

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

2003 Consolidated Annual Report

Ordinary Shareholders'
meeting of 29 April 2004



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*** 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
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

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

AUDIT COMPANY

BDO Sala Scelsi Farina
Joint-stock audit company

* Company bodies appointed by the shareholders' and directors' meetings of 29 April 2004.

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 AUDIT 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-second statutory financial statements, show a consolidated net profit of Euro 19,290 thousand, up 37.8% on the Euro 14,001 thousand recorded in the previous year.

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 15,147 thousand.

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.

Like in 2002, the consolidated net profit is affected by a technical accrual, since the subsidiary Vittoria Immobiliare S.p.A. is allocated to the segregated fund "Rendimento Mensile". Accordingly, part of the parent company's income is retroceded to the policyholders and the consolidated mathematical reserves include Euro 306 thousand which is the life policyholders' share in Vittoria Immobiliare net profit for the year.

Insurance operations

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

Total premiums written rose 12.4% to Euro 457,564 thousand.

Direct life insurance premiums increased by 13.0%.

Periodic recurring premiums accounted for 56.3% of premiums written in 2003. This result indicates a high level of policyholder loyalty. Single premiums accounted for 43.7% of total premiums written during the year.

Total premiums written in the direct non-life business rose 12.3% to Euro 362,908 thousand.

Premiums of the motor business rose 15.0%, driven by the motor vehicle hulls business, which grew significantly (18.0%) thanks to new agreements in specific market segments.

The decision to offer a special tariff together with the timely and ongoing verification of information on both sales and claims incurred and related items allowed the motor third party liability business to consolidate its positive results, which were as follows during the year:

- further reduction in the frequency of reported claims of 2.8%;
- the signing of a Master Agreement about motor third party liability insurance by the government, ANIA and the consumer associations whereby the parent company voluntarily agreed to maintain the current tariffs and to contain insurance costs while concurrently improving contractual conditions;

- an increase in the production considered to be essential, given the impossibility of reviewing tariffs, by opening new points of sale and developing agreements with Affinity Groups.

Other non-life premiums excluding aviation, marine, bonds and credit increased 12.8%, assisted by development projects agreed with the agency network and commercial agreements with qualified partners.

Premiums relating to aviation, marine, bonds and credit fell 29.2% following the application of strict underwriting criteria (this procedure is currently in a preliminary stage).

Overheads decreased as a percentage of premiums written from 10.5% to 10.2%, thus commencing the first planned stage of contraction.

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 2,856 thousand (2002: Euro 2,716 thousand);
- profit on real estate trading of Euro 1,158 thousand (2002: Euro 1,387 thousand).

The group real estate companies took advantage of the positive market opportunities in 2003. The market continued to grow, a trend commenced in the last few years, as a consequence of increased investments in sectors considered to be more prudent following the volatility of the stock market. Another incentive was the favourable conditions offered by the market in terms of interest rates on loans. This assisted the move towards investments in the real estate sector.

Since associated company have been stated using the equity method, the portion of net profit pertaining to the group (Euro 4,608 thousand against Euro 1,665 thousand in 2002) has been included in the profit and loss caption "income on investments".

Investments totalled Euro 1,163,198 thousand. They are split between investments where the policyholders bear the risk (Euro 119,268 thousand) and where the group bears the risk (Euro 1,043,930 thousand). The increase over the previous year is 8.5%. Ordinary income on investments where the group bears the risk amounted to Euro 42,567 thousand, a 6.6% increase. The securities portfolio of the parent company at 31 December 2003 showed an overall unrealized net capital gain of Euro 42,385 thousand.

Technical reserves, net of the reinsurers' share, rose by 7.6%.

Group shareholders' equity increased to Euro 122,593 thousand from Euro 106,902 thousand in 2002. Minority interests grew to Euro 4,547 thousand from Euro 2,973 thousand in 2002.

Performance

A breakdown of premiums written in 2003 and 2002 and their impact on the total portfolio is given in the following table.

BREAKDOWN OF GROSS PREMIUMS UNDERWRITTEN IN 2003 AND 2002 DIRECT AND INDIRECT INSURANCE

(in thousands of euro)

	Year 2003	Year 2002	Change %	Percentage of portfolio	
				2003	2002
Domestic direct insurance					
Life businesses					
Total life businesses	94,021	83,182	13.03	20.55	20.44
Non-life businesses					
Total non-marine businesses	90,987	80,637	12.84	19.89	19.80
Total special businesses	11,196	15,824	-29.25	2.44	3.89
Total motor businesses	260,725	226,774	14.97	56.98	55.71
Total non-life businesses	362,908	323,235	12.27	79.31	79.40
Total direct insurance	456,929	406,417	12.43	99.86	99.84
Domestic indirect insurance					
Life businesses	35	45	-22.22	0.01	0.01
Non-life businesses	600	592	1.35	0.13	0.15
Total indirect insurance	635	637	-0.31	0.14	0.16
Total	457,564	407,054	12.41	100.00	100.00

Life business

Premiums of direct insurance rose 13.0%. This increase is due to development of class III (index and unit-linked) and class V (capitalisation) policies.

The returns on segregated funds during 2003 were as follows:

Vittoria Valore Crescente	5.04%
Vittoria Rendimento Mensile	5.02%
Liquinvest	5.31%

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 loading for acquisition costs, 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 together with comparative 2002 figures are set out below.

	(in thousands of Euro)	
	31/12/03	31/12/02
Claims	2,202	1,622
Accrued sums and annuities	38,778	45,858
Surrenders	13,455	13,671
Total	54,435	61,151

Moreover, surrenders and claims related to the classes III and VI (index, unit-linked and open pension fund) policies amounted to Euro 6,912 thousand compared to Euro 5,155 thousand in 2002.

Reinsurance

Outwards reinsurance

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

- Risk premium surplus treaty;
- Quota share commercial premiums ceded in 1996 and 1997.

Outwards premiums amounted to Euro 3,124 thousand in 2003.

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 12.3% (2002: 13.0%). Operating costs accounted for 24.7% of premiums written (2002: 24.8%).

Reported claims

The following table of reported claims derives from positions open during 2003.

(in thousands of euro)						
	Year 2003		Year 2002		Change %	
	number	total cost	number	total cost	number	total cost
Total non-motor businesses	49,911	70,679	41,591	67,429	20.00	4.82
Total motor businesses	65,597	144,236	59,326	118,367	10.57	21.85
Total non-life businesses	115,508	214,915	100,917	185,796	14.46	15.67

Technical result (before allocation of income on investments)

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 euro)					
	Technical balance of direct insurance net of outwards	Technical balance of indirect insurance net of retroceded business	Change in equalisation reserves	2003 technical result	2002 technical result
Accident insurance	2,107	10	0	2,117	2,731
Health insurance	-702	0	0	-702	303
Motor vehicle hulls	10,205	0	-126	10,079	9,887
Railway truck hulls	2	0	0	2	2
Aviation hulls	-19	75	0	56	-401
Marine hulls	40	-2	0	38	75
Cargo insurance	-334	0	-7	-341	304
Fire and natural events	3,036	55	-64	3,027	1,403
Miscellaneous damages	127	0	-15	112	431
Third-party motor liability	5,837	4	0	5,841	13,785
Third-party aviation liability	5	3	0	8	-2
Third-party marine liability	64	0	0	64	157
Third-party general liability	-5,383	37	0	-5,346	-4,287
Credit insurance	1	0	0	1	1
Bond insurance	-6,247	4	0	-6,243	-4,894
Pecuniary losses	2,943	0	0	2,943	2,851
Legal protection	1	0	0	1	2
Support and assistance	-64	0	0	-64	304
Total non-life businesses	11,619	186	-212	11,593	22,652

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

Accident insurance: premiums increased by 14.5%. The technical result continued to be positive as the increase in the average cost of reported claims was almost entirely compensated by the downturn in their frequency.

Health insurance: premiums rose by 17.1%. The claims rate deteriorated compared to the previous year despite the ongoing review of products and continuous care in underwriting new risks. The negative technical result is mainly due to the increase in the average cost of claims following the greater number of serious claims reported compared to the previous year.

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 17.3% increase in premiums, in line with the relevant third party liability line of business, confirms the correctness of the policy introduced to ensure the particular care taken in matching ancillary covers and of the affinity groups. The technical result continued to be positive and improved.

Aviation hulls: due to the downturn in activities in the spatial risks sector, premiums fell 45.0%. The technical result continued to be positive.

Cargo insurance: Premiums rose 4.4%. The claims rate also increased despite the attention paid when underwriting risks. This line of business is exposed to the risk of fraud, especially when, like now, the economy is stagnant. The technical result was negative and worse than the previous year.

Fire and natural elements: premiums grew by 8.8%. The technical result improved significantly due to a considerable fall in the claims rate, in line with the company objectives of the previous year.

Miscellaneous damage: this line of business includes theft, electronic equipment damage and hail damage. Premiums rose 6.3% and the technical result continued to be positive although down on 2002.

Motor, aviation, watercraft third party liability: Premiums grew by 14.4% as a consequence of an annual 10.1% increase in the number of insured vehicles as well as adjustments to tariffs aimed at balancing the rise in the average claims charge while complying with the Master Agreement of 5 May 2003 signed by the government, ANIA and the consumers associations. The underwriting policy for this line continues to provide for adoption of highly customised tariffs aimed at reducing the frequency of reported claims with a view to maintaining the technical break-even. The frequency of claims decreased again slightly while another decisive factor for the technical break-even, the average claims charge, grew due to the rise in serious claims, which had been exceptionally low in 2002.

The claims rate worsened by about 5 points on 2002. The technical result continued to be positive although it showed a decrease on the previous year.

Thanks to the effects made to optimise claims settlement, also by using computer-assisted procedures which became applicable in 2002, the group maintained a high settlement rate despite the significantly burdensome activities caused by the setting up of the claims data base at the supervisory authorities.

General third party liability: the 18.2% increase in premiums is mainly the result of the application of underwriting policies introduced in previous years in order to rebalance the sector's technical result given the changed judicial approach to compensation for damage to the person's health and professional risks. The effects of such corrective measures were nullified by the large number of serious claims reported during the year. The technical result was negative and worse than the previous year.

Credit and bond insurance: Premiums decreased by 31.9% due to the reorganisation, during 2001 and 2002, of two agencies that operated in this sector. Net of the contribution of these agencies, premiums would have grown 31.0%, thanks partly to a new operating structure responsible for the management of relationships with brokers and banks. The strengthening of the underwriting and management structures, which was completed during the year, and the underwriting policies will allow the line of business to return to a profitable footing in the next few years.

The technical result continued to be significantly affected by the fraud involving guarantees for VAT reimbursements and advances on EU subsidies, which are being investigated by the judicial authorities. The parent company has reached agreements both judicial and extra judicial. It has promoted resort to the tax amnesty, where possible, to reduce the outstanding litigation and decrease the amount involved for claims.

An accrual to the reserve for unexpired risks of Euro 1.6 million, net of the reinsurers' share, due to the negative technical performance, had a further negative impact on the result.

Pecuniary losses - Legal protection: premiums, covers of which mainly relate to pecuniary losses arising from the use of cars, rose by 11.0%. The traditionally positive technical result showed an increase on 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.

Although they did not undergo particular change, the structures of the treaties in force during the year were affected by the greater reinsurance cover charge. This effect had already been seen in the international market in 2002.

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	Pure premium for industrial risks
10 – Motor third party liability	Pure premium Excess of loss
15 - Bond insurance	Pure premium
13 - General third party liability	Excess of loss

Premiums sold during the year amounted to Euro 91,679 thousand.

Inwards reinsurance

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

The insurance commercial organisation

Development of the sales network continued steadily during the year, in line with previous years. Nine new agencies were opened and 18 were restructured. One special agency was closed. The group also extended the network of professional sub-agencies opening another 24 points of sale together with the agencies.

The parent company had 202 general agencies and 209 professional sub-agencies at year end.

Programming of the "VIP Project" was finalised with the setting up of a new insurance promoter network to develop the sale of life products at certain agencies.

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 side stepping the traditional careful selection of risks, aimed at further improving the technical result and profits.

The new life business performed particularly well during the year, unlike in previous years. Such results were mainly obtained thanks to the significant efforts of the agencies. The group also encouraged 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, also by introducing a new specific product.

It continued to earmark resources for the Affinity groups and to develop their activities by formalising new agreements.

Actions to develop and consolidate commercial partnerships were taken to diversify products on offer.

With respect to promotions, the Customer Club grew in the second half of the year thanks to marketing actions aimed at obtaining more information about customers and increasing their loyalty.

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

- Motor business: the new products issued during 2002 continued to be promoted, especially those aimed at the Affinity Groups. The tariffs were adjusted for certain geographical areas and categories of policyholders, also to comply with the introduction of the Master Agreement signed by the Ministry, ANIA and the different consumer associations.
- Other non-life premiums excluding aviation, marine, bonds and credit: a new product for the "Formula Tutela Globale" catalogue was developed and two products "Diaria Più" and "Formula Sempre in Viaggio" for the sales campaign. The "Tutela Nucleo Familiare", "RC Industria ed Edilizia" and "Formula Fabbricati" products were reviewed.
- Life business: The following new products were developed: "Formula Mix", "Crescita Capitale", "Dread Disease" and "Vittoria Formula Index 2003". Several products were reviewed to bring them into line with ISVAP regulations about technical rates.

Overheads

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 9.4% from Euro 42,553 thousand to Euro 46,561 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 euro)		
	31/12/2003	31/12/2002	Change %
Personnel expenses	23,609	21,321	10.7
Other costs	16,454	16,060	2.5
Amortisation	6,498	5,172	25.6
Total	46,561	42,553	9.4

Other costs mainly include office operating costs, IT costs, legal and corporate expenses, mandatory contributions and membership fees.

Overheads decreased from 10.5% to 10.2% of premiums, a first step towards the planned contraction.

Real estate overheads are as follows:

(in thousands of euro)

	31/12/2003	31/12/2002	Change %
Personnel expenses	2,027	1,787	13.4
Other costs	1,973	2,241	-12.0
Amortisation	178	199	-10.6
Total	4,178	4,227	-1.2

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, the costs that were effectively expensed amounted to Euro 3,148 thousand (2002: Euro 3,607 thousand).

Investments

Investments grew Euro 90,771 thousand or 8.5% to Euro 1,163,198 thousand. They may be analysed as follows.

(in thousands of euro)

Investments	31.12.2003	31.12.2002	Change %
Land and buildings			
- Areas being built on	70,426	57,815	21.8
- Buildings relating to trading activities	71,262	2,130	3245.6
- Buildings classified as subsidiaries' fixed assets	1,754	1,314	33.5
- Buildings owned by the parent companies	9,120	9,057	0.7
Investments in group and other companies			
- Equity investments	55,204	43,498	26.9
- Loans	9,390	3,039	209.0
Other financial investments:			
- Unit trust units	33,273	56,813	-41.4
- Bonds and other fixed-interest securities	780,607	786,038	-0.7
- Loans	11,254	11,638	-3.3
- Other financial investments	478	-	n.v.
Deposits with ceding companies	1,162	1,422	-18.3
Total investments where the Group bears the risk	1,043,930	972,764	7.3
Investments benefiting life policyholders bearing the risk	119,268	99,663	19.7
Total investments	1,163,198	1,072,427	8.5
Bank accounts and cash-in-hand	49,264	26,872	83.3

The average weighted return on bonds and other fixed-interest securities remained at 5.1% like in 2002, in line with market trends.

(in thousands of euro)

Income on investments (net of related costs)	31.12.2003		31.12.2002		Change % 31.12.03/ 31.12.02
	Amount	% of breakdown	Amount	% of breakdown	
Income on associated companies stated using the equity method	4,608	10.8	1,665	4.2	
Income on other equity investments	667	1.6	1,301	3.3	
Income on other investments:					
- land and buildings	169	0.4	74	0.2	
- bonds and other fixed-interest securities	39,014	91.7	38,676	96.8	
- income on unit trust units	299	0.7	310	0.8	
- interest on loans	790	1.9	818	2.0	
- interest on reinsurance deposits	-2,980	-7.0	-2,898	-7.3	
Total income	42,567	100.1	39,946	100.0	6.6
Adjustments to investment values:					
- equity investments	-	0.0	-538	7.7	
- unit trust units	-	0.0	-2,236	32.1	
- bonds and other fixed-interest securities	28	100.0	-4,200	60.2	
Total adjustments to investment values	28	100.0	-6,974	100.0	
Profit on sale of investments:					
- land and buildings	1,158	42.8	1,367	113.2	
- equity investments	-	0.0	250	20.7	
- unit trust units	1,497	55.5	-442	-36.7	
- bonds and other fixed-interest securities	43	1.6	31	2.6	
Total profit on sale of investments	2,698	99.9	1,206	99.8	
Total income on investments where the parent Group bears the risk	45,293		34,178		32.5
Net income on investments benefiting life policyholders bearing the risk	6,768		-9,466		
Total	52,061		24,712		110.7

Real estate business

Prices of the domestic real estate market grew for the fifth year in a row. The nominal increase for the 1998-2003 period (+50.8% for housing) corresponds to a 34.1% increase on an actual basis. Trading volumes increased yet again with the related growth in mortgage loans.

The book value of the group's real estate at year end was Euro 152,562 thousand, up 117.0% on the previous year. It may be analysed as follows:

- Euro 9,120 thousand relating to the parent company;
- Euro 143,442 thousand relating to subsidiaries, of which:
 - Euro 1,754 thousand classified as fixed assets held through Vittoria Properties S.r.l.;
 - Euro 70,426 thousand of areas being built on of which Euro 47,092 thousand relating to Turin areas in which residential buildings are being constructed by the indirect subsidiary VRG Domus S.r.l. and Euro 23,334 thousand relating to Peschiera Borromeo (Milan) areas being built on and belonging to Vittoria Immobiliare S.p.A.;
 - Euro 71,262 thousand of buildings held for trading, of which Euro 56,685 thousand through Immobiliare Bilancia S.r.l. and Euro 14,577 thousand through Vittoria Immobiliare S.p.A..

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, net of intercompany transactions, are set out below.

Brokerage activities

The following companies are active in this sector:

Interimmobili S.r.l. - Rome

Revenues from brokerage activities totalled Euro 4,510 thousand (Euro 2,586 thousand net of intercompany transactions).

During the year, the company continued to sell buildings in Milan and Turin on the basis of significant warrants of sale acquired in the past. The related revenues will be progressively accrued over the next few years, in line with the construction progress. It was awarded further warrants of sale 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 121 thousand (Euro 40 thousand net of intercompany transactions).

Trading activities

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 5,201 thousand. Closing inventory totalled Euro 37,911 thousand (2002: Euro 22,985 thousand). The increase is mainly due to the construction progress of the buildings in Peschiera Borromeo (Milan) and the block acquisition of a building in Monza (Milan) to be sold in lots in 2004.

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

The company continued its real estate operation in Turin, named "Spina 1". Closing inventory totalled Euro 47,902 thousand. The first sales agreements are expected to be signed in 2004.

- Gimatrading S.r.l. - Turin

During the year, the company almost completed the sale of its building portfolio, recording trading income of Euro 52 thousand.

- Immobiliare Bilancia S.r.l. - Milan

The company became active in 2003. It acquired two buildings in Rome in an upmarket residential area in December for approximately Euro 56.7 million. Sales of the different lots will begin in 2004. It financed the transaction itself using own funds.

- Rovimmobiliare S.r. l. - Rome

In 2003, this company, controlled through Vittoria Immobiliare S.p.A., acquired a building in Rome in a residential area for approximately Euro 12 million. It began to sell the lots during the year and had already placed roughly 90% of the units at year end. It financed the acquisition by taking out a mortgage loan and also, for 20%, through a shareholder loan.

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 965 thousand (Euro 18 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 90.06% investment in Inbro B.V., it controls the French real estate group Mideco - Cogedim S.A.S., which sold buildings worth Euro 238 million in 2003.

The total net result of Yarpa International Holding N.V. group was Euro 17.1 million at year end. Vittoria Assicurazioni's share was Euro 4.3 million.

Laumor B.V. group – Holland

This is a real estate holding company active in France.

Through its subsidiary Arbitrage et Investissement S.A.S. (France), it performs real estate trading with 2003 sales of Euro 21 million. It also acquired a stake in the French cement group Materis through the French investment fund F.C.P.R. Francois III.

The total net result of Laumor B.V. group was Euro 204 thousand at year end. Vittoria Assicurazioni's share was Euro 50 thousand.

Fixed-interest securities, investments and unit trusts

Investment policies

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

– Application scope and definition

The investment policies do not apply to those benefiting policyholders bearing the risk (index-linked and unit-linked policies) and those arising from pension fund management, which 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.

– 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, also 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.

– Current management

During the year and in order to maintain a moderate investment risk profile, the group focused on real estate investments held by the companies set up to manage specific businesses rather than considering the trends of return rates on bonds.

It acquired floating rate and fixed rate Italian government securities for Euro 17,562 thousand and Euro 26,391 thousand respectively with residual durations of around ten years. The group sold its investments in foreign equity OEICs generating net capital gains of Euro 537 thousand. It also sold part of its investments in foreign bonds for Euro 16,847 thousand, recording capital gains of Euro 961 thousand.

The Argentine securities in portfolio are valued at 20% of their face value, equal to the previous year book value, as the group is awaiting clarification about their restructuring, which has just started. Such value is on average equal to their market value. No interest has been accrued thereon.

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

- Europrius Nbi Asset Management S.A.: increase in the investment from 4% to 5% at a cost of Euro 1 thousand;
- Cam Finanziaria S.p.A.: subscription of the share capital increase by the parent company for its part paying Euro 7,472 thousand for shares with warrants (the latter have a value of Euro 478 thousand) without changing its holding percentage;
- Downall Italia S.r.l.: subscription of the relevant part of the share capital increase at a cost of Euro 1 thousand;
- Les Maisons Du Petit Douar S.A.: sale of the entire investment, recording a capital gain of Euro 2 thousand;
- Banca di Credito Cooperativo Apuana: subscription of Euro 50 thousand of the capital of this newly set up bank. This investment was made for the purposes of a commercial cooperation agreement for the sale of insurance products;
- Beni Immobili Gestiti S.p.A.: through Vittoria Immobiliare, subscription of part of the share capital increase (0.9% for Euro 124 thousand) performed in December.

Investments in associated and related companies related to:

- Rovimmobiliare S.r.l.: incorporation of the new real estate company by Vittoria Immobiliare S.p.A. at a cost of Euro 10 thousand equal to 50% of the share capital.

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 19.7% to Euro 119,268 thousand. They relate to unit-linked policies, linked to external funds (Euro 45,773 thousand), unit-linked policies, linked to internal funds (Euro 38,326 thousand), index-linked policies, linked to OEICs (Euro 33,464 thousand) and the Vittoria Formula Lavoro open pension fund (Euro 1,705 thousand).

The total profit on these investments was Euro 6,768 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 businesses, respectively.

Advertising pursuant to article 2497-bis of the Civil Code

In accordance with the reform of the 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

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 in Vittoria Assicurazioni S.p.A. decreased from 1,649,500 shares, equal to 5.498% of the share capital, at 31 December 2002 to 649,900 shares or 2.166% of the share capital at year end. Yura International Holding B.V. sold 999,600 shares to Opalia B.V. thus increasing the latter's investment in Vittoria Assicurazioni from 3% to 8.33%.

Yura International Holding B.V. holds subordinated convertible bonds issued by Vittoria Assicurazioni for a nominal value of 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

Vittoria Assicurazioni granted a loan of Euro 2,837 thousand to this company, charging interest at the Euribor rate plus 1%, totalling Euro 104 thousand, Euro 43 thousand of which is recorded under accrued income.

Laumor BV - Holland

Vittoria Assicurazioni granted a loan of Euro 6,152 thousand to this associated company. Equivalent loans were granted by the other shareholders. Part of the loan (Euro 4,000 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 cement group Materis. The remainder (Euro 2,152 thousand) bears interest at the Euribor rate plus 0.30% and was given for the real estate trading business of Laumor B.V. performed via its French subsidiary Arbitrages et Investissement SAS. The related interest amounts to Euro 33 thousand.

Rovimmobiliare S.r.l. - Rome

Through Vittoria Immobiliare S.p.A., the parent company granted this associated company an interest-bearing loan of Euro 1,400 thousand. Thanks to its satisfactory sales volumes, Rovimmobiliare decreased the loan to Euro 200 thousand at year end. Vittoria Assicurazioni charged interest of Euro 37 thousand at the three month Euribor rate plus 250 basis points.

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.p.A. to the parent company related to the "Formula Salute" and "Vittoria Assistance" policies, commercial initiatives aimed at fostering Astralis customer loyalty, the Italian Defence Forces and web applications. The total cost of these services amounted to Euro 922 thousand plus VAT.

Interbilancia S.r.l.

Interbilancia S.r.l. charged Vittoria Assicurazioni Euro 125 thousand plus VAT for administrative assistance with coordinating the activities of the group companies operating on behalf of the parent company. Through Vittoria Immobiliare S.p.A., this company was granted a loan of Euro 200 thousand bearing interest at the three month Euribor rate plus 100 basis points. Interest of Euro 9 thousand has been charged for 2003.

The related company holds the following investments:

A.Spe.Vi S.r.l.	Milan	100% stake
Vittoria.Net S.r.l.	Milan	100% stake
Aspeca S.r.l.	Milan	80% stake
Le Api S.r.l.	Milan	30% stake

Indirect investments held through Interbilancia S.r.l.

A.Spe.Vi. S.r.l. - Milan

This company is active in the provision of services and management of multi-level life and non-life policies. It charged Vittoria Assicurazioni Euro 1,306 thousand for services, commissions and contributions relating to the production of insurance contracts.

Vittoria.net S.r.l. - Milan

Total commissions and contributions paid by Vittoria Assicurazioni to this on-line agency, which sells insurance products through the Internet, amounted to Euro 149 thousand.

Vittoria Assicurazioni also paid Euro 135 thousand for consultancy services.

Aspeca S.r.l. - Milan

Vittoria Assicurazioni paid commissions and contributions of Euro 378 thousand to Aspeca S.r.l., which has trading relationships with banks and insurance brokers.

Le Api S.r.l. - Milan

Vittoria Assicurazioni paid Euro 1,082 thousand plus VAT to Le Api S.r.l., operating in the IT service sector, for services and the purchase of software.

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 2004 and expected future developments

Insurance business

The group will continue to build up its sales network during 2004. It has opened three new general agencies, restructured 12 and closed two, one of which was a special agency. It also plans to open six new agencies in April.

The recovery project of policies to be settled in the life business has undergone further change to include the direct contacting of each customer before their policy matures.

The group has started its VIP project with the hiring of the first promoters and finalising the management staff.

Real estate business

The construction of the residential buildings in Turin - corso Rosselli - corso Mediterraneo and corso Leone ("Spina 1") and in Peschiera Borromeo (Milan) continued during the first quarter of 2004.

The sale of flats under construction also continued, in line with the group's plans.

In January, the parent company increased the quota capital of Immobiliare Bilancia Prima S.r.l. from Euro 100 thousand to Euro 29 million. Newly capitalised, the subsidiary acquired a prestigious building destined to trading activities in the old centre of Rome.

Board of directors

Milan, 26 March 2004

Consolidated
financial
statements
as at and for the
year ended 31
December 2003

Previous year

			101	0		
	102	0				
	103	15,545				
	104	0				
	105	0				
	106	12,369				
	107	15	108	27,929		
			109	70,316		
110	0					
111	0					
112	308					
113	21,132					
114	22,058	115	43,498			
		116	0			
		117	3,039	118	46,537	
		119	0			
		120	56,813			
		121	786,038			
		122	11,638			
		123	0			
		124	0			
		125	0	126	854,489	
			127	1,422	128	972,764
					129	99,663
	to carry forward					1,100,356

CONSOLIDATED BALANCE SHEET

ASSETS

Current year

	brought forward		1,191,646
D bis. REINSURERS' SHARE OF TECHNICAL RESERVES			
I - NON-LIFE BUSINESS			
1. Premium reserve	30 35,119		
2. Claims reserve	31 74,024		
3. Other	32 0	33 109,143	
II - LIFE BUSINESSES			
1. Mathematical reserves	34 20,929		
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 20,988	39 130,131
E. RECEIVABLES			
I - Receivables relating to direct insurance		40 100,963	
II - Receivables relating to reinsurance business		41 4,999	
III. - Other receivables		42 34,050	43 140,012
F. OTHER ASSETS			
I - Tangible assets and inventory		44 4,690	
II - Liquid funds		45 49,264	
III. - Own shares or quotas		46 0	
IV - Other assets		47 3,710	48 57,664
G. PREPAYMENTS AND ACCRUED INCOME			49 16,936
TOTAL ASSETS			50 1,536,389

Previous year

brought forward		1,100,356
130	32,995	
131	70,771	
132	0	133 103,766
134	18,821	
135	21	
136	37	
137	0	138 18,879 139 122,645
		140 87,803
		141 18,961
		142 23,254 143 130,018
		144 4,416
		145 26,872
		146 0
		147 15,192 148 46,480
		149 15,757
		150 1,415,256

Previous year

151	30,000		
152	62,906		
153	-1,678		
154	1,673		
155	0		
156	0		
157	14,001	158	106,902
159	2,785		
160	188	161	2,973
		162	109,875
		163	18,000
164	126,863		
165	319,608		
166	1,165		
167	888	168	448,524
169	486,954		
170	19,258		
171	3,220	172	509,432
		173	957,956
		174	99,663
		175	0
		176	1,012
		177	0
		178	1,506
		179	2,518
to carry forward			1,188,012

CONSOLIDATED BALANCE SHEET LIABILITIES AND SHAREHOLDERS' EQUITY

		Current year	
	brought forward		1,283,444
F. DEPOSITS FROM REINSURERS		80	95,501
G. PAYABLES AND OTHER LIABILITIES			
I - Payables arising from direct insurance business	81	7,250	
II - Payables arising from reinsurance business	82	7,325	
III. - Bond issues	83	0	
IV - Due to banks and other financial institutions	84	29,461	
V - Secured debts	85	41,500	
VI - Sundry loans and other financial payables	86	6,909	
VII - Employees' leaving entitlement	87	5,651	
VIII - Other sums payable	88	49,367	
IX - Other liabilities	89	8,938	90 156,401
H. ACCRUED EXPENSES AND DEFERRED INCOME			91 1,043
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY			92 1,536,389

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	2,075
II - Guarantees received		94	0
III - Guarantees given by third parties in the interest of consolidated companies		95	0
IV - Commitments		96	40,478
V - Third party assets		97	4,122
VI - Assets pertaining to pension funds managed in favour and on behalf of third parties		98	1,705
VII - Securities held by third parties		99	973,976
VIII - Other memorandum and contingency accounts		100	0

Previous year

brought forward		1,188,012
		180 87,441
	181 6,449	
	182 6,969	
	183 0	
	184 70,524	
	185 0	
	186 0	
	187 5,110	
	188 28,819	
	189 20,787	190 138,658
		191 1,145
		192 1,415,256

Previous year

	193 2,333
	194 0
	195 0
	196 46,855
	197 3,132
	198 1,309
	199 974,474
	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	363,508	
	b) (-) outwards reinsurance premiums	2	92,005	
	c) Change in gross premium reserve	3	18,438	
	d) Change in reinsurer premium reserve	4	2,712	5 255,777
2	OTHER TECHNICAL INCOME, NET OF OUTWARDS REINSURANCE			7 1,316
3	CHARGES RELATING TO CLAIMS, NET OF RECOVERIES AND OUTWARDS REINSURANCE			
	a) Amounts paid			
	aa) Gross amount paid	8	232,024	
	bb) (-) reinsurers' share	9	59,208	
	cc) changes in recoveries, net of reinsurers' share	10	7,964	11 164,852
	b) Change in claims reserve			
	aa) Gross amount	12	19,683	
	bb) (-) reinsurers' share	13	12,514	14 7,169
				15 172,021
4	CHANGE IN OTHER TECHNICAL RESERVES, NET OF OUTWARDS REINSURANCE			16 487
5	REVERSALS AND PROFIT PARTICIPATION, NET OF OUTWARDS REINSURANCE			17 0
6	OPERATING COSTS:			
	a) Acquisition commissions	18	52,964	
	b) Other acquisition costs	19	18,238	
	c) Change in commissions and other acquisition costs to be amortised	20	454	
	d) Premium collection commissions	21	5,991	
	e) Other administrative costs	22	12,930	
	f) (-) Profit participation and other commissions received by reinsurers	23	21,650	24 68,019
7	OTHER TECHNICAL CHARGES, NET OF OUTWARDS REINSURANCE			25 4,624
8	CHANGE IN EQUALISATION RESERVES			26 212
9	RESULT OF NON-LIFE BUSINESS TECHNICAL ACCOUNT (caption III. 1)			27 11,730

Previous year

		111	323,827		
		112	80,420		
		113	18,666		
		114	4,462	115	229,203
				117	1,279
		118	195,203		
		119	47,324		
		120	6,125	121	141,754
		122	22,184		
		123	17,796	124	4,388
				125	146,142
				126	470
				127	0
		128	47,048		
		129	15,547		
		130	416		
		131	5,835		
		132	11,850		
		133	22,778	134	57,086
				135	3,692
				136	185
				137	22,907

CONSOLIDATED PROFIT AND LOSS ACCOUNT

Current year

II. LIFE BUSINESS TECHNICAL ACCOUNT					
1	PREMIUMS, NET OF OUTWARDS REINSURANCE				
	a) gross premiums accounted for	28	94,056		
	b) (-) outwards reinsurance premiums	29	3,124	30	90,932
2	(+) INCOME ON INVESTMENTS TRANSFERRED FROM NON-TECHNICAL ACCOUNT (Caption III.5)			40	22,375
3	INCOME AND NON-REALISED CAPITAL GAINS RELATING TO INVESTMENTS BENEFITTING POLICYHOLDERS BEARING THE RISK AND INVESTMENTS STEMMING FROM PENSION FUND MANAGEMENT			41	10,579
4	OTHER TECHNICAL INCOME, NET OF OUTWARDS REINSURANCE			42	1,148
5	CHARGES RELATING TO CLAIMS, NET OF OUTWARDS REINSURANCE:				
	a) Amounts paid				
	aa) Gross amount paid	43	63,919		
	bb) (-) Reinsurers' share	44	698	45	63,221
	b) Change in reserve for payable amounts				
	aa) Gross amount	46	-2,377		
	bb) (-) Reinsurers' share	47	0	48	-2,377
49				49	60,844
6	CHANGE IN MATHEMATICAL RESERVES AND OTHER TECHNICAL RESERVES, NET OF OUTWARDS REINSURANCE				
	a) Mathematical reserves:				
	aa) Gross amount	50	24,520		
	bb) (-) Reinsurers' share	51	2,108	52	22,412
	b) Other technical reserves				
	aa) Gross amount	56	9		
	bb) (-) Reinsurers' share	57	1	58	8
	c) Technical reserves where investment risk is borne by policyholders and reserves arising from pension fund management				
	aa) Gross amount	59	19,606		
	bb) (-) Reinsurers' share	60	0	61	19,606
62				62	42,026
7	REVERSALS AND PROFIT PARTICIPATION, NET OF OUTWARDS REINSURANCE			63	6
8	OPERATING COSTS:				
	a) Acquisition commissions	64	2,543		
	b) Other acquisition costs	65	2,632		
	c) Change in commissions and other acquisition costs to be amortised	66	-2,381		
	d) Premium collection commissions	67	2,144		
	e) Other administrative costs	68	4,326		
	f) (-) Profit participation and other commissions received by reinsurers	69	448	70	13,578
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	3,811
10	OTHER TECHNICAL CHARGES, NET OF OUTWARDS REINSURANCE			76	57
11	RESULT OF LIFE BUSINESS TECHNICAL ACCOUNT (Caption III. 2)			78	4,712

Previous year

		138	83,228			
		139	3,186	140	80,042	
				150	21,433	
				151	6,188	
				152	1,134	
	153	68,485				
	154	5,194	155	63,291		
	156	-1,700				
	157	-58	158	-1,642	159	61,649
	160	9,535				
	161	-4,488	162	14,023		
	166	-236				
	167	-15	168	-221		
	169	1,149				
	170	0	171	1,149	172	14,951
				173	14	
			174	2,443		
			175	2,228		
			176	-2,741		
			177	2,560		
			178	3,738		
			179	414	180	13,296
				185	15,654	
				186	126	
				188	3,107	

CONSOLIDATED PROFIT AND LOSS ACCOUNT

Current year

III. NON-TECHNICAL ACCOUNT					
1	RESULT OF NON-LIFE BUSINESS TECHNICAL ACCOUNT (Caption I. 9)		79	11,730	
2	RESULT OF LIFE BUSINESS TECHNICAL ACCOUNT (Caption II . 11)		80	4,712	
3	INCOME ON INVESTMENTS:				
	a) Income on equity investments				
	aa) share of profits of associates accounted for using the equity method	81	4,608		
	bb) other	82	765	83	5,373
	b) Income on other investments:				
	aa) land and buildings	84	178		
	bb) other investments	85	44,727	86	44,905
	c) Adjustments to investment values			87	32
	d) Profit on sale of investments			88	2,891
4	CAPITAL AND FINANCIAL CHARGES:				
	a) Investment management charges and interest payable		90	7,709	
	b) Adjustments to investment values		91	4	
	c) Loss on sale of investments		92	194	
5	(-) INCOME ON INVESTMENTS TRANSFERRED TO LIFE BUSINESS TECHNICAL ACCOUNT (Caption II.2)		93	7,907	
6	OTHER INCOME		94	22,375	
7	OTHER CHARGES		95	5,082	
	a) Interest on financial payables		96	1,633	
	b) Other charges		97	9,759	
8	RESULT OF ORDINARY BUSINESS		98	11,392	
9	EXTRAORDINARY INCOME		99	33,051	
10	EXTRAORDINARY EXPENSE		100	812	
11	RESULT OF EXTRAORDINARY BUSINESS		101	1,351	
12	PROFIT (LOSS) BEFORE TAXATION		102	-539	
13	TAXATION ON PROFIT FOR THE YEAR		103	32,512	
14	CONSOLIDATED NET PROFIT (LOSS) FOR THE YEAR		104	12,984	
15	NET PROFIT (LOSS) FOR THE YEAR PERTAINING TO MINORITY INTERESTS		105	19,528	
16	NET PROFIT (LOSS) OF THE GROUP		106	238	
			107	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 2003 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.

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 euro)

ASSETS	2003	2002
Investments		
Land and buildings	152,562	70,316
Investments in group and other companies		
- Equity investments	55,204	43,498
- Loans	9,390	3,039
Other financial investments:		
- Equity investments	-	-
- Unit trust units	33,273	56,813
- Bonds and other fixed-interest securities	780,607	786,038
- Loans	11,254	11,638
- Other financial investments	478	-
Deposits with ceding companies	1,162	1,422
Investments benefiting life policyholders	119,268	99,663
Total investments	1,163,198	1,072,427
Receivables		
Receivables relating to direct insurance business	100,963	87,803
Receivables relating to reinsurance business	4,999	18,961
Other receivables	34,050	23,254
Total receivables	140,012	130,018
Intangible assets	28,448	27,929
Tangible assets and inventory	4,690	4,416
Liquid funds	49,264	26,872
Other assets	3,710	3,460
Prepayments and accrued income	16,936	15,757
TOTAL ASSETS	1,406,258	1,280,879

Reclassified consolidated balance sheet

(in thousands of euro)

LIABILITIES AND SHAREHOLDERS' EQUITY	2003	2002
Shareholders' equity		
- Share capital	30,000	30,000
- Equity reserves	72,164	62,906
- Consolidation reserves	-1,807	-1,678
- Reserve for valuation difference of unconsolidated investments	2,946	1,673
- Net profit (loss) for the period	19,290	14,001
Total group shareholders' equity	122,593	106,902
- Share capital and reserves pertaining to minority interests	4,309	2,785
- Net profit (loss) for the period/year pertaining to minority interests	238	188
Total minority interests	4,547	2,973
Subordinated liabilities	18,000	18,000
Technical reserves, net of reinsurance		
- Premium reserve	109,480	93,868
- Claims reserve	264,001	248,837
- Mathematical reserves	490,804	468,133
- Reserve for amounts payable	16,860	19,237
- Other technical reserves	5,938	5,236
- Technical reserves where investment risk is borne by policyholders and reserves arising from pension fund management	119,268	99,663
Total technical reserves	1,006,351	934,974
Payables		
Deposits from reinsurers	95,501	87,441
Payables arising from direct insurance business due to:	7,250	6,449
Payables arising from reinsurance business	7,325	6,969
Due to banks and other financial institutions	77,870	70,524
Other sums payable	49,367	28,819
Total payables	237,313	200,202
Provisions for contingencies and other charges	1,822	2,518
Employees' leaving entitlement	5,651	5,110
Other liabilities	8,938	9,055
Accrued expenses and deferred income	1,043	1,145
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	1,406,258	1,280,879

Reclassified consolidated profit and loss account

(in thousands of euros)

	2003	2002
Technical account		
Life businesses:		
Direct insurance		
(+) Gross premiums accounted for	94.021	83.182
(-) Charges relating to claims	61.346	66.306
(-) Change in mathematical and other technical reserves	44.271	10.658
(+) Other technical captions, net	1.080	1.008
(-) Operating costs	14.010	13.696
(+) Income on investments transferred from non-technical account	22.375	21.432
(+) income on investments where policyholders bear the risk - Class D	6.768	-9.466
Direct insurance result	4.617	5.496
Outwards reinsurance result	131	-2.138
Retained direct insurance result	4.748	3.358
Indirect and retroceded insurance result	-36	-251
Result of life business technical account	4.712	3.107
Non-life businesses:		
Direct insurance		
(+) Gross premiums accounted for	362.908	323.235
(-) Change in premium reserve	18.855	19.202
(-) Charges relating to claims	240.816	208.287
(-) Change in other technical reserves	487	470
(+) Other technical captions, net	-3.308	-2.414
(-) Operating costs	89.593	79.788
Direct insurance result	9.849	13.074
Outwards reinsurance result	1.906	9.908
Retained direct insurance result	11.755	22.982
Indirect and retroceded insurance result	187	110
Total retained direct insurance result	11.942	23.092
(-) Change in equalisation reserves	212	185
(+) Income on investments transferred from the non-technical account	12.621	7.602
Result of non-life business technical account	24.351	30.509
Result of technical account	29.063	33.616
(+) Income on investments net of the portion transferred to the technical accounts	10.298	5.143
(+) Other income	5.082	5.669
(-) Interest on financial payables	1.633	1.528
(-) Other charges	9.759	11.658
Result of ordinary business	33.051	31.242
(+) Extraordinary income	812	646
(-) Extraordinary expense	1.351	2.675
Profit (loss)	32.512	29.213
(-) Settlement with Consap S.p.A.	0	4.083
Profit (loss) before taxation	32.512	25.130
(-) Taxation on profit for the year	12.984	10.941
Consolidated net profit (loss) for the year	19.528	14.189
(-) Net profit (loss) pertaining to minority interests	238	188
Net profit (loss) of the Group	19.290	14.001

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
<u>Vittoria Assicurazioni S.p.A.</u>	Milan	Euro 30,000,000			
<u>Vittoria Immobiliare S.p.A.</u>	Milan	Euro 5,150,000	54.76%		
<u>Immobiliare Bilancia S.r.l.</u>	Milan	Euro 64,000,000	97.66%		
<u>Immobiliare Bilancia Prima S.r.l.</u>	Milan	Euro 100,000	100.00%		
<u>Immobiliare Bilancia Seconda S.r.l.</u>	Milan	Euro 100,000	100.00%		
<u>Immobiliare Bilancia Terza S.r.l.</u>	Milan	Euro 100,000	100.00%		
<u>Vittoria Properties S.r.l.</u>	Milan	Euro 4,000,000	99.00%		
	paid-up	Euro 2,400,000		1.00%	Vittoria Immobiliare S.p.A.
<u>Gestimmobili S.r.l.</u>	Milan	Euro 104,000		80.00%	
<u>Gestimmobili Intermediazione S.r.l.</u>	Turin	Euro 26,000		80.00%	Vittoria
<u>Interimmobili S.r.l.</u>	Rome	Euro 104,000		80.00%	Immobiliare S.p.A.
<u>V.R.G. Domus S.r.l.</u>	Turin	Euro 1,000,000		51.00%	

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%		
Interbilancia S.r.l	Milan	Euro 80,000	49.00%		
Gimatrading S.r.l.	Turin	Euro 10,400		35.00%	
Sivim S.r.l..	Milan	Euro 60,000		45.00%	Vittoria
	paid-up:	Euro 18,000			Immobiliare S.p.A.
Rovimmobiliare S.r.l	Rome	Euro 20,000		50.00%	

Change in the consolidation area

The changes in the consolidation area may be analysed as follows:

Inclusions in the consolidation area:

- Rovimmobiliare S.r. l.: subscription of 50% of its quota capital for Euro 10,000 through Vittoria Immobiliare S.p.A.;
- Vittoria Properties S.r.l.: incorporation of this real estate company with a quota capital of Euro 4,000,000, of which Euro 2,400,000 has been paid-up. Vittoria Assicurazioni holds 99% of this subsidiary with the other 1% held by Vittoria Immobiliare S.p.A..
- Immobiliare Bilancia Prima S.r.l.: incorporation of this real estate company with a fully paid-up quota capital of Euro 100,000. This subsidiary is wholly owned by Vittoria Assicurazioni;
- Immobiliare Bilancia Seconda S.r.l.: incorporation of this real estate company with a fully paid-up quota capital of Euro 100,000. This subsidiary is wholly owned by Vittoria Assicurazioni;
- Immobiliare Bilancia Terza S.r.l.: incorporation of this real estate company with a fully paid-up quota capital of Euro 100,000. This subsidiary is wholly owned by Vittoria Assicurazioni.

The last three real estate companies were still inactive at year end.

Changes in holding percentages and other changes:

- Vittoria Immobiliare S.p.A.: share capital increase against consideration from Euro 4,700,000 to Euro 5,150,000. Vittoria Assicurazioni's stake remained unchanged;
- Immobiliare Bilancia S.r.l.: quota capital increase against consideration from Euro 100,000 to Euro 64,000,000. Vittoria Assicurazioni's investment decreased from 100% to 97.66% following the Euro 1,500,000 subscription by Fondo Maestrale of the quota capital increase.

Consolidation criteria

- 1) The financial statements of all consolidated companies have been prepared at 31 December 2003.
- 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.

Part B: Accounting policies

As required by article 9 of Legislation decree no. 6 of 17 January 2003, the consolidated financial statements have been prepared in accordance with the regulations valid before the reform of the corporate law became applicable. Therefore, reference to the Civil Code relates to the regulations ruling at 31 December 2003.

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.

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 changes in commissions and other deferred acquisition costs at year end with respect to those recorded in the previous year;
- 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, net of recoveries, include damage compensation paid related 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 is taken to the profit and loss account.

The amounts collected during the year offset charges relating to claims paid.

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;
- statistical and actuarial methods are applied, especially to mass lines with a long-term settlement process.

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 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 2003 has led to a total reserve of Euro 2,493 thousand (Euro 2,517 thousand in 2002).

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.

Based on this analysis, an additional reserve of Euro 1,839 thousand was necessary pursuant to paragraph 12 of article 25 of Legislative decree no. 174/95, as indicated in the "Report of the Actuary on Technical Reserves as per paragraph 3 of article 24 of Legislative decree no. 174/95 for the 2003 financial statements".

For consolidated financial statements purposes, the effect of the allocation to the separate account of "Rendimento Mensile" of the investment in the subsidiary Vittoria Immobiliare S.p.A. has been examined.

Since dividends paid by the subsidiary 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

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

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 businesses, 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

Other technical income includes:

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

NON-LIFE
BUSINESS
LIFE BUSINESS

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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 investment in Vittoria Immobiliare S.p.A..

Inwards reinsurance

NON LIFE BUSINESS

LIFE BUSINESS

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

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

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.

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.

However, an unlisted closed-end securities fund held for investment is stated at 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:

Investment securities

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.

Reference should be made to the section on "Fixed-interest securities, investments and unit trusts" in the directors' report for information on investment policies.

Trading securities

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 including ancillary charges and net of depreciation, calculated on a straight-line basis using rates held to represent their estimated useful lives. Depreciation rates, which do not exceed the threshold allowed by tax legislation, 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. Had these costs been amortised over the duration of the related contract, shareholders' equity would have been Euro 14,288 thousand higher. This amount has been calculated through the analysis of all policies in portfolio at 31 December 2003, against a prior year's corresponding amount of Euro 14,115 thousand.

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 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. Had the company not applied the above accounting treatment, shareholders' equity would have been Euro 5,061 thousand higher, gross of the theoretical tax effect, against a prior year's corresponding amount of Euro 5,085 thousand, calculated through the analysis of all policies in portfolio at 31 December 2003.

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.

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 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 preparation of the letter of intent are recorded under prepayments.

The stock brokerage companies recognise commission income at the date of the letter of intent.

The companies incur costs against these intercompany revenues (which are eliminated in the consolidated financial statements) that are reclassified as prepayments and taken to the profit and loss account in the year in which the trading companies prepare 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.

No deferred tax liabilities were recorded in 2003.

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 has decided to avail itself of the provisions (paragraph 44, article 2) of Law no. 350 of 28 December 2003 (2004 Finance Act), published in the Official Journal of 27 December 2003, specifically benefiting from the "tax amnesty".

The year involved is 2002 for both direct and indirect tax purposes. Accordingly all years up to 2002 are settled for tax purposes, except for the situation outlined below for 1992.

Any related impacts on the balance sheet or profit and loss account have been entirely reflected in this year's financial statements.

Insurance business

A documental inspection was carried out in 1992, which is the only year not closed for tax purposes, arising from an assessment report which was partly settled pursuant to article 48 of Legislative decree no. 546/92 at a cost of Euro 237 thousand, Euro 131 thousand of which was fully deducted from the 2000 income tax return.

The parent company filed an appeal against the assessment relating to the mathematical reserves of the life business for approximately Euro 486 thousand. The appeal was discussed before the Milan Local Tax Court. The court found the partial settlement valid and admitted the appeal for the unsettled portion.

The Milan tax authorities appealed against this decision but the Tax Court has not yet fixed the date for the hearing. Also considering previous law cases, no tax charges are expected therefrom.

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					
2002		2003		Change	
€	27,929	€	28,448	€	519

of which:

B.1 Deferred acquisition costs

2002		2003		Change	
€	15,545	€	13,618	€	-1,927

Deferred acquisition costs may be analysed as follows:

Deferred acquisition costs - Life business	€	8,354
Deferred acquisition costs - Non-life business	€	5,264

B.4 Other intangible assets

2002		2003		Change	
€	12,369	€	14,823	€	2,454

Other intangible assets are made up as follows:

IT software applications	€	12,259
IT software applications under development	€	946
Costs incurred for the issue of the subordinated loan	€	401
Leasehold improvements and other deferred costs	€	1,217

The caption "IT software application" includes Euro 705 thousand incurred by Vittoria Assicurazioni for unfinished applications. The balance was adjusted by Euro 83 thousand to reflect costs incurred by the parent company in previous years for applications that have been implemented during 2003.

B.5 Goodwill arising on consolidation

2002		2003		Change	
€	15	€	7	€	-8

Goodwill arising on consolidation relates to goodwill paid in 1999 by Vittoria Immobiliare S.p.A. upon acquisition of 25% of Yarpa International Holding N.V.. The investment was transferred to the parent company in 2001.

CLASS C - INVESTMENTS				
2002		2003		Change
€	972,764	€	1,043,930	€ 71,166

of which:

C.I - Land and buildings				
2002		2003		Change
€	70,316	€	152,562	€ 82,246

Buildings owned by the parent company amount to Euro 9,120 thousand, split between those used by itself (Euro 144 thousand) and those used by third parties (Euro 8,976 thousand).

The subsidiaries own buildings worth:

- Euro 1,754 thousand held for long-term investment purposes and used by the group;
- Euro 71,262 thousand held for trading purposes which show a Euro 69,132 thousand increase on the previous year, mainly due to acquisitions made in December;
- Euro 70,426 thousand for areas being built on, which shows an increase of Euro 12,611 thousand on the previous year as a result of the work progress. The book value of these areas includes financial charges of Euro 4,904 thousand, Euro 1,858 thousand of which was capitalised during the year.

The group companies had given security to guarantee the financing received from banks for these areas.

C.II - Investments in group and other companies				
2002		2003		Change
€	46,537	€	64,594	€ 18,057

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

C.II.1 Equity investments in group companies				
2002		2003		Change
€	43,498	€	55,204	€ 11,706

Equity investments in group companies are made up as follows:

C..II.1c Equity investments in related companies				
2002		2003		Change
€	308	€	314	€ 6

C..II.1d Equity investments in associated companies				
2002		2003		Change
€	21,132	€	25,661	€ 4,529

The change mainly relates to the revaluations of Yarpa International Holding N.V. (Euro 4,271 thousand) and Rovimmobiliare S.r.l. (Euro 283 thousand), net of dividends distributed by the associated companies.

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

2002	2003	Change
€ 22,058	€ 29,229	€ 7,171

The change is mainly due to subscription of the share capital increase (Euro 6,994 thousand) of CAM FINANZIARIA S.p.A..

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 that have not been consolidated on a line-by-line basis are as follows:

Name and registered office	Share capital	Direct holding (%)	Book value
Directly held by parent company			
Yarpa International Holding N.V. - Holland	Euro 675,000	25.00	20,117
Laumor Bv - Holland	Euro 20,000	25.00	54
Interbilancia S.R.L. - Via Caldera 21 - Milan	Euro 80,000	49.00	56
S.In.T. S.P.A. - Piazza Bodoni 3 - Turin	Euro 500,000	14.79	259
B.P.C. S.P.A. - Via Roma 3 - Genoa	Euro 5,200,000	8.40	436
Gruppo G.P.A. S.P.A. - Via M. Gioia 124 - Milan	Euro 8,528,000	5.00	3,101
Cam Finanziaria S.P.A. - Via Sempione 230 - Pero (Mi)	Euro 106,368,404	4.65	18,131
Banca Passadore & C. Spa - Via E. Vernazza 27 - Genoa	Euro 35,000,000	2.68	3,381
B Cr Coop Valdostana S.C.R.L. - Fraz. Taxel 26 - Gressan (Ao)	Euro 1,837,079	1.07	41
BCC Rovigo S.C.R.L. - Via Casalini 10 - Ro	Euro 600,963	0.43	3
Banca Pop.Etica S.C.R.L. - P.tta Forzatè 2/3 - Pd	Euro 16,078,475	0.32	52
Elsag Supernet Spa in liquidazione - Via G.Puccini 2 - Genoa	Euro 548,477	14.95	123
Downall Italia S.r.l. - Via M. Gioia 124 - Milan	Euro 100,000	5.08	3
Sofigea S.R.L. in liq. - Via Del Plebiscito 102 - Rome	Euro 47,664,600	1.46	705
U.C.I. Soc.Cons. A R.L. - C.So Sempione 39 - Milan	Euro 510,000	0.69	4
Rita Soc. Coop. R.L. - P.zza San Babila 1 - Milan	Euro 5,720,000	0.93	53
Cestar S.R.L. - Via Pisacane 48 - Pero (Mi)	Euro 2,040,000	0.71	15
Medinvest International S.C.A. - Luxemburg	Euro 76,636,000	3.91	3,001
Europrius Nbi Asset Management Sa - Luxemburg	Euro 125,000	5.00	6
Touring Vacanze S.R.L. - C.so Italia 10 - Milan	Euro 12,900,000	24.00	5,165
BCC Apuana S.c.r.l. - Viale Stazione 78 - 54100 Massa	Euro 3,128,979	1.60	50
Held through Vittoria Immobiliare S.p.A.			
Beni Immobili Gestiti S.p.A. - Via Montenapoleone 15 - Milan	Euro 1,396,000	0.93	123
Gimatrading S.R.L. - Via Vela 42 - Turin	Euro 10,400	35.00	27
Rovimmobiliare S.R.L. - Lungotevere Flaminio 78 - Rome	Euro 20,000	50.00	293
Sivim S.R.L. - Via Verri 3 - Milan	Euro 60,000	45.00	5
Total			55,204

C.II.3 Loans to group companies

2002		2003		Change	
€	3,039	€	9,390	€	6,351

Loans granted by the parent company include:

- Euro 2,837 thousand to the associated company Yarpa International Holding N.V. (annual interest at the yearly Euribor rate plus one point);
- Euro 6,152 thousand to the associated company Laumor B.V., Euro 2,152 thousand of which bears interest at the three-month Euribor rate increased by 30 basis points.

Loans granted through Vittoria Immobiliare comprise:

- Euro 200 thousand to the related company Interbilancia S.r.l., bearing interest at the three-month Euribor rate plus one point;
- Euro 200 thousand to the related company Rovimmobiliare S.r.l., bearing interest at the six-month Euribor rate increased by 250 basis points.

The change of the year relates to the new financing granted to Yarpa International Holding N.V. (Euro 400 thousand) and Laumor B.V. (Euro 5,695 thousand) and to the capitalisation of the interest accrued during the year.

C.III - Other financial investments

2002		2003		Change	
€	854,489	€	825,612	€	-28,877

of which:

C.III.2 Unit trust units

2002		2003		Change	
€	56,813	€	33,273	€	-23,540

The group purchased units for Euro 3,350 thousand during the year and made sales of Euro 26,890 thousand.

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

2002		2003		Change	
€	786,038	€	780,607	€	-5,431

Fixed-interest securities relate to listed bonds (Euro 776,527 thousand) and unlisted bonds (Euro 4,080 thousand).

A breakdown of the group's bond portfolio at year end by issuer is as follows: Italian government securities 68.1%; foreign government securities 15.1%; emerging country securities 2.3%; Italian corporate issues 2.5% and foreign corporate issues 12.0%.

C.III.4 Loans

2002		2003		Change	
€	11,638	€	11,254	€	-384

The caption is made up as follows:

- Secured loans € 4,510

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 4,497 thousand
- loans due after five years amount to Euro 4,148 thousand

- Loans on life insurance policies € 4,971

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 € 1,848

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 1,585 thousand.
- loans due after five years amount to Euro 631 thousand.

C.III.7 Other financial investments

2002		2003		Change	
€	-	€	478	€	478

This caption comprises warrants allocated by Cam Finanziaria S.p.A. to the parent company which subscribed to newly issued shares (see the directors' report).

C.IV - Deposits with ceding companies

2002		2003		Change	
€	1,422	€	1,162	€	-260

This caption relates to the indirect insurance technical reserves.

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

2002		2003		Change	
€	99,663	€	119,268	€	19,605

of which:

Investments relating to unit-linked and index-linked policies	€	117,563
Investments relating to pension fund management	€	1,705

CLASS D bis - REINSURERS' SHARE OF TECHNICAL RESERVES

2002		2003		Change	
€	122,645	€	130,131	€	7,486

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

D bis.I - Non-Life Business

2002		2003		Change	
€	103,766	€	109,143	€	5,377

of which:

D bis.I.1 Premium reserve				
2002		2003		Change
€	32,995	€	35,119	€ 2,124

D bis.I.2 Claims reserve				
2002		2003		Change
€	70,771	€	74,024	€ 3,253

D bis.II - Life Businesses				
2002		2003		Change
€	18,879	€	20,988	€ 2,109

of which:

D bis.II.1 Mathematical reserves				
2002		2003		Change
€	18,821	€	20,929	€ 2,108

D bis.II.2 Reserve for payable amounts				
2002		2003		Change
€	21	€	21	€ -

D bis.II.3 - Other technical reserves				
2002		2003		Change
€	37	€	38	€ 1

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

CLASS E - RECEIVABLES

2002		2003		Change
€	130,018	€	140,012	€ 9,994

In accordance with Legislative decree no. 173 of 26 May 1997, the caption is stated net of the related provisions totalling Euro 3,781 thousand at year end.

The caption at 31 December 2003 is made up as follows:

E.I - Receivables relating to direct insurance

2002	2003	Change
€ 87,803	€ 100,963	€ 13,160

Receivables relating to direct insurance are made up as follows:

Premiums due from policyholders	€	35,212
Receivables due from brokers and agents	€	42,541

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 6,980 thousand.

- receivables due after five years amount to Euro 2,664 thousand.

Receivables due from insurance companies - current accounts € 3,033

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

Amounts to be recovered from policyholders and third parties € 20,177

E.II - Receivables relating to reinsurance business

2002	2003	Change
€ 18,961	€ 4,999	€ -13,962

This caption relates to receivables due from insurance and reinsurance companies. It includes current account receivables showing the reinsurance technical result. The decrease is mainly to the closure of the relationship with Consap following the now defunct institution governing the legal transfers of the life business.

E.III - Other receivables

2002	2003	Change
€ 23,254	€ 34,050	€ 10,796

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 11,146 thousand.

- receivables due after five years amount to Euro 84 thousand.

The more significant items forming other receivables are as follows:

- receivables due from tax authorities	€	25,901
This caption includes VAT receivables of the real estate companies, arising from the acquisition of building areas and other acquisitions made during the year, amounting to Euro 14,023 thousand		
tax receivables and related interest are considered to be due after one year		
- receivables from insurance agreements	€	848
- advances paid by the real estate companies for unfinalised acquisitions	€	4,569
- receivables due from Generali for compensation for damages due to the fire in February 2003	€	500

CLASS F - OTHER ASSETS

2002	2003	Change
€ 46,480	€ 57,664	€ 11,184

of which:

F.I - Tangible assets and inventory

2002	2003	Change
€ 4,416	€ 4,690	€ 274

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

Furniture	€	1,347
Fittings	€	118
Ordinary office machines	€	102
Electronic office machines	€	2,288
Registered chattel property	€	277
Plant and machinery	€	558

F.II - Liquid funds

2002	2003	Change
€ 26,872	€ 49,264	€ 22,392

Part of the liquidity available at year end, mainly created by the payments made by the agency network to the parent company in December, was used for the share capital increase of Immobiliare Bilancia Prima S.r.l. on 15 January 2004 of Euro 28,900 thousand as described in the section on the performance of the first few months of 2004 and expected future development in the directors' report.

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

F.IV - Other assets

2002	2003	Change
€ 15,192	€ 3,710	€ -11,482

The caption includes the balance of the giro account for the non-life and life businesses of Euro 11,732 thousand. It was eliminated during consolidation.

The caption may be analysed as follows:

- invoices to be issued and credit notes to be received	€	558
- deferred inwards reinsurance premiums	€	5
- deferred tax assets pertaining to the parent company and relating to the accruals to the provision for bad debts and the write-backs made as per Law no. 265 of 22 November 2002, such as write-downs of investments and the write-back on the increase in the claims reserves of the non-life business	€	3,042
- giro accounts between life and non-life businesses	€	105

CLASS G - PREPAYMENTS AND ACCRUED INCOME

2002	2003	Change
€ 15,757	€ 16,936	€ 1,179

of which:

Accrued interest	€	14,096
Prepaid rent instalments	€	227
Other prepayments and accrued income	€	2,613

Accrued interest includes Euro 13,946 thousand relating to interest on securities. The caption also comprises Euro 43 thousand of loans granted by the parent company to the related company Yarpa International Holding N.V. and Euro 28 thousand of interest on loans granted through Vittoria Immobiliare S.p.A. to the related company Rovimmobiliare S.r.l..

Other prepayments and accrued income mainly relate to prepaid general and marketing expenses of the group real estate companies, including Euro 1,650 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

2002	2003	Change
€ 109,875	€ 127,140	€ 17,265

of which:

Group shareholders' equity	€ 122,593
Minority interests	€ 4,547

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

	Shareholders' equity excluding the result for 2003	Result for 2003	Shareholders' equity excluding the result for 2002	Result for 2002
Group share				
As per parent company's financial statements	102,850	15,147	93,643	12,806
Consolidated companies' net equities	88,177	4,986	5,463	272
Book value of consolidated companies	(83,014)		(4,714)	
Minority interests	(4,024)	(315)	(2,427)	(124)
Elimination of intercompany profits	(482)		(476)	
Tax effect of the elimination of intercompany profits	159	(159)	163	(9)
Elimination of dividends	278	(278)	450	(450)
Associated companies stated using the equity method			1,673	1,273
Profits allocated to life policyholders during the current and previous years	(626)	(306)	(867)	(119)
Impact of life policyholders on elimination of dividends		222		360
Amortisation of goodwill arising on consolidation	(15)	(7)	(7)	(8)
As per consolidated financial statements - group share	103,303	19,290	92,901	14,001
Total shareholders' equity and result of the group		122,593		106,902
Minority interests share				
in financial statements of consolidated companies	4,563	369	3,032	196
on elimination of intercompany profits	(385)		(382)	
on tax effect of the elimination of intercompany profits	131	(131)	135	(8)
As per consolidated financial statements - minority interests share	4,309	238	2,785	188
Total shareholders' equity and result of minority interests		4,547		2,973

Changes in consolidated shareholders' equity are listed below:

	31/12/02	2002 retained earnings	Dividends distributed by parent company in 2003	Dividends distributed by subsidiaries in 2003	Share capital increase of subsidiaries (minority interests)	Other changes	2003 net profit	31/12/03
Share capital	30,000							30,000
Equity reserves	62,906	12,579	(3,600)	279				72,164
Consolidation reserves	(1,678)	149		(278)				(1,807)
Reserve for valuation differences of investments	1,673	1,273						2,946
Net profit (loss) for the year	14,001	(14,001)					19,290	19,290
Group shareholders' equity	106,902	0	(3,600)	1	0	0	19,290	122,593
Share capital and reserves								
pertaining to minority interests	2,785	188		(368)	1,704			4,309
Net profit (loss) for the year pertaining to minority interests	188	(188)					238	238
Minority interests	2,973	0	0	(368)	1,704	0	238	4,547

CLASS B - SUBORDINATED LIABILITIES

2002	2003	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 businesses respectively, in accordance with the resolution of the shareholders.

CLASS C - TECHNICAL RESERVES

2002	2003	Change
€ 957,956	€ 1,017,214	€ 59,258

The caption includes:

C.I - Non-life business reserves

2002	2003	Change
€ 448,524	€ 485,376	€ 36,852

of which:

C.I.1 Premium reserve					
2002		2003		Change	
€	126,863	€	144,599	€	17,736

The caption is made up as follows:

Direct insurance premium reserve	€	143,421
Indirect insurance premium reserve	€	1,178

The direct insurance premium reserve calculated on a pro rata temporis basis and amounting to Euro 130,348 thousand, is increased by the reserve for unexpired risks amounting to Euro 5,997 thousand, the additional premium reserves for specific businesses totalling Euro 5,900 thousand and the reserve for damages from earthquakes, seaquakes and volcanic eruptions amounting to Euro 1,176 thousand.

C.I.2 Claims reserve					
2002		2003		Change	
€	319,608	€	338,025	€	18,417

The caption is made up as follows:

Direct insurance claims reserve	€	335,065
Indirect insurance claims reserve	€	2,960

C.I.3 Equalisation reserve					
2002		2003		Change	
€	1,165	€	1,377	€	212

C.I.4 Other technical reserves					
2002		2003		Change	
€	888	€	1,375	€	487

C.II - Life Businesses					
2002		2003		Change	
€	509,432	€	531,838	€	22,406

of which:

C.II.1 Mathematical reserves					
2002		2003		Change	
€	486,954	€	511,733	€	24,779

Mathematical reserves comprise:

Direct insurance mathematical reserve	€	511,030
Indirect insurance mathematical reserve	€	703

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 31/12/2002	486,327	627	486,954
Changes:			
- change as per statutory financial statements	24,695		24,695
- utilisation for dividends from Vittoria Immobiliare		-222	-222
- accrual for Vittoria Immobiliare profit for the year		306	306
Balance at 31/12/2003	511,022	711	511,733

C.II.2 Reserve for payable amounts

2002	2003	Change
€ 19,258	€ 16,881	€ -2,377

The caption is made up as follows:

Direct insurance payable amounts	€	16,866
Indirect insurance payable amounts	€	15

C.II.3 Other technical reserves

2002	2003	Change
€ 3,220	€ 3,224	€ 4

The other technical reserves include the complementary insurance premium reserve (Euro 218 thousand), profit participation and reimbursement reserve (Euro 29 thousand) and reserves for operating costs (Euro 2,977 thousand).

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

2002	2003	Change
€ 99,663	€ 119,268	€ 19,605

of which:

Reserves arising from unit-linked and index-linked policies	€	117,563
Reserves arising from pension fund management	€	1,705

CLASS E - PROVISIONS FOR CONTINGENCIES AND OTHER CHARGES

2002		2003		Change	
€	2,518	€	1,822	€	-696

The caption is made up as follows:

E.2 Provision for taxation

2002		2003		Change	
€	1,012	€	317	€	-695

E.4 Other provisions

2002		2003		Change	
€	1,506	€	1,505	€	-1

The caption mainly relates to the Sofigea fund as per article 7 of Legislative decree no. 576/78 (Euro 741 thousand), the provision for securities fluctuations (Euro 634 thousand) and the provision for exchange rate fluctuations (Euro 130 thousand).

CLASS F - DEPOSITS FROM REINSURERS

2002		2003		Change	
€	87,441	€	95,501	€	8,060

This caption relates to the direct insurance technical reserves.

CLASS G - PAYABLES AND OTHER LIABILITIES

2002		2003		Change	
€	138,658	€	156,401	€	17,743

of which:

G.I - Payables arising from direct insurance business

2002		2003		Change	
€	6,449	€	7,250	€	801

The caption includes payables to insurance brokers and agents (Euro 1,579 thousand), insurance companies for coinsurance transactions (Euro 4,436 thousand), policyholders for guarantee deposits (Euro 48 thousand) and guarantee funds in favour of policyholders (Euro 1,187 thousand).

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

2002		2003		Change	
€	6,969	€	7,325	€	356

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

G.IV- Due to banks and other financial institutions

2002		2003		Change	
€	70,524	€	29,461	€	-41,063

The caption relates to loans granted to Vittoria Immobiliare S.p.A. by banks. The most significant payable is due to Banca Intesa (Euro 19,461 thousand). The change reflects the different method used to finance real estate transactions.

G.V- Secured debts

2002		2003		Change	
€	-	€	41,500	€	41,500

This caption comprises the mortgage loans granted by Banca Sella S.p.A. during the year to Vittoria Immobiliare S.p.A. (Euro 15,500 thousand) for the transaction in Peschiera Borromeo (MI) and by San Paolo IMI S.p.A. to V.R.G. Domus S.r.l. (Euro 26,000 thousand) for the Turin "Spina 1" transaction.

The net indebtedness of the real estate companies improved from Euro 59,206 thousand to Euro 54,710 thousand (difference of Euro 4,496 thousand), due mainly to three factors:

- injection by the parent company to the companies that operate without resorting to bank borrowing principally Immobiliare Bilancia S.r.l. and Vittoria Properties S.r.l., which led to an improvement of Euro 1,565 thousand;
- partial substitution of the bank loan with a shareholder loan of Euro 14,100 thousand by V.R.G. Domus S.r.l.; this operation, net of the portion paid by Vittoria Immobiliare S.p.A., led to an improvement of Euro 6,909 thousand;
- outlays for acquisitions and work in progress that, net of collections for sales and advances on building units, led to a negative balance of Euro 4,213 thousand.

G.VI- Sundry loans and other financial payables

2002		2003		Change
€	-	€	6,909	€ 6,909

The caption includes the shareholder loan (mentioned earlier) 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.

G.VII- Employees' leaving entitlement

2002		2003		Change
€	5,110	€	5,651	€ 541

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

2002		2003		Change
€	28,819	€	49,367	€ 20,548

This caption mainly includes policyholders' tax due (Euro 8,154 thousand), other sums payable to taxation authorities (Euro 2,964 thousand), social security charges payable (Euro 1,524 thousand), accounts payable to creditors (Euro 3,642 thousand, including Euro 31 thousand due to the related company Le Api S.r.l.), payments on account for agreements signed by the real estate companies (Euro 29,905 thousand, up Euro 24,134 thousand on the previous year), and payables to employees (Euro 1,981 thousand) for settlement made in January 2004 and accrued holidays.

G.IX- Other liabilities

2002		2003		Change
€	20,787	€	8,938	€ -11,849

The most significant balances of this caption are the commissions on premiums under collection (Euro 7,094 thousand), invoices and notes to be received (Euro 1,602 thousand, including Euro 91 thousand, Euro 150 thousand and Euro 63 thousand due to the related companies S.In.T S.p.A., Interbilancia S.r.l. and Le Api S.r.l. respectively) and technical accounts to be settled with agencies (Euro 232 thousand).

CLASS H - ACCRUED EXPENSES AND DEFERRED INCOME

2002		2003		Change
€	1,145	€	1,043	€ -102

The caption includes interest accrued on the convertible subordinated bonds to be paid to subscribers on 1 January 2004 (Euro 990 thousand). The residual Euro 53 thousand mainly relates to deferred acquisition costs on business with brokers and accrued general expenses.

GUARANTEES, COMMITMENTS AND OTHER MEMORANDUM AND CONTINGENCY ACCOUNTS

I - Guarantees given

2002		2003		Change
€	2,333	€	2,075	€ -258

The caption is composed of sureties given by Vittoria Immobiliare S.p.A. on behalf of the associated company Gimatrading S.r.l. (Euro 2,075 thousand).

IV - Commitments

2002		2003		Change
€	46,855	€	40,478	€ -6,377

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

V - Third party assets

2002		2003		Change
€	3,132	€	4,122	€ 990

The caption relates to savings accounts in favour of eligible claimants (Euro 1,792 million) and shares of Vittoria Immobiliare owned by minority shareholders (Euro 2,330 thousand).

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

2002		2003		Change
€	1,309	€	1,705	€ 396

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

VII - Securities held by third parties

2002		2003		Change
€	974,474	€	973,976	€ -498

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

PROFIT AND LOSS ACCOUNT

2003 premiums of the Vittoria Assicurazioni group relate only to Italy. They may be broken-down as follows (in thousands of Euro):

Life business direct insurance

Accident and health insurance	(classes 1 and 2)	30,526
Motor vehicle hulls	(class 3)	41,835
Marine, aviation and transport insurance	(classes 4, 5, 6, 7, 11 and 12)	4,184
Fire and miscellaneous damage	(classes 8 and 9)	33,250
Motor third party liability	(class 10)	216,880
General third party liability	(class 13)	22,077
Credit and bond insurance	(classes 14 and 15)	7,220
Pecuniary losses	(class 16)	4,924
Legal protection	(class 17)	2
Support and assistance	(class 18)	2,010
Total non-life business direct insurance		362,908
Non-life business indirect insurance		600
Total non-life business		363,508

Life business direct insurance

I Whole and term life insurance	54,956	
III Unit-linked policies	20,069	
IV Health insurance	254	
V Capitalisation insurance	18,342	
VI Investment pool management	400	
Total life business direct insurance		94,021
Life business indirect insurance		35
Total life business		94,056

Other non-life business technical income totalled Euro 1,316 thousand and is mainly composed of the write-off of commissions for previous years' premiums cancelled (Euro 503 thousand) and other technical captions (Euro 568 thousand), mainly related to recoveries of settlement costs related to claims subject to knock for knock agreement and ANIA incentives for scrapping damaged vehicles as well as the utilisation of Euro 245 thousand of the provision for bad debts.

Other non-life business technical charges amounted to Euro 4,624 thousand due to technical write-offs and losses on premiums and related accruals to the provision for bad debts (Euro 3,953 thousand) and charges related to services supporting insurance covers (Euro 671 thousand, including Euro 329 thousand repaid to the related company S.In.T. S.p.A.).

The life business technical account includes other technical charges amounting to Euro 57 thousand due to premiums cancelled or written off due to bad debts and other technical income amounting to Euro 1,148 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:

	Income on investments	Adjustments to investment values	Profit on sale of investments
Land and buildings	178	-	1,157
Equity investments	5,373	-	-
Loans granted to associated companies (*)	183	-	-
Unit trust units	326	-	1,674
Bonds and other fixed-interest securities	43,568	32	60
Loans to third parties	608	-	-
Deposits with ceding companies	42	-	-
Total	50,278	32	2,891

(*) Yarpa International Holding N.V. (Euro 104 thousand), Interbilancia S.r.l. (Euro 9 thousand), Laumor B.V. (Euro 33 thousand) and Rovimmobiliare S.r.l. (Euro 37 thousand).

Investment management charges and interest payable of the non-technical account include interest on reinsurance deposits of Euro 3,022 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:

	Adjustments to financial asset values	Loss on sale of investments
Land and buildings	-	-
Equity investments	-	-
Bonds and other fixed-interest securities	4	17
Unit trust units	-	177
Total	4	194

Other income of the non-technical account mainly includes management, brokerage and consultancy services provided by the consolidated real estate companies (Euro 2,856 thousand), interest on current accounts with banks (Euro 1,345 thousand) and other interest on tax receivables and agents' recharges (Euro 551 thousand).

Interest on financial payables is mainly composed of interest on sums due to banks relating to the real estate companies (Euro 643 thousand) and on the subordinated loan (Euro 990 thousand).

Other charges include amortisation of intangible assets (Euro 5,277 thousand), exchange rate losses (Euro 246 thousand), the accrual to the provision for bad debts (Euro 204 thousand), operating costs relating to the consolidated real estate companies (Euro 3,251 thousand) and amortisation of goodwill arising on consolidation relating to the acquisition of Yarpa International Holding N.V. (Euro 7 thousand).

Extraordinary income and expense are affected, respectively, by damage compensation for the head office (Euro 500 thousand), gains on sales (Euro 124 thousand) and positive prior year items (Euro 180 thousand) and costs for the tax amnesty (Euro 562 thousand), extraordinary expense for the 2003 fire (Euro 406 thousand), expense due to adjustment of the future tax rate for deferred tax assets (Euro 179 thousand) and other negative prior year items (Euro 191 thousand).

Part D: Other information

Employees

Employees numbered 398 at year end.

The average number of employees split by position is as follows:

Managers	16
Officers	86
<u>Administrative staff</u>	<u>295</u>
<u>Total</u>	<u>397</u>

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 901 thousand
Statutory auditors	Euro 56 thousand

Other information

As required by the accounting principle governing the valuation of contract work in progress, set out below are the differences in reported values which would have arisen had the building units under construction, for which a preliminary sale agreement had already been signed at the balance sheet date, been calculated using the "percentage of completion" method rather than the "completed order" method (in millions of Euros).

	Figures relating to the accounts of the group companies		Figures relating to the parent company's accounts, considering the relevant holding percentage		
	Excess value at 31/12/2002	Excess value at 31/12/2003	Difference in shareholders' equity at 31/12/2002	Difference in 2003 net profit	Difference in shareholders' equity at 31/12/2003
V.R.G. Domus buildings					
Gross	1.0	4.9			
Net of the tax effect	0.6	3.0	0.2	0.6	0.8
Vittoria Immobiliare buildings					
Gross	0.9	2.9			
Net of the tax effect	0.6	1.8	0.3	0.7	1.0
Mideco group buildings (indirect investment stated using the equity method)					
Gross	8.4	12.1			
Net of the tax effect	5.7	8.0	1.3	0.5	1.8
Total effect for Vittoria Assicurazioni group			1.8	1.8	3.6

Consolidated cash flow statement

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

(in thousands of Euro)

	2002	2002
SOURCE OF FUNDS		
Net profit for the year pertaining to the group	19,290	14,001
Net profit for the year pertaining to minority interests	238	188
Adjustments relating to unsettled positions:		
Net increase (+) decrease (-) in:		
claims reserve	12,787	13,611
premium reserve	16,312	14,712
non-life business technical reserves	42,279	20,935
Increase (-) Decrease (+) in receivables from policyholders	-4,413	-1,776
Net increase (-) decrease (+) in		
agent, reinsurer and coinsurer balances	19,786	-4,573
Net increase (+) decrease (-) in deferred		
commissions on long-term policies and other deferred charges	-519	-1,635
Increase in specific provisions	-696	-708
Employees' leaving entitlement:		
accruals	1,196	1,068
utilisation	-654	-655
Increase (-) decrease (+) in other receivables, sundry assets and accrued income	5,129	-5,338
Increase (+) decrease (-) in other sums payable, other liabilities and accrued expenses	-2,396	9,671
Adjustments to securities	-28	6,974
Adjustments to class D securities	-2,927	5,612
Revaluations (+) write-downs (-) of investments in associated company stated using the equity method	-4,608	-1,271
Funds generated by ordinary activities	100,776	70,816
Disposal of fixed assets	5,201	179
Sale of bonds and other fixed-interest securities	55,040	46,462
Sale of equity investments	0	2,926
Sale of unit trusts	26,890	7,465
Sale of class D	11,257	9,557
Repayment of loans and borrowings	3,322	2,590
Share capital increases against consideration (including third party contributions to subsidiaries)	1,703	833
Increase (+) decrease (-) in loans to real estate companies	7,345	8,350
Funds generated by disinvesting and financing activities	110,758	78,362
Total funds generated	211,534	149,178

Consolidated cash flow statement

(in thousands of Euro)

	2002	2002
APPLICATION OF FUNDS		
Buildings (acquisitions and improvement costs)	87,446	13,342
Fixed-interest securities	49,582	110,222
Investments	7,096	955
Unit trusts	3,350	10,550
Other financial investments	478	0
Class D investments	27,935	16,318
Loans to third parties	9,288	4,126
Dividends distributed (including those paid to third parties by subsidiaries)	3,967	3,848
Total application of funds	189,142	159,361
Increase/decrease in liquid funds	22,392	-10,183
Total	211,534	149,178
Liquid funds at the beginning of the year	26,872	37,055
Liquid funds at the end of the year	49,264	26,872

Board of directors

Milan, 26 March 2004

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Report of the Independent Auditors

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**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, 2003. 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 another auditing firm on April 2nd, 2003 on the prior year figures which are presented for comparative purposes as required by law.

The financial statements of some associated companies, representing approximately 9% 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 is 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, 2003 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 7th, 2004

BDO Sala Scelsi Farina
Società di Revisione per Azioni

Signed by: Paolo Scelsi