,268 |
| Total investments | 1,320,313 | 1,163,198 | 1,320,313 | 1,170,945 |
| Receivables | | | | |
| Receivables relating to direct insurance business | 109,410 | 100,963 | 109,410 | 100,963 |
| Receivables relating to reinsurance business | 11,731 | 4,999 | 11,731 | 4,999 |
| Other receivables | 37,381 | 34,050 | 37,381 | 34,050 |
| Total receivables | 158,522 | 140,012 | 158,522 | 140,012 |
| Intangible assets | 28,785 | 28,448 | 28,785 | 28,448 |
| Tangible assets and inventory | 4,689 | 4,690 | 4,689 | 4,690 |
| Liquid funds | 56,835 | 49,264 | 56,835 | 49,264 |
| Other assets | 3,704 | 3,710 | 3,704 | 3,710 |
| Prepayments and accrued income | 14,338 | 16,936 | 14,338 | 16,936 |
| TOTAL ASSETS | 1,587,186 | 1,406,258 | 1,587,186 | 1,414,005 |

(*) These figures have been recalculated as if the percentage of completion method had been applied to buildings under construction constantly over time.

# Reclassified consolidated balance sheet

(in thousands of Euros)

| LIABILITIES AND SHAREHOLDERS' EQUITY | 2004 | 2003 | 2004 (*) | 2003 (*) |
|---|---|---|---|---|
| Shareholders' equity | | | | |
| - Share capital | 30,000 | 30,000 | 30,000 | 30,000 |
| - Equity reserves | 83,712 | 72,164 | 83,712 | 72,164 |
| - Consolidation reserves | -2,274 | -1,807 | -2,034 | -1,766 |
| - Reserve for differences in the valuation of investments not consolidated on a line-by-line basis | 7,257 | 2,946 | 9,954 | 5,007 |
| - Net profit for the period/year | 25,917 | 19,290 | 22,980 | 20,127 |
| Total group shareholders' equity | 144,612 | 122,593 | 144,612 | 125,532 |
| - Share capital and reserves pertaining to minority interests | 2,536 | 4,309 | 3,727 | 4,583 |
| - Net profit for the period/year pertaining to minority interests | 4,364 | 238 | 3,173 | 1,872 |
| Total shareholders' equity pertaining to minority interests | 6,900 | 4,547 | 6,900 | 6,455 |
| Subordinated liabilities | 18,000 | 18,000 | 18,000 | 18,000 |
| Technical reserves, net of reinsurance | | | | |
| - Premium reserve | 122,814 | 109,480 | 122,814 | 109,480 |
| - Claims reserve | 314,655 | 264,001 | 314,655 | 264,001 |
| - Mathematical reserves | 530,934 | 490,804 | 530,934 | 491,772 |
| - Reserve for amounts payable | 18,193 | 16,860 | 18,193 | 16,860 |
| - Other technical reserves | 6,823 | 5,938 | 6,823 | 5,938 |
| - Technical reserves where investment risk is borne by policyholders and reserves relating to pension fund management | 130,477 | 119,268 | 130,477 | 119,268 |
| Total technical reserves | 1,123,896 | 1,006,351 | 1,123,896 | 1,007,319 |
| Payables | | | | |
| Deposits from reinsurers | 103,210 | 95,501 | 103,210 | 95,501 |
| Payables arising from direct insurance business due to: | 7,973 | 7,250 | 7,973 | 7,250 |
| Payables arising from reinsurance business | 7,785 | 7,325 | 7,785 | 7,325 |
| Sums payable to banks and financial institutions | 53,521 | 77,870 | 53,521 | 70,961 |
| Other sums payable | 91,569 | 49,367 | 91,569 | 58,208 |
| Total payables | 264,058 | 237,313 | 264,058 | 239,245 |
| Provisions for contingencies and other charges | 9,165 | 1,822 | 9,165 | 1,822 |
| Employees' leaving entitlement | 5,930 | 5,651 | 5,930 | 5,651 |
| Other liabilities | 13,615 | 8,938 | 13,615 | 8,938 |
| Accrued expenses and deferred income | 1,010 | 1,043 | 1,010 | 1,043 |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | 1,587,186 | 1,406,258 | 1,587,186 | 1,414,005 |

(*) These figures have been recalculated as if the percentage of completion method had been applied to buildings under construction constantly over time.

# Reclassified consolidated profit and loss account

(in thousands of Euros)

| | 2004 | 2003 | 2004 (*) | 2003 (*) |
|---|---|---|---|---|
| Technical account | | | | |
| Life business: | | | | |
| Direct insurance | | | | |
| (+) Gross premiums accounted for | 112,176 | 94,021 | 112,176 | 94,021 |
| (-) Charges relating to claims | 77,192 | 61,346 | 77,192 | 61,346 |
| (-) Change in mathematical and other technical reserves | 52,834 | 44,271 | 52,834 | 44,271 |
| (+) Other technical captions, net | 1,184 | 1,080 | 1,184 | 1,080 |
| (-) Operating costs | 12,930 | 14,010 | 12,930 | 14,010 |
| (+) Income on investments where the parent company bears the risk - Class C - net of the portion transferred to the non-technical account | 28,457 | 22,375 | 28,457 | 22,375 |
| (+) Income on investments where policyholders bear the risk - Class D | 8,720 | 6,768 | 8,720 | 6,768 |
| Direct insurance result | 7,581 | 4,617 | 7,581 | 4,617 |
| Outwards reinsurance result | 437 | 131 | 437 | 131 |
| Retained direct insurance result | 8,018 | 4,748 | 8,018 | 4,748 |
| Indirect and retroceded insurance result | -113 | -36 | -113 | -36 |
| Result of life business technical account | 7,905 | 4,712 | 7,905 | 4,712 |
| Non-life business: | | | | |
| Direct insurance | | | | |
| (+) Gross premiums accounted for | 405,650 | 362,908 | 405,650 | 362,908 |
| (-) Change in premium reserve | 14,727 | 18,855 | 14,727 | 18,855 |
| (-) Charges relating to claims | 290,011 | 240,816 | 290,011 | 240,816 |
| (-) Change in other technical reserves | 461 | 487 | 461 | 487 |
| (+) Other technical captions, net | -3,089 | -3,308 | -3,089 | -3,308 |
| (-) Operating costs | 100,079 | 89,593 | 100,079 | 89,593 |
| Direct insurance result | -2,717 | 9,849 | -2,717 | 9,849 |
| Outwards reinsurance result | 3,058 | 1,906 | 3,058 | 1,906 |
| Retained direct insurance result | 341 | 11,755 | 341 | 11,755 |
| Indirect and retroceded insurance result | 146 | 187 | 146 | 187 |
| Total retained insurance result | 487 | 11,942 | 487 | 11,942 |
| (-) Change in equalisation reserve | 239 | 212 | 239 | 212 |
| (+) Income on investments transferred from the non-technical account | 11,930 | 12,621 | 11,930 | 12,621 |
| Result of non-life business technical account | 12,178 | 24,351 | 12,178 | 24,351 |
| Result of technical account | 20,083 | 29,063 | 20,083 | 29,063 |
| (+) Income on investments net of the portion included in the technical account | 25,560 | 10,298 | 25,560 | 14,379 |
| (+) Other income | 6,272 | 5,082 | 6,272 | 5,082 |
| (-) Interest on financial payables | 1,754 | 1,633 | 1,754 | 1,633 |
| (-) Other charges | 16,970 | 9,759 | 16,970 | 9,759 |
| Result of ordinary business | 33,191 | 33,051 | 33,191 | 37,132 |
| (+) Extraordinary income | 13,380 | 812 | 13,380 | 812 |
| (-) Extraordinary expense | 719 | 1,351 | 719 | 1,351 |
| Profit before taxation and change in accounting policy | 45,852 | 32,512 | 45,852 | 36,593 |
| (-) Taxation on profit for the period/year | 19,699 | 12,984 | 19,699 | 14,594 |
| Consolidated net profit for the year - ordinary | 26,153 | 19,528 | 26,153 | 21,999 |
| (+) Net income arising from the change in accounting policy | 4,128 | - | - | - |
| Consolidated net profit for the period | 30,281 | 19,528 | 26,153 | 21,999 |
| (-) Minority interests (ordinary) | 3,173 | 238 | 3,173 | 1,872 |
| (-) Minority interests - change in accounting policy | 1,191 | - | - | - |
| Group net profit | 25,917 | 19,290 | 22,980 | 20,127 |

(*) These figures have been recalculated as if the percentage of completion method had been applied to buildings under construction constantly over time.

# Part A: General preparation criteria and consolidation area

## Consolidation area

The consolidation area is based on the following criteria:

Control

Companies in which Vittoria Assicurazioni has the majority of voting rights in ordinary shareholders' meetings, either directly or through subsidiaries, are consolidated using the line-by-line method.

Investment continuity and exercise of control

Companies are consolidated if held on a long-term basis and if the parent company can effectively exercise control over them.

Consistency of activities performed

In order to maintain the insurance nature of the consolidated financial statements, the subsidiaries, which do not carry out insurance operations, are consolidated only if they operate in sectors in which insurance companies traditionally invest.

Materiality

Companies of immaterial size with respect to the consolidated financial statements figures are not consolidated.

In accordance with the above criteria and pursuant to article 68 of Legislative decree no. 173 of 26 May 1997, the following companies have been consolidated using the line-by-line method:

| Name | Registered office | | Share/ quota capital | % held Direct | Indirect | Through |
|---|---|---|---|---|---|---|
| Vittoria Assicurazioni S.p.A. | Milan | Euro | 30,000,000 | | | |
| Vittoria Immobiliare S.p.A. | Milan | Euro | 6,600,000 | 87.24% | | |
| Immobiliare Bilancia S.r.l. | Milan | Euro | 64,000,000 | 97.66% | | |
| Immobiliare Bilancia Prima S.r.l. | Milan | Euro | 29,000,000 | 100.00% | | |
| Immobiliare Bilancia Seconda S.r.l. | Milan | Euro | 1,000,000 | 100.00% | | |
| Immobiliare Bilancia Terza S.r.l. | Milan | Euro | 100,000 | 100.00% | | |
| Vittoria Properties S.r.l. | Milan | Euro | 4,000,000 | 99.00% | 1.00% | Vittoria |
| Interbilancia S.r.l. | Milan | Euro | 80,000 | 80.00% | 20.00% | Immobiliare S.p.A. |
| Gestimmobili S.r.l. | Milan | Euro | 104,000 | | 80.00% | |
| Gestimmobili Intermediazione S.r.l. | Turin | Euro | 26,000 | | 80.00% | Vittoria |
| Interimmobili S.r.l. | Rome | Euro | 104,000 | | 80.00% | Immobiliare S.p.A. |
| V.R.G. Domus S.r.l | Turin | Euro | 1,000,000 | | 51.00% | |
| Aspevi S.r.l. | Milan | Euro | 10,400 | | 100.00% | |
| Vittoria.Net S.r.l. | Milan | Euro | 10,400 | | 100.00% | Interbilancia S.r.l. |
| Aspeca S.r.l | Milan | Euro | 10,000 | | 80.00% | |

The following companies are stated using the equity method:

| Name | Registered office | Share/ quota capital | % held Direct | Indirect | Through |
|---|---|---|---|---|---|
| Yarpa International Holding N.V. | Amsterdam Holland | Euro 675,000 | 25.00% | | |
| Laumor B.V. | Amsterdam Holland | Euro 20,000 | 25.00% | | |
| Gimatrading S.r.l. | Turin | Euro 10,400 | | 35.00% | Vittoria Immobiliare S.p.A. |
| Sivim S.r.l.. | Milan | Euro 60,000 | | 49.50% | |
| Rovimmobiliare S.r.l | Rome | Euro 20,000 | | 50.00% | |
| Le Api S.r.l | Milan | Euro 10,400 | | 30.00% | Interbilancia S.r.l. |

## Change in the consolidation area

### Changes in holding percentages and other changes:

- Vittoria Immobiliare S.p.A.: share capital increase against consideration from Euro 5,150,000 thousand to Euro 6,600,000 thousand; Vittoria Assicurazioni paid its portion of Euro 794 thousand thus, keeping its investment therein unchanged. It subsequently acquired another 32.48% from the indirect parent Yura International Holding for Euro 7,472 thousand, bringing its investment from 54.76% to 87.24%. The sale price was based on an appraisal carried out by KPMG Corporate Finance;
- Immobiliare Bilancia Prima S.r.l.: quota capital increase against consideration, contributing total net assets of Euro 29 million;
- Immobiliare Bilancia Seconda S.r.l.: subscription and payment of the quota capital increase of this wholly-owned company, increasing its net equity to Euro 23 million in order to enable it to acquire the buildings necessary for its trading activities;
- Interbilancia S.r.l.: acquisition of shares from the indirect parent Yura International Holding for Euro 63 thousand, bringing the investment from 49% to 100%; The sale price was based on an appraisal carried out by BDO Sala Scelsi Farina;
- Vittoria Properties S.r.l.: the company has fully called up arrears and Vittoria Assicurazioni and Vittoria Immobiliare paid their portion of Euro 1,600 thousand.

## Consolidation criteria

1) The financial statements of all consolidated companies have been prepared at 31 December 2004.
2) The figures of the financial statements of consolidated companies have been adjusted to the accounting policies applied by the parent company for consistency of presentation.
3) Minority interests in the equity and profit or loss of subsidiaries are included in the specific liability caption of the consolidated financial statements.

4) The consolidated financial statements are expressed in Euros.
5) The consolidated companies' net equities are eliminated against the related equity investments recorded in the financial statements of the holding companies on the basis of the acquisition book value or when the company became a subsidiary.
6) Goodwill arising on consolidation, that is the difference between the book value of investments and the related net equity, net of minority interests as defined in point (3), is allocated to the investment's assets on the basis of the acquisition value. The residual amount is included in caption (B.5) of the balance sheet intangible assets.

   Goodwill arising on consolidation is amortised over five years.

   If the group portion of the investment net equity exceeds the investment book value in the relevant holding company's financial statements, the difference is charged to the consolidation reserve (caption A.3 of shareholders' equity).
7) Intercompany assets and liabilities, costs and revenues, any profits on assets transferred to group companies and not sold to third parties and intercompany dividends recorded in the financial statements of the consolidated companies are eliminated. Any intercompany losses are eliminated if they do not reflect a permanent impairment in the value of the transferred assets.
8) Differences arising from the valuation of investments using the equity method are recorded in caption A.4 of the balance sheet with a balancing entry under the reserve for valuation difference of unconsolidated investments.

## Year-end acquisition of companies

During the last few days of December, the group acquired a 32.48% stake in Vittoria Immobiliare S.p.A. and a 51% stake in Interbilancia S.r.l.. The sale prices were based on appraisals carried out by independent experts.

### Vittoria Immobiliare S.p.A.

The profit and loss account has been consolidated on a line-by-line basis since the group already controlled this company at the beginning of the year.

As required by the relevant accounting policies, the group eliminated from the consolidated profit and loss account the portion of net profit pertaining to the interest acquired at the end of the year. Such portion of net profit has been included in the subsidiary's net in order to evaluate the consolidation difference to be allocated to the subsidiary's assets on the basis of the amounts shown in the appraisal.

### Interbilancia S.r.l.

The group's share of the subsidiary's net profit relating to the 49% investment already held at the beginning of the year has been stated using the equity method.
The negative difference arising from the amount paid and the investment value has been recorded in the consolidation reserve.

# Part B: Accounting policies

As required by article 9 of Legislative decree no. 6 of 17 January 2003, the financial statements at 31 December 2004 take into account the provisions introduced with the new company law.

With reference to the cancellation of paragraph 2 of article 2426 of the Civil Code, no previous years' caption has required any adjustment since no fiscally-driven entries have ever been made.

The accounting policies applied to the financial statements comply with articles 2426 and 2427 of the Civil Code, Legislative decree no. 173 of 26 May 1997, various regulations issued by ISVAP (Supervisory Institute of private and public-interest insurance companies) and CONSOB guidelines. They are described below.

Unless otherwise specified, the accounting policies relating to direct insurance captions also apply to outwards reinsurance.

Buildings under construction by the group's real estate companies have been stated in the consolidated financial statements using the percentage of completion method rather than the completed contract method previously applied.

The percentage of completion method gives a better view of the impact of such transactions on the balance sheet and profit and loss account. It is also recommended by Italian Accounting Principle 23 "Construction contracts" and is the only applicable to long-term contracts under International Financial Reporting Standards, which all listed companies will be required to adopt in the preparation of their consolidated financial statements as from 2005.

The change in accounting policy has been applied with retrospective effect; the effect accrued at the end of the previous year has been recognised under extraordinary income and that pertaining to the current year under ordinary income.

In addition, in accordance with Consob communication no. DAC/99059009, the reclassified consolidated profit and loss account shows the financial position and results that would have arisen had the new accounting policy been applied constantly over time.

# Insurance technical captions

## Gross premiums

NON-LIFE BUSINESS

LIFE BUSINESS

Premiums and related charges, gross of outwards reinsurance, are recognised as revenues upon maturity, regardless of their recording and actual collection.

With reference to the non-life business, write-offs of a technical nature of individual securities are directly deducted from premiums as long as they are issued in the same year. With respect to the life business, the caption includes all write-offs, except for those relating to first yearly instalments issued in previous years.

Allocation to the year is made through a charge to the premium reserve with respect to the non-life business, while it is implicit in the calculation of the mathematical reserves, the complementary insurance premium reserve and other technical reserves of the life business.

Outwards and retroceded reinsurance premiums are accounted for in line with the agreements signed with reinsurers.

## Operating costs

NON LIFE BUSINESS
LIFE BUSINESS

Operating costs include:

- acquisition commissions
  they include the commissions paid on the acquisition and renewal, including tacit, of contracts. They also include commission bonuses and rappels proportionate to the attainment of performance objectives;
- other acquisition costs
  they include personnel expenses, logistics costs, costs for services and purchase of goods of the management departments involved in the assessment, issue and management of insurance contracts. They also include policy issue costs incurred by the agency network, commission bonuses and rappels not linked to performance objectives, and medical check-up costs;
- changes in commissions and other deferred acquisition costs
  the caption includes the amortisation charge for the year of acquisition commissions and other acquisition costs;
- premium collection commissions
  the caption includes commissions paid on collection of premiums related to long-term contracts;
- other administrative costs
  they include personnel expenses, logistics costs, costs for services and purchase of goods of the company departments other than those relating to acquisition costs indicated above and those allocated to claims settlement and investment management. They also include those charges incurred in connection with the termination of agency agreements not subject to compensation;
- profit participation and other commissions received by reinsurers
  the caption includes profit participation and other contractual commissions paid to reinsurers for premiums ceded and retroceded.

## Premium reserve

NON-LIFE BUSINESS

The premium reserve of the non-life business is calculated on a pro-rata temporis basis for each contract, considering premiums accounted for net of direct acquisition costs and gross of the fraction of premium pertaining to the subsequent year.

For certain lines of business where the risk does not decrease proportionally to the time elapsed or where the relationship between premiums and potential claims costs does not follow the usual criteria, the premium reserve is calculated on the basis of the following Ministerial rules:

- Bond insurance: the mixed criterion established by ISVAP regulation no. 1978 of 4 December 2001 which provides for the pro-rata temporis method with effect from the 2002 financial statements together with the additional reserve calculated in accordance with the type of risk as per schedule no. 33 of ISVAP regulation no. 1059 G of 4 December 1998;
- Credit insurance: mixed - lump sum criteria (Ministerial decree of 22 June 1982) until 1991 and pro-rata temporis criterion (Legislative decree no. 393 of 26 November 1991) since 1992;
- Miscellaneous damage - hail insurance: the lump sum criterion set out in the Ministerial decree of 29 October 1981 and subsequent modifications;
- Atomic accident insurance: the lump sum criterion established by the Ministerial Decree of 21 September 1981.

Where required by the technical result, the premium reserve also includes:

- the reserve for unexpired risks: this reserve is set up to cover risks incumbent upon the company after the balance sheet date. It is required by Legislative decree no. 173/1997, in order to cover any expected claims charges relating to gross premiums already accounted

for, which exceed the reserve for premium fractions increased by the premium to be collected, net of acquisition costs for policies with deferred premium.
– reserve for damage from earthquakes, seaquakes and volcanic eruptions - Ministerial Decree of 15 June 1984.

Reinsurer premium reserve: this reserve is calculated using the same criteria applied to direct insurance and inwards reinsurance.

## Other technical reserves

NON-LIFE BUSINESS

This caption includes the ageing reserve for health insurance required by paragraph 5 of article 25 of Legislative decree no. 175 of 17 March 1995.
As in previous years, the reserve is calculated on a lump sum basis by accruing 10% of gross premiums written on those products which do not consider the policyholder's age when calculating the premium and include provisions by which the company's faculty to terminate the contract is limited.

## Equalisation reserves

NON-LIFE BUSINESS

The equalisation reserves include those amounts allocated in accordance with relevant legislation, their purpose being to balance out any fluctuations in the claim rate in future years or to cover specific risks.
The caption includes:
- the credit insurance offsetting reserve pursuant to article 24 of Legislative decree no. 175 of 17 March 1995 as modified by article 80 of Legislative decree no. 173 of 26 May 1997;
- the reserve for natural disasters provided for by Law no. 35 of 16 February 1995 and the Ministerial decree dated 19 November 1996.

## Charges relating to claims paid

NON-LIFE BUSINESS

Charges relating to claims of the non-life business include damage compensation paid related to direct expenses, settlement costs and the additional charge to the guarantee fund for road casualties.
Direct expenses are those incurred to avoid or minimise the claim damage, including litigation costs as per article 1917, paragraph 3, of the Civil Code, loss containment costs in the transport and aviation insurance and extinguishing costs in fire insurance.
Settlement costs include amounts paid to professionals involved, personnel expenses, logistics costs and costs for services and goods of the company departments allocated to claims settlement and management.

LIFE BUSINESS

Charges relating to claims of the life business include sums, annuities, surrenders and claims paid during the year, including those relating to complementary insurance.

NON-LIFE BUSINESS
LIFE BUSINESS

The reinsurers' share is calculated in accordance with relevant contracts.

## Amounts to be recovered

NON-LIFE BUSINESS

The caption includes amounts to be recovered from policyholders and third parties, net of the reinsurers' share, for claims surrenders on policies with "no claims bonus" clause, excess clause and subrogation.

The difference between the current and previous year-end amounts and the amount recovered during the year are taken to the profit and loss account.

### Payable amounts

LIFE BUSINESS

The caption includes the parent company's commitments to policyholders for settlement of claims, surrenders and, with respect to expired policies, accrued sums and annuities. Accordingly, the mathematical reserves do not include these amounts.
The reinsurers' share is disclosed.

### Claims reserve

NON-LIFE BUSINESS

The claims reserve for direct business reflects claims incurred where some or all of such amounts have not been settled at the balance sheet date. It is calculated considering the specific characteristics of each line and each component forming the ultimate cost.

The assessment of each claim is carried out as follows:
– the claims settlement inspectors prepare estimates for each open position;
– company management analyses and checks data and reviews documentation supporting significant claims.

Claims assessment procedures are based on the following general criteria:
– accurate and complete year-end inventory of all claims partly or fully unsettled, highlighting the disputed amount;
– analysis of claims with different positions in order to verify evidence supporting each position;
– separate disclosure of the calculation of personal and property damage;
– inclusion of the estimated direct and settlement costs in the claims reserve;
– assessment of claims relating to credit and bond insurance in accordance with the provisions of articles 4 and 5 of ISVAP regulation no. 1978 of 4 December 2001.

The claims reserve includes claims not yet reported at year end but incurred in the year. Amounts are calculated considering the average cost of the current generation.
The resulting claims reserves are subject to statistical and actuarial checks and adjusted, where necessary, to the ultimate cost.
The reinsurers' share is disclosed in the same way indicated for claims paid.

### Mathematical reserves and other technical reserves

LIFE BUSINESS

The life business technical reserves are calculated on the basis of the pure premiums. In addition, the actuarial assumptions held to be adequate on the date on which contracts were signed are still considered valid. Technical reserves are calculated using the rate of return determined on the basis of the related investments for the relevant revaluable benefit and the mortality rate applied when calculating pure premiums. In accordance with relevant legislation, premiums carried forward in the mathematical reserves are calculated on a pure premium basis. The reserve for operating costs is calculated based on the loading for operating costs and other technical bases of the tariffs applied. An additional reserve is calculated for policies with supplementary health and/or professional-related premiums, the amount of which is equal to the annual supplementary premium.

The premium reserve for additional accident insurance is calculated on an analytical basis by applying the premiums brought forward criterion to the related pure premiums.

The mathematical reserve is never lower than the surrender value.

In accordance with ISVAP regulation no. 1380 G of 21 December 1999 implementing the provisions of point 14 of article 25 of Legislative decree no. 174/95, the reserve for contracts relating to sums insured with contractually-guaranteed annuity and to deferred and beneficial life annuities has been adjusted to the demographic survival projection.

The adjustment has been made using the probability of settling benefits in the form of annuities. The valuation of the portfolio at 31 December 2004 has led to a total reserve of Euro 2,213 thousand (Euro 2,493 thousand in 2003).

Where held to be necessary, mathematical reserves are adjusted to consider the decrease in interest rates on assets covering the same reserves.

Pursuant to ISVAP regulation no. 1801-G of 21 February 2001, an ALM (Asset & Liability Management) procedure has been implemented in order to jointly analyse the two asset and liability portfolios for the purpose of calculating the forecast returns of each separate account of the life business.

For consolidation purposes, the effect of the allocation to the separately-managed businesses of the investments in the subsidiaries Vittoria Immobiliare S.p.A. and Immobiliare Bilancia S.r.l. has been examined.

Since dividends paid by the subsidiaries to its parent company (or any capital gain realised on the sale of the investment) are 80% retroceded to life policyholders, an amount equal to 80% of the net profit of the subsidiary recorded in the consolidated financial statements, net of profits already paid to policyholders in the form of dividends, is added to the mathematical reserves calculated on an actuarial basis.

This accrual, which is not necessary in the statutory financial statements as financial income relating to dividends arises concurrently with related costs, in terms of amounts recognised to policyholders, avoids the temporary mismatching of income and charges in the consolidated profit and loss accounts.

## Reversals and profit participation

NON-LIFE BUSINESS
LIFE BUSINESS

Profit participation includes all amounts pertaining to the year, paid and to be paid to policyholders or other beneficiaries, including amounts used to increase technical reserves or decrease future premiums, if these can be considered an allocation of technical profits arising from both non-life and life insurance management activities, net of previous years' accruals which are no longer necessary.

Reversals include the partial reimbursement of premiums on the basis of the performance of each contract.

## Other technical charges

NON-LIFE BUSINESS
LIFE BUSINESS

Other technical charges include:

– with respect to the non-life business, premiums cancelled, justified by write-offs of a technical nature, relating to single premiums of previous years;
– with respect to the life business, the cancellation of first yearly premium instalments issued in previous years;

- with respect to both non-life and life business, write-downs due to policyholders' bad debts;
- costs relating to goods and services purchased to complement non-life insurance covers;
- costs arising from the management of the knock for knock agreement.

## Other technical income

NON-LIFE BUSINESS
LIFE BUSINESS

Other technical income includes:

- commissions relating to previous years' premiums written off including other technical charges and relating to non-life and life business;
- income arising from the management of the knock for knock agreement and ANIA incentives for scrapping damaged vehicles in the non-life business.

## Income on investments transferred from the non-technical to the technical account

LIFE BUSINESS

Financial income and charges relating to investments are included in the non-technical account pursuant to paragraph 4 of article 67 of Legislative decree no. 173 of 26 May 1977.

That being said, regulations governing financial statements provide that income on investment, net of financial charges, be transferred from the non-technical to the technical account, in accordance with the method established by ISVAP.

ISVAP regulation no. 1140 G dated 8 March 1999 established that income on investments to be transferred in the financial statements of the insurance companies be proportional to the ratio where the numerator is the sub-total of retained mandatory technical reserves at the end of the current and previous years and the denominator is the total of the sub-total of retained mandatory technical reserves at the end of the current and previous years plus the sub-total of shareholders' equity and subordinated liabilities at the end of the current and previous years.

Mandatory technical reserves for these purposes consist of the mathematical reserves, complementary insurance premium reserves, reserves for payable amounts, profit participation and reversal reserves and other technical reserves, excluding technical reserves where investment risk is borne by policyholders and reserves relating to pension fund management.

For consolidated financial statements purposes, the above ISVAP regulation provides that income transferred to the life business technical account be equal to the aggregated income on investment allocated to the life business technical account in the statutory financial statements of each consolidated company, combined in accordance with the consolidation criteria set out in articles 68 and 70 of Legislative decree no. 173 of 26 May 1997.

If income on investments transferred to the life business technical account in accordance with the criterion relating to consolidated financial statements is lower than income on investments contractually recognised to policyholders during the year, such income should be increased by this lower amount.

Taking into account the comments in the section on mathematical reserves, the parent company has increased income on investments transferred to the life business technical account recorded in the statutory financial statements of the parent company by the accrual for profits pertaining to policyholders on the investments in Vittoria Immobiliare S.p.A. and Immobiliare Bilancia S.r.l..

### Inwards reinsurance

NON LIFE BUSINESS
LIFE BUSINESS

The effects of inwards life reinsurance is recorded on an accruals basis, except for risks retroceded by C.I.R.T. (the Italian consortium of impaired life insurance) which, however, are not material.

If there are no specific negative signs, the effects of non-life inwards reinsurance are accounted for the year after to which they relate, as the necessary information is not yet available. The related financial movements are recorded in the balance sheet under other assets - other liabilities in the suspense reinsurance accounts.

Class 05 - Aviation hulls - represents an exception to the above accounting treatment as the spatial risk business is accounted for on an accruals basis.

### Retrocession

NON-LIFE BUSINESS
LIFE BUSINESS

Retroceded business mainly relates to class 05 - Aviation hulls - spatial risks.

Captions relating to retroceded business are stated in accordance with the criteria applied to inwards reinsurance.

## Investment captions

### C I - Land and buildings

In compliance with paragraph 2 of article 15 of Legislative decree no. 173 of 26 May 1997, land and buildings are considered assets of a long-term nature, except for buildings available for sale.

The group real estate companies classify assets under construction and investments related to real estate trading as short-term.

In order to bring the accounting policies of the real estate companies consolidated on a line-by-line basis into line with insurance accounting criteria, for consolidated financial statements purposes, buildings units available for sale or under construction are reclassified from the caption “Inventory” to “Land and buildings”. The profit arising from building sale and purchase transactions (which is the balance of sales revenues, purchases, additional charges and variations in inventory in the statutory financial statements) is reclassified to “Profit on sale of investments”.

Improvement costs aimed at extending the building units’ life and increasing their profitability are capitalised.

Real estate companies capitalise all improvement costs which may be directly allocated, including relevant financial charges, up to completion of the building construction works.

Ordinary maintenance costs are established in a long-term plan and are charged to the profit and loss account on an annual basis.

Real estate held for investment is stated at purchase or production cost, written down for any permanent impairment in value. If the reasons for such write-downs are no longer valid in subsequent years, the real estate value is reinstated.

Real estate available for sale is stated at purchase or production cost or the estimated market value if lower. If the reasons for such write-down are no longer valid in subsequent years, the real estate value is reinstated.

Buildings under construction, are stated using the percentage of completion method. Such method has been applied only to real estate units for which preliminary sales agreements have been signed. The related profit is taken to the profit and loss account on the basis of construction progress.

### Market value

The market value is calculated for each piece of land and building.

Market value is the price at which the piece of land or the building can be freely sold by means of an agreement between two parties (the seller and the buyer) on an arm's length basis. In particular if:

- both parties have gathered information on the assigned urban use, marketability and registration of title;
- the seller freely sells the asset without being forced by financial difficulties;
- the buyer is not being encouraged to purchase by non-market related factors.

Furthermore, the following is considered:

- the asset has been marketed for a reasonably long time period which allows its fair trading. The agreement has been signed after having negotiated price and terms.

Each building is valued considering its age, location, structure type and quality, preservation status, possible profitability, any urban limitation and/or restrictions imposed by the Ministry for Cultural Assets and anything which may have an impact on the asset.

Valuation of leased buildings takes into account the contract type, its expiry date and rental, also considering possible adjustments.

## C II - Investments in group and other companies

Investments in unconsolidated subsidiaries and associated companies are stated using the equity method.

Bonds and loans are stated at acquisition cost, including related charges, as per the financial statements of the holding companies.

Any capital gains or losses on the intercompany transfer of investments are eliminated and the book value recorded in the statutory financial statements of the consolidated companies is adjusted accordingly.

Intercompany dividends stated in the statutory financial statements are eliminated.

Pursuant to paragraph 2 of article 15 of Legislative decree no. 173 of 26 May 1997, investments in group and other companies are considered long-term assets.

Group companies

Pursuant to article 5 of Legislative decree no. 173 of 1997 and ISVAP regulation no. 735 of 1 December 1997, group companies are as follows:

a) parent companies;
b) subsidiaries;
c) related companies, other than those included in item b) which are controlled by the same entity controlling the parent company or subject to common management as defined by paragraph 1 of article 60 of the above decree;
d) associated companies.

For the purposes of this classification, the definition of control is set out in paragraphs 1 and 2 of article 2359 of the Civil Code.

Other companies

Other companies are those held for strategic or insurance-support purposes.

Investments in other companies are stated on the basis of the following criteria:

- investments in Euros are stated at acquisition cost including related charges;
- investments in foreign currency are stated at acquisition cost, including related charges, converted into Euros using the exchange rates ruling on the date of the transaction.

In the case of a permanent impairment in value, which can be seen in the companies' approved financial statements, the investment acquisition value is written down accordingly. If the reasons for such write-down no longer exist, the original value is reinstated in subsequent financial statements.

If the impairment in the value of long-term investments in foreign currency is due to exchange rate losses, the permanent nature of such loss should be verified. If the exchange rate is expected to be recovered in the short to medium-term, the investment is not written down.

Dividends distributed by companies held are recognised when paid.

## C III - Other financial investments

### Equity investments

This caption includes short-term equity investments which are stated as follows:

- listed securities are stated at the weighted average cost or market value, if lower. The original value is reinstated in subsequent years if the reasons for its adjustment no longer exist.
- non-listed securities are stated at acquisition cost, net of any losses recorded in the companies' approved financial statements. The original value is reinstated in subsequent years if the reasons for the adjustment no longer exist.

Foreign currency investments are converted into Euros as follows:

- acquisitions: at the exchange rate ruling on the date of transaction or subscription;
- sales: at the exchange rate ruling on the date of transaction;
- market value: at the year-end exchange rate.

Dividends distributed by these companies are recognised when paid.

## Unit trust units

These are stated at weighted average cost or market value, if lower. The original value is reinstated in subsequent years if the reasons for the adjustment no longer exist.

Securities and real estate closed-ended unit trusts are stated at acquisition cost.

Foreign currency unit trusts are converted into Euros as follows:

- acquisitions: at the exchange rate ruling on the date of transaction or subscription;
- sales: at the exchange rate ruling on the date of transaction;
- market value: at the year-end exchange rate.

## Bonds and other fixed-interest securities

In accordance with the ISVAP regulation dated 19 July 1996 (use of derivative financial instruments by insurance companies) and the ISVAP regulation dated 18 June 1998 (classification of investments), the board of directors has issued the guidelines for the classification of securities in portfolio.

The parent company can use derivative financial instruments (swaps) to hedge investments against exchange and interest rate fluctuations if their use is limited to hedge the underlying asset risk and if the transaction investment risk equals the risk that would arise using the underlying assets.

Fixed-interest securities are classified as follows:

<u>Investment securities</u>

They are stated at acquisition cost, including related charges, adjusted in the case of permanent impairment in value. The greater or lower value with respect to their repayment value is amortised on a straight line basis over the period from acquisition to maturity.

These securities are held until they mature as the parent company has the financial resources to do this. Their classification depends on their importance and/or the expected standardisation of the rate of return of the overall technical reserves and separate accounts of the life business.

<u>Trading securities</u>

These are stated at weighted average cost, including related charges, or market value, if lower. The original value is reinstated in subsequent years if the reasons for the adjustment no longer exist.

Market cost is as follows:

- for Italian listed securities, the average price in December;
- for foreign listed securities, the price of the last trading day of the year, rather than the average price which is not representative in this case.

Foreign currency securities are converted into Euros as follows:

- acquisitions: at the exchange rate ruling on the date of transaction or subscription;
- sales: at the exchange rate ruling on the date of transaction;
- market value: at the year-end exchange rate.

## Investments benefiting policyholders bearing the risk

They are stated at current value, that is the price and exchange rate of the last trading day of the year.

Due to the concept of “policyholders bearing the investment risk”, the accounting treatment applied to the related assets is the current value as it highlights the interrelationship between technical reserves and hedging assets trends.

These investments include:
- unit-linked and index-linked investments
- investments stemming from pension fund management.

### Loans

Mortgage loans granted are all expressed in Euros and are stated at the residual principal value since they are secured by mortgages.
Loans are all expressed in Euros and are stated at the residual principal value if collectible. They are adjusted through the provision for bad debts.

## Other captions

### Tangible assets

Tangible assets are stated at cost, net of depreciation calculated on a straight-line basis using rates held to represent their estimated useful lives. Depreciation rates are halved for assets purchased during the year.

### Intangible assets

Intangible assets are stated at cost and directly amortised on a straight-line basis as follows:
- business and/or product trademarks over ten years;
- over a period held to represent their estimated income generating potential for assets defined by point 2 of article 2426 of the Civil Code.
- the costs incurred in conjunction with the convertible subordinate bond issue approved by the extraordinary shareholders' meeting of 26 April 2001 over ten years;
- over five years for goodwill arising on consolidation;
- over five years for start-up and capital costs pursuant to point 5 of article 2426 of the Civil Code.

This caption includes non-life and life commissions to be amortised.

NON LIFE BUSINESS

Deferred acquisition costs on long-term contracts are capitalised and amortised over three years from the year in which they are incurred. Considering that there is greater demand for annual policies, especially where the amount of the premium is high, the amortisation period is deemed adequate.

LIFE BUSINESS

The portion of acquisition costs relating to new contracts not subject to outwards reinsurance are capitalised in accordance with current legislation. Commissions are limited to the related loading and amortised on a straight-line basis over the duration of the underlying contracts within the ten-year limit established by ISVAP circular no. 183 dated 3 September 1992. The amortisation period is deemed adequate. The residual commissions on policies cancelled during the amortisation period are taken to the profit and loss account of the year in which such policies are no longer included in the portfolio.

## Receivables

Receivables are shown net of the provision for bad debts at their estimated realisable value.

With reference to the provisions of article 2427 of the Civil Code and Legislative decree no. 173/97, receivables are all deemed to be due within one year if not otherwise specified in the notes to the balance sheet captions.

## Prepayments and accruals

Prepayments and accrued income, accrued expenses and deferred income are used to record costs and revenues on an accruals basis.

These captions include only costs and revenues pertaining to two or more years.

## Payables

Payables are stated at their nominal value.

With reference to the provisions of article 2427 of the Civil Code and Legislative decree no. 173/97, payables are all deemed to be due within one year if not otherwise specified in the notes to the balance sheet captions.

## Provisions for contingencies and other charges

The provisions for contingencies and charges recognised by the real estate companies include the costs to be incurred for the flats for which a notarial act was made before year end, in order to correctly match the related costs and revenues.

## Employees' leaving entitlement

This provision includes the actual payable due to all company employees at year end, calculated in accordance with ruling legislation.

## Overheads of the stock brokerage companies

The real estate trading companies record capital gains on purchases and sales upon finalisation of the notary deed.
In order to correctly match the related costs and revenues, commissions paid by these companies to brokers at the date of preliminary sale agreement are recorded under prepayments.
The stock brokerage companies recognise commission income at the date of preliminary sale agreement.
The companies' costs related to these intercompany revenues (which are eliminated in the consolidated financial statements) are reclassified as prepayments and taken to the profit and loss account in the year in which the trading companies finalise the notary deeds.

## Taxation on profit for the year

Taxation on profit for the year is calculated on the basis of the estimated taxable income and stated on an accruals basis in accordance with ruling legislation.

In accordance with accounting principle 25 “The accounting treatment of income taxes” issued by the Italian Accounting Profession, deferred taxes are calculated on the basis of the tax rates ruling when the temporary differences will reverse, adjusting previous years’ accruals according to variations in tax rates only if the law enacting the tax rate variation has already been approved at the balance sheet date.

Deferred tax assets are recognised when it is reasonably certain that there will be future taxable income greater than the temporary differences generating the deferred tax assets in the years in which such differences will reverse.

Deferred tax liabilities are not recorded if it is not probable that the related payable will arise or when immaterial.

Any deferred tax liabilities are provided for in the caption “Provision for taxation”, while deferred tax assets are recorded under “Other assets”.

## Conversion into Euros

Captions expressed in foreign currencies are converted into Euros at spot rates. Balance sheet captions still existing at year end are converted at year-end exchange rates.

## Tax position

The group companies availed themselves of the provisions (paragraph 44, article 2) of Law no. 350 of 24 December 2003 (2004 Finance Act), published in the Official Journal of 27 December 2003, and settled all years up to 2002 for direct and indirect tax purposes, except for the situation outlined below for 1992.

### Insurance business

The parent company was served an assessment report for 1992 arising from a documental inspection. The tax authorities contested the deductibility of the accruals to the life business mathematical reserves.

The appeal filed by Vittoria Assicurazioni was discussed before the Milan Local Tax Court which admitted it.

The Milan tax authorities appealed against this decision before the Milan Regional Tax Court, which reversed the decision taken by the Milan Local Tax Court.

As a result of such decision, the parent company received a tax assessment notice of Euro 648 thousand, which has been recognised as an expense in the profit and loss account on a prudent basis.

The decision of the Supreme Court is still pending. Also considering previous law cases, the parent company is confident to win the case.

### Real estate business

There is no pending tax litigation involving the group companies.

# Part C: Notes to the consolidated balance sheet and profit and loss account

If not otherwise specified, all amounts included in these notes are in thousands of Euros.

CONSOLIDATED BALANCE SHEET

ASSETS

## CLASS B - INTANGIBLE ASSETS

| | 2003 | 2004 | Change |
|---|---|---|---|
| | 28,448 | 28,785 | 337 |

of which:

### B.1 Deferred acquisition costs

| | 2003 | 2004 | Change |
|---|---|---|---|
| | 13,618 | 12,937 | -681 |

Deferred acquisition costs may be analysed as follows:

| | |
|---|---|
| Deferred acquisition costs - Life business | 6,434 |
| Deferred acqusition costs - Non-life business | 6,503 |

Should all the policies arrive at their natural maturity, and therefore, without any considerations about possible forfeiture or inability to charge commissions, the different duration used for amortisation with respect to the actual policy duration would have led to an increase, gross of the related tax effect, in shareholders' equity of Euro 3,595 thousand (2003: Euro 5,061 thousand) and Euro 14,250 thousand (2003: Euro 14,288 thousand) in the life and non-life business, respectively.

### B.3 Goodwill

| | 2003 | 2004 | Change |
|---|---|---|---|
| | - | 13 | 13 |

This caption relates to goodwill recognised by the Interbilancia group.

### B.4 Other intangible assets

| | 2003 | 2004 | Change |
|---|---|---|---|
| | 14,823 | 14,764 | -59 |

Other intangible assets are made up as follows:

| | |
|---|---|
| IT software applications | 12,201 |
| IT software applications under development | 1,264 |
| Costs incurred for the issue of the subordinated loan | 344 |
| Leasehold improvements and other deferred costs | 955 |

The caption "IT software application" includes Euro 646 thousand incurred by Vittoria Assicurazioni for unfinished applications. The balance was adjusted by Euro 428 thousand to reflect costs incurred by the parent company in previous years for applications that have been implemented during 2004.

B.5 Goodwill arising on consolidation

| 2003 | 2004 | Change |
| --- | --- | --- |
| 7 | 1,071 | 1,064 |

Goodwill arising on consolidation relating to the goodwill of Yarpa International Holding N.V. was fully amortised in 2004. The amount recognised during the year following the acquisition of a 32.48% investment in Vittoria Immobiliare S.p.A. refers to the allocation of the goodwill of Interimmobili S.r.l. (Euro 760 thousand) and Gestimmobili S.r.l. (Euro 311 thousand). Such goodwill will be amortised from 2005, since the net profit relating to the investment acquired in 2004 will be recognised in the consolidated profit and loss account as from that date.

## CLASS C - INVESTMENTS

| 2003 | 2004 | Change |
| --- | --- | --- |
| 1,043,930 | 1,189,836 | 145,906 |

of which:

C.I - Land and buildings

| 2003 | 2004 | Change |
| --- | --- | --- |
| 152,562 | 247,827 | 95,265 |

Buildings owned by the parent company amount to Euro 8,735 thousand, split between those used by itself (Euro 148 thousand) and those used by third parties (Euro 8,587 thousand).

The subsidiaries own buildings worth:

- Euro 1,704 thousand held for long-term investment purposes and used by the group;
- Euro 117,768 thousand held for trading purposes, a Euro 46,506 thousand increase on the previous year, mainly due to acquisitions made during the year (Euro 109,867 thousand), net of sales (Euro 76,795 thousand), which generated profits of Euro 13,436 thousand;
- Euro 112,834 thousand for areas being built on, which shows an increase of Euro 42,408 thousand on the previous year as a result of the work progress. The book value of these areas includes financial charges of Euro 6,582 thousand, Euro 1,678 thousand of which was capitalised during the year.

Part of the buildings under construction (Euro 22,421 thousand) and held for trading purposes (Euro 8,532 thousand) have been mortgaged against the related loans (Euro 8,900 thousand and Euro 6,000 thousand, respectively).

Payments on account given upon preliminary sales agreements for future notarial acts amount to Euro 6,786 thousand.

Land and buildings include the allocation of the goodwill arising on consolidation relating to the investment in Vittoria Immobiliare acquired during the year (Euro 1,882 thousand).

### C.II - Investments in group and other companies

| 2003 | 2004 | Change |
|---|---|---|
| 64,594 | 81,479 | 16,885 |

Investments in group and other companies may be analysed as follows:

### C.II.1 Equity investments in group companies

| 2003 | 2004 | Change |
|---|---|---|
| 55,204 | 73,314 | 18,110 |

Equity investments in group companies are made up as follows:

### C..II.1c Equity investments in related companies

| 2003 | 2004 | Change |
|---|---|---|
| 314 | 258 | -56 |

Interbilancia S.r.l. is no longer stated under associated companies since the group obtained control thereon at the end of 2004, as described in the directors' report.

### C..II.1d Equity investments in associated companies

| 2003 | 2004 | Change |
|---|---|---|
| 25,661 | 30,982 | 5,321 |

The increase mainly relates to the group's share of net profit of the following companies stated using the equity method:
- Yarpa International Holding N.V. (Euro 5,949 thousand, Euro 2,927 thousand of which relating to extraordinary items due to changes in accounting policies);
- Laumor B.V. (Euro 220 thousand).

The caption also includes:
- the repayment of part of the share premiums (Euro 1,500 thousand) by Yarpa International Holding N.V;
- the allocation of Euro 207 thousand to Rovimmobiliare S.r.l., equal to the net unrealised gains on the buildings it owns;
- the capitalisation of the cost for the acquisition of the investment co-sale right by Touring Vacanze S.r.l. (Euro 360 thousand).

### C..II.1e Equity investments in other group companies

| 2003 | 2004 | Change |
|---|---|---|
| 29,229 | 42,074 | 12,845 |

The increase is mainly due to the acquisition of Mediobanca S.p.A. shares (Euro 11,443 thousand).
Direct and indirect investments, consolidated using the line-by-line or equity methods, are listed in Part A of these notes. Investments in group companies which have not been consolidated on a line-by-line basis are as follows:

| Name and registered office | Share capital (Euro) | Direct holding (% | Book value |
|---|---|---|---|
| **Directly held by parent company** | | | |
| Yarpa International Holding N.V. - Holland | 675,000 | 25.00 | 24,566 |
| Laumor Bv - Holland | 20,000 | 25.00 | 274 |
| S.In.T. S.P.A. - Piazza Bodoni 3 - Turin | 500,000 | 14.79 | 258 |
| B.P.C. S.P.A. - Via Roma 3 - Genoa | 7,050,000 | 19.17 | 1,422 |
| Gruppo G.P.A. S.P.A. - Via M. Gioia 124 - Milan | 8,528,000 | 5.00 | 3,101 |
| Cam Finanziaria S.P.A. - Via Sempione 230 - Pero (Mi) | 106,368,404 | 4.65 | 18,133 |
| Banca Passadore & C. Spa - Via E. Vernazza 27 - Genoa | 35,000,000 | 2.68 | 3,381 |
| B Cr Coop Valdostana S.C.R.L. - Fraz. Taxel 26 - Gressan (Ao) | 1,869,783 | 1.05 | 41 |
| BCC Rovigo S.C.R.L. - Via Casalini 10 - Ro | 618,889 | 0.42 | 3 |
| Banca Pop.Etica S.C.R.L. - P.tta Forzatè 2/3 - Pd | 17,340,505 | 0.30 | 52 |
| Downall Italia S.r.l. - Via M. Gioia 124 - Milan | 100,000 | 5.08 | 3 |
| Sofigea S.R.L. in liq. - Via della Frezza 70 - Rome | 47,664,600 | 1.46 | 705 |
| U.C.I. Soc.Cons. A R.L. - C.So Sempione 39 - Milan | 510,000 | 0.69 | 4 |
| Rita Soc. Coop. R.L. - P.zza San Babila 1 - Milan | 5,720,000 | 0.93 | 53 |
| Cestar S.R.L. - Via Pisacane 48 - Pero (Mi) | 2,040,000 | 0.71 | 15 |
| Medinvest International S.C.A. - Luxemburg | 76,636,000 | 3.91 | 3,001 |
| Touring Vacanze S.R.L. - C.so Italia 10 - Milan | 12,900,000 | 24.00 | 5,525 |
| BCC Apuana S.c.r.l. - Viale Stazione 78 - Massa | 3,128,979 | 2.60 | 100 |
| Liguria S.p.A. - Via Cantù n.1 - Milan | 5,600,000 | 10.30 | 494 |
| Mediobanca S.P.A. - P.tta E.Cuccia n.1 - Milan | 389,418,333 | 0.15 | 11,443 |
| **Held through Vittoria Immobiliare S.p.A.** | | | |
| Beni Immobili Gestiti S.p.A. - Via Montenapoleone 15 - Milan | 1,396,000 | 0.93 | 123 |
| Gimatrading S.R.L. - Via Vela 42 - Turin | 10,400 | 35.00 | 31 |
| Rovimmobiliare S.R.L. - Lungotevere Flaminio 78 - Rome | 20,000 | 50.00 | 552 |
| Sivim S.R.L. - Via Verri 3 - Milan | 60,000 | 49.50 | 26 |
| **Held through Interbilancia S.r.l.** | | | |
| Le Api S.R.L. - Largo Toscanini 1 - Milan | 10,400 | 30.00 | 8 |
| Total | | | 73,314 |

## C.II.3 Loans to group companies

| 2003 | 2004 | Change |
|---|---|---|
| 9,390 | 8,165 | -1,225 |

The parent company granted a loan of Euro 7,115 thousand to the associated company Laumor B.V., Euro 2,928 thousand of which bearing interest at the three-month Euribor rate increased by 30 basis points.
Vittoria Immobiliare granted a loan of Euro 1,050 thousand to the associated company Rovimmobiliare S.r.l. bearing interest at the six-month Euribor rate increased by 250 basis points.
The decrease is mainly due to the repayment of the loans existing at 2003 year end by Yarpa International Holding N.V., net of loans granted to Laumor B.V. during the year (Euro 901 thousand).

## C.III - Other financial investments

| 2003 | 2004 | Change |
|---|---|---|
| 825,612 | 859,554 | 33,942 |

of which:

## C.III.2 Unit trust units

| 2003 | 2004 | Change |
|---|---|---|
| 33,273 | 8,280 | -24,993 |

The group purchased units for Euro 7,500 thousand during the year and made sales of Euro 32,493 thousand.

## C.III.3 Bonds and other fixed-interest securities

| 2003 | 2004 | Change |
|---|---|---|
| 780,607 | 840,139 | 59,532 |

Fixed-interest securities relate to listed bonds (Euro 836,577 thousand) and unlisted bonds (Euro 3,562 thousand).

A breakdown of the group's bond portfolio at year end by issuer is as follows: Italian government securities 70.7%; foreign government securities 14.1%; emerging country securities 1.8%; Italian corporate issues 1.6% and foreign corporate issues 11.8%.

## C.III.4 Loans

| 2003 | 2004 | Change |
|---|---|---|
| 11,254 | 11,135 | -119 |

The caption is made up as follows:

- Secured loans 3,976

  The caption is only composed of the mortgage loan granted by the parent company. Mortgage loans carry a minimum interest rate of 3%.

  Pursuant to paragraph 6 of article 2427 of the Civil Code and Legislative decree no. 173 of 26 May 1997, we note the following:

  - loans due after one year amount to Euro 3,975 thousand

  - loans due after five years amount to Euro 3,703 thousand

- Loans on life insurance policies 5,591

  Pursuant to paragraph 6 of article 2427 of the Civil Code, we note that, given their nature, these loans can be considered to be due after more than five years. The loans carry interest rates equal to the rate of return of separate accounts retroceded to policyholders and increased by 100 basis points.

- Other loans 1,568

  The caption mainly includes loans granted to parent company employees, including managers, and agents.

  The minimum interest rate of 1% is applied on loans granted to the agency network to upgrade their IT systems.

  Pursuant to paragraph 6 of article 2427 of the Civil Code and Legislative decree no. 173 of 26 May 1997, we note the following:

  - loans due after one year amount to Euro 1,383 thousand.

  - loans due after five years amount to Euro 644 thousand.

C.III.7 Other financial investments

| *2003* | *2004* | *Change* |
|---|---|---|
| 478 | - | 478 |

The decrease is due to the sale of the Cam Finanziaria S.p.A. warrants.

C.IV - Deposits with ceding companies

| *2003* | *2004* | *Change* |
|---|---|---|
| 1,162 | 976 | -186 |

This caption relates to the indirect insurance technical reserves.

## CLASS D - INVESTMENTS BENEFITING LIFE POLICYHOLDERS BEARING THE RISK AND STEMMING FROM PENSION FUND MANAGEMENT

| 2003 | 2004 | Change |
|---:|---:|---:|
| 119,268 | 130,477 | 11,209 |

of which:

| | |
|---|---:|
| Investments relating to unit-linked and index-linked policies | 128,444 |
| Investments relating to pension fund management | 2,033 |

## CLASS D bis - REINSURERS' SHARE OF TECHNICAL RESERVES

| 2003 | 2004 | Change |
|---:|---:|---:|
| 130,131 | 138,540 | 8,409 |

They may be broken down by line of business as follows:

D bis.I - Non-life business

| 2003 | 2004 | Change |
|---:|---:|---:|
| 109,143 | 115,276 | 6,133 |

of which:

D bis.I.1 Premium reserve

| 2003 | 2004 | Change |
|---:|---:|---:|
| 35,119 | 36,416 | 1,297 |

D bis.I.2 Claims reserve

| 2003 | 2004 | Change |
|---:|---:|---:|
| 74,024 | 78,860 | 4,836 |

D bis.II - Life business

| 2003 | 2004 | Change |
|---:|---:|---:|
| 20,988 | 23,264 | 2,276 |

of which:

D bis.II.1 Mathematical reserves

| 2003 | 2004 | Change |
|---:|---:|---:|
| 20,929 | 23,205 | 2,276 |

D bis.II.2 Reserve for payable amounts

| | 2003 | 2004 | Change |
|---|---|---|---|
| | 21 | 21 | - |

D bis.II.3 - Other technical reserves

| | 2003 | 2004 | Change |
|---|---|---|---|
| | 38 | 38 | - |

Other technical reserves relate to reserves for operating costs of class I - Whole and term life insurance.

## CLASS E - RECEIVABLES

| | 2003 | 2004 | Change |
|---|---|---|---|
| | 140,012 | 158,522 | 18,510 |

In accordance with Legislative decree no. 173 of 26 May 1997, the caption is stated net of the related provisions totalling Euro 6,031 thousand at year end.

The caption at 31 December 2004 is made up as follows:

E.I - Receivables relating to direct insurance

| | 2003 | 2004 | Change |
|---|---|---|---|
| | 100,963 | 109,410 | 8,447 |

Receivables relating to direct insurance are made up as follows:

| | |
|---|---|
| Premiums due from policyholders | 37,844 |
| Receivables due from brokers and agents | 43,209 |

Pursuant to paragraph 6 of article 2427 of the Civil Code and Legislative decree no. 173 of 26 May 1997, we note the following:

- receivables due after one year amount to Euro 8,160 thousand.

- receivables due after five years amount to Euro 4,603 thousand.

| | |
|---|---|
| Receivables due from insurance companies - current accounts | 5,135 |

This caption mainly includes current account receivables showing the co-insurance technical result.

| | |
|---|---|
| Amounts to be recovered from policyholders and third parties | 23,222 |

### E.II - Receivables relating to reinsurance business

| 2003 | 2004 | Change |
|---|---|---|
| 4,999 | 11,731 | 6,732 |

This caption relates to receivables due from insurance and reinsurance companies. It includes current account receivables showing the reinsurance technical result.

### E.III - Other receivables

| 2003 | 2004 | Change |
|---|---|---|
| 34,050 | 37,381 | 3,331 |

Pursuant to paragraph 6 of article 2427 of the Civil Code and Legislative decree no. 173 of 26 May 1997, we note the following:

- receivables due after one year amount to Euro 15,402 thousand.

- receivables due after five years amount to Euro 78 thousand.

The more significant items forming other receivables are as follows:

| | |
|---|---|
| - receivables due from tax authorities | 33,658 |
| The caption includes VAT receivables of the real estate companies, mainly arising from the acquisition of building areas and buildings (Euro 17,903 thousand). | |
| tax receivables and related interest are considered to be due after one year | |
| - receivables from insurance agreements | 762 |

## CLASS F - OTHER ASSETS

| 2003 | 2004 | Change |
|---|---|---|
| 57,664 | 65,228 | 7,564 |

of which:

### F.I - Tangible assets and inventory

| 2003 | 2004 | Change |
|---|---|---|
| 4,690 | 4,689 | -1 |

Tangible assets are stated at cost, net of depreciation as follows :

| | |
|---|---|
| Furniture | 1,356 |
| Fittings | 136 |
| Ordinary office machines | 255 |
| Electronic office machines | 1,999 |
| Registered chattel property | 325 |
| Plant and machinery | 618 |

### F.II - Liquid funds

| | 2003 | 2004 | Change |
|---|---|---|---|
| | 49,264 | 56,835 | 7,571 |

Changes in liquid funds are analysed in the consolidated cash flow statement.

### F.IV - Other assets

| | 2003 | 2004 | Change |
|---|---|---|---|
| | 3,710 | 3,704 | -6 |

The caption may be analysed as follows:

| | |
|---|---|
| - invoices to be issued and credit notes to be received | 45 |
| - deferred tax assets pertaining to the parent company and arising from prior year tax deductible items | 3,499 |
| - commissions retroceded from managers of unit trusts | 157 |

## CLASS G - PREPAYMENTS AND ACCRUED INCOME

| | 2003 | 2004 | Change |
|---|---|---|---|
| | 16,936 | 14,338 | -2,598 |

of which:

| | |
|---|---|
| Accrued interest | 12,714 |
| Prepaid rent instalments | 232 |
| Other prepayments and accrued income | 1,392 |

Accrued interest includes Euro 12,652 thousand relating to interest on securities.

Other prepayments and accrued income mainly relate to prepaid general and marketing expenses of the group real estate companies, including Euro 341 thousand for overheads deferred during consolidation as described in part B of the notes in the section on the overheads of the stock brokerage companies.

## LIABILITIES AND SHAREHOLDERS' EQUITY

### CLASS A - SHAREHOLDERS' EQUITY

| 2003 | 2004 | Change |
|---|---|---|
| 127,140 | 151,512 | 24,372 |

of which:

| | |
|---|---|
| Group shareholders' equity | 144,612 |
| Minority interests | 6,900 |

The reconciliation between the parent company's shareholders' equity and that of the group is set out below:

| | Shareholders' equity excluding the result for 2004 | Result for 2004 | Shareholders' equity excluding the result for 2003 | Result for 2003 |
|---|---|---|---|---|
| **Group share** | | | | |
| As per parent company's financial statements | 114,097 | 17,779 | 102,850 | 15,147 |
| Consolidated companies' net equities | 145,068 | 21,480 | 88,177 | 4,986 |
| Allocation of goodwill arising on consolidation and eliminations of the year | 5,453 | (3,003) | - | - |
| Book value of consolidated companies | (143,245) | - | (83,014) | - |
| Minority interests | (2,292) | (1,383) | (4,024) | (315) |
| Elimination of intercompany profits | (482) | (1,106) | (482) | - |
| Tax effect of the elimination of intercompany profits | - | 309 | 159 | (159) |
| Elimination of dividends | 829 | (829) | 278 | (278) |
| Profits allocated to life policyholders during the current and previous years | (710) | (7,986) | (626) | (306) |
| Impact of life policyholders on elimination of dividends | - | 663 | - | 222 |
| Amortisation of goodwill arising on consolidation | (23) | (7) | (15) | (7) |
| As per consolidated financial statements - group share | 118,695 | 25,917 | 103,303 | 19,290 |
| **Total shareholders' equity and result of the group** | **144,612** | | **122,593** | |
| **Minority interests share** | | | | |
| in financial statements of consolidated companies | 2,645 | 4,440 | 4,563 | 369 |
| on elimination of intercompany profits | (109) | (121) | (385) | - |
| on tax effect of the elimination of intercompany profits | - | 45 | 131 | (131) |
| As per consolidated financial statements - minority interests share | 2,536 | 4,364 | 4,309 | 238 |
| **Total shareholders' equity and result of minority interests** | **6,900** | | **4,547** | |

Changes in consolidated shareholders' equity are listed below:

| | 31/12/03 | Dividends distributed by parent company in 2003 | Dividends distributed by subsidiaries in 2003 | Share capital increase of subsidiaries (minority interests) | Acuisition of interests in Vittoria Immobiliare and Interbilancia | Other changes | 2004 net profit | 31/12/04 |
|---|---|---|---|---|---|---|---|---|
| Share capital | 30,000 | - | - | - | - | - | - | **30,000** |
| Equity reserves | 72,164 | 10,719 | 829 | - | - | - | - | **83,712** |
| Consolidation reserves | (1,807) | 344 | (829) | - | 18 | - | - | **(2,274)** |
| Reserve for valuation differences of investments | 2,946 | 4,327 | - | - | (16) | - | - | **7,257** |
| Net profit (loss) for the year | 19,290 | (19,290) | - | - | - | - | 25,917 | **25,917** |
| Group shareholders' equity | **122,593** | **(3,900)** | - | - | 2 | - | 25,917 | 144,612 |
| Share capital and reserves pertaining to minority interests | 4,309 | - | (690) | 656 | (1,741) | - | - | **2,534** |
| Net profit (loss) for the year pertaining to minority interests | 238 | - | (238) | - | - | 2 | 4,364 | **4,366** |
| Minority interests | **4,547** | - | **(928)** | **656** | **(1,741)** | **2** | **4,364** | **6,900** |

## CLASS B - SUBORDINATED LIABILITIES

| *2003* | *2004* | *Change* |
|---|---|---|
| 18,000 | 18,000 | - |

The caption relates to the convertible subordinated bond issue approved by the extraordinary shareholders' meeting on 26 April 2001.

The bond issue, named "Vittoria Assicurazioni S.p.A. Fixed/Floater 2001/2016", subordinated bonds convertible into ordinary shares, was fully subscribed and 60% and 40% allocated to the non-life and life business respectively, in accordance with the resolution of the shareholders.

## CLASS C - TECHNICAL RESERVES

| | 2003 | 2004 | Change |
|---|---|---|---|
| | 1,017,214 | 1,131,959 | 114,745 |

The caption includes:

### C.I - Non-life business reserves

| | 2003 | 2004 | Change |
|---|---|---|---|
| | 485,376 | 556,197 | 70,821 |

of which:

### C.I.1 Premium reserve

| | 2003 | 2004 | Change |
|---|---|---|---|
| | 144,599 | 159,230 | 14,631 |

The caption is made up as follows:

| | |
|---|---|
| Direct insurance premium reserve | 158,060 |
| Indirect insurance premium reserve | 1,170 |

The direct insurance premium reserve calculated on a pro rata temporis basis and amounting to Euro 142,474 thousand, is increased by the reserve for unexpired risks amounting to Euro 9,350 thousand, the additional premium reserves for specific business totalling Euro 4,846 thousand and the reserve for damages from earthquakes, seaquakes and volcanic eruptions amounting to Euro 1,390 thousand.

### C.I.2 Claims reserve

| | 2003 | 2004 | Change |
|---|---|---|---|
| | 338,025 | 393,515 | 55,490 |

The caption is made up as follows:

| | |
|---|---|
| Direct insurance claims reserve | 391,336 |
| Indirect insurance claims reserve | 2,179 |

### C.I.3 Equalisation reserve

| | 2003 | 2004 | Change |
|---|---|---|---|
| | 1,377 | 1,616 | 239 |

### C.I.4 Other technical reserves

| | 2003 | 2004 | Change |
|---|---|---|---|
| | 1,375 | 1,836 | 461 |

C.II - Life business

| 2003 | 2004 | Change |
|---|---|---|
| 531,838 | 575,762 | 43,924 |

of which:

C.II.1 Mathematical reserves

| 2003 | 2004 | Change |
|---|---|---|
| 511,733 | 554,139 | 42,406 |

Mathematical reserves comprise:

| | |
|---|---|
| Direct insurance mathematical reserve | 553,546 |
| Indirect insurance mathematical reserve | 593 |

The mathematical reserves of the parent company are linked to those in the consolidated financial statements, in line with the accounting policies described in part B of these notes.

| | Statutory financial statements | Portion of profits pertaining to life policyholders | Consolidated financial statements |
|---|---|---|---|
| Balance at 31/12/2003 | 511,022 | 711 | 511,733 |
| Changes: | | | |
| - change as per statutory financial statements | 35,084 | - | 35,084 |
| - utilisation for dividends from Vittoria Immobiliare | - | -663 | -663 |
| - accrual for Vittoria Immobiliare profit for the year | - | 4,298 | 4,298 |
| - accrual for Immobiliare Bilancia profit for the year | - | 3,687 | 3,687 |
| Balance at 31/12/2004 | 546,106 | 8,033 | 554,139 |

C.II.2 Reserve for payable amounts

| 2003 | 2004 | Change |
|---|---|---|
| 16,881 | 18,214 | 1,333 |

The caption is made up as follows:

| | |
|---|---|
| Direct insurance payable amounts | 18,204 |
| Indirect insurance payable amounts | 10 |

C.II.3 Other technical reserves

| 2003 | 2004 | Change |
|---|---|---|
| 3,224 | 3,409 | 185 |

The other technical reserves include the complementary insurance premium reserve (Euro 212 thousand), profit participation and reimbursement reserve (Euro 13 thousand) and reserves for operating costs (Euro 3,184 thousand).

## CLASS D - TECHNICAL RESERVES WHERE INVESTMENT RISK IS BORNE BY POLICYHOLDERS AND RESERVES ARISING FROM PENSION FUND

| 2003 | 2004 | Change |
|---|---|---|
| 119,268 | 130,477 | 11,209 |

of which:

| | |
|---|---|
| Reserves arising from unit-linked and index-linked policies | 128,444 |
| Reserves arising from pension fund management | 2,033 |

## CLASS E - PROVISIONS FOR CONTINGENCIES AND OTHER CHARGES

| 2003 | 2004 | Change |
|---|---|---|
| 1,822 | 9,165 | 7,343 |

The caption is made up as follows:

### E.2 Provision for taxation

| 2003 | 2004 | Change |
|---|---|---|
| 317 | 8,227 | 7,910 |

This caption is made up as follows:

| | |
|---|---|
| - taxes on intercompany profits eliminated during consolidation | 4,264 |
| - deferred tax liabilities on allocation of greater values to assets | 701 |
| - prudent accrual made by the parent company for the tax litigation pending before the Supreme Court | 650 |
| - deferred tax liabilities pertaining to the parent company | 2,612 |

### E.4 Other provisions

| 2003 | 2004 | Change |
|---|---|---|
| 1,505 | 938 | -567 |

| | 2003 | 2004 | Change |
|---|---|---|---|
| Sofigea as per article 7 of Legislative decree no. 576/78 | 741 | 741 | - |
| Provision for securities fluctuations | 634 | - | -634 |
| Provision for exchange rate fluctuations | 130 | - | -130 |
| Provision for costs to be incurred for flats for which a notarial sale act was made | - | 197 | 197 |

The provisions for securities and exchange rate fluctuations have been written off pursuant to the new provisions introduced by the reform of company law and the IFRS dealing with assets and liabilities.
The provision for costs to be incurred for work in progress includes the amounts described under "Accounting policies".

## CLASS F - DEPOSITS FROM REINSURERS

| *2003* | *2004* | *Change* |
|---:|---:|---:|
| 95,501 | 103,210 | 7,709 |

This caption relates to the direct insurance technical reserves.

## CLASS G - PAYABLES AND OTHER LIABILITIES

| *2003* | *2004* | *Change* |
|---:|---:|---:|
| 156,401 | 180,393 | 23,992 |

of which:

G.I - Payables arising from direct insurance business

| *2003* | *2004* | *Change* |
|---:|---:|---:|
| 7,250 | 7,973 | 723 |

The caption includes payables to insurance brokers and agents (Euro 1,876 thousand), insurance companies for coinsurance transactions (Euro 4,662 thousand), policyholders for guarantee deposits (Euro 61 thousand) and guarantee funds in favour of policyholders (Euro 1,374 thousand).

G.II - Payables arising from reinsurance business due to insurance and reinsurance companies

| *2003* | *2004* | *Change* |
|---:|---:|---:|
| 7,325 | 7,785 | 460 |

This caption includes current account payables showing the reinsurance technical result.

G.IV- Due to banks and other financial institutions

| *2003* | *2004* | *Change* |
|---:|---:|---:|
| 29,461 | 29,512 | 51 |

The caption relates to loans granted to Vittoria Immobiliare S.p.A. (Euro 29,461 thousand) and Aspeca S.r.l. (Euro 51 thousand) by banks. The most significant loan is due to Banca Intesa (Euro 19,461 thousand).

G.V- Secured debts

| | 2003 | 2004 | Change |
|---|---|---|---|
| | 41,500 | 14,900 | -26,600 |

This caption comprises the mortgage loans granted by Banco di Brescia during the year to Vittoria Immobiliare (Euro 6,000 thousand) for the building in Monza (Milan) and the residual loan granted by San Paolo IMI to V.R.G. Domus (Euro 8,900 thousand) for the Turin "Spina 1" transaction. During the year, the group fully repaid the mortgage loan of Euro 15,500 thousand granted by Banca Sella S.p.A. and partly repaid (Euro 17,100 thousand out of Euro 26,000 thousand) that granted by San Paolo IMI.

The net financial indebtedness of the group real estate companies improved from Euro 54,710 thousand to Euro 25,614 thousand. The improvement of Euro 29,096 thousand is mainly due to collection by V.R.G. Domus and Vittoria Immobiliare, which improved by Euro 9,884 thousand and Euro 12,882 thousand, respectively.

G.VI- Sundry loans and other financial payables

| | 2003 | 2004 | Change |
|---|---|---|---|
| | 6,909 | 9,109 | 2,200 |

The caption includes the shareholder loan granted to the indirect subsidiary V.R.G. Domus S.r.l. of Euro 14,100 thousand which, net of the amount paid by Vittoria Immobiliare S.p.A. (eliminated during consolidation), gives a balance of Euro 6,909 thousand and other non-bank loans granted to Vittoria Immobiliare S.p.A..

G.VII- Employees' leaving entitlement

| | 2003 | 2004 | Change |
|---|---|---|---|
| | 5,651 | 5,930 | 279 |

Pursuant to paragraph 6 of article 2427 of the Civil Code and Legislative decree no. 173 of 26 May 1997, we note that the above payable is due after more than five years.

G.VIII- Other sums payable

| | 2003 | 2004 | Change |
|---|---|---|---|
| | 49,367 | 91,569 | 42,202 |

This caption mainly includes policyholders' tax due (Euro 8,697 thousand), other sums payable to taxation authorities (Euro 6,876 thousand), social security charges payable (Euro 1,565 thousand), accounts payable to creditors (Euro 7,952 thousand), payments on account for agreements signed by the real estate companies (Euro 62,275 thousand, up Euro 32,370 thousand on the previous year), and payables to employees (Euro 1,882 thousand) for settlement made in January 2005 and accrued holidays.

G.IX- Other liabilities

| | 2003 | 2004 | Change |
|---|---|---|---|
| | 8,938 | 13,615 | 4,677 |

The most significant balances of this caption are the commissions on premiums under collection (Euro 7,885 thousand), invoices and notes to be received (Euro 5,592 thousand, including Euro 65 thousand due to the related companies S.In.T S.p.A.) and technical accounts to be settled with agencies (Euro 145 thousand).

## CLASS H - ACCRUED EXPENSES AND DEFERRED INCOME

| | 2003 | 2004 | Change |
|---|---|---|---|
| | 1,043 | 1,010 | -33 |

The caption includes interest accrued on the convertible subordinated bonds to be paid to subscribers on 1 January 2005 (Euro 990 thousand).

## GUARANTEES, COMMITMENTS AND OTHER MEMORANDUM AND CONTINGENCY ACCOUNTS

I - Guarantees given

| | 2003 | 2004 | Change |
|---|---|---|---|
| | 2,075 | - | -2,075 |

II - Guarantees received

| | 2003 | 2004 | Change |
|---|---|---|---|
| | - | 250 | 250 |

The caption relates to securities pledged in favour of the parent company.

IV - Commitments

| | 2003 | 2004 | Change |
|---|---|---|---|
| | 40,478 | 81,140 | 40,662 |

The caption relates to commitments of Vittoria Immobiliare S.p.A..

V - Third party assets

| | 2003 | 2004 | Change |
|---|---|---|---|
| | 4,122 | 2,868 | -1,254 |

The caption relates to savings accounts in favour of eligible claimants (Euro 2,026 thousand) and shares of Vittoria Immobiliare owned by minority shareholders (Euro 842 thousand).

VI - Assets pertaining to pension funds managed in favour and on behalf of third parties

| | 2003 | 2004 | Change |
|---|---|---|---|
| | 1,705 | 2,033 | 328 |

The caption relates to assets pertaining to pension funds held by the depositary bank.

VII - Securities held by third parties

| | 2003 | 2004 | Change |
|---|---|---|---|
| | 973,976 | 1,031,066 | 57,090 |

The caption relates to securities deposited on separate administration with banks and other issuers.

## PROFIT AND LOSS ACCOUNT

2004 premiums of the Vittoria Assicurazioni group relate only to Italy. They may be broken down as follows (in thousands of Euro):

| Gross non-life business premiums | | |
|---|---|---|
| Accident and health insurance | (classes 1 and 2) | 30,488 |
| Motor vehicle hulls | (class 3) | 48,807 |
| Marine, aviation and transport insurance | (classes 4, 5, 6, 7, 11 | 5,016 |
| Fire and miscellaneous damage | (classes 8 and 9) | 35,871 |
| Motor third party liability | (class 10) | 246,007 |
| General third party liability | (class 13) | 23,102 |
| Credit and bond insurance | (classes 14 and 15) | 7,499 |
| Pecuniary losses | (class 16) | 6,373 |
| Legal protection | (class 17) | 241 |
| Support and assistance | (class 18) | 2,246 |
| Total non-life business direct insurance | | 405,650 |
| Non-life business indirect insurance | | 1,413 |
| Total non-life business | | 407,063 |

| Gross life business premiums | |
|---|---|
| I Whole and term life insurance | 53,005 |
| III Unit-linked policies | 20,696 |
| IV Health insurance | 190 |
| V Capitalisation insurance | 37,894 |
| VI Investment pool management | 391 |
| Total life business direct insurance | 112,176 |
| Life business indirect insurance | 29 |
| Total life business | 112,205 |

Other non-life business technical income totalled Euro 1,694 thousand and is mainly composed of

- write-off of commissions for previous years' premiums cancelled (Euro 468 thousand);
- other technical captions (Euro 776 thousand), mainly related to recoveries of settlement costs related to claims subject to knock for knock agreement and ANIA incentives for scrapping damaged vehicles;
- utilisation of the provision for bad debts (Euro 450 thousand).

Other non-life business technical charges amounted to Euro 4,783 thousand and are mainly composed of:

- technical write-offs and losses on premiums and related accruals to the provision for bad debts (Euro 3,933 thousand);
- charges related to services supporting insurance covers and costs for premiums under litigation (Euro 850 thousand), including Euro 330 thousand repaid to the related company S.In.T. S.p.A..

The life business technical account includes other technical charges amounting to Euro 19 thousand due to premiums cancelled or written off due to bad debts and other technical income amounting to Euro 1,209 thousand for cancellation of the related commissions and commissions on unit-linked premiums and pension funds.

Income on investments, adjustments to investment values and profit on sale of investments of the non-technical account are classified as follows on the basis of the nature of the related assets:

(in thousands of Euros)

| | Income on investments | Adjustments to investment values | Profit on sale of investments |
|---|---|---|---|
| Land and buildings | 10,384 | - | 14,324 |
| Equity investments | 4,526 | - | - |
| Loans granted to associated companies (*) | 187 | - | - |
| Unit trust units | 76 | - | 1,967 |
| Bonds and other fixed-interest securities | 41,654 | 5 | 17 |
| Loans to third parties | 589 | - | - |
| Deposits with ceding companies | 44 | - | - |
| Total | 57,460 | 5 | 16,308 |

(*) Yarpa International Holding N.V. (Euro 91 thousand), Interbilancia S.r.l. (Euro 6 thousand), Laumor B.V. (Euro 62 thousand) and Rovimmobiliare S.r.l. (Euro 28 thousand).

Investment management charges and interest payable of the non technical account mainly include:

- interest on reinsurance deposits of Euro 3,075 thousand;
- charges on fixed-interest securities for issue and trading discounts, taxes and operating and personnel costs of Euro 4,333 thousand.

Adjustments to financial asset values and loss on sale of investments are divided as follows on the basis of the nature of the related asset:

(in thousands of Euros)

| | Adjustments to financial asset values | Loss on sale of investments |
|---|---|---|
| Land and buildings | - | - |
| Equity investments | - | - |
| Bonds and other fixed-interest securities | 39 | 1 |
| Unit trust units | - | - |
| Total | 39 | 1 |

Other income of the non-technical account mainly includes:

- management, brokerage and consultancy services provided by the consolidated real estate companies (Euro 3,091 thousand);
- interest on current accounts with banks (Euro 1,522 thousand);

- other interest, mainly on tax receivables, and agents' recharges (Euro 325 thousand).
- utilisation of the provision for contingencies and other charges and provision for bad debts (Euro 1,045 thousand).

Other charges of the non-technical account mainly include:

- interest on financial payables, mainly comprising:
    - interest on sums due to banks relating to the real estate companies (Euro 518 thousand);
    - interest on the subordinated loan (Euro 990 thousand).
- other charges, mainly comprising:
    - amortisation of the intangible assets of the parent company (Euro 5,986 thousand);
    - exchange rate losses (Euro 346 thousand),
    - accrual to the provision for bad debts (Euro 1,509 thousand);
    - operating costs relating to the consolidated real estate companies (Euro 7,046 thousand);
    - amortisation of goodwill arising on consolidation relating to the acquisition of Yarpa International Holding N.V. (Euro 7 thousand).

Extraordinary income is mainly affected by:

- gains on the sale of fixed-interest securities (Euro 12,562 thousand);
- financial income on other financial investments of the parent company (Euro 513 thousand);
- net income arising from the change in accounting policies (Euro 4,130 thousand, Euro 1,191 thousand of which pertaining to minority interests);
- prior year items (Euro 208 thousand).

Extraordinary expense mainly includes:

- prior year items (Euro 310 thousand);
- the allocation to the group (Euro 277 thousand) of the elimination of intercompany profits of Vittoria Immobiliare, which, before the acquisition of a 32.48% during the year, pertained to minority interests.

# Part D: Other information

## Employees

Employees numbered 426 at year end.
The average number of employees broken down by position is as follows:

| | |
|---|---|
| Managers | 18 |
| Officers | 122 |
| Administrative staff | 283 |
| Total | 423 |

## Fees to directors and statutory auditors

Fees paid to directors and statutory auditors of Vittoria Assicurazioni S.p.A. for duties carried out for the parent and consolidated companies are as follows:

| | |
|---|---|
| Directors | Euro 1,170 thousand |
| Statutory auditors | Euro 71 thousand |

## Other information

The effects of the change from the completed order method to the percentage of completion method for the valuation of buildings under construction are summarised below:

(in thousands of Euros)

| | Greater value accrued at 31.12.2003 | Greater value accrued during 2004 | Greater value accrued at 31.12.2004 |
|---|---|---|---|
| **Impact of Vittoria Immobiliare Group on Vittoria Assicurazioni Group (buildings being constructed by the subsidiaries Vittoria Immobiliare and V.R.G. Domus)** | | | |
| Gross amounts | 5,050 | 10,414 | 15,464 |
| Tax effect | -1,932 | -3,828 | -5,760 |
| Minority interests (1) | -1,191 | -2,621 | -3,812 |
| Net profit eliminated during consolidation (2) | -718 | -1,476 | -2,194 |
| Profits accrued in favour of life policyholders (3) | -967 | -1,991 | -2,958 |
| Net amounts | 242 | 498 | 740 |
| **Impact of Yarpa International Holding Group on Vittoria Assicurazioni Group (buildings being constructed by Cogedim Group, controlled by the associated company)** | | | |
| Net revaluation of investment | 10,789 | 818 | 11,607 |
| Portion of Vittoria Assicurazioni (25%) | 2,697 | 205 | 2,902 |
| Summary | Net extraordinary income | Net ordinary income | Total net income |
| Total net effect for Vittoria Assicurazioni Group | 2,939 | 703 | 3,642 |
| Total net effect for minority interests | 1,191 | 2,621 | 3,812 |
| Total consolidated net effect | 4,130 | 3,324 | 7,454 |

Note

(1) portion of net profit of minority interests of V.R.G. Domus and Vittoria Immobiliare

(2) portion of net profit of Vittoria Immobiliare relating to the investment acquired in December, eliminated during consolidation.

(3) 80% of the net profit of Vittoria Immobiliare S.p.A. and - for the investment portion allocated to the separately-managed businesses - of Immobiliare Bilancia S.r.l., recorded in the consolidated financial statements, is accrued to a reserve supplementary to the mathematical reserve up until such profits are distributed.

# Consolidated cash flow statement

The technical captions are shown net of reinsurance effects in the consolidated cash flow statement.

(in thousands of Euros)

| | 2004 | 2003 |
|---|---|---|
| SOURCE OF FUNDS | | |
| Net profit for the year pertaining to the group | 25,917 | 19,290 |
| Net profit for the year pertaining to minority interests | 4,364 | 238 |
| Adjustments relating to unsettled positions: | | |
| Net increase (+) decrease (-) in: | | |
| claims reserve | 51,987 | 12,787 |
| premium reserve | 14,035 | 16,312 |
| non-life business technical reserves | 51,524 | 42,279 |
| Increase (-) Decrease (+) in receivables from policyholders | -2,634 | -4,413 |
| Net increase (-) decrease (+) in | | |
| agent, reinsurer and coinsurer balances | -621 | 19,786 |
| Net increase (+) decrease (-) in deferred | | |
| commissions on long-term policies and other deferred charges | 734 | -519 |
| Increase in specific provisions | 6,642 | -696 |
| Employees' leaving entitlement: | | |
| accruals | 1,266 | 1,196 |
| utilisation | -987 | -654 |
| Increase (-) decrease (+) in other receivables, | | |
| sundry assets and accrued income | -21,098 | 5,129 |
| Increase (+) decrease (-) in other sums payable, | | |
| other liabilities and accrued expenses | 57,847 | -2,396 |
| Adjustments to securities | 33 | -28 |
| Adjustments to class D securities | -4,513 | -2,927 |
| Capital gains on real estate trading | -27,058 | - |
| Revaluations (+) write-downs (-) of investments in associated company stated using the equity method | -6,228 | -4,608 |
| Portion of net profits eliminated due to acquisitions of investments at year end | 3,270 | - |
| Funds generated by ordinary activities | 154,480 | 100,776 |
| Disposal of fixed assets | 81,899 | 5,201 |
| Sale of bonds and other fixed-interest securities | 174,612 | 55,040 |
| Sale of equity investments | 1,180 | - |
| Sale of unit trusts | 32,493 | 26,890 |
| Sale of class D | 28,079 | 11,257 |
| Repayment of loans and borrowings | 5,952 | 3,322 |
| Other sales of financial assets | 478 | - |
| Share capital increases against consideration (including third party contributions to subsidiaries) | 656 | 1,703 |
| Increase (+) decrease (-) in loans to real estate companies | -24,400 | 7,345 |
| Funds generated by disinvesting and financing activities | 300,949 | 110,758 |
| Total funds generated | 455,429 | 211,534 |

(in thousands of Euros)

| | 2004 | 2003 |
|---|---|---|
| APPLICATION OF FUNDS | | |
| Buildings (acquisitions and improvement costs) | 141,642 | 87,446 |
| Fixed-interest securities | 234,177 | 49,582 |
| Investments | 12,855 | 7,096 |
| Unit trusts | 7,500 | 3,350 |
| Other financial investments | - | 478 |
| Class D investments | 34,776 | 27,935 |
| Loans to third parties | 4,609 | 9,288 |
| Dividends distributed (including those paid to third parties by subsidiaries) | 4,827 | 3,967 |
| Acquisition of Vittoria Immobiliare S.p.A. from third parties | 7,472 | - |
| Total application of funds | 447,858 | 189,142 |
| Increase/decrease in liquid funds | 7,571 | 22,392 |
| Total | 455,429 | 211,534 |
| Liquid funds at the beginning of the year | 49,264 | 26,872 |
| Liquid funds at the end of the year | 56,835 | 49,264 |

Board of directors

Milan, 22 March 2005

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# Report of the Independent Auditors

# Report of the auditors in accordance with article 156 of legislative decree n. 58 of 24 February 1998 and article 75 of legislative decree n. 173/95

(This report has been translated from the original Italian text which was issued in accordance with the Italian legislation)

To the shareholders of
Vittoria Assicurazioni S.p.A.

1. We have audited the consolidated financial statements of Vittoria Assicurazioni Group as at and for the year ended December 31st, 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 statements presentation. We believe that our audit provides a reasonable basis for our opinion.

   Reference should be made to the report issued by us on April 7th, 2004 on the prior year figures which are presented for comparative purposes as required by law.

   The financial statements of some associated companies, representing approximately 14% of consolidated assets, have been audited by other auditors who provided us with their report thereon. Our opinion, expressed herein, with respect to the figures relating to such company in based, inter alia, on the audit performed by other auditors.

3. In our opinion, the consolidated financial statements of Vittoria Assicurazioni Group as at and for the year ended December 31st, 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 company.

Milan, April 4th , 2005

BDO Sala Scelsi Farina
Società di Revisione per Azioni

Signed by: Paolo Scelsi