Vittoria Assicurazioni

SOCIETÀ PER AZIONI (SpA) - JOINT STOCK COMPANY
REGISTERED OFFICES: VIA CALDERA 21 - 20153 MILAN - ITALY
SHARE CAPITAL: EUR 30,451,623.00 FULLY PAID IN
TAX CODE & MILAN COMPANIES REGISTER NO. 01329510158 - R.E.A. NO. 54871
COMPANY AUTHORISED TO PERFORM INSURANCE ACTIVITIES
PURSUANT TO ART. 65 OF ITALIAN ROYAL DECREE LAW NO. 966 OF 29.4.1923

85th year of business

2006 Consolidated Annual Report & Accounts

Annual General Meeting
of Shareholders
27 April 2007

(Translation from the Italian original which remains the definitive version)

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* BOARD OF DIRECTORS

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

* BOARD OF STATUTORY AUDITORS

Angelo CASÒ	President
Giovanni MARITANO	Standing statutory auditor
Livio STRAZZERA	Standing statutory auditor
Ferruccio ARALDI	Substitute statutory auditor
Sergio VASCONI	Substitute statutory auditor

GENERAL MANAGEMENT

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

INDEPENDENT AUDITOR

BDO Sala Scelsi Farina
Società di Revisione per Azioni
(joint-stock auditing company)

* Directors and Statutory Auditors appointed by the shareholders' and Board of directors' meetings of 27 April 2007

APPOINTMENTS AND REMUNERATION COMMITTEE

Luca PAVERI FONTANA	Non-executive president
Francesco BAGGI SISINI	Independent non-executive member
Lodovico PASSERIN d'ENTREVES	Independent non-executive member

INTERNAL CONTROL COMMITTEE

Pietro Carlo MARSANI	Independent non-executive president
Francesco BAGGI SISINI	Independent non-executive member
Giuseppe SPADAFORA	Independent non-executive member

FINANCE COMMITTEE

Andrea ACUTIS	Executive president
Carlo ACUTIS	Executive member
Giorgio COSTA	Non-executive member
Roberto GUARENA	Executive member
Luca PAVERI FONTANA	Non-executive member

REAL ESTATE COMMITTEE

Andrea ACUTIS	Executive president
Adriana ACUTIS BISCARETTI di RUFFIA	Non-executive member
Carlo ACUTIS	Executive member
Francesco BAGGI SISINI	Independent non-executive member
Giorgio COSTA	Non-executive member
Roberto GUARENA	Executive member
Arnaud HELLOUIN de MENIBUS	Non-executive member
Luca PAVERI FONTANA	Non-executive member

Format and content

As required by Article 3 of Italian Legislative Decree no. 38 of 28 February 2005, the consolidated financial statements have been prepared in compliance with the international financial reporting standards (IFRSs) issued by the International Accounting Standards Board and endorsed by the European Union (EC regulation no. 1606/2002). IFRSs include all revised international accounting standards (IASs), all the interpretations of the International Financial Reporting Interpretations Committee (IFRIC), formerly called the Standing Interpretations Committee (SIC).

The present set of year-end financial statements is also presented in compliance with the formats defined by ISVAP (the Italian insurance regulator) ordinance no. 2404 of 22 December 2005 (balance sheet, income statement, statement of changes in equity, cash flow statement and accounting schedules) and includes additional detailed tables necessary to complete disclosure as required by IFRSs or useful for better understanding of the year-end financial statements.
The accounting schedules required by the ISVAP in terms of minimum disclosure content are shown in the specific chapter “Appendices to Consolidated Financial Statements”, which is an integral part of the present set of year-end financial statements.

The disclosures presented take into account the specific items contained in Italian Legislative Decree no. 209 of 7 September 2005 and in CONSOB (Italian securities & exchange commission) memorandum no. 6064293 of 28 July 2006.

The accounting and classification policies used to prepare year-end financial statements are detailed in the explanatory notes to accounts.

Unless otherwise specified, amounts are shown in thousands of euro (€).

Other relevant information

The Vittoria Assicurazioni Group is active in the insurance business solely through the direct operating parent company. As part of its strategy aimed at optimising its risk/return profile, it has directed part of its investments to the real estate business (trading, property development, and real estate brokerage and management services) via Vittoria Immobiliare SpA and other group companies.
Certain group companies provide services mainly aimed at supporting group insurance operations.

The direct non-operating parent company of Vittoria Assicurazioni is Vittoria Capital NV, with registered offices in Amsterdam (Holland), while the ultimate and group parent company is Yafa SpA, with registered offices in Turin (Italy).

Directors' report

Economic and insurance scenario

The global economy featured very intensive growth in the first half of 2006. Full-year 2006 growth is estimated to have been around 5.1%, with growth balanced more evenly between the various geographical areas.
The slowdown, in any case limited, of the US and Japanese economies was in fact set against acceleration of European countries' economies, whilst the growth of developing countries – headed by China and India – continued to be buoyant.
Since this was the fourth year of economic expansion, inflationary fears, fuelled by the increasing pace of petroleum products' prices (which has stopped only recently), and the consequently more restrictive monetary policies imposed by the main central banks, may dampen growth prospects in the next few years.

The US real estate market currently features marked contrasts. This has caused downward revision of growth estimates for the year that has just ended – but growth should in any case be around 3.3%. On the monetary front, members of the Federal Open Market Committee (FOMC) have recently shown unanimous consensus on the present level of interest rates. Whilst, on the one hand, concerns about economic slowdown might prompt supportive monetary policy intervention, on the other hand the latter is discouraged by the need to restore inflation to more moderate levels than those occurring in 2006 (2.9%).

As far as the Eurozone is concerned, growth finally seems to have firmed up and, in 2006, should be around 2.6%.
Internal demand, fuelled primarily by private investments, is the main growth driver.
Despite the recent restrictive Italian and German tax reforms, the scenario on which there is most consensus projects stable growth in the next few years in an environment of limited inflation.
The latter, also thanks to recent deceleration of oil price trends, has dipped below the 2% threshold – but continues to be a cause of apprehension for the European Central Bank (ECB).
The high risks for price stability in a favourable macroeconomic environment are accompanied by observation of the high levels now reached by all monetary aggregates.
This situation contributed to the ECB's recent decision to revise short-term interest rates upwards, increasing them to the present level of 3.75%.
On the exchange-rate front, the year that has just ended featured further appreciation of the single European currency against the US dollar and the world's other main currencies.

The Italian economy showed encouraging signs of recovery, thanks to the increase in industrial output, fuelled by higher foreign demand. GDP in the 4th quarter accelerated strongly and should have lifted the full-year 2006 growth rate to around 2006.
If confirmed, this would be the best result since 2000 and would enable Italy to draw closer to the European average.
The renewed liveliness of the economy, together with the positive knock-on effect of 2006 year-end data, has also prompted the main international bodies to revise growth estimates for the current year upwards, raising them to a level of 1.5-1.7%.
Financial markets featured good performance as regards the equity market (the S&P/MIBtel index increased by over 16%), whereas the bond market, after an initially downward phase, recovered returning substantially to levels at the beginning of the year (-0.31%, FTSE Italy Government Performance index).

We now review some data concerning the Italian insurance market.
According to ISVAP data, gross premiums written in the Life business in the first three quarters of the year decreased by -6.4% over the same period in the previous year. New business (individual policies) decreased by -9.9%.

Continuing a tendency already observed in the past, traditional products were the ones hardest hit, whereas those featuring greater financial content (Class III – unit-linked policies) were characterised by more moderate shrinkage of premiums.
An interesting point worthy of reflection is the fact that the difference in the growth rates of the various companies in the sector continues to become less marked.

Notwithstanding the decline in premiums mentioned above, the amount of mathematical reserves under management is set to grow, also fuelled by revaluations triggered by financial markets' good performance.
Lastly, the action announced to reform the Italian pension system could have positive repercussions on the entire sector.

In the Non-Life (Property & Casualty) business, gross premiums written in the first three quarters of 2006 increased by 2.3% over the same period in the previous year. They were driven by non-motor branches, with the exception of the Transport branch, which decreased slightly (-3.4%).

In the real estate field, 2006 was the eighth consecutive year of price increases, albeit with the lowest growth rate since the start of the present positive cycle (which started in 1999). Expectations for the next few years are of substantial stability.
There is in fact a further lengthening of average selling times, plus an increase in building activity, which will cause a significant increase in the supply of new residential units.
The sector has also been affected by the 2006 VAT reform (which has partly dampened the potential profitability of mere trading deals in the residential segment) and reflects expectations of different taxation of properties owned by private investors.

In this environment the Group gives preference to real estate promotion transactions as opposed to trading.
It is strengthening the real estate services area, including collaboration with BPC SGR SpA, the subsidiary of the associate company BPC SpA, which in 2006 started managing the first closed-end real estate fund.

Performance of the Vittoria Assicurazioni Group

Net profit in the sixth set of consolidated financial statements attributable to the parent company's shareholders amounted to € 35,407 thousand (-11.4% vs. the previous year's consolidated profit, which amounted to € 39,979 thousand).

As already specified in interim reports, the improvement in insurance business reported as at 31 December – to which private equity deals undertaken by the Dutch and Luxembourgian associate companies contributed € 8,056 thousand - was set against a reduction in income in the real estate business. This was due to the different type of activities currently underway, prevalently concerning development and promotion operations (i.e. with a medium-/long-term horizon) rather than trading (with a short-term horizon). This means that related income will emerge later, over a longer time span.

The net profit of the parent company Vittoria Assicurazioni SpA – as per Italian accounting standards (Italian GAAPs) – totalled € 27,437 thousand (€ 20,330 thousand as at 31 December 2005), with an increase of 35.0%. This result benefited from dividends distributed by foreign associate companies totalling € 7,250 thousand, of which € 5,000 thousand referring to profits already reported in previous years' consolidated accounts.

Of investments totalling € 1,710,169 thousand (+14.7%), € 116,048 thousand (-5.5%) referred to investments where policyholders bear the risk and € 1,594,121 thousand to investments where the Group bears the risk (+16.1% vs. 31 December 2005).

Net realised and unrealised gains on investments where risk is borne by the Group amounted to € 76,587 thousand vs. € 96,503 thousand in the previous year (-20.6%).

The profit attributable to the shareholders of the parent is net of a technical accrual of € 1,150 thousand supplementing life business technical reserves. This is because the investments in the subsidiaries Vittoria Immobiliare SpA. and Immobiliare Bilancia Srl are partly allocated to segregated Life asset businesses and therefore separately-managed life accounts. Given this, part of the related income recognised by the parent company has to be reversed to policyholders.

30 October 2006 marked the end, for 2006, of the annual conversion period envisaged by the Regulation for the "Vittoria Assicurazioni – Fixed/Floater 2001/2016" bond loan. In the period between 20 May 2006 and 30 October 2006 the nominal amount of bonds converted totalled € 2,168 thousand, with an increase of the parent company's share capital from € 30,000,000 to € 30,451,623.

The companies forming the Group are listed in the chapter "Explanatory notes" – Table A) Scope of Consolidation.

INSURANCE BUSINESS

Profit for the insurance business, before taxes and intersegment eliminations, amounted to €47,416 thousand (€ 37,305 thousand as at 31/12/2005, with a 27.1% increase).The key operating items contributing to the period's result are described below.

Total insurance premiums as at 31 December 2006 amounted to € 587,489 thousand (+6.6% vs. premiums of € 551,202 thousand in the previous year), of which € 570,802 thousand for insurance premiums and €16,687 thousand for index- and unit-linked investment contracts and for the Vittoria Formula Lavoro open-ended pension fund.

Direct Life insurance premiums amounted to € 115,016 thousand with a 1.5% YoY increase.

Returns on separately managed businesses were positively influenced by the parent company's financial policy. Besides low-risk investments made in the market, this policy is also directed towards real estate initiatives undertaken via the Group's specialised companies.

The returns achieved were as follows:

- Vittoria Rendimento Mensile: 4.88%;
- Vittoria Valore Crescente: 5.12%;
- Vittoria Liquinvest: 4.78%.

Revenues for investment contracts (life policies of a financial nature) rose from € 4,478 thousand to € 16,687 thousand (+272.6%) thanks to the active efforts of the agency network and to the good returns of the products marketed.

Direct Non-Life (i.e. property & casualty) premiums totalled € 454,560 thousand, with a 5.1% YoY increase.

Motor premiums written increased by 3.3%. More specifically, the land vehicle hulls branch progressed by 3.7%, thanks to consolidation of the commercial agreements in place and to the start of further agreements made during the year. The motor TPL (third-party liability) branch featured a 5.7% increase in the number of vehicles/year insured with a 3.0% increase in premiums. In addition to this growth – to which contributory factors were the constant attention dedicated to affinity groups and strengthening of the commercial organisation via the inauguration of new sales outlets – there was also a 7.8% improvement in claims frequency.

Direct Non-Marine premiums achieved a significant increase, i.e. +11.8%. The result was achieved thanks to the constant attention dedicated to this segment, which the company considers to be strategic.

Premiums for Specialty categories (i.e. marine & transport, aviation, and credit & suretyship) decreased by -6.2%. This decrease was also due to the severe risk selection criteria applied both during underwriting and in the assessment of retention or otherwise of existing policies.

Overhead costs as a percent of total direct insurance premiums were 9.1% (9.5% in the previous year).

Due to measurement of associate companies with the equity method, the relevant portions of profit of the companies concerned (€ 16,737 thousand vs. € 6,532 thousand in the previous year) and losses (€ 408 thousand vs. 298 thousand in the previous year) are respectively classified in the income statement amount "Income from investments in subsidiaries, associates, and joint ventures" and "Losses from investments in subsidiaries, associates, and joint ventures".
In the Income Statement by segment such profits are recognised in the Non-life segment, and pertain mainly to the results of the associated companies active in the real estate and in the private equity business.

REAL ESTATE BUSINESS

Profit for the real estate business, before taxes and intersegment eliminations, amounted to € 8,647 thousand (€ 45,717 thousand as at 31/12/2005) and featured contributions to the income statement that, before intersegment eliminations, included:

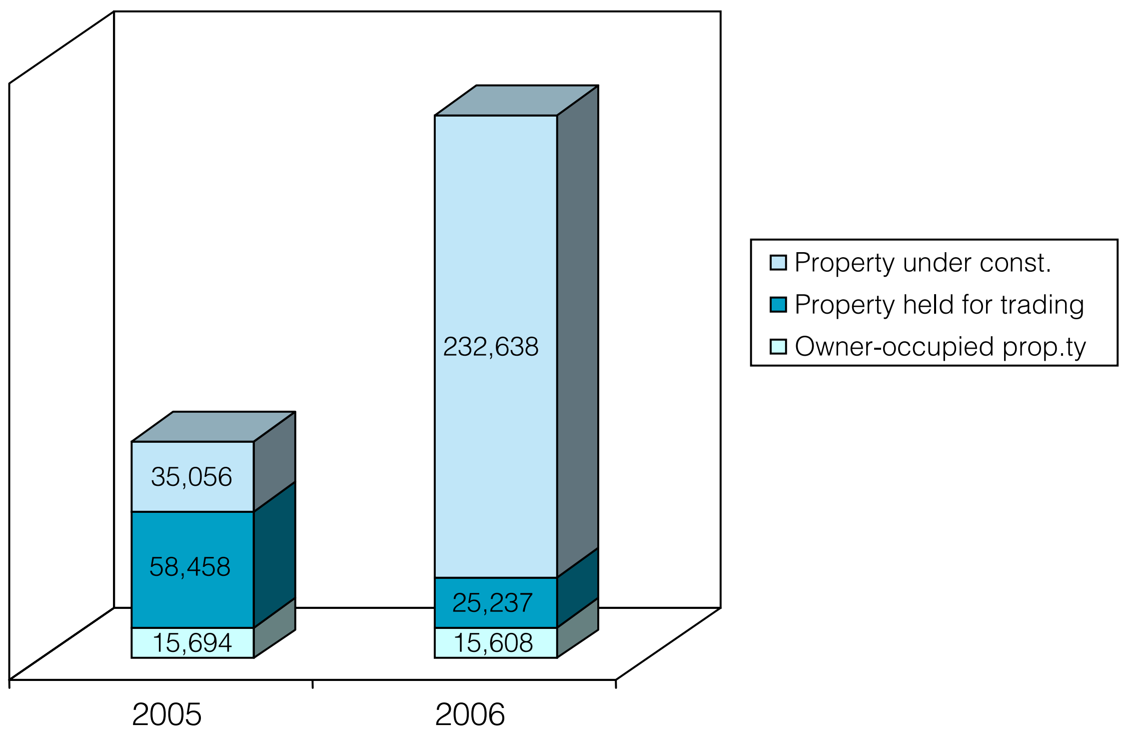
- Income earned on properties from trading (€ 15,435 thousand) and development (€ 435 thousand) totalling € 15,870 thousand
- Revenues from real estate brokerage and management services of € 4,122 thousand and rental income of € 1,055 thousand.

The reduction of the real estate segment's profit reflects the different type of activities currently underway, prevalently concerning development and promotion operations (i.e. with a medium-/long-term horizon) rather than trading (with a short-term horizon). This means that related income will emerge later, over a longer time span.

The chart below shows the breakdown of the Group's real estate assets.

Breakdown of real estate assets

(Amounts in € '000)



The net financial position of the real estate business featured net debt of € 48,898 thousand, with an increase of € 32,809 thousand vs. 31/12/2005, due to the new development initiatives undertaken during the year.

SERVICES BUSINESS

Revenues for services rendered and commissions received by Group companies, before elimination of intercompany services, amounted to € 3,790 thousand.

This segment showed a profit, before tax and minority interest, of € 117 thousand (€ 98 thousand as at 31/12/2005).

Equity and dividend policy

Equity attributable to shareholders of the parent company totalled € 226,311 thousand whilst that attributable to minority interests amounted to € 6,511 thousand (€ 203,635 thousand and € 9,898 thousand respectively as at 31/12/2005).
One of the parent company's strategic objectives is the constant increase of shareholder remuneration, whilst simultaneously accentuating the level of capitalisation versus the minimum levels required for the insurance sector.
Forecasts for future years confirm the sustainability of the policy designed to develop the parent company's assets, where retained earnings continue to be sufficient to meet the levels of capitalisation required both by regulations and corporate strategies.

Proposed dividend per share

The parent company's Board of Directors is submitting for approval by shareholders at the AGM the proposal that the profit of € 27,436,806 shown in individual statutory financial statements be allocated as follows:
To the legal reserve € 90,325
To an available reserve € 22,474,221
To shareholders € 4,872,260 corresponding to a dividend of € 0.16 for each of the 30,451,623 shares forming share capital.

After approval by shareholders, dividend distribution will be recognised in 2007 individual statutory accounts.

INSURANCE BUSINESS

Review of performance

In consolidated financial statements premiums are shown net of index- and unit-linked contracts and those relating to the Vittoria Formula Lavoro open-ended pension fund, as these revenues do not qualify as premiums as defined by IFRS 4. The revenues in question amounted to € 16,687 thousand (€ 4,478 thousand in the previous year).
Premiums as at 31 December 2006 thus amounted to € 570,802 thousand. Portfolio breakdown and the changes occurring by business segment (Life and Non-Life (property & casualty)) are shown in the following table:

BREAKDOWN OF GROSS PREMIUMS WRITTEN IN 2006 AND 2005
DIRECT AND INDIRECT INSURANCE

(in thousands of Euros)

	Esercizio 2006	Esercizio 2005	Change %	Percentage of portfolio 2006	2005
Domestic direct insurance					
Life Business					
I Whole and term life insurance	65,012	63,195	2.9	11.4	11.6
IV Health insurance	309	280	10.4	0.1	0.1
V Capitalisation insurance	49,695	49,807	-0.2	8.7	9.1
Total life business	115,016	113,282	1.5	20.2	20.7
Non-life business					
Other non-life premiums excluding aviation, marine, bonds and credit	118,077	105,573	11.8	20.7	19.3
Premiums relating to aviation, marine, bonds and credit	12,762	13,606	-6.2	2.2	2.5
Motor business	323,721	313,237	3.3	56.7	57.3
Non-life business	454,560	432,416	5.1	79.6	79.1
Total direct insurance	569,576	545,698	4.4	99.8	99.8
Domestic indirect insurance					
Life business	28	36	-22.2	0.0	0.0
Non-life business	1,198	990	21.0	0.2	0.2
Total indirect insurance	1,226	1,026	19.5	0.2	0.2
Total	570,802	546,724	4.4	100.0	100.0

Life business

Insurance and investment contracts in the Life business

The products currently offered by the parent company cover all insurance business lines, from savings ("revaluable" policies[*] relating to separately managed businesses), protection (policies covering risks of death, disability, and non-self-sufficiency(i.e. long-term care)) and supplementary pension plans (individual pension schemes and open-ended pension fund). The product range also includes unit-linked financial policies. The lines marketed include policies that envisage the possibility of converting the benefit accrued into an annuity. Conversion takes place at the conditions in force when the option is exercised. The types of tariffs used are those for endowment, whole-life and term-life policies, on both an annual and single-premium basis, and fixed term policies, plus group tariffs for whole/term life and/or disability policies. Contractual terms are updated constantly and are in line with those commonly offered by the market.

Premiums

Direct insurance premiums written amounted to € 115,016 thousand, of which € 65,099 thousand for single premiums and € 49,917 thousand for recurrent premiums, respectively accounting for 56.6% and 43.4% of the total. The 1.5% increase in premiums was achieved thanks to growth of premiums for Class I - Whole and term life insurance.

In 2006 the funds relating to separately managed businesses achieved the following returns:

(in thousands of Euros)

	Gross rate of return	Total investments
Vittoria Rendimento Mensile	4.88%	325,797
Vittoria Valore Crescente	5.12%	303,058
Vittoria Liquinvest	4.78%	9,636

The rate of return allocated to policyholders complies with the specific contractual terms stipulated. As done in previous years, in 2006 acquisition commissions on long-term policies and incentives paid to agents for new business were deferred, i.e. capitalised, and amortised within the total limit of associated loading of premiums, depending on contracts' duration and in any case over a period not exceeding 10 years.

[*] For non-Italian readers: with the Italian "revaluable" policy, which is of the endowment type, the insurance company, at the end of each year, grants a bonus that is credited to mathematical reserves and depends on the performance of an investment portfolio. This bonus is determined in such a way that total interest credited to the insured is equal to a given percentage of the annual return of the reference portfolio and in any case does not fall below the minimum interest rate guaranteed. The "revaluable" policy is therefore of the participating type.

Claims, accrued capital sums and annuities, and surrenders

The following table summarises data for direct business relating to claims, accrued capital sums and annuities, and surrenders as at 31 December 2006, compared with data for the previous year.

(in thousands of Euros)

	2006	2005
Claims	3,309	2,025
Accrued sums and annuities	48,238	49,096
Surrenders	22,297	16,266
Total	73,844	67,387

Reinsurance

Outward reinsurance

In the Life business, the main treaties in place, which relate to Class 1 (whole/term life), are as follows:
- Excess of risk premium
- Pure office premiums – treaties set up in 1996 and 1997.

Ceded premiums amounted to €2,518 thousand in 2006.

Inward reinsurance

With respect to the life business, there is a traditional pure-premium treaty no longer fed with new business which merely records changes occurring in the related portfolio.

Non-Life business

Technical performance

Based on individual categories' performance, it is possible to make the following considerations:

Non-Marine business
Non-marine premiums increased by 11.8% and continued to increase their weight in the parent company's book. The technical result, although down compared with the previous year, was positive.

Accident insurance: this line's premiums grew by 6.5%. The year's technical performance featured an increase in claims frequency and average cost, also because of an increase in peak claims. The positive technical result was lower than in the previous year.

Health insurance: this line, which is going through a static phase, showed premiums down by 1.8%. Underwriting criteria made it possible to reduce claims frequency vs. 2005 but the significant increase in the number of serious claim events and of their average cost, in parallel with reduction of the health insurance book, led to a negative technical result. Revamping of products is continuing to tailor them more closely to customer needs, based on customers' economic/geographical area, in order to aid commercial action for development of the line.

Fire and natural elements: growth of premiums written (+5.5%), in line with that of 2005, continued mainly in the personal line and SME category, consistently with the severe risk selection criteria applied with the agency network's active assistance. Cover provided for larger companies has been underpinned by an appropriate reinsurance policy. The line's technical result was positive but lower than in the previous year due to the greater frequency of claims relating to products in the personal line.

Other asset damage: premiums for this branch, which includes the risk of theft, electronic equipment and technological damage, and hail, grew by 8.9%. Claims frequency decreased compared with 2005 but the particular concentration of claims in the technological risks segment and aggravation of previous years' claims led to a negative technical result, worse than in 2005.

General TPL: the 10.3% increase in premiums was mainly due to tariff adjustments made in the last few years to right the operating result. Reform of the General TPL book, with special reference to contracts featuring a high incidence of claims led to a significant reduction of claims frequency. This, notwithstanding the increase in average cost, had a positive impact on the line's results. The technical result remained negative but showed further tangible improvement over the previous year, confirming the clear inversion of trends evident in the last few years.

Miscellaneous financial loss: premiums in this branch grew by 56.1% thanks to development of business in the "20%-salary-assignment loan" ("cessione del quinto") segment. The technical result was positive, showing further progress over the previous year.

Legal protection: Premiums in this branch, where activity was basically started in FY2005, progressed by 58.3%, largely thanks to cover provided for risks arising from the use of cars. New products were designed for the household segment. The technical result was positive.

Specialty business
Branches in this category showed a decrease of 6.2%, mainly because of reduction of activity in the field of general aviation and space risks. The overall technical result was still negative, albeit with marked improvement over 2005.

Credit & suretyship: Premiums written increased by 6.5%, confirming the turnaround emerging in 2005 compared with previous years, which had suffered a decrease following reorganisation efforts in FYs 2001 and 2002. Claims in the year featured a further decrease by virtue of the quality of risks underwritten. Earned premiums were affected by elimination of the "reserve for current risks", provisioned in previous years against risks stemming from the business of two agencies closed in 2001. The reserve was no longer necessary as the cover in question had ceased. The claims reserve was further strengthened to fulfil commitments arising from execution of policies hit by claims in previous years. The result, although remaining negative, confirmed the trend towards technical breakeven.

Aircraft hulls – Aircraft TPL: premiums written decreased by 31.7% due to reduction of underwriting activity in the general aviation and space risks segment. The technical result remained positive.

Ship hulls (sea, lake, and river) and railway rolling stock: premiums grew by 60.3% over 2005 and the technical result was positive.

Cargo (goods in transit): premiums written decreased by 17.1% due to loss of a major contract. Careful selection of underwriting risks and tight management of recoveries permitted achievement of a positive technical result.

Motor business

This category featured 3.3% growth of premiums written and a positive technical result, showing further progress over the previous year.

Third-party liability for land motor vehicles and for watercraft (sea, lake, and river). Premiums written grew by 3.1% following and increase in the number of vehicles/year insured, which increased by 5.7%, whilst tariffs remained substantially unchanged.

Company policies in this segment continue to aim for further, more aggressive customisation in order to limit claims frequency. During the year new contractual conditions were applied. These are designed to further increase retention, introducing an insurance approach targeting the whole family as opposed to the previous, more exclusively individual approach. Reform of the highest risk lines was completed. Although this had a negative impact in terms of premium growth, it led to a decrease in the average cost and frequency of claims vs. 2005. The technical result showed improvement over previous years.

Land motor vehicle, watercraft, and rail rolling stock hulls and Assistance. These lines consist of ancillary cover for the types of vehicle mentioned in the description. Premiums featured an increase of 3.7%, lower than in 2005, also because of action take to reform the book with the aim of reducing claims frequency and average cost. The underwriting policy continued: besides dedicating special attention to combination of ancillary cover with Motor TPL and to further development of affinity groups, this also focused on consolidating collaboration – via the agencies – with the dealer networks for newly registered vehicles and related services. The positive technical result, although lower than in 2005, confirms the soundness of the actions implemented.

Premiums

Premiums for direct business amounted to € 454,560 thousand and showed an increased of 5.1%.

Claims

<u>Reported claims</u>

The following chart, concerning reported claims, has been prepared using data from positions opened during the year. Data are compared with those for the previous year:

(in thousands of Euros)

	2006		2005		Change %	
	number	total cost	number	total cost	number	total cost
Total non-motor businesses	30,725	65,322	30,659	59,739	0.2	9.3
Total Special businesses	612	8,153	661	8,288	-7.4	-1.6
Total motor businesses	88,186	203,254	85,070	213,171	3.7	-4.7
Total non-life businesses	**119,523**	**276,729**	**116,390**	**281,198**	**2.7**	**-1.6**

<u>Claims paid</u>

The following table shows the amount of claims paid for direct business, net of recoveries, and the amount charged to reinsurers:

(in thousands of Euros)

	Claims paid 31/12/2006			Claims recovered from reinsurers	Claims paid 31/12/2005			Change gross claims %
	Current year	Previous years	Total		Current year	Previous years	Total	
Total non-motor businesses	22,509	28,068	50,577	3,022	20,074	25,077	45,151	12.0
Total Special businesses	2,999	2,804	5,803	3,093	2,153	8,413	10,566	-45.1
Total motor businesses	95,472	120,377	215,849	39,399	94,322	119,201	213,523	1.1
Total non-life businesses	**120,980**	**151,249**	**272,229**	**45,514**	**116,549**	**152,691**	**269,240**	**1.1**

The additional cost borne in 2006 for the road-accident victim guarantee fund was € 6,247 thousand vs. € 6,025 thousand in the previous year.

Claims settlement speed

The following table shows claims settlement speed based on the number of reported claims, net of claims eliminated without payout, split by present and aged claims for the main lines of insurance business.

(percentages)

	current generation		previous generations	
	31/12/2006	31/12/2005	31/12/2006	31/12/2005
Accident insurance	55.62	55.26	72.27	64.71
Health insurance	77.63	74.96	91.75	69.61
Motor property damage	85.30	84.83	82.55	90.97
Fire and natural events	79.89	67.03	58.92	42.12
Miscellaneous damage - theft	79.36	79.34	80.40	74.29
Motor third-party liability	68.57	67.68	69.92	70.20
General third-party liability	53.43	55.83	38.82	42.37

Claims reserve run-off

The claims reserve existing at the beginning of FY2006, compared with costs borne in the year for previous years' claim events -.consisting of payments made and year-end reserving for claims yet to be paid – showed, for total business, a loss of € 858 thousand, i.e. 0.3% of opening reserves, as highlighted in the following table:

(in thousands of Euros)

	Direct business	Ceded busines	Indirect business	Retro-ceded busines	Total
Claims reserve at the beginning of the year	419,018	76,688	1,789	1,300	342,819
Claims incurred in previous years, paid in current year	-157,979	-26,749	-114	-74	-131,270
Recovies from policyholders and third parties for claims	5,023	-395	-2	-3	5,419
Claims reserve at the end of the year	-274,688	-45,137	-1,571	-1,103	-230,019
Portfolio transfers	0	-12,207	-14	0	12,193
Result of the development	-8,626	-7,800	88	120	-858
% on Claims reserve at the beginning of the year	-1.0%	-3.4%	5.0%	9.4%	-0.3%

Claims cost trend

As required in IFRS 4, paragraph 39, we present some information concerning the Non-Life claims trend. The table below shows estimated costs of claims in the year when they were generated, from 2001 to 2006, and updates recorded in subsequent years following adjustment of claims and alignment of reserves based on the greater information received on the claims concerned and updating of observable historical series.

(in thousands of Euros)

Year of event	2001	2002	2003	2004	2005	2006	Total
Cumulative claims cost							
At end of year of event	190,338	197,900	230,661	285,648	293,743	301,296	1,499,586
1 year later	199,449	204,538	224,138	277,707	290,299		
2 years later	197,462	205,692	225,790	279,665			
3 years later	198,321	208,698	228,955				
4 years later	200,766	212,067					
5 years later	205,484						
Cumulative claims cost as at balance sheet date	205,484	212,067	228,955	279,665	290,299	301,296	1,517,766
Cumulative claims paid	182,517	184,010	192,074	222,709	205,075	115,387	1,101,772
Amounts reserved as at 31 December 2	22,967	28,057	36,881	56,956	85,224	185,909	415,994

Each figure present on the triangle is the estimated generation cost as at 31/12 of the year observed. This cost, in summary, is the sum of the following components:

- Cumulative claim amounts paid from the year of the claim event up to 31/12 of the year of observation
- Reserving for claims open, as at 31/12 of the year of observation
- Estimate of IBNR (incurred but nor reported) claims of the event year as at 31/12 of the year of observation

Cumulative claim amounts paid excludes the cost of the contribution to the road-accident victim guarantee fund. The table above doesn't consider the recoveries from policyholders and third parties.
The amount of such recoveries, regarding the underwriting years analysed, amounted to € 7,092 thousand.

Reinsurance

Outward reinsurance

Corporate policies concerning outward reinsurance are based on the same selection criteria as those applied for direct underwriting selection criteria. They aim for the development and size of the insurance book in relation to the entity of risks covered and for achievement of balanced net retention. Transactions are undertaken internationally with highly rated reinsurers.

The main existing treaties relate to:

Non-life business	Type of treaty
Accident insurance	Claims excess
	Pure premium for general aviation
Aviation hulls	Pure premium for space risks
	Pure premium for general aviation
Cargo	Voluntary-mandatory
Fire and natural elements	Claims excess
Land motor TPL	Pure premium
	Claims excess
Aircraft TPL	Pure premium for general aviation
General TPL	Claims excess
	Pure premium for general aviation
Suretyship	Pure premium
Legal protection	Pure premium
Assistance	Pure premium

Inward reinsurance

Acceptance of indirect business mainly relates to participation in syndicates and to business in the aircraft hulls/space risks sector.

Premiums ceded and retroceded in FY2006 amounted to € 73,199 thousand.

Insurance risk management and analysis

Insurance risk management

Objectives

The Group's insurance business is managed according to the following objectives:

- Diversification of types of insurance cover offered;
- Careful and correct pricing of policies;
- Diversification of risks based on customer segmentation (households, individuals, professionals, small business operators, SMEs and large companies) giving preference to net retention of personal and SME risks, without however neglecting larger companies whose policies are covered by adequate reinsurance;
- Diversification of sales channels (agents, bancassurance agreements, and brokers);
- Selective risk underwriting policy and continuous monitoring of risk trends;
- Organisation of an agency network capable of timely and professional response to customer needs
- Strengthening of the affinity-group approach
- Enhancement of customer loyalty via the sale of integrated products and services;
- Increase of the Non-Life market share, dedicating special attention to the non-motor segment, and increase of Life new-business growth rates;
- Consolidation of acquired portfolio;
- Consolidation of technical profitability and further improvement of the combined ratio, which shows the degree of coverage of charges relating to claims, sales costs and overhead costs in the non-life business;
- Constant updating of New Age system, taking changes in headquarters and agency management processes into account, in order to monitor the insurance book, risk concentration and adequacy of claims settlement speed on an ongoing basis, paying special attention to changes in insurance markets.

Policies

The Group intends pursue the above objectives by applying the following policies:

- Strengthening of the agency network throughout Italy, thus ensuring the diversification of risk by geographical area and at the same time paying the utmost attention to areas with anomalous claims rate trends;
- Reinforcement of the agency network in terms of continuous training for both agents and their staff
- Creation of transparent products for policyholders;
- Incentive campaigns for agents to assure the ideal mix of types of cover marketed
- Use of outward reinsurance pursuing a policy of technical balance in mass risks and protect against peak and catastrophe claims;
- Limitation of costs, above all thanks to use of the new integrated headquarters/agency operating system, which improves the combined ratio;
- Presence of dedicated non-life actuaries, separate from those of the life business, thus permitting not only correct risk pricing (adjustment to the expected claims rate) but also development of customised tariffs with innovative content. The greatest degree of customisation has been achieved in the Motor TPL line with the parent company's lead product. The corporate sector, which includes large companies, has always featured pricing based on policyholder reliability and risk levels to be underwritten.

In order to permit control of risks underwritten, agents work according to a level of independence that is constantly monitored and updated, with limits defined based on the type of cover and entity of risk. Beyond these limits, only headquarters personnel have the power to sign policies.

Financial and actuarial assumptions for Life insurance products

The assumptions used for valuation of the products sold, as regards both their financial and demographic aspects, are applied taking regulatory constraints into account (e.g., maximum limits for financial cover) and the latest information on demographic trends (e.g., mortality and/or survivorship) and portfolio trends (e.g. cancellations and surrenders, etc.).

When a new product is being created, certain assumptions are adopted (first-order technical bases) which, compatibly with the factors just mentioned, are initially screened, during development of appropriate actuarial valuations, using profit-testing techniques. The latter require the adoption of assumptions other than those previously defined as first-order assumptions. These further assumptions relate to:

- Macro-economic assumptions: trends in market interest rates, inflation, cash flow discount rates, etc.;
- Second-order assumptions: mortality and expected portfolio trends, and assets' rate of return on, etc.;
- Business assumptions: levels of commercial and administrative costs and expenses.

As part of such valuations, sensitivity analyses are performed of how the result varies according to changes in the above assumptions.
A similar procedure is applied when moving from the ex ante valuation to the ex post valuation carried out on the entire portfolio in order to check the valuations made when designing the portfolio.

Insurance risk analysis

In this section we describe the insurance risks to which the Group is exposed. These are classified in three main categories, i.e. credit risk, concentration risk, and catastrophe cover (earthquakes, hail, space, and floods).

Credit risk

As regards credit risk, we highlight the fact that the parent company makes use of premier reinsurers. The following table shows the balance sheet transactions in place as at reporting date, by Standard & Poor's rating.

(in thousands of Euros)

S&P Rating	Deposits (positive balances)	Deposits (negative balances)	Current accounts (positive balances)	Current accounts (negative balances)	Reinsurers' share of technical reserves	Indirect business technical reserves	Total net balance sheet items	% of breakdown
AAA	-	-	6	-246	794	-	554	1.5%
AA+	-	-	24	-	-	-	24	0.1%
AA	-	-68	1	-1,320	3,356	-	1,969	5.4%
AA-	44	-63,710	930	-6,314	80,043	-635	10,358	28.4%
A+	-	-8	767	-	216	-	975	2.7%
A	-	-265	557	-1,438	5,739	-	4,593	12.6%
A-	-	-2,841	602	-766	15,078	-	12,073	33.1%
BBB+	-	-	21	-1	-	-	20	0.1%
Unrated	106	-12	2,245	-603	4,316	-106	5,946	16.3%
Total	150	-66,904	5,153	-10,688	109,542	-741	36,512	100.0%

Concentration risk

In order to neutralise concentration risk, the Vittoria Group distributes its non-life and life products throughout Italy using a multi-channel sales approach.

Based on the analysis of premiums as at 31 December 2006, non-life business accounts for approximately 80% of total Group premiums, with 56.7% of this percentage referring to motor lines.
This concentration of premiums in these lines means that group profitability is largely dependent on the frequency and average cost of claims and on efficient tariff management.
This concentration may make the Group may more vulnerable to changes in the regulatory framework and in market trends. These may occasionally translate into increases in indemnities payable to policyholders. This risk is mitigated by enhancing the loyalty of policyholders featuring more "virtuous" behaviour (i.e. not reporting claims) through accentuated tariff customisation. This aims to normalise the entity of claims whilst also reducing portfolio volatility.

Earthquake exposure

Reinsurance covers put in place to mitigate exposure to earthquake risks have been calculated using the main tools available on the market. Calculation is based on the maximum probable loss on the fire and miscellaneous asset damage lines (technological risk sector), in turn calculated over a 250-year return period, which is the one most widely used in the Italian market.
The protection purchased is approximately twice the requirement shown for the worse-case scenario.

Hail exposure

Once again, in the case of this risk, cover acquired for exposure to the risks present in the land vehicle motor property line is approximately twice the amount of the worse claim that has ever occurred in this line.

Space risk exposure

The outward reinsurance programme has made it possible to limit maximum net theoretical exposure per risk, with more than 80% of the portfolio underwritten outwardly reinsured.
Furthermore, the portfolio underwritten has a maximum effective exposure 60% lower than theoretical exposure.

Flood exposure

Exposure to this catastrophic risk has again been calculated based on an assessment model used by other operators in the market and the capacity purchased, as for the Earthquake risk, far exceeds the worst-case requirement assumed in the model.

Commercial organisation

During 2006 development of the sales network, which had already progressed in previous years, continued with great determination. Eight new agencies were inaugurated and another 25 agencies were reorganised, whilst three agencies were closed. In addition, working in concert with agents, we continued to strengthen professional sub-agencies via the opening of further sales outlets.

As at 31/12/2006 the parent was therefore present in Italy with 234 general agencies and 320 professional sub-agencies.

During the year we consolidated the programme for creation of a network of insurance promoters responsible for developing sales of life and non-marine products at agencies. As at 31/12/2006 42 promoters were operational. Once again in 2006 the effort continued to give preference to development of non-marine business so as to achieve a better portfolio mix without any lessening of our customary attention to risk selection, in order to achieve further improvement of technical results and profits.

In the Life segement FY2006 featured an increase in new business vs. 2005. This business development was achieved operating in line with corporate objectives that give preference to growth in traditional policies. In parallel, action continued to retain and reinvest capital accrued by policies that have matured.

Even more intensive attention was dedicated to the affinity groups via ongoing activities aimed at enhancing customer loyalty and growth.

As regards communication, the activity of the Astralis Club – the club for top customers - continued. The Club contributed significantly to the increase in purchases of annual-premium life policies by its members. As part of a programme designed to improve the standard of services to policyholders, both in terms of risk underwriting and claims settlement, the company continued to develop its institutional Website during the year with the aim of fostering a continuous link with end users.

Products

Work continued on new-product development and on revamping of existing products. Work done during the year can be outlined as follows:

New Products

<u>Life business:</u>

- "Vittoria Formula Index Milano 2006": life, single-premium index-linked policy directly linked to performance of a structured bond with the S&P MIB market index as the underlier
- "Vittoria Formula Equilibrio": term life insurance policy with constant annual premium that provides for return of part of the premiums paid if the insured party is alive at the end of the contract
- "Vittoria Formula Futuro": education insurance policy with merit bonus
- "Prodotto CQS e CQP": a product covering loans granted to employed workers and pensioners
- "Vittoria Formula Optimiz 2006": life, single-premium index-linked policy directly linked to the performance of a structured bond in turn index-linked to a basket of 30 equities listed on the main international stock exchanges.

<u>Non-Life business:</u>

- Prodotto Incendio ed R.C. della Proprietà": a property damage and TPL policy combined with mortgages issued by a bank
- "Formula Navigare Più": a policy making it possible to recover the entire sum insured in the case of loss of a vessel and to be reimbursed and compensated in the case of assistance or rescue
- "Vittoria Formula Impiego": new coverage for the risk of non-receipt of salary in relation to loans given to employed workers

- “Polizza postuma decennale indennitaria” and “Polizza fideiussoria a garanzia degli anticipi”: these policies (“10-year posthumous indemnity” and “Surety policy for down payments”) relate to the obligations envisaged by Italian Law 210/2004 to protect property buyers
- “Vittoria Formula Famiglia”: a new product that comprises in just one product cover for fire, theft, TPL, accident, health, legal protection and assistance, offering full protection for household needs.

Revamped Products

Non-Life business:

- “Vittoria Formula Salute” and “Formula Assistenza” – policies for an entity in the affinity-group category

Sale of products launched in previous FYs continued and the product “Vittoria Formula Strada” was revamped.

Overhead costs – direct business

Total insurance (Life and Non-Life) overhead costs, which include personnel costs, other costs and depreciation & amortisation charges for tangible and intangible assets, amounted to € 53,094 thousand in the previous year vs. € 52,304 thousand in 2005, with an increase of 1.5% YoY.
Besides current operating expenses, these costs also include amortisation of investments in IT structures and processes aimed at reining in, in future, overheads burdening the HQ and agencies, whilst also improving services for policyholders as regards insurance cover and claims settlement. The following table shows the breakdown of these costs, with “Other costs” consisting primarily of office operating costs, IT costs, legal and legal-entity costs, mandatory contributions, and association membership fees.

(in thousands of Euros)

ANALYSIS OF COSTS - Direct insurance	2006	2005	Change
Personnel expenses	28,274	27,909	1.3%
Other costs	19,903	19,711	1.0%
Amortisation/Depreciation	4,917	4684	5.0%
Total cost by nature	53,094	52,304	1.5%

Overhead costs as a percentage of total insurance premiums and revenues (direct business) amounted to 9.1% (9.5% in 2005).

The following table shows the breakdown and trend by function of operating expenses, claims-related costs, and other costs.

(in thousands of Euros)

ALLOCATION BY FUNCTION	2006	2005	Change
Other acquisition costs	18,298	18,419	-0.7%
Charges relating to claims	10,785	9,545	13.0%
Other administrative costs	19,332	19,909	-2.9%
Investment management costs	859	728	18.0%
Other costs	3,820	3,703	3.2%
Total costs by function	53,094	52,304	1.5%

Operating costs

The following table shows the total amount of insurance operating costs (Life and Non-Life), as shown in the income statement, by activity.

(in thousands of Euros)

			2006	2005	Change
		Gross commissions and other acquisition costs	110,628	105,002	5.4%
	a	Acquisition and premium collection commissions	83,158	79,094	5.1%
	b	Other acquisition costs	25,902	25,788	0.4%
(*)		b1 allocated overhead costs	18,298	18,419	-0.7%
		b2 other costs	7,604	7,369	3.2%
	c	Change in deferred acquisition costs	1,568	120	1,206.7%
		Profit participation and other commissions received from reinsurers	-13,117	-13,657	-4.0%
(*)		Investment management costs	859	728	18.0%
		Other administrative costs	19,606	20,261	-3.2%
(*)	a	allocated overhead costs	19,332	19,909	-2.9%
	b	other administrative costs	274	352	-22.2%
		Total	117,976	112,334	5.0%

(*) Of which overhead costs as shown in the table “Allocation by function” of insurance overhead costs.

REAL ESTATE BUSINESS

The Group's real estate business includes trading and development, brokerage, management of own and third-party property, and investment
The key operating results of the group companies are highlighted later on in this section.

Trading and development

The following companies operate in this segment:

- Vittoria Immobiliare SpA – Milan
  This company operates in real estate trading, both directly and via special-purpose real estate companies. Revenues from the sale of property amounted to € 22,095 thousand. Closing inventory totalled € 31,271 thousand.
- VRG Domus Srl – Turin
  During the year the company continued its "Spina 1" real estate operation in Turin. Revenues from the sale of property amounted to € 26,832 thousand. Closing inventory totalled € 4,188 thousand.
- Immobiliare Bilancia Srl - Milan
  This company, active in real estate trading, achieved revenue on the sale of property totalling € 23,052 thousand. Closing inventory totalled € 13,145 thousand.
- Immobiliare Bilancia Prima Srl. - Milan
  In December 2006 the company purchased a site, in the municipality of Parma, for which demolition of the existing building is planned, followed by construction of new housing. The closing inventory amounted to € 7,055 thousand.
- Immobiliare Bilancia Seconda Srl - Milan
  This company, once again active in real estate trading, achieved revenue on the sale of property totalling € 9,594 thousand. Closing inventory totalled € 3,518 thousand.
- Parco Fidenae Srl – Rome
  The company is planning a real estate project in the municipality of Rome, for which it has executed a down payment of € 1,045 thousand.
- Lauro 2000 Srl – Milan
  The company is active in property development. Closing inventory – consisting of a buildable area earmarked for use by the service industry, amounted to € 118,000 thousand.
- Acacia 2000 Srl. – Milan
  The company is active in property development. Closing inventory – consisting of a buildable area for residential use – amounted to € 82,726 thousand.

Brokerage

The following companies operate in this segment:

- Interimmobili Srl - Rome
  In its real estate brokerage activities, the company achieved commission revenue of € 5,170 thousand, before infragroup eliminations. In FY2006 the company continued to sell properties mainly in Rome, Turin and Milan based on sales mandates given by group companies and premier institutional investors, social security & pension agencies, and building companies.
- Vittoria Service Srl – Milan
  The company – founded in June 2006 – achieved service revenues of € 95 thousand, before infragroup eliminations.

Property management

Gestimmobili Srl, based in Milan, is the company active in this segment, in the administrative and technical management of property assets. Revenues achieved for this activity totalled € 1,114 thousand.

Investment

The company active in this segment is Yafra Sas, based in Paris. The company invests indirectly in the commercial segment of the real estate sector. It will start operations in FY2007.

Overhead costs

Overhead costs for the real estate business are as shown in the table below:

(in thousands of Euros)

ANALYSIS OF COSTS	2006	2005	Change
Personnel expenses	2,691	3,230	-16.7%
Other costs	7,275	10,315	-29.5%
Amortisation/Depreciation	261	216	20.8%
Total cost by nature	10,227	13,761	-25.7%

Personnel and G&A costs are allocated to Operating Costs (specifically to “Other administrative costs”). Depreciation and amortisation costs are allocated to the “Other costs” caption in the income statement.

SERVICE BUSINESS

Disclosure for this business shows a profit before tax and minority interest of € 117 thousand.

Overhead costs

Overhead costs for the service business are as shown in the table below:

(in thousands of Euros)

ANALYSIS OF COSTS	2006	2005	Change
Personnel expenses	597	762	-21.7%
Other costs	3,075	3,750	-18.0%
Amortisation/Depreciation	24	32	-25.0%
Total cost by nature	3,696	4,544	-18.7%

Personnel and G&A costs are allocated to Operating Costs (specifically to “Other administrative costs”). Depreciation and amortisation costs are allocated to the “Other costs” caption in the income statement.

Investments – Cash & cash equivalents - Property

Investments, cash & cash equivalents, and property reached a value of € 1,710,169 thousand with an increase of € 219,747 thousand vs. 31/12/2005, i.e. +14.7% YoY.

(in thousands of Euros)

INVESTMENTS - CASH AND CASH EQUIVALENTS - PROPERTY	31/12/2006	31/12/2005	Change
Investment property	-	-	n.v
Investments in subsidiaries and associates and interests in joint ventures	53,194	31,477	69.0%
- Investments in subsidiaries	-	-	
- Investments in associates	53,194	31,477	
- Interests in joint ventures	-	-	
Held to maturity investments	151,224	71,687	111.0%
Loans and receivables	19,488	16,862	15.6%
- Reinsurance deposits	534	618	
- Other loans and receivables	18,954	16,244	
Financial assets available for sale	1,010,569	1,061,807	-4.8%
- Equity investments	64,525	69,593	
- OEIC units	8,030	8,744	
- Bonds and other fixed-interest securities	938,014	983,470	
Financial assets at fair value through profit or loss	119,458	124,365	-3.9%
Financial assets at fair value through profit or loss	116,048	122,758	-5.5%
- Investments where policyholders bear the risk	116,048	122,758	
Financial assets held for trading	3,410	1,607	112.2%
- Bonds and other fixed-interest securities held for trading	3,410	1,607	
Cash and cash equivalents	82,753	75,016	10.3%
Property	273,483	109,208	150.4%
Property under construction	232,638	35,056	
Property held for trading	25,237	58,458	
Owner-occupied property	15,608	15,694	
TOTAL INVESTMENTS	1,710,169	1,490,422	14.7%

of which

investments where the Group bears the risk	1,594,121	1,367,664	16.6%
investments where policyholders bear the risk	116,048	122,758	-5.5%

The following table shows the breakdown of investments, cash & cash equivalents, and property by business segment.

(in thousands of Euros)

Investments - Cash and cash equivalents - Pro	Insurance Business		Real Estate Business		Service Business		Intersegment Eliminations		Total	
	31/12/2006	31/12/2005	31/12/2006	31/12/2005	31/12/2006	31/12/2005	31/12/2006	31/12/2005	31/12/2006	31/12/2006
Investments in subsidiaries	131,633	60,932	40	40	-	-	-131,673	-60,972	-	-
Investments in associates	52,967	30,606	1,233	1,765	15	7	-1,021	-901	53,194	31,477
Held to maturity investments	151,224	71,687	-	-	-	-	-	-	151,224	71,687
Reinsurance deposits	534	618	-	-	-	-	-	-	534	618
Other loans and receivables	18,329	16,076	765	348	-	-	-140	-180	18,954	16,244
Financial assets available for sale										
Equity investments	64,126	69,369	299	124	100	100	-	-	64,525	69,593
OEIC units	8,030	8,744	-		-		-		8,030	8,744
Bonds and other fixed-interest securities	938,014	983,470	-	-	-	-	-	-	938,014	983,470
Financial assets at fair value through profit or loss: Investments where policyholders bear the risk	116,048	122,758	-	-	-	-	-	-	116,048	122,758
Financial assets held for trading: Bonds and other fixed-interest securities	3,410	1,607	-	-	-	-	-	-	3,410	1,607
Cash and cash equivalents	39,243	34,353	42,531	39,641	979	1,022	-	-	82,753	75,016
Property under construction	-	-	193,279	35,056	-	-	39,359	-	232,638	35,056
Property held for trading	-	-	25,237	58,458	-	-	-	-	25,237	58,458
Owner-occupied property	12,397	13,072	3,211	2,622	-	-	-	-	15,608	15,694
Total	1,404,322	1,352,360	266,555	138,014	1,094	1,129	38,198	-1,081	1,710,169	1,490,422

Investments with risk borne by the Group

Investments for which risk is borne by the Group amounted to € 1,594,121 thousand (€ 1,367,664 thousand as at 31 December 2005).

The main transactions completed in FY2006 were as follows:

B) <u>Investments held to maturity:</u>

- Reimbursement of corporate bonds = € 175 thousand
- Purchases of fixed-rate euro-denominated Italian government securities = € 74,896 thousand
- Purchases floating-rate euro-denominated corporate debt securities = € 2,500 thousand

C) <u>Financial assets available for sale:</u>

- Reimbursement of corporate bonds = € 51,350 thousand
- Sale of floating-rate corporate bonds = € 29,097 thousand with a capital loss of € 2 thousand
- Purchase of fixed-rate Italian government securities = € 53,453 thousand
- Partial reimbursement of closed-end real estate funds = € 747 thousand
- Cash-in of € 100 thousand as partial distribution of the company of Marina Srl, a company undergoing voluntary liquidation

- Sale of the equity interest in Rita Srl, which during FY2006 was subjected to impairment testing and written down by € 41 thousand to align value with that agreed for sale of the quotas, with cash-in of € 12 thousand
- Purchase of a further 1.35% of the company BCC Apuana, previously owned by S In,T SpA, via the subsidiary Vittoria Immobiliare SpA, with an outlay of € 50 thousand
- Banca Passadore SpA: receipt of 413,355 new shares receivable for a bonus capital interest and of 2 shares for purchase of allocation rights.

In addition – as described in the "Unconsolidated equity interests" section of the General Notes to Accounts, during the year the parent company purchased further shares of the companies BPC SpA and S.In T SpA, increasing its shareholdings to 20.91% and 48.19% respectively. Given this, these investments have been classified among investments in associate companies.

E) <u>Financial assets held for trading:</u>

- Acquisitions coming from surrenders and non-signature of policies (pursuant to Article 41, paragraph 2 of Italian Legislative Decree no. 209 of 7 September 2005) = € 2,341 thousand
- Reimbursement of corporate bonds = € 535 thousand with a capital gain of € 7 thousand.

Investments benefiting Life policyholders who bear related risk and relating to pension fund management (point D of earlier table)

As at 31 December 2006 these investments amounted to € 116,048 thousand with a decrease of -5.5% YoY. Of the total € 113,559 thousand related to unit-linked and index-linked policies and € 2,379 thousand to the Vittoria Formula Lavoro open-ended pension fund.
Overall net return was positive by € 10,917 thousand (+16.9% YoY).

Property investments (point F of earlier total)

As at 31 December 2006 property assets amounted to € 273,483 thousand (+150.4% vs. 31 December 2005).

The following table shows the property breakdown:

(in thousands of Euros)

	31/12/2006	31/12/2005	Change
Property under construction:			
- Gross carrying amount	188,760	46,334	307.4%
- Payments on account	-3,029	-11,278	-73.1%
- Alignment with fair value of property acquired in business combinations	46,907	-	n.d.
Total property under construction	232,638	35,056	563.6%
Property held for trading	25,237	58,458	-56.8%
Owner-occupied property:			
- Held by the parent	12,397	13,071	-5.2%
- Held by subsidiaries	3,211	2,623	22.4%
Total owner-occupied property	15,608	15,694	-0.5%
Total	**273,483**	**109,208**	150.4%

The increase of the value of property under construction by Group companies mainly reflects the purchases made by Lauro 2000 Srl and Acacia 2000 Srl, which own buildable areas in Milan (in the so-called Portello area) earmarked respectively for use by the service industry and for residential use.

As required by IFRS 3 ("Business Combinations"), the buildable areas acquired have been recognised in consolidated accounts at the fair value calculated at the time of acquisition.

As regards the subsidiary Lauro 2000 Srl, fair value was established, by an independent expert appraisal, as being € 83,726 thousand. This valuation consequently caused a realignment of € 39,358 thousand with respect to the property's carrying value of € 44,367 thousand recognised in the investee company's accounts.

As regards the subsidiary Acacia 2000 Srl, fair value was established, by an independent expert appraisal, as being € 118,000 thousand. This valuation consequently a realignment of € 7,549 thousand with respect to the property's carrying value of € 110,451 thousand recognised in the investee company's accounts.

Property under construction by the other companies showed a reduction of € 37,451 thousand, due to sales completed in the period.

Held-for-trading property mainly featured purchases totalling € 4,750 thousand and sales totalling € 50,252 thousand, making pre-tax capital gains of € 11,365 thousand.

Investments in associate companies (point A in the earlier table)

The main associate companies' performance is described below:

Yarpa International Holding NV Group - Holland

This is a holding company of real estate companies active in Europe, mainly in France. Through its investments in Inbro BV (39.91% owned) and Yam Invest NV (75.00%), it controls the French real estate group Cogedim Sas, whose activities permitted achievement of revenues of € 496,555 thousand and net profit of € 35,094 thousand in 2006.

In 2006 Cogedim Sas founded the company Cogedim Office Partners, which, when fully operational will manage investments totalling € 180 mn. A 10% equity interest in the company is owned by Yafra Sas, which in turn is 55% owned by Vittoria Assicurazioni and 45% owned by Yarpa International Holding.

Cogedim Sas, via its Polish subsidiary Nieruchomosci Placu Zwawiciela Sp Z.O.O., sold a property in Warsaw, making a net capital gain of € 4,371 thousand.

The overall net profit of the Yarpa International Holding NV Group for the year ending on 31 December 2006 totalled € 33,478 thousand, of which the benefit for Vittoria Assicurazioni was € 8,063 thousand.

Laumor BV Group - Holland

The company is the holding company of companies active in France in real estate and private equity (until November 2006). Via specific real estate subsidiaries and associate companies, in 2006 the company completed sales totalling € 47,146 thousand. In addition, the company liquidated the investment made in Materis industrial group, via the subsidiary Laumor Holdings Sarl, which in turn had subscribed the shares in the French private equity fund François III. Laumor made a capital gain of € 25,214 thousand.
In November 2006 Laumor BV sold its stake in Laumor Holdings Sarl and Vittoria Assicurazioni purchased 29% of this, valued in proportion to the company's equity.

The overall net profit of the Laumor BV Group for the year ending on 31 December 2006 totalled € 25,097 thousand, of which the benefit for Vittoria Assicurazioni was € 6,200 thousand.

Laumor Holdings Sarl – Luxembourg

This associate company invests in private equity deals via closed-end securities investment funds.

Its draft financial statements as at 31 December 2006 showed equity of € 7,023 thousand, net of an interim dividend of € 15,000 thousand paid during the year and including the year's profit of € 21,830 thousand.

For the purposes of Vittoria Assicurazioni's consolidated year-end accounts the result of the Materis deal has been deducted from this profit, as it is already included in Laumor BV's result.

White Finance SA - Luxembourg
The associate company invests in closed-end securities investment funds.

The 2006 draft financial statements show equity of € 36,247 thousand, including the year's profit of € 6,226 thousand.

S.In.T. SpA – Italy
This associate company is active in the creation and management of customer loyalty-building and sales-network incentive programmes, relationship marketing, communication and promotion.
Its draft financial statements as at 31 December 2006 showed IFRS-compliant equity of € 2,091 thousand, including the year's profit of € 142 thousand.

BPC SpA – Italy
The associate company offers a broad spectrum of corporate business services, from the study of pool loans to advisory services for the purchase or sale of businesses. Its subsidiary BPC Investimenti SGR manages the Italian closed-end real estate fund "Maestrale" and the closed-end real estate fund "Rosso Mattone".

Gimatrading Srl – Italy
This associate is a real estate company in which an interest is owned via Vittoria Immobiliare SpA.
Its draft financial statements as at 31 December 2006 show equity of € 27 thousand, including the year's loss of € -3 thousand.

Sivim Srl – Italy
This associate is a real estate company in which an interest is owned via Vittoria Immobiliare SpA.
Its draft financial statements as at 31 December 2006 show equity of € 49 thousand, including the year's loss of € -4 thousand.

Rovimmobiliare Srl - Italy
This associate is a real estate company in which an interest is owned via Vittoria Immobiliare SpA.
Its draft financial statements as at 31 December 2006 show – taking into account the tax burden relating to see-through taxation - equity of € 377 thousand, including the year's profit of € 150 thousand. In 2006 it substantially concluded sale of the trading properties owned in Rome and Milan.

Mosaico SpA - Italy
This associate is a real estate company in which an interest is owned via Vittoria Immobiliare SpA.
Its draft financial statements as at 31 December 2006 show equity of € 421 thousand, including the year's loss of € -79 thousand. During the year the company initiated a development operation in Collegno (Turin).

Pama & Partners Srl – Italy
This associate is a real estate company in which an interest is owned via Vittoria Immobiliare SpA.
The company, which is the holder of rights to purchase a property in Genoa, has applied for a building permit to construct premium residential housing.
Its draft financial statements as at 31 December 2006 show equity of € 1,697 thousand, including the year's profit of € 2 thousand.

Le Api Srl – Italy
This associate is a real estate company in which an interest is owned via Interbilancia Srl.
Its draft financial statements as at 31 December 2006 show equity of € 59 thousand, including the year's profit of € 20 thousand.

Financial Liabilities

The following table shows the breakdown of financial liabilities relating to contracts for which policyholders bear the risk and of other financial liabilities, highlighting subordinated liabilities.

(in thousands of Euros)

FINANCIAL LIABILITIES	31/12/2006	31/12/2005	Change
Financial liabilities where the investment risk is borne by policyholders and arising from pension fund management	116,048	122,758	-5.5%
- Financial liabilities where the investment risk is borne by policyholders relating to index- and unit-linked policies	113,669	120,796	
- Financial liabilities where the investment risk is borne by policyholders relating to pension funds	2,379	1,962	
Othe financial liabilities	206,181	183,528	12.3%
- Reinsurance deposits	86,934	106,301	
- Payables to banks	91,430	55,782	
- Other financial payables	4,085	3,685	
- Other financial liabilities	7,924	-	
- Subordinated liabilities	15,808	17,760	
TOTAL FINANCIAL LIABILITIES	322,229	306,286	5.2%

The following table shows the breakdown of financial liabilities by business segment.

(in thousands of Euros)

Financial liabilities	Insurance Business		Real Estate Business		Service Business		Intersegment Eliminations		Total	
	31/12/2006	31/12/2005	31/12/2006	31/12/2005	31/12/2006	31/12/2005	31/12/2006	31/12/2005	31/12/2006	31/12/2006
Financial liabilities where the investment risk is borne by policyholders relating to index- and unit-linked policies	113,669	120,796	-	-	-	-	-	-	113,669	120,796
Financial liabilities where the investment risk is borne by policyholders relating to pension funds	2,379	1,962	-	-	-	-	-	-	2,379	1,962
Reinsurance deposits	86,934	106,301	-	-	-	-	-	-	86,934	106,301
Payables to banks	-	-	91,430	55,730	-	52	-	-	91,430	55,782
Other financial payables	-	-	4,085	3,685	-	-	-	-	4,085	3,685
Other financial liabilities	7,924	-	-	-	-	-	-	-	7,924	-
Subordinated liabilities	15,808	17,760	-	-	-	-	-	-	15,808	17,760
Total	226,714	246,819	95,515	59,415	-	52	-	-	322,229	306,286

Reference should be made to the Explanatory Notes for greater detail on the various items' breakdown.

Investment gains and losses

The following table shows the breakdown as at 31 December 2006 of net gains on investments, with separate disclosure of investments where the risk is borne by life policyholders.

(in thousands of Euros)

	Gains and losses on investments	Interest and other net income	Net realised gains	Unrealised gains	Unrealised losses	2006 total net realised and unrealised gains	2005 total net realised and unrealised gains
	Investments	63,846	2,271	7,778	964	72,931	57,715
	From:						
a	investment property	-	-	-	-	-	-
b	investments in subsidiaries and associates and interests in joint ventures	17,811	-	-	-	17,811	6,234
c	held to maturity investments	5,389	-	-	-	5,389	3,154
d	loans and receivables	592	-	-	4	588	699
e	financial assets available for sale	38,261	-2	-	41	38,218	38,241
f	financial assets held for trading	31	7	47	77	8	45
g	financial assets at fair value through profit or loss	1,762	2,266	7,731	842	10,917	9,342
	Other receivables	455	-	-	-	455	532
	Cash and cash equivalents	2,286	-	-	-	2,286	1,967
	Financial liabilities	-5,161	-	-	10,917	-16,078	-14,459
	From:						
a	financial liabilities held for trading	-	-	-	-	-	-
b	financial liabilities at fair value through profit or loss	-	-	-	10,917	-10,917	-9,342
c	other financial liabilities	-5,161	-	-	-	-5,161	-5,117
	Payables	-	-	-	-	-	-
	Total gains and losses on financial instruments	61,426	2,271	7,778	11,881	59,594	45,755
	Real estate business						
	From:						
a	Gains on property trading	-	15,435	-	-	15,435	45,365
b	Revenue from work in progress (percentage of completion)	435	-	-	-	435	2,382
c	Rent income on owner-occupied property and property held for trading	1,123	-	-	-	1,123	3,001
	Total real estate business	1,558	15,435	-	-	16,993	50,748
	Total gains and losses on investments	62,984	17,706	7,778	11,881	76,587	96,503
	of which						
	Investments where policyholders bear the risk	1,762	2,266	7,731	-10,075	-	-
	Investment result	1,762	2,266	7,731	842	10,917	9,342
	Write-up/write-down of liabilities	-	-	-	10,917	10,917	9,342
	Investments where the Group bears the risk	61,222	15,440	47	122	76,587	96,503

Net gains with risk borne by the Group decreased by -20.6% vs. 2005 from € 96,503 thousand to € 76,587 thousand. The decrease was mainly due to the lower profits posted by the real estate companies as specified in the section “Performance of the Vittoria Assicurazioni Group”
In FY2006 the weighted average return on “Bonds and other fixed-income securities” was 4.0% (4.4% in FY2005).

The following table shows the breakdown of investment gains and losses by business segment.

(in thousands of Euros)

Net income on investments	Insurance Business 2006	Insurance Business 2005	Real Estate Business 2006	Real Estate Business 2005	Service Business 2006	Service Business 2005	Intersegment Eliminations 2006	Intersegment Eliminations 2005	Total 2006	Total 2005
Gains or losses on remeasurement of financial instruments at fair value through profit or loss	8	45	-	-	-	-	-	-	8	45
Gains or losses on investments in subsidiaries and associates and interests in joint ventures	23,250	10,393	-143	1,343	8	1	-5,304	-5,503	17,811	6,234
Gains or losses on other financial instruments and investment property	42,889	40,124	-1,133	-673	19	25	-	-	41,775	39,476
Gains on property trading	-	-	15,435	45,365	-	-	-	-	15,435	45,365
Revenue from work in progress (percentage of completion)	-	-	435	2,382	-	-	-	-	435	2,382
Rent income on owner-occupied property and property held for trading	205	211	1,055	2,902	-	-	-137	-112	1,123	3,001
Total	66,352	50,773	15,649	51,319	27	26	-5,441	-5,615	76,587	96,503

Investment and financial risk management & analysis policies

Financial risk management

The financial risk management system is designed to assure the Group's capital soundness via monitoring of the risks inherent in asset portfolios due to adverse market conditions. In this perspective, specific investment policies have been designed – as illustrated in the earlier section "Investments – Cash & cash equivalents – Property" – and special procedures adopted.

<u>Investment policies: objectives</u>

The Group's financial assets are managed according to the following objectives:

A) Life and Non-Life investments with risk borne by the Group

- Assure the Group's capital soundness by means of a policy of limitation of potential portfolio loss risk following adverse changes in interest rates, equity prices, and exchange rates
- Limit credit risk by giving preference to investments in issuers with high ratings
- Assure adequate investment diversification, also prudently taking opportunities arising in the real estate sector
- For the Life segment, assure a stable return higher than the technical rate envisaged by contracts in force, optimising management of expected cash flows consistently with insurance liabilities
- For the Non-Life segment, assure both a stable return in line with the forecasts factored into product tariffs and positive cash flows also able to address scenarios featuring any significant increase in claims cost and settlement speed
- Monitor the securities portfolio duration in relation to liabilities' duration
- Give preference to continuity of returns rather than to achievement of high returns in limited periods of time
- Protect investments' value from exchange-rate fluctuations also via use of financial derivatives.

B) Life investments with risk borne by policyholders

- Manage investments benefiting policyholders who bear related risk (index- and unit-linked policies) and those relating to pension-fund management according to the objectives envisaged by relevant policies and by pension funds' regulations, with the constraint of total transparency vis-à-vis policy holders and in compliance with specific legal regulations
- Define investments' level of protection against exchange-rate fluctuations also via use of financial derivatives.

Procedures

In order to keep its exposure to financial risks under control, the Group has equipped itself with a structured system of procedures and activities. These assure regular reporting able to monitor:

- The market value of assets and their consequent potential losses vs. carrying value
- Macroeconomic and market-variable trends
- For bond portfolios, issuers' rating of the issuers and analysis of sensitivity to interest-rate risk
- Compliance with the investment limits defined by the Board of Directors
- Overall exposure to the same issuer.

The Group also performs ALM (asset-liability management) analyses, the main objective of which, in a medium-term perspective, is to:

- Provide joint dynamic projections of cash flows and of other asset and liability features in order to show any income-statement and/or financial mismatching
- Provide an indication – for asset portfolios backing life insurance contracts - of the expected trends in asset portfolios' rates of returns compared with contractual minimum returns
- Identify the variables (financial, actuarial and commercial) that may have a greater negative impact on results by performing specific stress tests and scenario analyses.

The results of the above activities and reports are regularly reviewed by the Finance Committee. This committee has been set up within the Board of Directors and has been delegated to supervise the securities portfolio's performance and to define investment strategies within the limits established by the Board in investment policies.

Financial risk analysis

In this chapter we describe the risks to which the Group is exposed in relation to financial markets' movements. These risks are grouped in the three main categories, i.e. market risk, liquidity risk, and credit risk.
The chapter does not discuss the Group's investments in instruments designated at fair value going through profit and loss (index- and unit-linked policies – pensions funds) because these are strictly connected with related liabilities.

Securities portfolio breakdown
The following table shows the carrying value of the securities portfolio with risk borne by the group, broken down by investment type (debt securities, equity securities and CIU units). It also provides indications concerning financial risk exposure and uncertainties of flows.

(in thousands of Euros)

Investment nature	Amount 31/12/2006	% of breakdown	Amount 31/12/2005	% of breakdown
DEBT SECURITIES	1,092,648	93.8%	1,056,764	93.1%
Listed treasury bonds:	881,575	75.7%	842,976	74.3%
Fixed interest rate	426,402	36.6%	335,343	29.5%
Variable interest rate	455,173	39.1%	507,633	44.8%
Unlisted treasury bonds:	-	0.0%	-	0.0%
Fixed interest rate	-	0.0%	-	0.0%
Variable interest rate	-	0.0%	-	0.0%
Listed corporate bonds:	180,745	15.5%	186,480	16.4%
Fixed interest rate	172,158	14.8%	177,654	15.6%
Variable interest rate	8,587	0.7%	8,826	0.8%
Unlisted corporate bonds:	11,584	1.0%	8,048	0.7%
Fixed interest rate	1,721	0.1%	549	0.0%
Variable interest rate	9,863	0.9%	7,499	0.7%
Bonds of supranational issuers	18,744	1.6%	19,260	1.7%
Fixed interest rate	18,744	1.6%	19,260	1.7%
Variable interest rate	-	0.0%	-	0.0%
of which				
Total fixed interest rate securities	619,025	56.7%	532,806	50.4%
Total variable interest rate securities	473,623	43.3%	523,958	49.6%
Totale debt securities	1,092,648	100.0%	1,056,764	100.0%
of which				
Total listed securities	1,081,064	98.9%	1,048,716	99.2%
Total unlisted securities	11,584	1.1%	8,048	0.8%
Totale debt securities	1,092,648	100.0%	1,056,764	100.0%
EQUITY INSTRUMENTS (*)	64,525	5.5%	69,593	6.1%
Listed shares	43,544	3.7%	47,429	4.1%
Unlisted equity instruments	20,981	1.8%	22,164	2.0%
OEIC UNITS	8,030	0.7%	8,744	0.8%
TOTAL	1,165,203	100.0%	1,135,101	100.0%

The fixed-income securities portfolio has a duration of 2.98 years.

Market risk
Market risk consists of interest-rate risk, price risk and exchange-rate risk.
Debt securities are exposed to interest-rate risk.
The interest-rate risk on fair value is the risk of a financial instrument's value varying due to changes in market interest rates.
A decrease in interest rates would cause an increase in the fair value of such securities, whereas an increase in rates would decrease their fair value.
The interest-rate risk on cash flows relates to possible changes in the coupons of floating-rate securities.

The carrying value of fixed-interest debt securities exposed to interest-rate risk on fair value totalled €619,025 thousand (56.7% of the bond portfolio with investment risk borne by the Group).
The following table illustrates the quantitative impacts on fair value of a hypothetical parallel variation in the interest rate curve of ±100 basis points (bp).
These effects refer to fixed-interest debt securities classified as "Financial assets available for sale".

(in thousands of Euros)

Fixed-interest securities at fair value	Amounts
Carrying amount	499,900 [1]
Change	
100 BP increase	-22,372
100 BP decrease	24,658

[1] of which 364,585 thousand allocated to the separately-managed life business

The carrying value of floating-rate debt securities exposed to interest-rate risk on cash flows totalled €473,823 thousand (43.3% of the bond portfolio with investment risk borne by the Group). In order to indicate the sensitivity of floating-rate securities' cash flows, we point out that a 100-bp positive or negative change in interest rates would respectively cause higher or lower interest receivable of € 4,666 thousand and € 4,261 thousand.

Life insurance contracts envisage a guaranteed minimum rate of interest and feature a direct link between investments and benefits to be paid to policyholders.
This direct link between obligations to policyholders and investments of assets associated with benefits is governed by means of the integrated asset-liability management (ALM) model mentioned above.

More specifically, the Group manages interest-rate risk by matching asset and liability cash flows and by maintaining a balance between liabilities' duration and that of the investment portfolio directly related to such liabilities.
Duration is an indicator of the sensitivity of asset and liability fair value to changes in interest rates.

To complete disclosure, the following tables show the carrying value of fixed-rate securities by maturity and the carrying value of floating-rate securities by type of interest rate.

Fixed-interest securities (in thousands of Euros)

Maturity	Amount	% of breakdown
< 1 year	61,677	10.0%
1<X<2	117,669	19.0%
2<X<3	52,340	8.5%
3<X<4	80,697	13.0%
4<X<5	53,305	8.6%
5<X<10	190,082	30.7%
more	63,255	10.2%
Total	619,025	100.0%
of which repayable in advance	5,051	

Variable-interest securities (in thousands of Euros)

Type of rate	Indexation	Amount	% of breakdown
Constant mat. Swap	Euroswap 10Y	33,277	7.0%
Constant mat. Swap	Euroswap 30Y	8,370	1.8%
variable	3 month treasury bonds	7,858	1.7%
variable	6 month treasury bonds	419,030	88.5%
variable	other	5,088	1.1%
Total		473,623	100.0%

The contractual rate refixing date for most of these securities is in the first half of the year.
As regards interest-rate risk, it is pointed out, lastly, that the Group holds floating-rate financial liabilities, mainly consisting of real estate companies' bank borrowings, totalling € 84,779 thousand.
In order to indicate their sensitivity, it is noted that a 100-bp increase would increase interest expense by € 948 thousand. Vice versa, a 100-bp decrease would reduce interest expense by € 948 thousand.

Equity securities are exposed to price risk, i.e., the possibility of their fair value varying as a result of changes arising both from factors specific to the individual instrument or issuer or that affect all instruments traded on the market
If the listed shares classified as "Financial assets available for sale" had suffered a 10% loss as at 31.12.2006, equity attributable to parent company shareholders would have decreased by € 6,055 thousand.

During 2006, Cam Finanziaria SpA's share price was particularly volatile. In view of the fact that the stock market price has recently become virtually aligned with unitary carrying value, the net latent capital loss of €5,500 thousand recognised at year-end on the investment – which is classified as an available-for-sale asset – has been posted as a negative equity reserve because it is judged not to be of an enduring nature.

The Group is not exposed to foreign exchange risk since, as at 31.12.2006, nearly all investments for which it bears the risk are expressed in euro, observing the principle of consistency with technical reserves.

Liquidity risk
The group is daily required to execute payments arising from insurance and investment contracts.
The liquidity risk is the risk that available funds may not be sufficient to meet obligations. It is constantly monitored by means of the ALM procedure.
This risk may also arise as a result of inability to sell a financial asset fast at an amount close to its fair value. This is less probable when the financial assets are listed in active markets. The greater the weight is of financial assets listed in active and regulated markets, the less likely it is that this will happen
As at 31.12.2006 financial assets listed in a regulated market accounted for approximately 95% of financial assets owned.

Credit risk
In applying its investment policy, the Group limits its exposure to credit risk by investing in highly-rated issuers.
As can be seen in the table below, as at 31.12.2006 nearly all bonds held by the group were rated as investment grade.

(in thousands of Euros)

Rating (Standard & Poor's)	Amount	% of breakdown
AAA	117,145	10.7%
AA+ / AA-	92,247	8.4%
A+ / A-	836,694	76.6%
BBB+ / BBB-	36,830	3.4%
Non investment grade	2,677	0.2%
Unrated	7,056	0.6%
Total	1,092,648	100.0%

Infragroup and related-party transactions

Transactions with group companies referred to the normal course of business, using specific professional skills at going market rates. There were no atypical or unusual transactions.

This section presents financial and business transactions occurring during the year with group companies, excluding those with companies consolidated on a 100% line-by-line basis.

The following table summarises the most significant business and financial transactions with unconsolidated group companies, directors, statutory auditors and Managers with strategic responsibility.

(in thousands of Euros)

Related parties	Other receivables	Loans	Commitments for subscription of private equity investments	Financial liabilities	Other payables	Revenues	Costs
Parents				10.215			562
Associates	5	625	7.924		90	349	
Fees:							
Directors							1.471
Statutory auditors							89
Managers with strategic responsibility							1.062
Total	5	625	7.924	10.215	90	349	3.184

Transactions and with subsidiaries

In 2005 Vittoria Assicurazioni SpA opted for domestic tax consolidation (pursuant to Articles 117 et seq. of Italian Presidential Decree no. 917 of 22 December 1986), acting as the consolidator. Adherence to the system is effective for the 3-year period 2005-2007. The other participants, as tax-consolidated companies, are Immobiliare Bilancia Srl, Immobiliare Bilancia Prima Srl, Immobiliare Bilancia Seconda Srl, and Immobiliare Bilancia Terza Srl.
As from FY2006 the subsidiaries Vittoria Immobiliare SpA, Interimmobili Srl, and Gestimmobili Srl have also been included in the scope of tax consolidation. Their inclusion is effective for the 3-year period 2006-2008.

Transactions with parent companies

No trading or supply transactions took place with the direct non-operating parent company Vittoria Capital NV (Holland). This company's shareholding remained unchanged vs. status as at 31/12/2005, with direct ownership of 15,307,200 shares, accounting for 51.024% of share capital. The direct non-operating parent company holds subordinated convertible bonds issued by Vittoria Assicurazioni amounting to a nominal total of € 9,240 thousand. Related interest, recognised under losses on other financial instruments and investment property, totalled € 508 thousand.
No trading or supply transactions took place with the indirect and ultimate parent company Yafa Holding BV (Holland). Its direct shareholding as at 31/12/2006 consisted of 1,640,000 shares (5.386% of share capital).
The ultimate parent company holds subordinated convertible bonds issued by Vittoria Assicurazioni amounting to a nominal total of € 990 thousand. Related interest, recognised under losses on other financial instruments and investment property, totalled € 54 thousand.

Transactions with associate companies

Yarpa International Holding NV. – Holland
White Finance SA – Luxembourg
BPC SpA – Genoa
Pama & Partners S.r.l. – Genoa
Gimatrading S.r.l. – Turin
Sivim S.r.l. - Milan

No trading or supply transactions took place with these associate companies.

Laumor Holdings Sarl – Luxembourg

In its accounts Vittorio Assicurazioni reports – among loans to associate companies and among financial liabilities – the amount of € 7,924 thousand relating to its commitment to subscribe private equity investments via the associate company.

Laumor BV - Holland

During FY2006 this associate company repaid the loan of € 3,688 thousand granted by the direct operating parent company. On loans of € 3,063 thousand earmarked for real estate trading operations undertaken by Laumor BV via its special purpose vehicles, interest was charged at the 3-month Euribor rate plus 30 basis points for a total of € 44 thousand. Laumor BV sold 29% of Laumor Holdings Sarl to Vittoria Assicurazioni for € 2,094 thousand. As at 31 December 2006 Vittoria Assicurazioni had a debt towards the associate, for the balance payable for this transaction, of € 90 thousand.

S.In.T. SpA - Turin

During FY2006 the direct operating parent company used S.In.T. SpA's services for Formula Salute insurance policies and for other commercial agreements implemented by the parent company for a total cost of € 713 thousand plus VAT. Vittoria Immobiliare purchased the 1.35% stake in BCC Apuana from the associate for € 50 thousand.

Mosaico SpA – Turin

This indirect associate company received an interest-free shareholder loan of € 625 thousand from Vittoria Immobiliare SpA.

Rovimmobiliare Srl – Rome

Interimmobili Srl and Gestimmobili Srl respectively charged this associate company for commissions (€ 284 thousand) and management and administrative serves (€ 21 thousand). As at 31/12/2006 Gestimmobili Srl reported trading accounts receivable from the associate of € 5 thousand.

Performance in early months of FY2007 and expected business progress

Insurance business

As regards investee companies, we highlight the following events after year-end date:

- Marina Srl – Società in liquidazione volontaria (a company in the process of voluntary liquidation): it refunded a total of € 661 thousand for the quota premium reserve (the company is a private limited liability company) and shareholder payments into capital
- White Finance Sa; € 1,610 thousand was paid in for the share premium reserve
- Laumor Sarl: € 2,096 thousand was paid in for the quota premium reserve (the company is a private limited liability company).

The early months of FY2007 have featured the start of the new regulation – envisaged in the Italian law known as the Insurance Code – concerning "direct indemnity (i.e. settlement)" of Motor TPL claims.
Application of this procedure, which we believe will have beneficial effects in terms of claims costs and relations with policyholders, has required a major effort. This effort, which started in the latter months of FY2006 and is still underway, has been necessary as regards organisation, internal and external training, and revision of IT procedures to enable the company to handle the new operating reality – which we thing will involve some 80% of Motor TPL claims – properly.

More specifically, in February training courses on the direct indemnity system were completed for the entire agency network and for all claims adjusters, plus presentation of the new applications prepared in the New Age IT system to manage the procedure. In addition, the training course and operating manual were published on the corporate Website.

Agreements have been signed with 300 bodywork repair shops to pre-define special conditions for parts, labour, and courtesy cars and to arrange for direct payment of damage by Vittoria. This service has been included in the corporate Website with the list of the authorised body repair shops divided by province, at the disposal of agencies and customers. In addition, an interactive site route has been prepared for customers enabling them to identify the claims eligible for direct indemnity and providing full in-depth information.

The dedicated HQ unit for management of direct settlement (Italian acronym = SARC) has been strengthened to support adjusters and agencies in management of the industry-wide direct settlement convention and for the necessary contacts with the SARC units of other insurers in the market.

Work is still underway on implementation of IT applications to enable agents to track claims-handling status and consult damage quantification tables designed to make claim adjustment and quantification criteria transparent.

Real estate business

Vittoria Immobiliare has founded the company Forum Mondadori Residence Srl, in which it has a 70% interest and which will undertake a development project in Mantua. The investment, made in March, totals € 70 thousand. The investee company, thanks to further contributions by shareholders and bank loans, will undertake a project that envisages a total investment of € 26,580 thousand.

The Board of Directors

Milan, 22 March 2007

Consolidated Financial Statements

FY2006

Balance Sheet

Vittoria Assicurazioni S.p.A.

Consolidated financial statements as at and for the year ended 31 December 2006

BALANCE SHEET - ASSETS

(in thousands of Euros)

		Note	31/12/2006	31/12/2005
1	INTANGIBLE ASSETS		16,432	14,924
1.1	Goodwill	1	0	0
1.2	Other intangible assets	2	16,432	14,924
2	PROPERTY, PLANT AND EQUIPMENT		278,524	114,586
2.1	Property	2	273,483	109,208
2.2	Other items of property, plant and equipment	2	5,041	5,378
3	REINSURERS' SHARE OF TECHNICAL RESERVES	3	126,958	143,306
4	INVESTMENTS		1,353,933	1,306,198
4.1	Investment property		0	0
4.2	Investments in subsidiaries and associates and interests in joint ventu	4	53,194	31,477
4.3	Held to maturity investments	5	151,224	71,687
4.4	Loans and receivables	5	19,488	16,862
4.5	Financial assets available for sale	5	1,010,569	1,061,807
4.6	Financial assets at fair value through profit or loss	5	119,458	124,365
5	OTHER RECEIVABLES		148,272	188,417
5.1	Receivables relating to direct insurance	6	114,514	107,151
5.2	Receivables relating to reinsurance business	7	5,710	10,375
5.3	Other receivables	8	28,048	70,891
6	OTHER ASSETS		40,265	45,619
6.1	Non-current assets or assets of a disposal group classified as held for sale		0	0
6.2	Deferred acquisition costs	9	11,250	12,818
6.3	Deferred tax assets	10	12,050	10,682
6.4	Current tax assets	11	14,002	19,910
6.5	Other assets	12	2,963	2,209
7	CASH AND CASH EQUIVALENTS	13	82,753	75,016
	TOTAL ASSETS		2,047,137	1,888,066

Vittoria Assicurazioni S.p.A.
Consolidated financial statements as at and for the year ended 31 December 2006

BALANCE SHEET - EQUITY AND LIABILITIES

(in thousands of Euros)

		Note	31/12/2006	31/12/2005
1	EQUITY		232,822	213,533
1.1	attributable to the shareholders of the parent		226,311	203,635
1.1.1	Share capital	14	30,452	30,000
1.1.2	Other equity instruments	14	1,229	1,398
1.1.3	Equity-related reserves	14	21,878	20,142
1.1.4	Income-related and other reserves	14	125,478	91,715
1.1.5	(Treasury shares)	14	0	0
1.1.6	Translation reserve	14	-2	6
1.1.7	Fair value reserve	14	11,847	21,585
1.1.8	Other gains or losses recognised directly in equity	14	22	-1,190
1.1.9	Profit for the year attributable to the shareholders of the parent		35,407	39,979
1.2	attributable to minority interests	14	6,511	9,898
1.2.1	Share capital and reserves attributable to minority interests		5,393	5,518
1.2.2	Gains or losses recognised directly in equity		0	0
1.2.3	Profit for the year attributable to minority interests		1,118	4,380
2	PROVISIONS	15	4,813	5,344
3	TECHNICAL RESERVES	16	1,341,505	1,258,577
4	FINANCIAL LIABILITIES		322,229	306,286
4.1	Financial liabilities at fair value through profit or loss	17	116,048	122,758
4.2	Other financial liabilities	17	206,181	183,528
5	PAYABLES		98,059	57,646
5.1	Payables arising from direct insurance business	18	6,827	7,879
5.2	Payables arising from reinsurance business	19	12,489	7,154
5.3	Other sums payable	20	78,743	42,613
6	OTHER LIABILITIES		47,709	46,680
6.1	Liabilities of a disposal group held for sale		0	0
6.2	Deferred tax liabilities	21	24,479	10,474
6.3	Current tax liabilities	22	6,145	19,832
6.4	Other liabilities	23	17,085	16,374
	TOTAL EQUITY AND LIABILITIES		2,047,137	1,888,066

Income Statement

Vittoria Assicurazioni S.p.A.
Consolidated financial statements as at and for the year ended 31 December 2006

INCOME STATEMENT

(in thousands of Euros)

		Note	2006	2005
1.1	Net premiums		484,421	452,955
1.1.1	*Gross premiums*	24	563,601	539,385
1.1.2	*Ceded premiums*	24	79,180	86,430
1.2	Commission income	25	408	1,943
1.3	Gains or losses on remeasurement of financial instruments at fair value through profit or loss	26	8	45
1.4	Gains on investments in subsidiaries and associates and interests in joint ventures	26	18,219	6,532
1.5	Gains on other financial instruments and investment property	26	46,990	44,593
1.5.1	*Interest income*		45,175	38,863
1.5.2	*Other income*		1,808	1,605
1.5.3	*Realised gains*		7	4,097
1.5.4	*Unrealised gains*		0	28
1.6	Other income	27	23,530	60,314
1	TOTAL REVENUE		573,576	566,382
2.1	Net charges relating to claims		375,909	353,429
2.1.1	*Amounts paid and change in technical reserves*	24	436,791	422,812
2.1.2	*Reinsurers' share*	24	-60,882	-69,383
2.2	Commission expense	28	602	722
2.3	Losses on investments in subsidiaries and associates and interests in joint ventures	26	408	298
2.4	Losses on other financial instruments and investment property	26	5,215	5,117
2.4.1	*Interest expense*		5,161	5,117
2.4.2	*Other expense*		0	0
2.4.3	*Realised losses*		9	0
2.4.4	*Unrealised losses*		45	0
2.5	Operating costs		127,559	125,519
2.5.1	*Commissions and other acquisition costs*	29	94,474	88,006
2.5.2	*Investment management costs*	29	859	729
2.5.3	*Other administrative costs*	29	32,226	36,784
2.6	Other costs	30	12,014	12,061
2	TOTAL COSTS		521,707	497,146
	PROFIT FOR THE YEAR BEFORE TAXATION		51,869	69,236
3	Income taxes	31	15,344	24,877
	PROFIT FOR THE YEAR		36,525	44,359
4	GAIN (LOSS) ON DISCONTINUED OPERATIONS		0	0
	CONSOLIDATED PROFIT		36,525	44,359
	of which attributable to the shareholders of the parent		35,407	39,979
	of which attibutable to minority interests	14	1,118	4,380

Basic EARNINGS per share		1.16	1.33
Diluted EARNINGS per share		1.07	1.21

Calculation of earnings per share (EPS)

As required by IAS 33, the following table sets out the way in which Base and Diluted EPS is calculated.

		2006	2005
Profit for the year attributable to the shareholders of the parent	Euro	35,406,514	39,979,161
Average number of shares	N.	30,451,623	30,000,000
Basic earnings per share	Euro	1.16	1.33
Adjustments			
Financial charges on the convertible subordinated bond issue	Euro	708,608	796,110
Number of potential shares	N.	3,298,377	3,750,000
Adjusted profit for the year attributable to the shareholders of the parent	Euro	36,115,122	40,775,271
Adjusted average number of shares	N.	33,750,000	33,750,000
Diluted earnings per share	Euro	1.07	1.21

The 451,623 shares arising from conversion of the bond loan in the period between May and October 2006 have entitlement as from 1 January 2006.

Adjustments refer to the number of potential shares arising from conversion of the remaining part of the convertible subordinated bond loan and to interest expense incurred on the loan itself.

Statement of changes in equity

Vittoria Assicurazioni S.p.A.
Consolidated financial statements as at and for the year ended 31 December 2006
STATEMENT OF CHANGES IN EQUITY

(in thousands of Euros)

			Balance at 31/12/2004	Adjustment to closing balance	Allocation	Reclass. to profit or loss	Other reclassifications	Balance at 31/12/2005	Adjustment to closing balance	Allocation	Reclass. to profit or loss	Other reclassifications	Balance at 31/12/2006
Equity attributable to the shareholders of the parent	Share capital		30,000					30,000		452			30,452
	Other equity instruments		1,398					1,398		-169			1,229
	Equity-related reserves		20,142					20,142		1,736			21,878
	Income-related and other reserves		73,681		22,234		-4,200	91,715		38,263		-4,500	125,478
	(Treasury shares)		0					0					0
	Translation reserve		5		1			6		-8			-2
	Fair value reserve		20,836		749			21,585		-9,740	2		11,847
	Other gains or losses recognised directly in equity	Hedging reserve	0					0					0
		Gains or losses on hedging instruments of net investment in foreign operations	0					0					0
		Reserve for changes in the equity of investees	-77		-1,113			-1,190		1,212			22
		Intangible asset revaluation reserve	0					0					0
		Property, plant and equipment revaluation reserve	0					0					0
		Gains or losses on non-current assets or assets of a disposal group classified as held for sale	0					0					0
		Other reserves	0					0					0
	Profit for the year		22,120		17,859			39,979		-4,572			35,407
	Total attributable to the shareholders of the parent		**168,105**	**0**	**39,730**	**0**	**-4,200**	**203,635**	**0**	**27,174**	**2**	**-4,500**	**226,311**
Equity attributable to minority interests	Share capital and reserves attributable to minority interests		3,727		2,641		-850	5,518		4,451		-4,576	5,393
	Gains or losses recognised directly in equity		0					0					0
	Profit for the year		3,158		1,222			4,380		-3,262			1,118
	Total attributable to minority interests		**6,885**	**0**	**3,863**	**0**	**-850**	**9,898**	**0**	**1,189**	**0**	**-4,576**	**6,511**
Total			**174,990**	**0**	**43,593**	**0**	**-5,050**	**213,533**	**0**	**28,363**	**2**	**-9,076**	**232,822**

Further information on the movements and breakdown of equity items is provided in the Explanatory Notes.

Cash flow statement – indirect method

Vittoria Assicurazioni S.p.A.
Consolidated financial statements as at and for the year ended 31 December 2006

(in thousands of Euros)

	31/12/2006	31/12/2005
Profif for the year before taxation	51,869	69,236
Change in non-monetary items	97,014	115,941
Change in non-life premium reserve	20,817	4,625
Change in claims reserve and other non-life technical reserves	41,467	28,661
Change in mathematical reserves and other life technical reserves	36,992	59,830
Change in deferred acquisition costs	1,568	119
Change in provisions	-531	3,757
Non-monetary gains and losses on financial instruments, investment property and investments in subsidiaries and associates and interests in joint ventures	-8,114	3,497
Other changes	4,815	15,452
Change in receivables and payables arising from operating activities	80,558	-60,052
Change in receivables and payables relating to direct insurance and reinsurance	1,585	2,890
Change in other receivables and payables	78,973	-62,942
Taxes paid	-15,344	-10,344
Net cash flow generated by/used for monetary items from investing and financing activities	-1,803	-2,992
Liabilities from financial contracts issued by insurance companies	-6,710	-18,345
Payables to bank and interbank customers		0
Loans and receivables from bank and interbank customers		0
Other financial instruments at fair value through profit or loss	4,907	15,353
NET CASH FLOW FROM OPERATING ACTIVITIES	212,294	111,789
Net cash flow generated by/used for investment property		
Net cash flow generated by/used for investments in subsidiaries and associated companies and interests in joint ventures	-3,865	-6,574
Net cash flow generated by/used for loans and receivables	-2,626	3,567
Net cash flow generated by/used for held to maturity investments	-79,537	-10,674
Net cash flow generated by/used for financial assets available for sale	32,974	-158,962
Net cash flow generated by/used for property, plant and equipment	-165,446	76,899
Other net cash flows generated by/used for investing activities		0
NET CASH FLOW FROM INVESTING ACTIVITIES	-218,500	-95,744
Net cash flow generated by/used for equity instruments attributable to the shareholders of the parent		0
Net cash flow generated by/used for treasury shares		0
Dividends distributed to the shareholders of the parent	-4,500	-4,200
Net cash flow generated by/used for share capital and reserves attributable to minority interests	-6,229	-1,616
Net cash flow generated by/used for subordinated liabilities and equity instruments		0
Net cash flow generated by/used for other financial liabilities	24,672	9,235
NET CASH FLOW FROM FINANCING ACTIVITIES	13,943	3,419
Effect of exchange rate gains/losses on cash and cash equivalents	0	0
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	75,016	55,552
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	7,737	19,464
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	82,753	75,016

There are no cash and cash equivalents that the group cannot use (e.g. due to foreign currency restrictions).
Net financial debt of the real estate companies totalled € 48,898 thousand, with an increase of € 32,809 thousand over the previous year.

Credit lines available to the group and not yet used as at 31/12/2006 amounted to € 3,331 thousand (€ 1,039 thousand as at 31/12/2005).

Accounting policies

General basis of presentation

Statement of IFRS compliance

The consolidated financial statements have been prepared in compliance with the international accounting and financial reporting standards (IASs/IFRSs) issued by the IASB and endorsed by the European Union as per EU regulation 1606 of 19 July 2002 and Italian Legislative Decrees 38/2005 and 209/2005.

The Group has not applied IFRSs before the year when they actually came into force.

The Group prepared its first set of IFRS-compliant year-end financial statements in FY2005. As permitted by IFRS 1 ("First-Time Adoption of International Financial Reporting Standards"), for preparation of the opening balance sheet as at 1 January 2004, the Group elected to apply a number of optional exemptions. For information on exemptions, reference should be made to the "Accounting Policies" section of the Consolidated Annual Report & Accounts for the year ending on 31 December 2005.

Basis of accounting

The basic criterion is historical cost, modified for fair-value measurement of available-for-sale financial assets and of financial assets or liabilities recognised at fair value in the income statement.

Use of estimates

Application of IFRSs for the preparation of financial statements and related explanatory notes requires the Group to make estimates that affect the amounts of balance-sheet assets and liabilities and disclosure relating to contingent assets and liabilities as at balance sheet date. Actual results may differ from such estimates. Estimates are used to recognise provisions for insurance liabilities, doubtful debts, depreciation & amortisation, measurements of assets, employee benefits, taxes, and other provisions and funds.

More specifically, for items estimated and whose carrying value is significantly affected by the assumptions, information is given in the detailed notes on the item concerned about the nature of such assumptions or any other uncertainties.

Where significant, and in any case when required by IFRSs, indications are given of the sensitivity of carrying amounts to the fundamental methods, assumptions and estimates used to calculate them, together with the reasons for such sensitivity.
The estimates are reviewed regularly. The effects of each and any change are immediately recognised in the income statement or, in the case of financial assets available for sale, in equity.

Scope of consolidation

Subsidiaries

Subsidiaries are companies over which the Group has permanent, as opposed to temporary, control. Control exists when the Group has the power, directly or indirectly, to determine the financial and operating policies of a company so as to benefit from its activities. Subsidiaries' financial statements are included in the consolidated financial statements as from the date that control commences until the date when such control ceases. Control is presumed to exist when Vittoria Assicurazioni SpA has, directly or through its subsidiaries, the majority of votes in ordinary shareholders' meetings.
Subsidiaries performing activities different from those of the direct operating parent company are also included in the scope of consolidation.

Associates

Associate companies are not controlled by the Group but the Group exercises significant influence over their financial and operating policies. Significant influence is presumed to exist when the investor company owns, directly or indirectly through subsidiaries, at least 20% of voting rights. The consolidated financial statements include the Group's share of associates' gains and losses on an equity-accounted basis as from the date when significant influence commences until the date when the said significant influence ceases. When the Group's share of the associate's losses exceeds the carrying value of the investment, the latter is written down to zero and no share of any further losses is recognised, except to the extent that the Group has the obligation to answer for such losses.

Business combinations

Business combinations are the union of separate entities or businesses in a single entity which is required to prepare financial statements.
The acquirer therefore recognises the acquiree's identifiable assets, liabilities and contingent liabilities at their respective fair value as at acquisition date. The acquiree also recognises goodwill which is regularly tested for impairment.

Consolidation method

1) The financial statements of all consolidated companies are prepared as at 31 December of the financial year concerned.
2) Figures shown in consolidated financial statements have been taken from individual companies' financial statements, duly restated to assure consistency of presentation and modified solely to align investee companies' accounting policies with those of the direct operating parent company.
3) Minority interests in subsidiaries are included in the specific liability and income statement captions of the consolidated financial statements.
4) The accounting currency used to prepare consolidated financial statements is the euro.
5) Acquisitions of subsidiaries are recognised using the purchase method whereby the identifiable assets, liabilities and contingent liabilities acquired are measured at fair value as at acquisition date, which is the date on which consideration is paid.

   Consolidated companies' adjusted equities are eliminated against the related equity investments recorded in holder companies' financial statements.
   The fair value initially set on the assets and liabilities acquired may be adjusted within twelve months after acquisition date, if it was originally measured on a provisional basis.

In this case, any goodwill or profit recognised in the financial year when the acquisition took place is adjusted accordingly, recalculating comparative data presented in the previous set of accounts.

6) Any positive difference between the cost and the Group's interest in the fair value of the assets and liabilities acquired is classified as goodwill and recognised in accounts as an intangible asset. Any negative difference (negative goodwill) is instead recognised as revenue at the time of acquisition. Minority interests are measured according to the fair value of the assets and liabilities of the interest acquired.

   Goodwill is tested for impairment annually or more frequently if specific events or changes in circumstances make it necessary, in accordance with IAS 36 ("Impairment of Assets"). After initial recognition, goodwill is measured at cost net of any cumulative impairment losses.

7) Infragroup balances and transactions, including revenue, costs, and dividends, are eliminated in full. Gains or losses stemming from infragroup transactions and included in the carrying amount of assets, such as inventory, or non-current assets are also eliminated in full. Any intercompany losses are eliminated if they do not reflect enduring impairment of the intrinsic value of the assets transferred.

8) Differences arising from the measurement of investments in associates using the equity method are recognised in the value of equity investments shown among balance sheet investment assets and, as a balancing entry, in the equity account called "Earnings reserves and other financial reserves" as valuation adjustments to unconsolidated equity investments. The Group's share of associates' profit or loss is recognised under the income-statement caption "Gains (losses) on investments in subsidiaries and associates and interests in joint ventures". If the group's share of losses equals or exceeds the carrying value of the investment in that associate, the parent company stops recognising its share of any further losses. After writing the investment in the associate down to zero, further losses are provisioned and recognised as liabilities only to the extent that the parent company has incurred legal or constructive obligations or made payments on behalf of the associate. Should the associate subsequently make a profit, the parent company resumes recognition of its share of profits only after such a share has covered all previously unrecognised shares of losses.

   After it has recognised the associate's losses, the parent company applies the rule of IAS 39 to see whether it is necessary to recognise further losses due to impairment of the net interest (and net investment) in the associate.

Segment reporting

Primary segment reporting (business segments)

The income statement and balance sheet items relating to insurance contracts (as defined by IFRS 4), are allocated to the Life insurance business segment (which, very briefly, includes all contracts envisaging payment of a premium against the payment of benefits if the policyholder dies or survives) or to the Non-life business segment (which includes all other insurance contracts).
The Life insurance segment also includes all income statement and balance sheet items relating to investment contracts.
The Real Estate segment includes all income statement and balance sheet items relating to trading, development, and related services.
The Services segment includes the income statement balance sheet items relating to services rendered, mainly to the direct operating parent company.
The share of investments and profits or losses of associates that operate in more than one segment is classified in the segment where the investment in the associate is held.

The assets, liabilities, costs, and revenues attributed to each business segment are shown in the tables provided in the section "Appendices to Consolidated Financial Statements", prepared as per the formats recommended in ISVAP ordinance no. 2404 of 22/12/2005.

Secondary segment reporting (geographical segments)

For the purposes of secondary segment reporting, we highlight the fact that:

- The main revenues (premiums and profits on real estate trading, development, and services) by geographical customer segment, as well as figures on deferred costs are mainly summed by Italian macro-region (i.e. North, Centre and South)
- Allocation of assets by geographical segment, i.e. based on assets' geographical location, has led to identification of three areas: Italy, Rest of Europe and Rest of World. This presentation permits effective representation of diversification of investments in securities.

Industry-specific accounting policies

Foreword

Insurance contracts and investment contracts – definition and accounting treatment

Based on the definition given IFRS 4, insurance contracts provide for the transfer of a significant insurance risk, other than a financial risk, by the policyholder to the contract issuer and compensation for the policyholder for damage arising from a specified uncertain future event. Pending completion by the International Accounting Standards Board (IASB) of the so-called "Phase II" of its insurance contract project, IFRS 4 has introduced limited improvements to the recognition and measurement of items relating to insurance contracts, substantially providing for continued application of most of the local GAAPs currently in force.

Based on analysis of the insurance policies in our portfolio, all non-life contracts are covered by IFRS 4. As regards the life business:

<u>Insurance contracts</u>

For contracts for which the insurance risk is rated as significant, current Italian accounting standards are applied (Italian GAAPs). In the case of insurance contracts with discretionary profit participation features, insurance liabilities are supplemented based on shadow accounting.

<u>Financial contracts with discretionary profit participation features</u>

Contracts of a financial nature that, although not having a significant insurance risk, envisage discretionary profit participation (policies linked to separately managed businesses), as allowed by IFRS, have been measured and recognised applying the same criteria as those envisaged for the insurance contracts mentioned above, with consistent recognition of the reserve based on shadow accounting.

Capital-redemption and some type of whole-life contracts, for example, come into this category.

<u>Investment contracts</u>

Contracts of a financial nature that have neither a significant insurance risk nor discretionary profit participation features are accounted for according to the rules of IAS 39 (Financial instruments: recognition and measurement) and IAS 18 (Revenue).

Life contracts of the Class III type (index- and unit-linked) and Class VI type (pension funds) come within the scope of this treatment and are therefore accounted for as summarised below:

- Financial assets and liabilities relating to such contracts are measured at fair value through profit or loss
- Revenue for fixed contract-issue costs incurred by the policyholder is recognised in full in profit in the year when the contract is acquired
- Up-front loading and acquisition commissions paid to brokers and agents as at contract acquisition date are recognised respectively as other liabilities and other assets, as they relate to

deferred income and prepaid costs concerning long-term services charged to profit or loss in line with the costs incurred over policies' actual or estimated term

- Estimation of policies' term takes into account policyholders' propensity to require settlement based on the company's historical experience and, for new products, assessments made during new-product development work
- Profit or loss items that occur annually, such as management fee income and commissions paid, together with portfolio management costs, are directly expensed in the year when they are generated.

Balance Sheet
ASSETS

Intangible assets

- Goodwill

Reference should be made to the Consolidation Method section.

- Other intangible assets

Other intangible assets are recognised in balance sheet assets, as per IAS 38, when:

- It is likely that their use will generate future economic benefits;

- The Group has control or has the power to obtain these benefits;

- Assets' cost can be measured reliably.

Assets are measured at cost net of amortisation and cumulative impairment losses. Amortisation is calculated on a straight-line basis over the assets' estimated useful lives.

As required by IFRSs, they are tested for impairment at least annually with recognition as a loss of the excess of carrying value vs. recoverable value. A check is also performed of their residual useful lives.

The group's assets have finite useful lives.

Other intangible assets recognised after acquisition of a company are recognised separately from goodwill if their fair value can be measured reliably.

Property, plant, and equipment

- Owner-occupied property

Property for own use is stated at cost less depreciation and cumulative impairment losses.

This includes costs directly attributable to bringing the asset to the condition necessary to enable it to operate as required by the company.

Ordinary maintenance costs are directly expensed when incurred.

Costs incurred after acquisition are capitalised only if they can be reliably measured and if they increase the future economic benefits of the assets to which they refer. All other costs are expensed.

Depreciation is applied on a straight-line basis over the property's estimated useful life of between 30 and 50 years.

As land has an indefinite useful life, it is not depreciated. Given this, land and buildings are recognised separately even when they are acquired together.

As required by IAS 36, buildings are tested for impairment at least annually with recognition of any excess of their carrying value over their recoverable value as a loss.

- ## Property held for trading - Property under construction

The item includes property under construction and that acquired for trading purposes by group companies.

The profit arising from property sales, purchases and promotion (which in real estate companies' statutory financial statements is the balance between sales revenue, purchases, improvement costs and changes in inventory) is reclassified to "Other income".

Until completion of buildings' construction, the Group's real estate companies capitalise all directly allocable improvement costs, including interest expense connected with financing of the initiative.

Property held for trading

Properties held for trading are recognised at the lowest between cost and net realisable value based on market trends. This lower value is not maintained in subsequent years if the reasons for write-down cease to exist. The amount of the write-down of inventory to net realisable value is recognised as a cost in the year as is its possible adjustment.

Property under construction

Property investments not intended for long-term use by the company, consisting of buildings under construction, are measured using the percent-completion method. This method is only applied to building units for which preliminary sales agreements have been signed. The related margins are recognised in the income statement according to construction completion status.

Design and construction costs incurred are linked to related expected total costs to determine the percentage of completion as at balance sheet date.

Margins on contracts are calculated by applying this percentage to the expected total margins.

Any expected losses on long-term contracts are immediately recognised as an expense.

Down payments received for properties under construction are posted as a reduction of year-end inventory carrying value.

- ## Other items of property, plant, and equipment

Plant and equipment, publicly registered movable assets, furniture and fittings, and office machinery are stated at purchase or purchase cost less depreciation and cumulative impairment losses.

Cost includes costs directly attributable borne to bring the asset to the location and the condition necessary to enable it to operate as required by the company.

Ordinary maintenance costs are expensed when incurred.

Costs incurred after acquisition are capitalised only if they can be reliably measured and increase the future economic benefits of the assets to which they refer. All other costs are expensed.
Leasehold improvements are classified as an item of property, plant and equipment. If they can be separated from the asset to which they relate, they are recognised in the relevant category depending on the nature of the cost incurred. Otherwise, they are classified in a stand-alone category. The depreciation period is equal to the shortest between the item's remaining useful life and the residual term of the lease contract.

Depreciation is calculated on a straight-line basis over the asset's estimated useful life.

Assets are tested for any impairment at least annually with the recognition of any excess of their carrying value over their recoverable value as a loss. A check is also performed of the consistency of their residual useful life.

Reinsurers’ share of technical reserves

Reinsurers’ obligations arising from reinsurance treaties governed by IFRS 4 are recognised in this item.
Reinsurers’ share of technical reserves is recognised consistently with the criteria applicable to the underlying direct insurance contracts. It is adjusted to expected recoverable value at each financial reporting date.

Investments

Initial recognition and subsequent measurement

All financial assets are initially recognised at fair value.

Transaction costs are expensed for financial assets measured at fair value through profit or loss or included in initial recognition if related to other financial assets.

After initial recognition, financial instruments designated as available for sale and those designated at fair value through profit or loss are measured at fair value. Financial instruments held to maturity and loans and receivables are instead measured at amortised cost.

For securities traded in regulated markets, fair value is calculated based on the closing stock exchange price as at balance sheet date.

If a market valuation is not available for the investment, its fair value is measured on the basis of the current market value of other substantially similar financial instruments or by using appropriate valuation techniques. Such techniques include use of recent transactions, discounted cash flow analysis or models able to provide reliable estimates of prices practised in current market deals. If fair value cannot be measured reliably, the financial asset is measured at cost, adjusted for any impairment losses.

For CIUs (collective investment undertakings), fair value is the published unit value.

The fair value of non-interest bearing loans and of those featuring interest at other than market rates is estimated as the present value of all discounted inflows using the prevalent market rate for a similar instrument.

Recognition date

Purchases and sales of financial assets are recognised on transaction date.

Investments are classified as follows:

- ### Investments in subsidiaries, associates, and joint ventures

This item includes equity investments that are not consolidated on a line-by-line basis, measured using the equity method or at cost.
Immaterial investments in subsidiaries or associates are measured at cost, adjusted for any impairment losses.

Investments in subsidiaries are eliminated during the consolidation process.

- ### Held-to-maturity investments

The assets classified as held-to-maturity are cash instruments (i.e. not derivatives) with fixed or determinable payments and fixed maturity that the Group effectively intends and is able to hold until maturity. They do not include assets:

- Designated upon initial recognition as being at fair value going through profit or loss;

- Designated as available for sale;

- That qualify as loans and receivables.

These assets are measured at amortised cost using the effective interest method.

If there is objective evidence of an impairment loss, the asset's carrying amount is written down, recognising the loss directly in the income statement.

Gains and losses relating to amortisation and any difference between the carrying amount and consideration received at the time of derecognition are taken to profit or loss.

- ### Loans and receivables

Loans and receivables are non-derivative assets with fixed or determinable payments that are not listed in an active market.

Assets held for trading, designated at fair value through profit or loss or as available for sale, are not classified in this category.

These assets are measured at amortised cost using the effective interest method.

This category includes mortgage loans, loans on life insurance policies, loans granted to employees and agents by the direct operating parent company, and inward reinsurance deposits.

If there is objective evidence of an impairment loss, the asset's carrying amount is written down, recognising the loss directly in the income statement.

- ### Financial assets available for sale

This category comprises assets designated as available for sale or however not classified as:

- Financial assets at fair value going through profit or loss;
- Held-to-maturity investments;
- Loans and receivables.

These assets are measured at their fair value.

Unrealised gains and losses are recognised directly in equity, with the exception of impairment losses and foreign exchange gains and losses. At the time of sale or impairment of the financial asset, the cumulative gains or losses, including those previously recognised in equity, are taken to profit or loss.

Interest pertaining to the year is recognised directly in profit or loss using the effective interest method, which considers the annual portion of amortisation of the trading discount. Dividends are recognised when the shareholders' right to payment arises.

- ### Financial assets at fair value through profit or loss

This category includes assets held for trading, strategic possession of which aims to obtain a profit in the short term, or that are designated upon initial recognition at fair value through profit or loss.

More specifically, the Group classifies in this category its financial assets hedging investment contracts where the investment risk is borne by the policyholders and those relating to pension fund management.

These assets are measured at their fair value.

Any gains or losses are directly recognised in profit or loss.

Other receivables

This category consists of:

- ### Receivables relating to direct insurance

  These are receivables due from policyholders for unpaid premiums and from agents, insurance brokers and co-insurance companies. The item also includes amounts to be recovered from policyholders and third parties for claims payments on policies with “no claims bonus” clauses, and for deductibles and subrogations.

  They are stated at nominal value and are adjusted on each financial reporting date to their presumed realisable value, calculated on the basis of historic trends of collections by individual business line.

- ### Receivables relating to reinsurance

  These are receivables due from reinsurers or insurers for reinsurance transactions. They are recognised at nominal value and thereafter are measured at presumed realisable value on each financial reporting date.

- ### Sundry receivables

  These are receivables relating neither to insurance nor tax. They include down payments to third parties. They are recognised at nominal value and thereafter measured at presumed realisable value on each financial reporting date.

Other assets

This category consists of:

- ### Deferred acquisition costs

In compliance with IFRS 4, this item includes acquisition costs paid in advance upon signature of long-term contracts and amortised over contract duration.
As required by IFRS 4, such costs are accounted for in accordance with local GAAPs.

Non-life business: acquisition costs on long-term contracts, with specific reference to acquisition commissions, are capitalised and amortised in three years from the year when they occurred. Based on contract duration and regulations governing the applicability of commission charges, this amortisation period can be considered to be economically consistent.

Life business: acquisition costs relating to new contracts, for the part not outwardly reinsured, is capitalised within the limits of related loading and amortised on a straight-line basis over the term of the underlying contracts within the 10-year limit established by ISVAP circular no. 183 dated 3 September 1992. The amortisation period is deemed to be economically consistent.

Residual commissions on policies cancelled during the amortisation period are expensed in the year when such policies are eliminated from the portfolio.

- Current and deferred tax assets

These items include current and deferred tax assets, as defined and governed by IAS 12, including deferred tax assets relating to prepaid taxes on the life business mathematical reserves pursuant to Article 1, point 2, of Italian Decree Law no. 209/2002 as definitively enacted by Article 1 of Law no. 265/2002 and subsequent amendments.

These assets are recognised in line with current tax legislation on an accruals basis.

For items recognised as deferred tax assets, on each financial reporting date the Group checks whether any changes have occurred in relevant tax regulations, such as to lead to a different valuation.

Reference should be made to the accounting policy referring to “Current and deferred taxation” in the Income Statement section.

- Other assets

This item includes reinsurance suspense accounts, deferred commission expense on investment contracts, and accrued income and prepayments relating respectively to sundry income and general & administrative expenses.

Reference should be made to what has already been indicated in the earlier section “Insurance and Investment Contracts – definition and accounting treatment”.

Cash and cash equivalents

Cash and cash equivalents include items that meet the requirements of availability on demand or in the extremely short term, definite monetisability, and the absence of collection expenses. They are recognised at their nominal value.

LIABILITIES

Share capital

Ordinary shares are recognised as share capital (subscribed and paid in) at their par value.

Other equity instruments

This item includes instruments representing capital – but not included in share capital – consisting of special share categories and the equity portion of complex financial instruments. More specifically, it includes the equity portion stemming from valuation of the conversion option relating to the convertible subordinated bonds issued by the direct operating parent company.

Equity reserves

This item comprises the share premium reserve.

Earnings-related and other reserves

This item specifically includes:

- Retained earnings or losses carried forward, including the legal reserve;
- The reserve for gains or losses on IFRS first-time adoption;
- Consolidation reserves;
- Reserves for the reclassification of the catastrophe and equalisation reserves recognised under previous accounting standards (i.e. Italian GAAPs), which can no longer be recognised as technical liabilities under IFRS 4;
- Reserves – including the property revaluation reserve - recognised in compliance with the Italian Civil Code or specific Italian laws before adoption of IFRSs;
- Reserves for share-based payment transactions, settled using the company's own equity instruments (IFRS 2).

It also includes any gains or losses due to material errors or to changes in accounting policies or estimates (IAS 8).

Translation reserve

The item includes foreign exchange differences to be allocated to equity pursuant to IAS 21, arising both from foreign currency transactions and from translation into financial statements' presentation currency.

Fair value reserve

This item includes the unrealised gains or losses on investments classified as "Financial assets available for sale". Reference should be made to the relevant balance sheet item for details on the nature and accounting treatment of this type of assets.
Amounts are stated net of the portion attributable to policyholders and allocated to insurance liabilities, as better described in the "Shadow Accounting" section, and of related deferred taxation.

Other gains or losses recognised directly in equity

This item includes the gains or losses recognised directly in equity, with specific reference to the reserve for changes in investees' equity not recognised in their income statements as profit or loss. It also includes any revaluation reserves for property, plant and equipment and intangible assets.

Minority interest

This caption includes the equity instruments and items and related equity reserves attributable to third-party shareholders, collectively defined as Minority Interest.
Any minority interest in the "fair value reserve" is also included.

Provisions

The Group recognises provisions or funds for risks and charges when:

- The Group has a constructive or legal obligation vis-à-vis third parties;
- It is likely that the Group resources will have to be used to meet the obligation;
- The amount of the obligation can be reliably estimated.

Changes in estimates are taken to profit or loss in the period in which the change occurs.

Provisions for charges to be borne made by the real estate companies include the costs of completion for apartments for which a notarial deed has already been signed, based on the principle of cost/revenue matching.

Technical reserves

This item comprises commitments stemming from insurance and inward reinsurance contracts gross of outward reinsurance. Commitments refer both to insurance products and to financial products with discretionary profit participation features.

▪ Premium reserve (Non-Life business)

The non-life premium reserve is calculated on a pro-rata temporis basis for each single contract, based on recognised premiums net of direct acquisition costs and of the fraction of premium pertaining to the period after 31 December of the financial year in question.

The exception to this general rule is calculation of the suretyship reserve, where risk exposure does not decrease according to the time elapsed and the relationship between premiums and potential claims costs does not follow the usual economic and technical criteria. For this specific business line, the premium reserve is calculated applying the hybrid system established by ISVAP regulation no. 1978 of 4 December 2001. This provides for the pro-rata temporis method together with the supplementary reserve calculated according to risk type as per schedule no. 33 of ISVAP regulation no. 1059 G of 4 December 1998.

Where so required by the technical result, the premium reserve is also supplemented by the reserve for risks outstanding, which is set up to cover risks incumbent upon the company after the balance sheet date. It is a technical provision, mandatorily required by Italian Legislative Decree no. 173/1997, which is made if, and to the extent that, the total amount of the presumed cost of expected claims for in-force policies is estimated to be higher than the unearned premiums reserve plus instalments outstanding net of acquisition costs, for instalment-premium policies.

▪ Claims reserve (Non-Life business)

The claims reserve reflects the prudent valuation of estimated indemnities and adjustment costs for claims relating to direct business that have been incurred and not yet paid, either totally or in part, as at balance sheet date. This valuation is performed considering the specific features of each line, based on all components forming the requirement for coverage of the claim's ultimate cost. "Ultimate cost" means the estimate of all foreseeable costs based on a prudent assessment of factual evidence (document examination) and forecasts (expected claims settlement time frame and related inflation rates).

Assessment of each claim is performed according to the following phases:
- Preparation of inventory estimates for each open position by non-life claims settlement inspectors;
- Analysis and checking of data and review of documentation concerning major claims by corporate management.

Activities performed as part of claims assessment procedures are based on the following general criteria:
- Accurate and complete basic year-end inventory of all claims partly or totally not settled, highlighting claims that are the subject of disputes
- Analysis of claims featuring several positions in order to ascertain that proper evidence exists supporting each individual position;
- Separate indication of the quantification of bodily injury and property damage;
- Inclusion of estimated direct and settlement costs in the claims reserve. Settlement costs include both amounts paid to professionals taking part in claims handling and internal company costs relating to the claims handling department;
- Assessment of claims relating to credit and suretyship insurance in compliance with the dictates of Articles 4 and 5 of ISVAP regulation no. 1978 of 4 December 2001.

As regards current-generation claims, case documentation is examined at least quarterly to check the claim's progress and see whether the previous assessment was correct. In addition, the "continuous reserve" operating procedure is applied, which means that, when each partial payment is made or whenever new information is gathered, the claim is reviewed.

The field claims settlement network is supported by the area co-ordinators. The latter check, in terms of merit and method, that corporate house rules are properly applied.

The claims reserve includes the estimate for IBNR claims, i.e. claims pertaining to the year that have been incurred but not yet reported by year-end. Amounts are calculated considering the average cost of the current generation.
The claims reserves thus calculated that relate to mass risks, insofar as they refer to positions settled in the medium-long term, are subjected to statistical and actuarial checks to assess their consistency with ultimate cost and, when necessary, are topped up.
In compliance with IFRS 4, no provision is made for possible unknown future claims.

▪ Reserves for payable amounts (Life business)

The item comprises the direct operating parent company's obligations to policyholders for settlement of claims, surrenders and, with respect to policies that have matured, for accrued principal and annuities. Consequently, the above amounts are not included in mathematical reserves.

▪ Mathematical reserves (Life business)

The life business technical reserves are calculated on the basis of the pure premiums and actuarial assumptions deemed to be appropriate as at the date when contracts were signed, insofar as they are still valid. Calculation of technical reserves is based on the rate of return determined on the basis of the related investments for respective "revaluable" benefits and on the mortality rate used to calculate pure premiums. In accordance with current regulations, the premiums-carried-forward component of mathematical reserves is calculated on a pure-premium basis.

The mathematical reserve is never lower than surrender value.

In compliance with the requirements of ISVAP in its ordinance no. 1380 G of 21 December 1999, in turn based on the requirements of paragraph 14 of Article 25 of Italian Legislative Decree no. 174/95, the reserve for capital contracts relating to sums insured with a contractually guaranteed annuity conversion factor and to deferred and beneficial life annuities has been adjusted to reflect updated demographic survival assumptions.

Mathematical reserves are adjusted, when deemed necessary, to factor in the decrease in financial rates of return on assets covering such reserves.

Pursuant to ISVAP regulation no. 1801-G of 21 February 2001, an ALM (Asset-Liability Management) procedure has been implemented for joint analysis of the asset and liability portfolios in order to calculate the forecast returns for each segregated life account.

Other reserves (Non-Life and Life businesses)

The item includes the following reserves:

- Ageing reserve for health insurance (Non-Life business) as required by paragraph 5 of Article 25 of Italian Legislative Decree no. 175 of 17 March 1995.
  As done in previous years, the reserve has been calculated on a non-analytical basis by accruing 10% of gross premiums written for products that do not consider the policyholder's age in premium calculation and contain clauses limiting the company's possibility of terminating the contract.

- Profit participation and reversal reserve (Non-Life and Life businesses)
  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 reduce future premiums, as long as they constitute distribution of technical profits arising from non-life and life insurance activities, after deduction of amounts accrued in previous years' that are no longer necessary.

  Reversals consist of the amounts that are partial rebates of premiums made on the basis of each contract's performance.

- Reserve for deferred liabilities to policyholders (Life business)

  This reserve shows the share of unrealised gains or losses attributable to policyholders, as described in the specific section on "Shadow Accounting".

- Reserve for management expenses (Life business)

  This reserve is calculated based on loading for management expenses and on the other technical bases of the tariffs applied.

- Complementary insurance premium reserve (Life business)

  The premium reserve for complementary accident insurance is calculated analytically by applying the premiums-brought-forward criterion to the related pure premiums.

- LAT (Liability Adequacy Test) reserve (Non-Life and Life business)

  This reserve includes any accruals made following the LAT, as better described in the "Liability Adequacy Test" section.

Financial liabilities

▪ Financial liabilities at fair value through profit or loss

The item includes financial liabilities held for trading or designated at fair value through profit or loss. They include liabilities related to investment contracts governed by IAS 39, the fair value of which is calculated according to the asset's fair value of the asset plus the fair value of any guarantees and options existing in the contract (i.e., the financial liabilities relating to investment contracts where the investment risk is borne by policyholders and those relating to pension fund management).
Gains and losses are recognised directly in profit or loss.

▪ Other financial liabilities

This item includes the financial liabilities defined and governed by IAS 39 not included in the category "Financial liabilities at fair value through profit or loss", including deposits received from reinsurers, debt securities issued, bank borrowings and other financial liabilities other than trade payables.
Other financial liabilities are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method.
Specifically, in the case of bonds convertible into the issuer's shares (compound financial instruments), the instrument's amount is split into the following two components:

- Conversion option, classified as an equity instrument;
- Debt component, classified as a financial liability among subordinated liabilities.

Initial measurement

When the bond loan is issued, the financial liability component is recognised at fair value, discounting expected future cash flows, considering any existing options, at the market rate applicable to a similar financial liability not associated with an equity component (conversion option).
The equity component is calculated as the difference between the fair value of the entire financial instrument (nominal amount of the subordinated bond loan) and the amount calculated separately for the financial liability component.

The costs incurred to issue the convertible bond loan are split proportionally between the two components and are offset against them.

Subsequent measurement

Non-conversion

The financial liability component is recognised at amortised cost using the effective interest method.
The equity component is not subject to changes in its original carrying amount.

Conversion

The financial liability component is reversed and charged to equity. The initially recognised equity reserve is transferred to the share premium reserve.

Reimbursement or call-up

At the time of reimbursement or call-up, the consideration paid and costs related to the transaction are split between the financial liability component and the equity component using criteria similar to those used for the original allocation.
Any related gain or loss is treated according to the accounting standards and policies applicable to the related component, as follows:

- The amount of the gain or loss relating to the liability component is recognised in profit or loss;
- The amount of the consideration relating to the equity component is recognised in equity.

Payables

This category consists of:

- ### Payables arising from direct insurance transactions

The item includes balances not yet settled, indemnities to be paid upon termination of agency contracts, payables arising from the current accounts into which the balances of co-insurance technical results go, guarantee deposits on insurance sureties paid by policyholders and the amount payable to CONSAP (the state-owned public insurance services concessionaire) for the contribution to the guarantee fund for road accident victims.
These payables are recognised at nominal value.

- ### Payables arising from reinsurance transactions

This item includes payables arising from current accounts into which the reinsurance technical result goes, plus reinsurers' share of amounts to be recovered.

These payables are recognised at nominal value.

- ### Other payables

Other payables include accruals made for employee post-employment benefit obligations.
They also include trade payables, including payments on account collected by the real estate companies on signature of preliminary sales agreements, which are recognised at nominal value.

Other liabilities

- ### Current and deferred tax liabilities

These items include current and deferred tax liabilities, as defined and governed by IAS 12.
These liabilities are recognised in accordance with current tax legislation on an accruals basis.
For deferred tax liabilities recognised in accounts, on each financial reporting date the Group checks whether any changes have occurred in relevant tax regulations, such as to lead to a different valuation.

Reference should also be made to the accounting policy concerning "Current and deferred taxation" in the Income Statement section.

- ### Sundry liabilities

This item includes reinsurance suspense accounts, deferred commission income on investment contracts, accrued liabilities and liabilities relating to defined benefit plans and other long-term employee benefits (medical services and seniority bonuses). Reference should be made to the section on "Employee benefits" for details on the approach to measurement of these items.

Income Statement

REVENUES

Revenue recognition

Revenues are recognised to the extent it is probable that the group will receive economic benefits and their amount can be measured reliably. Revenue is recognised net of discounts, allowances and return sales.

Revenues from services are recognised when the services have been rendered or according to service completion status.

Revenues from construction work in progress are recognised based on progress status (percentage of completion method).

Net premiums

Premiums recognised include the amounts accruing during the year for insurance contracts, as defined by IFRS 4 ("Insurance Contracts).

Premiums, together with ancillary charges, gross of ceded premiums, are recognised as revenue upon maturity, regardless of the date of recording of documents and of actual collection.

With reference to the non-life business, cancellations of individual policies due to events of a technical nature are directly deducted from premiums as long as they were issued in the same year. With respect to the life business, the item includes all cancellations, except for those relating to first yearly instalments issued in previous years.

Recognition of premiums on an accruals basis is implemented for the non-life business via posting to the premiums reserve (see relevant accounting policy), whilst for the life business it is implicit in the calculation of mathematical reserves, complementary insurance premium reserve and other technical reserves.

Ceded and retroceded reinsurance premiums are accounted for as per contractual agreements with reinsurers.

Commission income

This item includes commission income for financial services provided not included in the calculation of a financial instrument's effective interest, as required by IAS 18.

It includes commission income relating to investment contracts not covered by IFRS 4, such as loading (explicit and implicit) and, for those contracts that provide for investment in an internal fund, management fee income and other similar items.

Net gains on financial instruments measured at fair value through profit or loss

This item includes realised gains and losses, interest, dividends, charges and increases or decreases in the fair value of financial assets and liabilities measured at fair value through profit or loss, which include assets and liabilities relating to index-linked and unit-linked investments and to pension fund management.

Income from investments in subsidiaries, associates, and joint ventures

The item comprises income coming from investments in subsidiaries, associates and joint ventures entered in the corresponding asset item. More specifically, it includes the share of profits of the Group's equity-accounted companies.

Income from other financial instruments and investment property

This item includes income from investment property and financial instruments that are not recognised at fair value through profit or loss. It mainly includes interest income on financial instruments measured using the effective interest method, and other investment income - comprising dividends and revenue from third-party use of investment property, gains made on the disposal of financial assets or liabilities or investment property, and increases arising from reversals of impairment losses, and from subsequent measurement of investment property measured at fair value and of financial assets and liabilities.

Other revenue

This item includes:

- Trading profits and revenue for completion status of construction work in progress of the real estate trading and promotion companies, recognised at the time of signature of the notarial deed and using the percentage of completion method, respectively;
- Revenues for the sale of goods and rendering of services other than those of a financial nature and for third-party use of items of property, plant and equipment, intangible assets or other Group assets, as established by IAS 18. In this respect, the real estate brokerage companies recognise commission income upon signature of the preliminary sale agreements;
- Other net technical income relating to insurance contracts;
- Realised profits on and write-backs of property, plant and equipment and intangible assets;
- Foreign exchange gains to be recognised in profit or loss under IAS 21;
- Capital gains on non-current assets or on disposal groups classified as held for sale other than discontinued operations.

More specifically, other technical income relating to insurance contracts includes commissions relating to cancelled premiums included in other technical charges for the non-life and life businesses and income arising from management of the knock-for-knock (i.e. direct settlement) agreement and from ANIA incentives for scrapping damaged vehicles in the non-life business.

COSTS

Claims costs

The overall category comprises – inclusive of settlement costs and excluding recoveries and outward reinsurance – the sums paid during the year for claims, maturities, surrenders and accrued annuities, as well as the amount relating to changes in technical reserves for contracts coming within the scope of IFRS 4 application.

It also includes the portion charged to the income statement of the change in deferred liabilities to policyholders (shadow accounting) as well as any change in the LAT reserve.

Specifically, non-life claims costs include damage compensation paid and direct expenses, plus settlement expenses and charges for contribution to the guarantee fund for road accident victims.

Direct expenses are those incurred to avoid or minimise claim damage, including litigation costs as per Article 1917, paragraph 3, of the Italian Civil Code, rescue costs in transport and aviation insurance, and fire-fighting costs in fire insurance.

Adjustment expenses include amounts paid to professionals involved, plus personnel expenses, logistics costs, and costs for services and goods of the company departments involved in claims settlement and handling.

The reinsurers’ share is calculated in accordance with the provisions of treaties currently in force.

Commission expense

This item includes commission expense on financial services received not included in the calculation of a financial instrument’s effective interest, as required by IAS 18. Specifically, it includes commission expense relating to investment contracts not coming within the scope of IFRS 4 application.

Losses on investments in subsidiaries, associates, and joint ventures

The item includes losses on investments in subsidiaries, associates and joint ventures recognised in the corresponding asset item. Specifically, it includes the share of loss for the year of the Group’s equity-accounted companies.

Losses on other financial instruments and investment property

This item includes losses and charges on investment property and financial instruments that are not recognised at fair value through profit or loss. It mainly comprises interest expense on financial instruments measured using the effective interest method, other losses on investments and expenses on investment property, such as condominium expenses and maintenance and repair costs that have to be expensed. It also includes capital losses on disposal of financial assets or liabilities or investment property, depreciation charges, impairment losses and losses on the subsequent measurement of investment property measured at fair value and financial assets and liabilities.

Operating costs

This category comprises:

- Commissions and other acquisition costs, including acquisition costs, net of outward reinsurance, relating to insurance contracts.

  In particular, the item includes:

  - Commissions paid on acquisition and renewal, including tacit renewal, of contracts;
  - Extra commissions and commission bonuses;
  - 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;
  - Medical check-up costs;
  - Amortisation charge, for the year, of acquisition commissions and other acquisition costs;
  - Commissions paid on the collection of premiums related to long-term contracts.

  Profit participation and other contractual commissions paid to reinsurers for premiums ceded and retroceded are accounted for on the basis of the relevant contractual agreements.

- Investment management costs, including G&A costs and personnel expenses allocated to management of financial instruments, investment property and equity investments. They also comprise custody and administration costs.

- Other administrative costs, including G&A costs and personnel expenses that are not allocated to claims costs, insurance contract acquisition costs or investment management costs. Specifically, the item includes G&A costs and personnel expenses incurred for the acquisition and administration of investment contracts as well as G&A costs and personnel expenses relating to non-insurance companies performing financial activities. It also includes charges incurred in connection with the termination of agency agreements for the part not subject to compensation.

  Commissions paid by real estate trading and promotion companies to brokers and agents when the preliminary sales agreements are signed are accounted for as prepayments and recognised in profit or loss when the notarial deeds are signed or according to contracts' completion status, in accordance with the cost/revenue matching principle.

  The costs incurred by brokerage companies are reclassified to prepayments and recognised in profit or loss when the trading companies sign the notarial deeds, if such costs are incurred in relation to sales or purchases commissioned by group companies and not yet executed at balance sheet date.

Other costs

This category includes:

- Costs for the sale of goods and rendering of services other than of a financial nature and the third-party use of items of property, plant and equipment, intangible assets or other group assets, as required by IAS 18;
- Other net technical costs relating to insurance contracts;

- Additional provisions made during the year;
- Foreign exchange losses to be recognised in profit or loss as per IAS 21;
- Realised losses, impairment losses, depreciation charges relating to items of property, plant and equipment not allocated to other account items and amortisation of intangible assets;
- Losses on non-current assets or disposal groups classified as held for sale other than discontinued operations.

More specifically, other technical costs relating to insurance contracts comprise:

- Premiums cancelled, due to events of a technical nature, relating to single policies issued in previous years (non-life business);
- Cancellation of first yearly premium instalments issued in previous years (life business);
- Uncollectable premiums in amounts receivable from policyholders (non-life and life business);
- Costs relating to goods and services purchased to complement non-life insurance covers;
- Costs arising from the management of the knock for knock (i.e. direct settlement) agreement.

Current and deferred taxes

Income taxes include all taxes calculated on the basis of the estimated taxable income of each financial year and stated on an accruals basis in compliance with current relations.

Income taxes are taken to profit or loss except for those relating to items that are directly debited or credited to equity, in which case the tax effect is also recognised directly in equity.

Deferred taxes are calculated - except in the cases expressly envisaged by paragraphs 15 and 20 of IAS 12 - on all temporary differences that arise between the taxable base of an asset or liability and its carrying value in consolidated accounts, to the extent that it is probable that in future sufficient taxable income will be achieved against which to use them.

Deferred tax assets on tax losses and unused tax credits that can be carried forward are recognised to the extent that it is probable that future taxable income will be available against which they can be recovered.

Deferred tax assets and liabilities are calculated applying the tax rates expected to be applicable - based on the tax rates and tax regulations in force as balance sheet date - in the financial years when the temporary differences will be realised or reversed.

Current and deferred tax assets and liabilities are offset when income taxes are applied by the same tax authority and when a legal right to offset them exists.

Additional information

Inward insurance

The effects of inward life reinsurance are recorded on an accruals basis, except for risks retroceded by CIRT (the Italian consortium for impaired life insurance) which, however, are not material.

If there are no specific negative indications, the effects of non-life inward reinsurance are accounted for one year later than the year to which they refer, as the necessary information is not available at balance sheet date. Related financial and balance sheet movements are recorded in the balance sheet under Other assets – Other liabilities in the reinsurance suspense accounts.

Treaties concerning aircraft hulls represent an exception to the above accounting treatment as the space risk business is accounted for on a strict accruals basis.

Indirect business claims reserves generally reflect those reported by the ceding insurer and the direct operating parent company supplements them when they are deemed inadequate with respect to the commitments underwritten.

Retrocession

Retroceded business mainly relates to treaties concerning aircraft hulls (i.e. property).
Items relating retrocession are measured according to the same policies as those applied to inward reinsurance.

Impairment losses

▪ Impairment of intangible assets and of property, plant and equipment (IAS 36)

The Group checks recoverability of the carrying value of the intangible assets and property, plant and equipment at least once a year to see whether there is any evidence of impairment. If there is, the asset's recoverable value is estimated to determine the entity of any impairment loss.

Intangible assets not yet available for use and goodwill are tested for impairment annually or more frequently if there is evidence that the asset may have suffered impairment.

When it is not possibile to estimate the recoverable value of an individual asset, the Group calculates the recoverable value of the cash-generating unit (CGU) to which the asset belongs.

The recoverable amount of an asset is the highest out of its fair value less costs to sell and its value in use. In order to calculate value in use, future estimated cash inflows and outflows arising from continuing use of the asset and from its ultimate disposal are discounted to their present value. A loss is recognised if recoverable value is less than carrying value. Subsequently, when a loss for an asset, other than goodwill, ceases to exist or decreases, the carrying value of the asset or CGU is increased to the new recoverable value and cannot exceed the amount that would have been calculated if no impairment loss had been recognised. The impairment loss or its full or partial reversal is taken immediately to profit or loss.

Possible indicators of impairment loss considered include, for example: an evident decline in the market value of similar assets, adverse scenario changes (i.e. in the technological, legal or market environment), obsolescence or physical damage of an asset, evidence indicating that an asset's economic performance is worse than expected, and the need to restructure an asset.

As regards goodwill recognised for business combination, the CGUs to which goodwill has been allocated are tested for impairment at least annually and whenever there is evidence that they may be enduringly impaired. The test compares a CGU's carrying value, including goodwill, with its recoverable value.
If the CGU's carrying value exceeds its recoverable value, an impairment loss is recognised.

▪ Impairment of financial assets (IAS 39)

The Group checks - at least on every balance sheet date - to see whether there is factual evidence that financial assets have suffered impairment.

Impairment losses on loans and receivables and held-to-maturity investments carried at amortised cost, calculated as the difference between the carrying value and present value of estimated future cash flows discounted using the original effective interest rate, are recognised in profit or loss. If, in subsequent periods, the amount of the impairment loss decreases, the previously recognised impairment loss is reversed through profit or loss. The new carrying value, however, does not exceed what the amortised cost would have been had the impairment loss never been recognised.

Impairment losses on equity investments measured at cost, calculated as the difference between the carrying value and the present value of estimated future cash flows discounted using current market return rates for similar financial assets, are recognised in profit or loss. This type of impairment loss can never be reversed.

In the case of financial assets classified as available for sale, whose fair value is directly recognised in equity, it there is factual evidence that the asset has suffered impairment, the cumulative loss recognised in equity is reversed to the income statement. The total loss is calculated as the difference between acquisition cost (net of any repayment of principal and amortisation) and present fair value (less any previous impairment loss taken into the income statement). If, in subsequent periods, the amount of impairment loss decreases, the previously recognised impairment loss is reversed in the income statement.

As specifically regards loans and receivables, if an event occurs that reveals factual evidence of potential impairment, the Group assesses each item to be adjusted analytically or, alternatively, splits the loans and receivables into uniform risk categories and estimates each category's impairment loss based on historical loss experience.

Indicators of possible impairment losses include, for example, significant financial difficulties of the issuer, default or delinquency in interest or principal payments, the possibility of the beneficiary going bankrupt or undergoing some other credit arrangement procedure, and the disappearance of an active market for that financial asset. Besides this, prolonged or significant decline of an equity instrument's fair value to below its cost is also considered to be factual evidence of impairment.

Shadow accounting

Paragraph 30 of IFRS 4 allows modification of accounting policies in such a way that an unrealised capital gain or loss on an asset affects measurement of insurance liabilities, related deferred acquisition costs, and of related intangible assets in the same way that a realised capital gain or loss does.
The related adjustment of insurance liabilities (or deferred acquisition costs or intangible assets) is recognised in equity if, and only if, the unrealised gains or losses are recognised directly in equity.
Similarly, unrealised capital gains or losses on assets, recognised in profit or loss (including impairment losses), lead to a corresponding adjustment through profit or loss of the insurance liability or of other insurance balance sheet items recognised in profit or loss.

The procedure envisages the following steps:

1) Net unrecognised gains as at balance sheet date on the assets measured at fair value are calculated for separately managed businesses;
2) Actual retrocession rates due to policyholders are calculated by splitting the entire portfolio into groups of like policies;
3) The amount of unrecognised net gain pertaining to policyholders is calculated by applying the retrocession rates indicated in point 2) to the unrecognised net gains measured in point 1);
4) If the assets allocated to separately managed businesses partly belong to the "fair value through profit or loss" category and partly to the "available for sale" category, the offsetting amount of the increase in insurance liabilities is split equally between the costs charged to profit or loss and equity reserves.

Furthermore, for the purposes of preparation of consolidated financial statements, the effect of the allocation to separately managed businesses of the investments in the subsidiaries Vittoria Immobiliare SpA and Immobiliare Bilancia Srl has been assessed.

Since dividends paid by such subsidiaries to Vittoria Assicurazioni SpA (or any capital gains recognised in the eventuality of sale of the equity investments) are retroceded to life policyholders in accordance with the relevant insurance contracts, an amount equal to the portion attributable to life policyholders of the subsidiaries' profits recorded in the consolidated financial statements, net of profits already paid to policyholders in the form of dividends, is added to the direct operating parent's reserves calculated on an actuarial basis.

This accrual is not necessary in individual statutory financial statements because financial income relating to dividends arises at the same time as related costs, in terms of benefits accorded to policyholders.

Liability Adequacy Test (LAT)

As required by IFRS 4, the Group tests its insurance liabilities for adequacy using current estimates of future cash flows deriving from its insurance contracts. If this assessment shows that the carrying value of its insurance liabilities is inadequate, the entire deficit is recognised in the income statement.

If balance sheet liabilities have already undergone liability adequacy testing that meets local GAAPs consistent with IFRSs, IFRS 4 does not require any further checks. If they have not, current estimates of future cash flows must be calculated as envisaged by IAS 37.

Life business

Liability adequacy was tested by comparing technical reserves, less deferred acquisition costs, with the present value of the future cash flows obtained by projecting the expected cash flows generated by the portfolio in force as at assessment date and taking into account assumptions on mortality, surrenders, and expense trends.

Non-life business

Under Italian GAAPs, the claims reserve is measured at ultimate cost. This approach, which forbids the discounting process, means that provisioning is intrinsically higher than the current estimate of expected cash flows.

Based on Italian GAAPs, the premiums reserve is supplemented by the reserve for unexpired risks, if any. This treatment is compliant with paragraph 16 of IFRS 4.

Employee benefits

Actuarial valuation of termination benefits, seniority bonuses and healthcare benefits

Valuation was performed in accordance with IAS 19. Employee benefits and healthcare benefits can be assimilated with "post-employment benefits" of the "defined benefit plan" type, whilst the seniority bonuses can be assimilated with "other long-term benefits" once again of the "defined benefit plan" type.

For these benefits an assessment is made of the amounts that the company has undertaken to pay when certain events occur relating to the employee's working life and also, in special cases provided for by national collective labour contracts, his or her retirement period. These amounts are discounted using the projected unit credit method to calculate the interval of time that will elapse before actual payment takes place.

As far as post-employment benefits are concerned (currently known as "employee severance indemnities" in Italy), the calculation considers the amount already accruing as at the valuation date and takes future forecast provisions into account. Conversely, in the case of seniority bonuses and healthcare benefits only the future forecast provisions are included in the calculation.

Actuarial valuation of the provision for post-employment benefits, seniority bonuses and healthcare benefits during retirement was performed using the projected unit credit method - also known as the accrued benefit method pro-rated on service. This method requires "the entity to attribute the benefit to the current period (in order to determine current service cost) and to the current and prior periods (in order to determine the present value of defined benefit obligations). The entity attributes the benefit to the periods when the obligation to provide post-employment benefits arises".

Actuarial valuation was based on assumptions concerning length of service (i.e. exit from the Group) and also economic and financial assumptions. The latter relate to the theoretical lines of remuneration by contractual grade, the interest rate used to discount future employee service costs and the inflation rate based on which provision for post-employment benefits is revalued.

Where possible, the assumptions are based on the direct operating parent company's historical series, supplemented by and projected on the basis of market experience and relevant best practice.

Accrued, deferred, and prepaid items

Accrued income and liabilities recognise revenues and costs pertaining to periods after 31 December of the year being reported and are included in the specific balance sheet item to which they refer.

Prepayments and deferred income reallocate costs and income occurring before 31 December to the financial year to which they pertain. They are respectively posted among Other assets and Other liabilities.

Financial expense

Financial expenses directly attributable to the acquisition, construction or production of an asset that qualifies for capitalisation are capitalised as part of the cost of the asset in question when it is probable that they will generate future economic benefits and if they can be reliably measured.

All other financial expenses are expensed when they are incurred.

Conversion into euro

Items expressed in foreign currencies are converted into euro at spot rates. Balance sheet items still existing at year-end are converted at the exchange rate of the last working day of the financial year.

Explanatory notes to accounts

The explanatory notes consist of:

- General tables and notes listed below in alphabetical order
- Specific tables and notes concerning individual items of the balance sheet, income statement, statement of equity, and cash flow statement, listed below in numerical order.

General explanatory notes

A) Scope of consolidation

	Registered Offices	Share Capital Euro	% Ownership Direct	Indirect	Via
Vittoria Assicurazioni S.p.A.	Milan	30,451,623			
Vittoria Immobiliare S.p.A.	Milan	12,200,000	87.24%		
Immobiliare Bilancia S.r.l.	Milan	2,000,000	97.66%		
Immobiliare Bilancia Prima S.r.l.	Milan	2,000,000	100.00%		
Immobiliare Bilancia Seconda S.r.l.	Milan	1,000,000	100.00%		
Immobiliare Bilancia Terza S.r.l.	Milan	100,000	100.00%		
Lauro 2000 S.r.l.	Milan	15,000,000	100.00%		
Yafra S.a.s.	Paris France	37,000	55.00%		
Vittoria Properties S.r.l.	Milan	4,000,000	99.00%	1.00%	Vittoria Immobiliare S.p.A.
Interbilancia S.r.l	Milan	80,000	80.00%	20.00%	Vittoria Immobiliare S.p.A.
Vittoria Service S.r.l.	Milan	80,000	70.00%	30.00%	Vittoria Immobiliare S.p.A.
Acacia 2000 S.r.l.	Milan	100,000		100.00%	Vittoria Immobiliare S.p.A.
Gestimmobili S.r.l.	Milan	104,000		80.00%	Vittoria Immobiliare S.p.A.
Interimmobili S.r.l.	Rome	104,000		80.00%	Vittoria Immobiliare S.p.A.
V.R.G. Domus S.r.l	Turin	1,000,000		51.00%	Vittoria Immobiliare S.p.A.
Parco Fidenae S.r.l.	Rome	50,000		51.00%	Vittoria Immobiliare S.p.A.
Aspevi S.r.l.	Milan	10,400		100.00%	Interbilancia S.r.l.
Vittoria.Net S.r.l.	Milan	10,400		100.00%	Interbilancia S.r.l.

Changes in ownership percentages and other changes during the year:

- Vittoria Immobiliare SpA: subscription of the capital increase pertaining to the direct operating parent company for € 3,926 thousand, of which € 536 thousand via conversion of the payment made into the capital increase account in 2006 and € 3,390 thousand via fresh financial resources;
- Vittoria Service Srl: foundation of the company dedicated to advisory services and assistance in the real estate and insurance areas with an outlay of € 80 thousand, of which 70% by the direct operating parent company and 30% by the subsidiary Vittoria Immobiliare SpA;
- Immobiliare Bilancia Srl: it reimbursed part of the quota premium reserve to quotaholders for a total amount of € 16,000 thousand, of which € 15,625 thousand pertaining to the direct operating parent company;
- Yafra Sas: subscription by the direct operating parent company of 55.0% of the share capital of the French financial company, jointly founded with the associate company Yarpa International Holding NV, with an outlay of € 88 thousand. The company owns 5% of the French real estate company Cogedim Office Partners Sas;

- Lauro 2000 Srl: acquisition by the direct operating parent company of 100% of the company, owner of a buildable area in Milan designated for use by the services industry (the so-called Portello area), with a total outlay of € 66,937 thousand, of which € 46,597 thousand paid in FY2006. Direct ancillary costs of €154 thousand were also capitalised. In addition, in December the direct operating parent company subscribed the capital increase with an outlay of € 14,900 thousand;
- Acacia 2000 Srl: acquisition, via the subsidiary Vittoria Immobiliare SpA, of 100% of the company, owner of a buildable area in Milan designated for residential use (Portello area) for a total of € 66,679 thousand besides ancillary acquisition costs;
- Aspeca Srl: the company, having ceased business, was wound up during FY2006.

B) Unconsolidated equity interests

	Registered Offices	Share Capital Euro	% Ownership Direct	Indirect	Via
Yarpa International Holding N.V.	Amsterdam Holland	675,000	25.00%		
Laumor B.V.	Amsterdam Holland	20,000	25.00%		
White Finance S.A	Luxembourg	1,000,000	32.17%		
S.In.T. S.p.A.	Turin	1,000,000	48.19%		
B.P.C. S.p.A.	Genoa	9,635,000	20.91%		
Laumor Holdings S.a.r.l.	Luxembourg	12,500	29.00%		
Gimatrading S.r.l.	Turin	10,400		35.00%	Vittoria Immobiliare S.p.A.
Sivim S.r.l.	Milan	60,000		49.50%	Vittoria Immobiliare S.p.A.
Rovimmobiliare S.r.l	Rome	20,000		50.00%	Vittoria Immobiliare S.p.A.
Mosaico S.p.A.	Turin	500,000		25.00%	Vittoria Immobiliare S.p.A.
Pama & Partners S.r.l.	Genoa	1,200,000		25.00%	Vittoria Immobiliare S.p.A.
Le Api S.r.l.	Milan	10,400		30.00%	Interbilancia S.r.l.

Changes in ownership percentages and other changes during the year:

- Mosaico SpA: purchase of 25% of the real estate company, via Vittoria Immobiliare SpA, with an outlay of € 175 thousand;
- White Finance SA: payment by the direct operating parent company of € 4,526 thousand to the associate as an increase of the share premium reserve;
- S.In.T SpA: purchase of a further 33.4% of the company, reaching an ownership percentage of 48.19%, with an outlay of € 4,837 thousand, on which direct ancillary costs of € 14 thousand were capitalised. Following this transaction, the investment in the company has been classified among investments in associates;
- BPC SpA: purchase of a further 1.0% of the company, reaching an ownership percentage of 20.91%, with an outlay of € 96 thousand. Following this transaction, the investment in the company has been classified among investments in associates;
- Laumor Holdings Srl: purchase by the associate Laumor BV of 29.00% of the company for a total amount of € 2,094 thousand, of which € 2,004 thousand paid in FY2006 and € 90 thousand settled in February 2007. A further payment of € 58 thousand was made in November as an increase of the quota premium reserve;

- Pama & Partners Srl: purchase of 25% of the real estate company via Vittoria Immobiliare SpA, with an outlay of € 800 thousand, of which € 300 thousand paid as a capital increase and € 500 thousand as an increase of the quota premium reserve.

C) Geographical segment reporting (secondary segment)

As regards primary segment reporting, the relevant balance sheet and income statement tables by business segment – compliant with the formats established by the ISVAP ordinance already mentioned earlier – are shown in the specific section “Appendices to Consolidated Financial Statements”.

The following tables show the geographical split of the main items of revenues, deferred costs, and of total balance sheet assets.

Assets	Italy		Europe		Rest of the World		Total	
	31/12/2006	31/12/2005	31/12/2006	31/12/2005	31/12/2006	31/12/2005	31/12/2006	31/12/2005
Debt instruments	832,245	803,068	222,510	212,184	37,893	41,513	1,092,648	1,056,765
Equity instruments and OEIC units	72,038	71,986	53,711	37,828	0	0	125,749	109,814
Property (incl. owner-occupied property)	273,483	109,208		0		0	273,483	109,208
Other assets	555,257	612,279		0		0	555,257	612,279
Total	1,733,023	1,596,541	276,221	250,012	37,893	41,513	2,047,137	1,888,066

(in thousands of Euros)

Deferred costs	Italy North		Centre		South and Islands		Total external deferred costs	
	31/12/2006	31/12/2005	31/12/2006	31/12/2005	31/12/2006	31/12/2005	31/12/2006	31/12/2005
Other property, plant and equipment	4,711	5,157	330	221		0	5,041	5,378
Other intangible assets	16,412	14,919	20	5		0	16,432	14,924
Owner-occupied property	13,531	13,251	1,373	1,724	704	719	15,608	15,694
Total	34,654	33,327	1,723	1,950	704	719	37,081	35,996

(in thousands of Euros)

Revenue (gross of intersegment eliminations)	Italy North		Centre		South and Islands		Total	
	2006	2005	2006	2005	2006	2005	2006	2005
Insurance premiums - direct business	335,494	326,149	182,495	173,527	51,587	46,022	569,576	545,698
Trading and construction profits	5,366	11,604	10,504	36,143		0	15,870	47,747
Services and rent income	5,613	6,284	4,313	7,073	0	0	9,926	13,357
Total	346,473	344,037	197,312	216,743	51,587	46,022	595,372	606,802

Specific explanatory notes

Consolidated Balance Sheet

Note 1

	31/12/2006	31/12/2005	Change
Goodwill	0	0	0

Note 2

	31/12/2006	31/12/2005	Change
Other intangible assets	16,432	14,924	1,508
Property	273,483	109,208	163,938
Other items of property, plant, and equipment	5,041	5,378	-337

Other intangible assets and Other items of property, plant, and equipment

The following table shows the breakdown of items and changes occurring during the year.

(in thousands of Euros)

	Software	Software under development	Other intangible assets	TOTAL OTHER INTANGIBLE ASSETS	Renovations	Furniture, fittings, plant and equipment	Ordinary and electronic office macines	Cars	TOTAL OTHER ITEMS OF PROPERTY, PLANT AND EQUIPMENT
Gross carrying amount at 31/12/2005	34,071	245	397	34,713	3,888	9,596	8,447	775	22,706
Acquisitions	4,136	119	20	4,275	408	579	623	181	1,791
Improvement costs	0	0	0	0	0	0	0	0	0
Sales	0	0	0	0	-2	-4	-52	-149	-207
Reclassification of assets under development	0	0	0	0	0	0	0	0	0
Gross carrying amount at 31/12/2006	38,207	364	417	38,988	4,294	10,171	9,018	807	24,290
Accumulated Depreciation at 31/12/2005	19,436	0	353	19,789	3,153	7,417	6,394	364	17,328
Depreciation	2,755	0	12	2,767	306	586	1,008	162	2,062
Decrease of cumulative depreciation due to disposals	0	0	0	0	0	-2	-38	-101	-141
Accumulated Depreciation at 31/12/2006	22,191	0	365	22,556	3,459	8,001	7,364	425	19,249
Net value as at 31/12/2005	14,635	245	44	14,924	735	2,179	2,053	411	5,378
Net value as at 31/12/2006	16,016	364	52	16,432	835	2,170	1,654	382	5,041

The assets recognised in Group accounts have a finite useful life and depreciation & amortisation is applied on a straight-line basis during estimated useful life.

Specifically, the estimated useful life of each type of property, plant and equipment and intangible assets can be summarised as follows:

- Software: between 5 to 10 years;
- Other intangible assets: between 2 to 5 years;
- Furniture, fittings, plant and equipment: between 5 to 10 years;
- Ordinary and electronic office machines: between 3 to 5 years;
- Cars: between 4 to 5 years.

Amortisation of intangible assets is recognised in the income statement under ''Other costs''.

The item "Other intangible assets" mainly refers to long-term costs incurred for the creation of IT applications – called the NewAge system – relating to development of the management system of the direct operating parent company, the claims settlement network, and of the agency network. The NewAge application has been estimated to be usable for 10 years.

<u>Property</u>

The following table shows the breakdown of this item:

(in thousands of Euros)

	31/12/2006	31/12/2005	Change
Owner-occupied property	15,608	15,694	- 86
Property held for trading	25,237	58,458	-33,221
Property under construction	232,638	35,056	197,582
Total	273,483	109,208	164,275

- Owner-occupied property

Of the carrying value of owner-occupied property as at 31 December 2006, € 12,397 thousand referred to property of the direct operating parent company and € 3,397 thousand to property of the subsidiary Vittoria Properties Srl.
The following table shows the reconciliation of changes occurring during the year.

(in thousands of Euros)

Owner-occupied property	31/12/2005	Acquisitions	Improvement costs	Sales	Depreciation	31/12/2006
Gross carrying amount	16,391	683	6	-434		16,646
Accumulated depreciation	697			-20	361	1,038
Carrying amount	15,694	683	6	-414	-361	15,608

Depreciation is applied on a straight-line basis during property's estimated useful life of between 30 and 50 years.

The fair value as at 31 December 2006 of € 24,893 thousand of owner-occupied property was estimated on the basis of appraisals commissioned to independent experts.

- **Property held for trading and property under construction**

The following table shows the reconciliation of changes occurring during the year.

(in thousands of Euros)

Property	Trading activities	Construction work	Total
Valore di bilancio al 31/12/2005	58,458	35,056	93,514
Acquisitions, net of capitalised financial charges	4,750	15,021	19,771
Capitalised financial charges	0	686	686
Revaluations due to work in progress	0	0	0
Sales	-49,336	-23,988	-73,324
Fair value of property acquired in business combinations	0	201,357	201,357
Write-downs	0	0	0
Recognised gains	11,365	4,506	15,871
Recognised losses	0	0	0
Exchange rate gains or losses	0	0	0
Valore di bilancio al 31/12/2006	25,237	232,638	257,875
Other information on inventory			
Inventory expected to be sold after one year	0	231,231	231,231
Inventory charged to secure liabilities	0	25,297	25,297
Fair value net of costs to sell	31,944	241,022	272,966
Commitments for acquisitions to be settled	0	14,000	14,000
Other information on construction work at 31/12/06			
Advances received		3,029	
Guarantee withholdings		0	

Commitments refer to the balance to be paid for acquisition of a buildable area designated for residential use in San Donato Milanese (Milan).

The main real estate activities of the year can be summarised as follows:

<u>Trading</u>

<u>Newly acquired property</u>

- Acquisition of a building in Rome (in Via Ojetti) earmarked for parcelled sale, with an outlay of € 4,176 thousand, for which sales of € 4,507 thousand were complete, with a profit of € 2,078 thousand.

<u>Property already on the books as at 31/12/2005</u>

- Buildings in Rome (in Via Benedetto Croce, Via Nomentana, and Via Villa Massimo): parcelled sales totalling € 23,062 thousand, with a profit of € 3,425 thousand;
- Buildings in Rome (in Via Capuana): sales totalling € 5,087 thousand, with a profit of € 2,029 thousand;
- Portfolio of various buildings located in Rome, acquired in FY2005 from an insurance company: sales totalling € 13,707 thousand, making a profit of € 2,960 thousand;
- Buildings in Monza: sales totalling € 2,930 thousand, with a profit of € 794 thousand;

Construction

Newly acquired properties

- Acquisition of a new buildable area in Milan designated for services industry use (Portello area), whose year-end inventory amounted to € 83,725 thousand;
- Acquisition of a buildable area in Milan designated for residential use (Portello area), whose year-end inventory amounted to € 118,000 thousand;
- Acquisition, in the municipality of Parma, with an outlay of € 7,055 thousand, of a property area designated for the construction mainly of residential buildings, in the immediate vicinity of the European Food Safety Authority.

Properties already on the books as at 31/12/2005

- Buildings under construction in Turin ("Spina 1" district): site-work progress led to costs totalling €1,302 thousand. Notarial deeds of sale were completed totalling € 26,832 thousand, with a profit of € 3,704 thousand;
- Buildings under construction in Peschiera Borromeo (Milan): site-work progress led to costs totalling € 6,295 thousand. Interest expense of € 686 thousand was capitalised on these buildings and notarial deeds of sale were completed totalling € 4,489 thousand, with a profit of € 802 thousand.

Profits recognised for buildings under construction, measured using the percent completion method, take into account the revenues attributable to the period in question and discount revenues, as regards units already committed for sale, recognised in previous financial years on the basis of site-work completion status.

Note 3

	31/12/2006	31/12/2005	Change
Reinsurers' share of technical reserves	126,958	143,306	-16,348

The following table shows – separate for the Non-Life and Life insurance business – reinsurers' share of technical reserves:

(in thousands of Euros)

	Direct business		Indirect business		Total carrying amount	
	31/12/2006	31/12/2005	31/12/2006	31/12/2005	31/12/2006	31/12/2005
Non-life reserves	102,706	115,751	1,590	1,637	104,296	117,388
Premium reserve	25,428	39,006	126	271	25,554	39,277
Claims reserve	77,278	76,745	1,464	1,366	78,742	78,111
Other reserves	-	-	-	-	-	-
Life reserves	22,662	25,918	-	-	22,662	25,918
Reserve for payable amounts	21	21	-	-	21	21
Mathematical reserves	22,609	25,858	-	-	22,609	25,858
Other reserves	32	39	-	-	32	39
Total reinsurers' share of technical reserves	125,368	141,669	1,590	1,637	126,958	143,306

Note 4

	31/12/2006	31/12/2005	Change
Investments in subsidiaries, associates, and JVs	53,194	31,477	21,717

The breakdown of this item was as follows:

(in thousands of Euros)

Investments in associates	31/12/2006	31/12/2005
Yarpa International Holding N.V.	27,001	24,112
Laumor B.V.	4,512	488
White Finance S.A	11,661	5,133
S.In.T. S.p.A.	4,721	0
B.P.C. S.p.A.	2,070	0
Laumor Holdings S.a.r.l.	2,037	0
Gimatrading S.r.l.	9	34
Sivim S.r.l.	23	23
Rovimmobiliare S.r.l	189	1,680
Mosaico S.p.A.	155	0
Pama & Partners S.r.l.	801	0
Le Api S.r.l.	15	7
Total carrying amount	53,194	31,477

As already highlighted in the section “Scope of consolidation – B) Unconsolidated equity interests”, the companies S.In.T SpA and BPC SpA were transferred from the category “Financial assets available for sale” to the category “Investments in subsidiaries, associates, and joint ventures”. Purchase transactions completed during FY2006 in fact meant, for the direct operating parent company, achievement of ownership of 48.19% for S.In.T SpA and of 20.91% for BPC SpA.

Goodwill included in investments’ carrying value amounted to € 4,204 thousand of which, more specifically, € 3,714 thousand referred to S.In.T SpA.
The investment’s entire carrying amount was tested for impairment, as per IAS 36, via comparison with recoverable value (the highest out of value in use and fair value net of selling cost). The test performed, together with the appraisal prepared by an independent expert, confirmed the amount carried in accounts.

The share of results recognised in the income statement pertaining to the Group amounted to € 16,239 thousand (write-ups of € 16,737 thousand and write-downs of € 408 thousand).

The shares of the associated Mosaico SpA, owned by Vittoria Immobiliare, are under pledge to Intesa Sanpaolo, as collateral for the credit facilities accorded by this bank to the associate.

The increase of € 21,717 thousand in the total balance sheet item reflects investments and disinvestments, plus the Group’s share of the change in the equity of equity-accounted associates, as highlighted in the following table:

(in thousands of Euros)

Change	Investments in associates
Carrying amount at 31/12/2005	31,477
Acquisitions and subscriptions	12,150
White Finance S.A.	4,526
Mosaico S.p.A.	175
S.In.T. S.p.A.	4,401
B.P.C. S.p.A.	96
Laumor Holdings S.a.r.l.	2,152
Pama & Partners S.r.l.	800
Sales and repayments	0
Reclassification from available-for-sale securities to investments in associates	2,247
S.In.T. S.p.A.	258
B.P.C. S.p.A.	1,989
Change to equity method measurement	16,640
Yarpa International Holding N.V.	8,369
Laumor B.V.	6,274
White Finance S.A	2,002
S.In.T. S.p.A.	62
B.P.C. S.p.A.	-15
Laumor Holdings S.a.r.l.	-115
Gimatrading S.r.l.	-1
Sivim S.r.l.	0
Rovimmobiliare S.r.l	75
Mosaico S.p.A.	-20
Pama & Partners S.r.l.	1
Le Api S.r.l.	8
Dividend distribution	-8,840
Other changes	-480
Carrying amount at 31/12/2006	53,194

Note 5

	31/12/2006	31/12/2005	Change
Investments held to maturity	151,224	71,687	71,687
Loans and receivables	19,488	16,862	16,862
Financial assets available for sale	1,010,569	1,061,807	-51,238
Financial assets at fair value through profit or loss	119,458	124,365	-4,907

To complete the information disclosed below, reference should be made to the information already given in great detail in the Directors' Report in the sections "Investments – Cash & cash equivalents – Property" and "Financial risk management and analysis".
The table detailing the breakdown of financial assets, compliant with the format with the ISVAP ordinance already mentioned, is shown in the specific section "Appendices to Consolidated Financial Statements".

Investments held to maturity – Financial assets available for sale – Financial assets at fair value through profit or loss

The following table shows changes in financial assets – for which risk is borne by Group companies – referring to shares and quotas, bonds and other fixed-income securities, and shares in CIUs (collective investment undertakings).
In addition, changes in assets for which risk is borne by policyholder and those relating to pension-fund management are shown separately.

(in thousands of Euros)

	Held to maturity investments	Financial assets available for sale				Financial assets at fair value trough profit and loss	Financial assets held for trading	Total
		Equity instruments	OEIC units	Bonds and other fixed-income securities	Total	Assets linked	Bonds and other fixed-income securities	
Carrying amount at 31/12/2005	71,687	69,593	8,744	983,470	1,061,807	122,758	1,607	1,257,859
Acquisitions and subscriptions	77,396	4,672		53,453	58,125	31,304	2,341	169,166
Sales and repayments	-175	-12	-747	-80,447	-81,206	-45,863	-535	-127,779
Other changes:								
- amortized costs adjustments	1,734			934	934			2,668
- fair value adjustments		-2,842	33	-20,539	-23,348	5,072	-30	-18,306
- impairment losses		-41			-41			-41
- accrual changes	582			1,143	1,143	18	27	1,770
- other changes		-6,845			-6,845	2,759		-4,086
Carrying amount at 31/12/2006	151,224	64,525	8,030	938,014	1,010,569	116,048	3,410	1,281,251

Loans and receivables

As at 31 December 2006 loans and receivables totalled € 19,488 thousand (€ 16,882 thousand as at 31 December 2005), with an increase of € 2,626 thousand (+15.6%).
The item includes, as required by IAS 32 – AG7 (AG = Application Guidance), the corresponding entry for the commitments for payments to Laumor Holdings Sarl. These payments, which will finance the investments that the investee company makes in private equity transactions, total € 27 million. The direct operating parent company will contribute € 7,204 thousand to this amount, corresponding to its percent ownership of the investee company (29%).
Related commitments to the investee company are posted among “Other financial liabilities”, as indicated in Note 17.

Besides the above, the item mainly consisted of:

- Loans to the in direct associate Mosaico SpA
- Mortgage loans granted by the direct operating parent company to third parties = € 4,001 thousand
- Loans against life policies = € 4,481 thousand

- Loans to employees and agents of the direct operating parent company = € 1,647 thousand
- Inward reinsurance deposits of € 534 thousand.

The amount of € 5,390 thousand is collectable after more than 12 months.

Disclosure concerning fair value

The following table indicates the fair value of investments discussed in the present note.

(in thousands of Euros)

Financial assets	Carrying amount	Fair Value
Held to maturity investments	151,224	151,897
Loans and receivables	19,488	19,488
Financial assets available for sale	1,010,569	1,010,569
Financial assets held for trading	3,410	3,410
Financial assets at fair value through profit or loss	116,048	116,048
Total	1,300,739	1,301,412

To complete the above information, we point out that the fair value of unlisted financial instruments has been calculated on the basis of the market prices or rates of similar instruments or, when these benchmarks are not available, using appropriate measurement techniques, which include the use of recent transactions and analyses using the discounted cash flow method.

Note 6

	31/12/2006	31/12/2005	Change
Receivables relating to direct insurance business	114,514	107,151	7,363

The breakdown of the item was as follows:

(in thousands of Euros)

Receivables relating to direct insurance	31/12/2006	31/12/2005
Premiums due from policyholders	36,601	35,336
Receivables due from brokers and agents	47,013	43,091
Receivables due from insurance companies - current accounts	6,360	4,481
Amounts to be recovered from policyholders and third parties	24,540	24,243
Total	114,514	107,151

These receivables are stated net of related bad-debt provisions. Specifically, provision relating to receivables for premiums due from policyholders takes into account historical trends of cancellation of premiums written but not collected.

Note 7

	31/12/2006	31/12/2005	Change
Receivables relating to reinsurance business	5,710	10,375	-4,665

The item relates to receivables due from insurers and reinsurers. It includes receivables arising from the current accounts which show the technical result of reinsurance treaties

Note 8

	31/12/2006	31/12/2005	Change
Other receivables	28,048	70,891	-42,843

This item refers to trade receivables and to advances paid to third parties.

The decrease was mainly due to completion of purchase of the investee companies Lauro 2000 Srl and Acacia 2000 Srl, for which advance payments to third parties as at 31 December 2005 amounted to € 52,483 thousand. The most significant sub-item as at 31 December 2006 consisted of advances of € 16,709 thousand paid by the real estate companies.

Note 9

	31/12/2006	31/12/2005	Change
Deferred acquisition costs	11,250	12,818	-1,568

This item includes acquisition costs paid in advance upon signature of long-term insurance contracts. As at 31 December 2006, € 4,301 thousand referred to the life business and € 6,949 thousand to the non-life business.

The following table details changes in the item:

(in thousands of Euros)

Deferred acquisition costs	Carrying amount
Carrying amount at 31/12/2005	12,818
Portfolio transfers	0
Exchange rate gains or losses	0
Change in consolidation scope	0
Change for the year	-1,568
Carrying amount at 31/12/2006	11,250

Note 10

	31/12/2006	31/12/2005	Change
Deferred tax assets	12,050	10,682	-1,368

The item included deferred tax assets pertaining to the direct operating parent company (€ 7,719 thousand) and to the real estate and services sector (€ 1,557 thousand), plus those relating to consolidation elimination adjustments (€ 2,774 thousand).

The following table details the item's breakdown as at 31 December 2006.

(in thousands of Euros)

Deferred tax assets	31/12/2006
Exchange rate gains or losses	120
Provision for bad debts	3,158
Technical reserves (claims)	4,077
Accruals to the provision for charges	1,107
Adjustments to life insurance liabilities	2,774
Elimination of intragroup profits	50
Advance taxes for see-through taxation	381
Other	383
Total	12,050

Note 11

	31/12/2006	31/12/2005	Change
Current tax assets	14,002	19,910	-5,908

The item includes tax receivables of the direct operating parent company of € 7,814 thousand (including deferred tax assets on the life business mathematical reserves) and VAT receivables totalling € 5,091 thousand of the real estate companies arising from the purchase of buildable areas and property.

Note 12

	31/12/2006	31/12/2005	Change
Other assets	2,963	2,209	754

The item includes € 1,054 thousand of deferred commission expenses relating to investment contracts and € 1,439 thousand of prepayments, mainly relating to G&A.

Note 13

	31/12/2006	31/12/2005	Change
Cash and cash equivalents	82,753	75,016	7,737

The item refers to bank balances of € 82,706 thousand and cash amounts of € 47 thousand.

Note 14

	31/12/2006	31/12/2005	Change
Equity attributable to parent company shareholders	226,311	203,635	22,676
Equity attributable to minority interest	6,511	9,898	-3,387

Changes in consolidated equity are detailed in this report in the table called "Statement of Changes in Equity".
The following table details the breakdown of equity:

(in thousands of Euros)

BREAKDOWN OF EQUITY	31/12/2006	31/12/2005
Total equity attributable to the shareholders of the parent	**226,311**	**203,635**
Share capital	30,452	30,000
Other equity instruments	1,229	1,398
Equity-related reserves	21,878	20,142
Income-related and other reserves	125,478	91,715
Translation reserve	-2	6
Fair value reserve	11,847	21,585
Other gains or losses recognised directly in equity	22	-1,190
Group profit for the year	35,407	39,979
Total equity attributable to minority interests	**6,511**	**9,898**
Share capital and reserves attributable to minority interests	5,393	5,518
Minority interests' profit for the year	1,118	4,380
Total consolidated equity	**232,822**	**213,533**

At their meeting on 26 April 2001, the shareholders approved the issue of 3,750,000 shares for the purpose of the conversion of the "Vittoria Assicurazioni SpA Fixed/Floater 2001/2016 subordinated bond issue convertible into ordinary shares" (ISIN: IT0003184758).
30 October 2006 marked the end, for FY2006, of the annual conversion period envisaged by the loan's Regulation. In the period between 20 May 2006 and 30 October 2006 451,623 bonds were converted, for a nominal amount of € 2,167,700.
The direct operating parent company's share capital consists of 30,451,623 fully subscribed and paid-up shares with a nominal value of € 1.00 each.

The Group does not hold either directly or indirectly any shares of its parent companies.

Dividends paid out by the direct operating parent company, shown in the column "Other transfers" in the statement of changes in equity, totalled € 4,200,000 and € 4,500,000 respectively for FYs 2005 and 2006.

Below we provide greater detail on the breakdown of equity at 31 December 2006:

- "Other equity instruments": the item, which as at 31 December 2006 amounted to € 1,229 thousand, includes the equity portion of measurement of the conversion option on the convertible bonds issued in 2001 by the direct operating parent company. The decrease of € 169 thousand vs. 31 December 2005 reflects the conversions that took place in the period May-October 2006, as better described in the Directors' Report;
- "Equity reserves": the item refers to the direct operating parent company's share premium reserve of € 21,878 thousand. The increase of € 1,738 thousand was due to conversion of the convertible bond loan;
- "Earnings reserves and other reserves": the item, which totalled € 124,478 thousand, mainly consisted of:
  - The direct operating parent company's legal reserve = € 6,000 thousand
  - Retained earnings = € 110,385 thousand
  - The reserve for gains or losses on IFRS first-time adoption = 2,723 thousand
  - The property revaluation reserve = € 6,370 thousand;
- "Fair value reserve": this item includes the net unrealised gains on the fair value measurement of assets available for sale (€ 23,315 thousand, net of the portion attributable to policyholders (shadow accounting) of € 11,388 thousand).

More specifically, changes in the "Fair value reserve" are detailed in the following table:

(in thousands of Euros)

A) Net unrealised gains

	Gross amount	Tax impact	Net amount
Unrealised gains at 31/12/2005	55,183	14,699	40,484
Decrease due to sales	-57	-59	2
Decrease due to fair value changes at 31/12/2006	-23,297	-6,026	-17,271
Total change for the year	-23,354	-6,085	-17,269
Unrealised gains at 31/12/2006	31,829	8,614	23,215

B) Shadow accounting reserve

	Gross amount	Tax impact	Net amount
Shadow accounting reserve at 31/12/2005	30,605	11,706	18,899
Change in shadow accounting reserve	-12,195	-4,664	-7,531
Shadow accounting reserve at 31/12/2006	18,410	7,042	11,368

Combined effect A) + B) : "Fair value reserve"

	Gross amount	Tax impact	Net amount
Gains or losses on financial assets AFS at 31/12/2005	24,578	2,993	21,585
Decrease due to sales	-57	-59	2
Decrease due to fair value changes at 31/12/2006	-23,297	-6,026	-17,271
Change in shadow accounting reserve	12,195	4,664	7,531
Total change for the year	-11,159	-1,421	-9,738
Gains or losses on financial assets AFS at 31/12/2006	13,419	1,572	11,847

Losses recognised directly in equity in FY2006 of € 9,738 thousand were the result of the reduction of € 17,269 thousand in the reserve for unrealised capital gains on financial assets available for sale, net of the reduction of € 7,531 thousand in the shadow accounting reserve.
The sum of gains recognised in the income statement and of losses recognised in equity amounted to a total of € 25,669 thousand, as specified below.

Gains recognised in profit or loss	35,407
Gains recognised directly in equity	-9,738
Total gains recognised in profit or loss and equity	25,669

The following table, which refers to 31 December 2006, shows the reconciliation of profit and equity shown in the direct operating parent company's individual financial statements with the same items shown in consolidated financial statements.
The IFRS adjustments made to the direct operating parent company's financial statements – prepared, as envisaged by current regulations, in compliance with Italian GAAPs – are specifically indicated.

(in thousands of Euros)

	Portion pertaining to parent company		Portion pertaining to minority interest	
	Equity excluding year's profit	FY2006 profit	Equity excluding year's profit	FY2006 profit
Parent company's financial statements compliant with Italian GAAPs	145,673	27,437		
IFRS adjustments (net of related tax effects)	16,888	- 108	-	-
Parent company's financial statements based on IFRSs	162,561	27,329	-	-
Consolidated companies' equity	143,587	12,938	1,346	976
Allocation of consolidation differences and eliminations	25,373	535		
Consolidated companies' carrying value	(131,634)			
Minority interest	(4,156)	(142)	4,156	142
Elimination of infragroup profits	(767)		(109)	
Profits attributed to life policyholders in the year and in previous years	(10,697)	(1,472)		
Dividend elimination	6,637	(6,637)		
Life policyholder effect on dividend elimination		2,856		
IFRS-compliant consolidated financial statements	190,904	35,407	5,393	1,118

Note 15

	31/12/2006	31/12/2005	Change
Provisions	4,813	5,344	-531

The item mainly refers to provisioning of € 3,736 thousand for construction costs still to be borne for property units already sold under notarial seal, as well as to provisioning of € 335 thousand by the direct operating parent company for staggered payment of a tax demand.
The table below shows the changes in the item:

(in thousands of Euros)

Provisions	31/12/2005	Accruals of the year	Utilisations of the year	31/12/2006
Provision for tax demand	546	-	-211	335
Provision for costs to be incurred	4,058	875	-1,195	3,738
Other provisions	740			740
Total	5,344	875	- 1,406	4,813

Note 16

	31/12/2006	31/12/2005	Change
Technical reserves	1,341,505	1,258,577	82,928

The following table details the breakdown of technical reserves:

(in thousands of Euros)

	Direct business		Indirect business		Total carrying amount	
	31/12/2006	31/12/2005	31/12/2006	31/12/2005	31/12/2006	31/12/2005
Non-life reserves	634,708	585,481	2,173	2,208	636,881	587,689
Premium reserve	171,329	164,084	191	342	171,520	164,426
Claims reserve	460,596	419,078	1,982	1,866	462,578	420,944
Other reserves	2,783	2,319	-	-	2,783	2,319
Life reserves	704,124	670,311	500	577	704,624	670,888
Reserve for payable amounts	20,759	24,069	11	14	20,770	24,083
Mathematical reserves	648,599	598,193	479	551	649,078	598,744
Other reserves	34,766	48,049	10	12	34,776	48,061
Total technical reserves	1,338,832	1,255,792	2,673	2,785	1,341,505	1,258,577

The “Premiums reserve” includes the unearned premium reserve calculated on a pro rata temporis basis. In FY2006 it was not necessary to top up the reserve at all for risks outstanding.

The “Claims reserve” comprises the reserve for reported claims of € 432,910 thousand and the reserve for IBNR claims (claims incurred but not reported) of € 29,668 thousand.

The “Other reserves” item consists of the ageing reserve of the Health line in non-life business (€2,783 thousand) and of other reserved of € 34,778 thousand for the life segment, of which:

- € 30,497 thousand = reserve for deferred liabilities to policyholders (€ 18,410 thousand of which stemming from fair value measurement of financial assets available for sale and € 12,087 thousand from accrual of subsidiaries’ profits of the subsidiaries allocated to separately managed businesses)
- € 4,079 thousand = management expenses.

The key variable factors reviewed in terms of historical trends (where applicable) and estimated on a forecast basis in order to quantify insurance liabilities are as follows:

Claims reserve	- average costs - settlement rate - cancellations without pay-out - reopened claims - incurred but not reported
Unexpired risk premium reserve	- projected loss ratio
Mathematical reserves	- technical bases used (actuarial assumptions) - minimum guaranteed returns - annuity or surrender probability
Shadow accounting reserve	- average retrocession rate - proportion of unrealised gains on securities allocated to separately-managed business
LAT reserve	- market interest rate - return on separately-managed business

Liability Adequacy Test (LAT)

Testing confirmed the adequacy of the book value of the technical reserves show in accounts.

Non-Life business

The following table indicates the reasons for changes in the claims reserve:

(in thousands of Euros)

Claims Reserve	Carrying amount
Carrying amount at 31/12/2005	420,944
Portfolio transfers	14
Exchange rate gains or losses	138
Change in consolidation scope	0
Change for the year	41,482
Carrying amount at 31/12/2006	462,578

For measurement and control of claims reserves at ultimate cost, the direct operating parent company used the Fisher-Lange statistical-actuarial method. This method considers a company's more recent historical series of financial reporting figures to define the model's parameters, i.e. average cost, no-pay-out/reopened claims balance, and settlement rate. The direct operating parent company found that the Fisher Lange method gave estimates fitting better with its business than those obtained using alternative methods such as the Chain Ladder and Bornhuetter-Ferguson. Reserves have not been discounted to present value but adjusted using suitable assumptions about claims-cost growth rates. In order to construct a sensitivity analysis, the base-case scenario has been adjusted, using different assumptions about claims cost inflation trends, interpolations of observed data and different weighting for the various years. The reserve has been recognised taking into account the average value of the results of such calculations.

The analysis showed that forecast estimates were correct and therefore that the reserve was adequate until run-off of claims generations still open.

The claims reserves thus calculated are subject to verification by the actuary appointed for Motor TPL pursuant to the Italian Industry Ministry decree no. 67 of 28 January 2004 and to supervisory authorities' directives.

Life business

The following table shows the reasons for changes in mathematical reserves.

(in thousands of Euros)

Mathematical Reserves	Carrying amount
Carrying amount at 31/12/2005	598,744
Portfolio transfers	-639
Exchange rate gains or losses	0
Change in consolidation scope	0
Change for the year	50,973
Carrying amount at 31/12/2006	649,078

Key actuarial assumptions concerning Life technical reserves are detailed below:

(in thousands of Euros)

Risk category	Year of issue	Technical basis	
		financial	demographic
Temporary	1968 - 1977	4%	SIM 51
	1978 - 1989	4%	SIM 61
	1990 - 1997	4%	SIM 81
	1998 - 2001	3% - 4%	SIM 91
	from 2001	3%	SIM 91 at 70%
Adjustable	1969 - 1979	3% *	SIM 51
Indexed	1980 - 1988	3% *	SIM 51
Revaluable	1988 - 1989	3% *	SIM 71
	1990 - 1996	4% *	SIM 81
	1997 - 1999	3% *	SIM 91
	from 2000	2% *	SIM 81-91
L.T.C.	2001 - 2004	2.5%	(1)
Dread Disease	from 2003	2.5%	(3)
AIL revaluable	1986 - 1998	4% *	SIM 51
	1999 - 2004	3% *	SIM 81

* Due to the effect of the contractually guaranteed revaluation, technical rates have increased to:

indexed policies: 5.50%	adjustable policies: 5.00%	AIL revaluable policies: 4.98%
revaluable policies:	Vittoria Valore Crescente 4.02%	Vittoria Rendimento Mensile 3.80%

(1) SIM 91 (mortality table, by individual age, for Italian males, based on the Italian 1991 census) reduced to 62%; SIF 91 (similar mortality table for Italian females) reduced to 53%; mortality rates and LTC (long-term care) rates taken from reinsurers' studies

(2) SIM 91reduced to 60%; mortality rates and LTC (long-term care) rates taken from reinsurers' studies

(3) SIM 91 reduced to 60%; rates taken from reinsurers' studies

As already specified in the section concerning accounting policies. Life technical reserves include liabilities relating to investment contracts with discretionary profit participation features.

Note 17

	31/12/2006	31/12/2005	Change
Financial liabilities at fair value through profit or loss	116,048	122,758	-6,710
Other financial liabilities	206,181	183,528	22,653

To complete what is presented below, we point that the detailed breakdown of financial liabilities, compliant with the format established by the ISVAP ordinance already mentioned, is shown in the specific "Appendices to Consolidated Financial Statements" section.

Financial liabilities at fair value through profit or loss

The item "Financial liabilities at fair value through profit or loss" refers to financial liabilities relating to investment contracts for which policyholders bear the investment risk and those relating to pension-fund management.
The following table shows the cumulative change as at 31 December 2006 of financial liabilities relating to investment contracts:

(in thousands of Euros)

	Benefits relating to unit-linked and index-linked policies	Benefits relating to pension fund management	Total
Carrying amount at 31/12/2005	120,796	1,962	122,758
Investment of net fund assets	16,539	306	16,845
Profits attributable to policyholders	10,666	251	10,917
Amounts paid	-34,332	-140	-34,472
Carrying amount at 31/12/2006	113,669	2,379	116,048

Other financial liabilities

The item includes the direct operating parent company's commitment for payment of € 7,924 thousand to the associate Laumor Holdings Sarl, against which the rights to receive the related financial instruments are posted in the "Loans & receivables" item. Reference should be made to Note 5 for further information.

Besides the above, the item – which comprises liabilities of € 93,371 thousand falling due after more than 12 months – mainly refers to:

- Reinsurance deposits of € 86,934 thousand
- Bank loans issued to the Group's real estate companies for a total of € 91,438 thousand (of which € 12,994 thousand backed by collateral)
- Subordinated liabilities of € 15,808 thousand.

Subordinated liabilities relate to the "Vittoria Assicurazioni SpA Fixed/Floater 2001/2016 subordinated bond issue convertible into ordinary shares" (ISIN: IT0003184758), issuance of which was approved by the Extraordinary Meeting of Shareholders of Vittoria Assicurazioni SpA on 26 April 2001. The bonds are fully subscribed.
The main characteristics of the convertible subordinated bond issue are as follows:

- Total nominal amount of € 18,000,000; residual nominal value of € 15,832, 210 following exercise of bond conversion option as up to 31/12/2006;

- Originally consisting of 3,750,000 bonds with a nominal value of €4.80 each, as at 31/12/2006 3,298,377 bonds remained;
- Nominal interest rate:
  - Fixed 5.5% until 31 December 2010 - annual coupons
  - Variable 6-month Euribor plus a spread of 2.5%, six-monthly coupons as from 1 January 2011;
- The conversion right can be exercised in the years 2007, 2008, 2009, and 2010, in the period between 20 May (included) and 30 October (included) of each year. In the years 2011, 2012, 2013, and 2015 the conversion right can be exercised in the interval between 20 May (included) and 10 June (included) of each year. In any case exercise of conversion rights is suspended in the period that goes from the date of any meeting of the issuer's Board of Directors that has decided to summon the shareholders' meeting to approve year-end accounts "with dividend distribution" until the day after the dividend detachment date resolved by the shareholders' meeting;
- Maturity: 1 January 2016;
- Convertible into Vittoria Assicurazioni ordinary shares (1 share for each bond) with normal entitlement;
- 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 (whether they be unsecured, secured, non-subordinated or with a subordination level lower than that of the bonds) have been satisfied.

Furthermore, the direct operating parent company has also reserve the right to proceed at any time, as from 1 January 2011, with early repayment of all outstanding bonds, with prior notice of at least one month to be notified to bondholders.

As described in the section on accounting policies, the equity portion (conversion option) has been measured separately from the debt component, to which the effective interest rate of 7.17% has been applied.

Disclosure concerning fair value

The following table indicates the fair value of the liabilities discussed in the present note.

(in thousands of Euros)

Financial liabilities	Carrying amount	Fair Value
Financial liabilities held for trading	0	0
Financial liabilities at fair value through profit or loss	116,048	116,048
Other financial liabilities	206,181	207,691
Total	322,229	323,739

To complete what is shown above, we point out that the total value of the "Other financial liabilities" shown in the table relates to: the subordinated loan (€ 17,318 thousand), to the commitment to Laumor Holdings Sarl (€ 7,924 thousand), and to reinsurance deposits and to loans granted to the real estate companies (€ 182,447 thousand). As regards the subordinated loan, its fair value was calculated based on the market prices of similar instruments.

Note 18

	31/12/2006	31/12/2005	Change
Payables arising from direct insurance transactions	6,827	7,879	-1,052

The breakdown of the item was as follows:

(in thousands of Euros)

Payables arising from direct insurance business	31/12/2006	31/12/2005
Payables to insurance brokers and agents	1,427	1,960
Payables to insurace companies - current accounts	4,933	4,881
Guarantee deposits paid by policyholders	27	4
Payables to guarantee funds in favour of policyholders	440	1,034
Total	6,827	7,879

Note 19

	31/12/2006	31/12/2005	Change
Payables arising from reinsurance transactions	12,489	7,154	5,335

The item refers to amounts payable to insurers and reinsurers and reflects debts arising from the current accounts showing the technical results of reinsurance treaties.

Note 20

	31/12/2006	31/12/2005	Change
Other payables	78,743	42,613	36,130

The amount comprises:

(in thousands of Euros)

Other sums payable	31/12/2006	31/12/2005
Payments on accounts received by real estate companies for preliminary sal	1,683	2,912
Trade payables	10,295	16,028
Payables to employees (amounts settled in January 2006 and accruals for untaken holidays)	1,648	1,486
Employee benefits - provisions for termination benefits	7,453	7,437
Policyholders' tax due	9,332	8,748
Sundry tax liabilities (withholdings)	1,201	1,347
Social security charges payable	1,715	1,730
Payables to associate companies	91	-
Sundry payables	45,325	2,925
Total	78,743	42,613

Sundry payables included the amount of € 44,159 thousand to pay for the balance of the acquisition of Acacia 2000 Srl.

Other liabilities relating to employee benefits – and specifically healthcare benefits and seniority bonuses – are classified in the item “Other liabilities” (Note 23).

The due date of the amount relating to employee post-employment benefit obligations can be considered to be more than 12 months.

For the sake of greater clarity of presentation, the following table highlights the overall amount and movements of liabilities relating both to post-employment benefits (termination and healthcare benefits) and to other long-term benefits (seniority bonuses).

(in thousands of Euros)

Changes in defined benefit plans	Post-employment benefits		Other long-term benefits	Total
Charge	Healthcare services	Termination benefits	Seniority bonuses	
Carrying amount at 31/12/2005	1,088	7,437	741	9,266
Accruals	94	995	7	1,096
Utilisations	-85	-979	0	-1,064
Other changes (exchange rate gains or losses, acquisitions)	0	0	0	0
Carrying amount at 31/12/2006	1,097	7,453	748	9,298

The following table, which refers to the increases in liabilities shown in the previous table, details the costs recognised in the income statement.

(in thousands of Euros)

Charge	Healthcare services	Termination benefits	Seniority bonuses	Total
Current service cost	206	1,713	51	1,970
Interest	17	256	29	302
Net actuarial gains	-129	-974	-73	-1,176
Total charges	94	995	7	1,096

The main actuarial and financial assumptions applied refer to:

- Inflation rate
- Discount rate
- Exit from corporate universe due to:
    - Death
    - Disability
    - Resignation or dismissal
    - Retirement
- Premium paid per family for healthcare services for managers during retirement.

Note 21

	31/12/2006	31/12/2005	Change
Deferred tax liabilities	24,479	10,474	14,005

The following table details the breakdown of this item as at 31 December 2006.

(in thousands of Euros)

Deferred tax liabilities	31/12/2006
Alignment with fair value of assets held by investee companies acc	17,473
Deferral of gains on the sale of financial instruments	1,803
Exchange rate gains or losses	120
Financial assets available for sale	8,749
Derecognition of the catastrophe reserves	1,877
Owner-occupied property	1,619
Dividends	410
Nettable deferred tax assets (shadow accounting)	-7,042
Other nettable deferred tax assets	-530
Total	24,479

Note 22

	31/12/2006	31/12/2005	Change
Current tax liabilities	6,145	19,832	-13,687

The item refers to income tax for the financial year in question.
The decrease is mainly due to the options chosen by the direct operating parent company as regards tax consolidation.

Note 23

	31/12/2006	31/12/2005	Change
Other liabilities	17,085	16,374	711

This item mainly consists of commissions to be paid on premiums under collection at year-end and provision for agents' incentives (€ 8,532 thousand), deferred commission income on investment contracts (€ 1,333 thousand), invoices and notes to be received from suppliers (€ 5,076 thousand), and liabilities relating to defined benefit plans and other long-term employee benefits, (healthcare services and seniority bonus - € 1,845 thousand).

Consolidated Income Statement

Note 24

	31/12/2006	31/12/2005	Change
Gross premiums	563,601	539,385	24,216
Ceded premiums	79,180	86,430	-7,250
Amounts paid and changes in technical reserves	436,791	422,812	13,879
Reinsurers' share	-60,882	-69,383	8,151

The following table provides information on the split between direct business, in direct business, outward reinsurance, and retrocession:

(in thousands of Euros)

	2006				2005			
	Non-life business	Life business	Intersegment eliminations	Total	Non-life business	Life business	Intersegment eliminations	Total
NET PREMIUMS	371,895	112,526	-	484,421	342,752	110,203	-	452,955
Gross premiums	448,557	115,044	-	563,601	426,067	113,318	-	539,385
Gross premiums written	455,758	115,044	-	570,802	433,406	113,318	-	546,724
a Direct business	454,560	115,016	-	569,576	432,416	113,282	-	545,698
b Indirect business	1,198	28	-	1,226	990	36	-	1,026
Change in premium reserve	-7,201	-	-	-7,201	-7,339	-	-	-7,339
a Direct business	-7,305	-	-	-7,305	-7,931	-	-	-7,931
b Indirect business	104	-	-	104	592	-	-	592
Ceded premiums	76,662	2,518	-	79,180	83,315	3,115	-	86,430
Gross premiums ceded	73,199	2,518	-	75,717	83,399	3,115	-	86,514
a Outward reinsusrance	72,370	2,518	-	74,888	82,758	3,115	-	85,873
b Retrocession	829	-	-	829	641	-	-	641
Change in premium reserve	3,463	-	-	3,463	-84	-	-	-84
a Outward reinsusrance	3,342	-	-	3,342	-589	-	-	-589
b Retrocession	121	-	-	121	505	-	-	505
NET CHARGES RELATING TO CLAIMS	255,802	121,903	-1,796	375,909	230,557	117,336	5,536	353,429
Amounts paid and change in technical reserves	314,303	124,284	-1,796	436,791	296,598	120,678	5,536	422,812
Direct business	313,974	124,228	-	438,202	296,258	120,598	-	416,856
Indirect business	329	56	-	385	340	80	-	420
Shadow accounting of investee companies' profits	-	-	-1,796	-1,796	-	-	5,536	5,536
Reinsurers' share	58,501	2,381	-	60,882	66,041	3,342	-	69,383
Outward reinsurance	58,257	2,381	-	60,638	65,749	3,342	-	69,091
Retrocession	244	-	-	244	292	-	-	292

Net charges relating to claims (claims costs) – Non-Life segment

The item "Amounts paid and change in technical reserves" refers to:

- Amounts paid: definitive or partial indemnities for claims and related direct expenses and settlement costs;
- Change in claims reserve: estimated indemnities, direct expenses, and settlement costs that are forecast to be paid in future financial years for claims occurring in the current year, plus any adjustment of claims reserves made for claims occurring in previous years that were still outstanding as at 31 December.
- Change in other technical reserves: this refers to change in the ageing reserve for the health insurance line.

Net charges relating to claims (claims costs) – Life segment

The item "Amounts paid and change in technical reserves" refers to:

- Amounts paid: the amounts paid for claims, accrued capital, surrenders, and annuities.
- Change in the reserve for amounts to be paid: This refers to the change in amounts necessary to pay accrued capital sums and annuities, surrenders and claims to be settled.

- Change in mathematical reserves: this is the change in technical reserves, the content of which is illustrated in the Accounting Policies section.
- Change in other technical reserves: this comprises the change in the Reserve for profit participation and reversals, the Reserve for management expenses, and the Premiums reserve for complementary insurance. In addition, when consolidating accounts, “Intersegment eliminations” take in policyholders’ share in the profits (net of dividends already distributed) of investee companies, the investment in which is allocated to separately managed businesses.

For the geographical split of premiums, reference should be made to the table shown in the section “Secondary segment reporting”

Note 25

	31/12/2006	31/12/2005	Change
Commission income	408	1,943	-1,535

The item refers to commission income for the year for investment contracts without discretionary participation features (index- and unit-linked contracts and pension funds).

Note 26

	31/12/2006	31/12/2005	Change
Gains and losses on financial instruments at fair value through profit or loss	8	45	-37
Gains on investments in subsidiaries, associates, and joint ventures	18,219	6,532	11,687
Losses on investments in subsidiaries, associates, and joint ventures	408	298	110
Gains on other financial instruments and investment property	46,990	44,593	2,397
Losses on other financial instruments and Investment property	5,215	5,117	98

To complete the information disclosed below, we point out that the table detailing the breakdown of financial and investment income and charges/losses, compliant with the format established by the ISVAP ordinance already mentioned, is shown in the specific section called “Appendices to Consolidated Financial Statements”.

Gains and losses on financial instruments at fair value through profit or loss

These are income and losses on financial assets held for trading. Specifically, income realised, net of losses, amounted to € 38 thousand, whilst unrealised income amounted to € -30 thousand (net capital loss).

As regards financial assets designated at fair value through profit or loss – i.e. referring to investment contracts of the index-linked, unit-linked, and pension-fund type – net income recognised in FY2006 amounted to € 10,917 thousand, set against losses/charges of the same amount, due to the change in related financial liabilities designated at fair value through profit or loss.

Gains and losses on investments in subsidiaries, associates, and joint ventures

Of the net result of investments in subsidiaries, associates, and joint ventures:

- € 16,329 thousand = the share in the year's result of the Group's equity-accounted companies. More specifically, the share of profits totalled € 16,737 thousand whilst the share of losses amounted to € -408 thousand. Reference should be made to Note 4 for further details;
- € 1,482 thousand = profits recognised following business combinations, as per IFRS 3, as the difference between the fair value of assets and liabilities acquiree and the acquisition cost borne for the business combination.

Gains and losses on other financial instruments and investment property

The following table summarises the investments and financial assets and liabilities originating the gains and losses indicated above:

Gains and losses on other financial instruments and investment property (in thousands of Euros)

	2006 Gains	2005 Gains	2006 Losses	2005 Losses
Investment property	0	0	0	0
Held to maturity investments	5,389	3,154	0	0
Loans and receivables	592	699	4	0
Financial assets available for sale	38,268	38,241	50	0
Other receivables	455	532	0	0
Cash and cash equivalents	2,286	1,967	0	0
Other financial liabilities	0	0	5,161	5,117
Total	46,990	44,593	5,215	5,117

Note 27

	31/12/2006	31/12/2005	Change
Other revenues	23,530	60,314	-36,784

The table below details the breakdown of this item:

(in thousands of Euros)

Other income	2006	2005
Trading profits	15,435	45,365
Revenue from construction work in progress	435	2,382
Revenue from services: real estate brokerage	2,817	4,854
Revenue from services: real estate management	117	186
Revenue from services: administration, real estate appraisals and other income	104	707
Revenue from services: insurance commission income with third parties	0	380
Revenue from services: other revenue from services	153	211
Rent income	1,123	3,001
Technical income on insurance contracts	2,166	1,687
Gains on the sale of property, plant and equipment	3	56
Exchange rate gains	0	473
Incidental non-operating income	974	823
Other income	203	189
Total	23,530	60,314

(*) Of which:

- € 417 thousand (€ 432 thousand in 2005) referring to reversal of commissions on cancelled premiums
- € 1,347 thousand (€ 798 thousand in 2005) referring to other technical items, mainly consisting of recovers on knock-for-knock claims settlement costs and ANIA contributions for cars scrapped following claim events
- € 402 thousand (€ 456 thousand) of utilisation of bad-debt provision.

Note 28

	31/12/2006	31/12/2005	Change
Commission expense	602	722	-120

The item includes commission expense, i.e., acquisition and maintenance costs incurred in the year for investment contracts without discretionary participation features (index-linked, unit-linked and pension funds).

Note 29

	31/12/2006	31/12/2005	Change
Commissions and other acquisition costs	94,474	88,006	6,468
Investment management costs	859	729	130
Other administrative costs	32,226	36,784	-4,558

To complete the information disclosed below, we point out that the table detailing insurance operating costs, compliant with the format established by the ISVAP ordinance already mentioned, is shown in the specific section called “Appendices to Consolidated Financial Statements”.

The following table details the breakdown of “Commissions and other acquisition costs” as at 31 December 2006.

(in thousands of Euros)

Gross commissions and other acquisition costs net of profit participation and other commissions	2006	2005
Acquisition commissions	69,053	67,930
Other acquisition costs	25,727	25,610
Change in deferred acquisition costs	1,568	120
Premium collection commissions	11,243	8,003
Profit participation and other commissions received from reinsurers	-13,117	-13,657
Total	94,474	88,006

Personnel expenses, other G&A costs and depreciation & amortisation charges allocated to operating costs totalled € 38,489 thousand (€ 39,056 thousand as at 31 December 2005) as better described in the “Overhead Costs” section of the Directors’ Report.

Note 30

	31/12/2006	31/12/2005	Change
Other costs	12,014	12,061	-47

The detailed breakdown of this item was as follows:

(in thousands of Euros)

Other costs	2006	2005
Technical costs on insurance contracts (*)	3,879	4,911
Accruals to the provision for bad debts	2,540	1,800
Foreign-exchange losses	334	0
Incidental non-operating costs	971	190
Annual.depreciation & amortisation	4,104	3,875
Impairment loss on goodwill	0	1,114
Other costs	186	171
Total	12,014	12,061

(*) Of which:

- € 2,621 thousand (€ 3,854 thousand in 2005) referring to cancellation of premiums for technical reasons, cancellation of premiums for uncollectability (default) and related bad-debt provisioning;
- € 1,258 thousand (€ 1,057 thousand in 2005) to charges for services supporting insurance covers and costs borne for legal disputes concerning premiums.

Note 31

	31/12/2006	31/12/2005	Change
Income taxes	15,344	24,877	-9,533

Of this item, € 18,049 thousand related to current taxes and € 2,705 thousand to deferred tax assets.

Income taxes are recognised in profit or loss, with the exception of those relating to items directly charged or credited to equity, in which case the tax effect is recognised directly in equity.

The following table reconciles – as regards Italian corporate income tax (Italian acronym = IRES) – theoretical and effective taxation.

Reconciliation between the tax charge recognized in the financial statements and theoretical tax charge

(in thousands of Euros)

	Taxable base	Tax		
	IRES	actual	theoretical	tax rate
IRES - aliquota 33%				
Profit before taxation	51,872		17,118	33.00%
- Revaluations of associates under the equity method	-16,608		-5,481	-10.57%
- Insurance business differences, mainly relating to dividends	-1,490		-492	-0.95%
+ Real estate business differences, mainly relating to local property tax (ICI)	712		235	0.45%
- Tax impact of adjustment to life technical provisions	-718		-237	-0.46%
- Other captions	-477		-157	-0.30%
Total Change	-18,582		-6,132	-11.83%
Taxable base	33,290		10,986	21.18%

Other disclosures

Employees

Employees of Vittoria Assicurazioni and of fully consolidated companies numbered 462 as at 31 December 2006, the same number as at 31 December 2005.
The average number of in-force employees on the books, split by contractual grade, was as follows:

	31/12/2006	31/12/2005
Managers	22	21
Officers	102	96
Administrative staff	342	332
Total	466	449

Tax status

Group companies, availing themselves of the provisions (paragraph 44, Article 2) of Italian Law no. 350 of 24 December 2003 (2004 National Budget Law), published in the Official Italian Gazette of 27 December 2003, settled all years up to 2002 in terms of direct and indirect taxes, except for the situation described below concerning 1992.

Insurance Business

The direct operating parent company, availing itself of the provisions (paragraph 44, Article 2) of Italian Law no. 350 of 24 December 2003 (2004 National Budget Law), published in the Official Italian Gazette of 27 December 2003, settled all years up to 2002 in terms of direct and indirect taxes, except for the situation described below concerning 1992.

As regards 1992, an official assessment report arising from a documental inspection was notified to the direct operating parent company. This administrative measure related to the deductibility of accruals to life business mathematical reserves.
The appeal filed by Vittoria Assicurazioni was heard by the Milan Provincial Tax Commission, which allowed it.
The Milan Inland Revenue department filed an appeal against this decision with the Milan Regional Tax Commission, which cancelled the Milan Provincial Tax Commission's previous ruling.
As a result of this decision, the direct operating parent company received notice of a tax demand for €648,385. This was recognised as an expense in the 2004 income statement.
At present, the ruling of the Italian Supreme Court is still pending. In the light of previous Supreme Court rulings on similar cases, the company is confident of winning the legal dispute.

Real Estate Business

There are no particular tax positions to report concerning these companies, as no tax disputes whatsoever are underway.

The Board of Directors

Milan, 22 March 2007

Appendices to Consolidated Financial Statements

FY2006

Consolidation scope

	Country	Method (1)	Business (2)	% of direct holding	% of total investment (3)	% of voting rights in ordinary meetings (4)	% of consolidation
Vittoria Assicurazioni S.p.A.	Italy	L	1				
Vittoria Immobiliare S.p.A.	Italy	L	10	87.24	87.24		87.24
Immobiliare Bilancia S.r.l.	Italy	L	10	97.66	97.66		97.66
Immobiliare Bilancia Prima S.r.l.	Italy	L	10	100.00	100.00		100.00
Immobiliare Bilancia Seconda S.r.l.	Italy	L	10	100.00	100.00		100.00
Immobiliare Bilancia Terza S.r.l.	Italy	L	10	100.00	100.00		100.00
Lauro 2000 S.r.l.	Italy	L	10	100.00	100.00		100.00
Yafra S.a.s.	France	L	9	55.00	55.00		55.00
Vittoria Properties S.r.l.	Italy	L	10	99.00	99.87	100.00	99.87
Interbilancia S.r.l.	Italy	L	9	80.00	97.45	100.00	97.45
Vittoria Service S.r.l.	Italy	L	11	70.00	96.17	100.00	96.17
Acacia 2000 S.r.l.	Italy	L	10	-	87.24	100.00	87.24
Gestimmobili S.r.l.	Italy	L	11	-	69.79	80.00	69.79
Interimmobili S.r.l.	Italy	L	11	-	69.79	80.00	69.79
V.R.G. Domus S.r.l	Italy	L	10	-	44.49	51.00	44.49
Parco Fidenae S.r.l.	Italy	L	10	-	44.49	51.00	44.49
Aspevi S.r.l.	Italy	L	11	-	97.45	100.00	97.45
Vittoria.Net S.r.l.	Italy	L	11	-	97.45	100.00	97.45

(1) Consolidation method: Line-by-line=L, Proportionate=P, Proportionate by common management=C
(2) 1=Italian insurance; 2=EU insurance; 3=Non-EU insurance; 4=insurance holding; 5=EU reinsurance; 6=non-EU reinsurance; 7=banking; 8=fund management; 9=other holding; 10=real estate; 11=other

(3) the total of the stakes held by all the companies that, in the shareholding structure, are placed between the company that prepares the consolidated financial statements and the investee. If the latter is directly held by more than one subsidiary, the individual products should be added.

(4) total voting rights percentage available in ordinary meetings if different from the direct or indirect investment percentage.

List of unconsolidated investments

	Country	Business (1)	Type (2)	% of direct holding	% of total investment (3)	% of voting rights in ordinary meetings (4)	Carrying amount
Yarpa International Holding N.V.	Holland	9	b	25.00	25.00		27,001
Laumor B.V.	Holland	9	b	25.00	25.00		4,512
White Finance S.A	Luxembourg	9	b	32.17	32.17		11,661
S.In.T. S.p.A.	Italy	11	b	48.19	48.19		4,721
B.P.C. S.p.A.	Italy	9	b	20.91	20.91		2,070
Laumor Holdings S.a.r.l.	Luxembourg	9	b	29.00	29.00		2,037
Gimatrading S.r.l.	Italy	10	b	-	30.53	35.00	9
Sivim S.r.l.	Italy	10	b	-	43.18	49.50	23
Rovimmobiliare S.r.l	Italy	10	b	-	43.62	50.00	189
Mosaico S.p.A.	Italy	10	b	-	21.81	25.00	155
Pama & Partners S.r.l.	Italy	10	b	-	21.81	25.00	801
Le Api S.r.l.	Italy	11	b	-	29.23	30.00	15

(1) 1=Italian insurance; 2=EU insurance; 3=Non-EU insurance; 4=insurance holding; 5=EU reinsurance; 6=non-EU reinsurance; 7=banking; 8=fund management; 9=other holding; 10=real estate; 11=other

(2) a=subsidiaries (IAS27) ; b=associated companies (IAS28); c=*joint ventures* (IAS 31); indicate with an asterisk (*) companies classified as held for sale in compliance with IFRS 5 and show the key at the foot of the table.

(3) the total of the stakes held by all the companies that, in the shareholding structure, are placed between the company that prepares the consolidated financial statements and the investee. If the latter is directly held by more than one subsidiary, the individual products should be added.

(4) total voting rights percentage available in ordinary meetings if different from the direct or indirect investment percentage.

Vittoria Assicurazioni S.p.A.
Consolidated financial statements as at and for the year ended 31 December 2006

Balance sheet by business and business line

(in thousands of Euros)

		Non-life business		Life business		Real estate business		Service business		Intersegment eliminations		Total	
		31/12/06	31/12/05	31/12/06	31/12/05	31/12/06	31/12/05	31/12/06	31/12/05	31/12/06	31/12/05	31/12/06	31/12/05
1	**INTANGIBLE ASSETS**	**15,784**	**14,404**	**259**	**225**	**383**	**291**	**6**	**4**	**0**	**0**	**16,432**	**14,924**
2	**PROPERTY, PLANT AND EQUIPMENT**	**16,998**	**18,127**	**0**	**0**	**222,116**	**96,406**	**52**	**53**	**39,358**	**0**	**278,524**	**114,586**
3	**REINSURERS' SHARE OF TECHNICAL RESERVES**	**104,296**	**117,388**	**22,662**	**25,918**	**0**	**0**	**0**	**0**	**0**	**0**	**126,958**	**143,306**
4	**INVESTMENTS**	656,309	**566,136**	828,006	799,730	2,337	**2,277**	115	108	-132,834	**-62,053**	**1,353,933**	**1,306,198**
4.1	Investment property	0	0	0	0	0	0	0	0	0	0	0	0
4.2	Investments in subsidiaries and associates and interests in jo	135,573	49,712	49,027	41,825	1,273	1,805	15	8	-132,694	-61,873	53,194	31,477
4.3	Held to maturity investments	37,155	1,313	114,069	70,374	0	0	0	0	0	0	151,224	71,687
4.4	Loans and receivables	13,892	10,377	4,971	6,317	765	348	0	0	-140	-180	19,488	16,862
4.5	Financial assets available for sale	469,689	504,734	540,481	556,849	299	124	100	100	0	0	1,010,569	1,061,807
4.6	Financial assets at fair value through profit or loss	0	0	119,458	124,365	0	0	0	0	0	0	119,458	124,365
5	**OTHER RECEIVABLES**	**109,657**	**124,804**	**21,222**	**22,889**	**22,448**	**44,994**	**717**	**1,164**	**-5,772**	**-5,434**	**148,272**	**188,417**
6	**OTHER ASSETS**	**18,061**	**17,989**	**11,887**	**11,663**	**8,431**	**13,392**	**136**	**144**	**1,750**	**2,431**	**40,265**	**45,619**
6.1	Deferred acquisition costs	6,949	7,410	4,301	5,408	0	0	0	0	0	0	11,250	12,818
6.2	Other assets	11,112	10,579	7,586	6,255	8,431	13,392	136	144	1,750	2,431	29,015	32,801
7	**CASH AND CASH EQUIVALENTS**	**20,568**	**18,258**	**18,675**	**16,095**	**42,531**	**39,641**	**979**	**1,022**	**0**	**0**	**82,753**	**75,016**
	TOTAL ASSETS	**941,673**	**877,106**	**902,711**	**876,520**	**298,246**	**197,001**	**2,005**	**2,495**	**-97,498**	**-65,056**	**2,047,137**	**1,888,066**
1	**EQUITY**											**232,822**	**213,533**
2	**PROVISIONS**	**741**	**741**	**336**	**546**	**3,736**	**4,057**	**0**	**0**	**0**	**0**	**4,813**	**5,344**
3	**TECHNICAL RESERVES**	**636,880**	**587,689**	**692,538**	**657,005**	**0**	**0**	**0**	**0**	**12,087**	**13,883**	**1,341,505**	**1,258,577**
4	**FINANCIAL LIABILITIES**	**81,704**	**91,061**	**145,011**	**155,759**	**95,514**	**59,415**	**0**	**51**	**0**	**0**	**322,229**	**306,286**
4.1	Financial liabilities at fair value through profit or loss	0	0	116,048	122,758	0	0	0	0	0	0	116,048	122,758
4.2	Other financial liabilities	81,704	91,061	28,963	33,001	95,514	59,415	0	51	0	0	206,181	183,528
5	**PAYABLES**	**44,882**	**37,051**	**6,274**	**4,128**	**50,999**	**19,748**	**1,816**	**2,233**	**-5,912**	**-5,514**	**98,059**	**57,646**
6	**OTHER LIABILITIES**	**17,315**	**25,042**	**4,400**	**3,945**	**12,330**	**18,479**	**27**	**69**	**13,637**	**-855**	**47,709**	**46,680**
	TOTAL EQUITY AND LIABILITIES											**2,047,137**	**1,888,066**

Vittoria Assicurazioni S.p.A.

Consolidated financial statements as at and for the year ended 31 December 2006

Income statement by business and business line

(in thousands of Euros)

		Non-life business		Life business		Real estate business		Service business		Intersegment eliminations		Total	
		2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
1.1	Net premiums	371,895	342,752	112,526	110,203	0	0	0	0	0	0	484,421	452,955
1.1.1	*Gross premiums*	448,557	426,067	115,044	113,318	0	0	0	0	0	0	563,601	539,385
1.1.2	*Ceded premiums*	76,662	83,315	2,518	3,115	0	0	0	0	0	0	79,180	86,430
1.2	Commission income	0	0	408	1,943	0	0	0	0	0	0	408	1,943
1.3	Gains or losses on remeasurement of financial instruments at fair value through profit or loss	0	0	8	45	0	0	0	0	0	0	8	45
1.4	Gains on investments in subsidiaries and associates and interests in joint ventures	18,975	5,988	4,391	4,703	149	1,343	8	1	-5,304	-5,503	18,219	6,532
1.5	Gains on other financial instruments and investment property	17,935	15,011	28,026	28,508	1,029	1,056	24	31	-24	-13	46,990	44,593
1.6	Other income	2,800	2,753	700	581	21,089	58,691	3,799	4,648	-4,858	-6,359	23,530	60,314
1	TOTAL REVENUE	411,605	366,504	146,059	145,983	22,267	61,090	3,831	4,680	-10,186	-11,875	573,576	566,382
2.1	Net charges relating to claims	255,802	230,557	121,903	117,336	0	0	0	0	-1,796	5,536	375,909	353,429
2.1.2	*Amounts paid and change in technical reserves*	314,303	296,598	124,284	120,678	0	0	0	0	-1,796	5,536	436,791	422,812
2.1.3	*Reinsurers' share*	-58,501	-66,041	-2,381	-3,342	0	0	0	0	0	0	-60,882	-69,383
2.2	Commission expense	0	0	602	722	0	0	0	0	0	0	602	722
2.3	Losses on investments in subsidiaries and associates and interests in joint ventures	116	298	0	0	292	0	0	0	0	0	408	298
2.4	Losses on other financial instruments and investment property	1,279	1,696	1,793	1,699	2,162	1,729	5	6	-24	-13	5,215	5,117
2.5	Operating costs	103,758	98,836	14,218	13,498	9,966	13,293	3,672	4,512	-4,055	-4,620	127,559	125,519
2.6	Other costs	10,669	10,479	108	61	1,200	351	37	64	0	1,106	12,014	12,061
2	TOTAL COSTS	371,624	341,866	138,624	133,316	13,620	15,373	3,714	4,582	-5,875	2,009	521,707	497,146
	PROFIT FOR THE YEAR BEFORE TAXATION	39,981	24,638	7,435	12,667	8,647	45,717	117	98	-4,311	-13,884	51,869	69,236

Vittoria Assicurazioni S.p.A.

Consolidated financial statements as at and for the year ended 31 December 2006

Breakdown of financial assets

(in thousands of Euros)

	Held to maturity investments		Loans and receivables		Financial assets available for sale		Financial assets at fair value through profit or loss				Total carrying amount	
							Financial assets held for trading		Financial assets at fair value through profit or loss			
	31/12/06	31/12/05	31/12/06	31/12/05	31/12/06	31/12/05	31/12/06	31/12/05	31/12/06	31/12/05	31/12/06	31/12/05
Equity and derivative instruments measured at cost	0	0	0	0	13,682	14,644	0	0	0	0	13,682	14,644
Equity instruments at fair value	0	0	0	0	50,843	54,949	0	0	6,879	5,544	57,722	60,493
of which listed	0	0	0	0	43,544	47,429	0	0	6,879	5,544	50,423	52,973
Debt securities	151,224	71,687	0	0	938,014	983,470	3,410	1,607	29,017	35,956	1,121,665	1,092,720
of which listed	141,073	63,881	0	0	938,014	983,470	1,977	1,607	29,017	35,956	1,110,081	1,084,914
OEIC units	0	0	0	0	8,030	8,744	0	0	76,453	76,626	84,483	85,370
Loans and receivables from bank customers	0	0	0	0	0	0	0	0	0	0	0	0
Interbank loans and receivables	0	0	0	0	0	0	0	0	0	0	0	0
Deposits with ceding companies	0	0	534	618	0	0	0	0	0	0	534	618
Financial asset portion of insurance contracts	0	0	0	0	0	0	0	0	0	0	0	0
Other loans and receivables	0	0	11,030	16,244	0	0	0	0	0	0	11,030	16,244
Non-hedging derivatives	0	0	0	0	0	0	0	0	0	0	0	0
Hedging derivatives	0	0	0	0	0	0	0	0	0	0	0	0
Other financial assets	0	0	7,924	0	0	0	0	0	3,699	4,632	11,623	4,632
Total	151,224	71,687	19,488	16,862	1,010,569	1,061,807	3,410	1,607	116,048	122,758	1,300,739	1,274,721

Vittoria Assicurazioni S.p.A.
Consolidated financial statements as at and for the year ended 31 December 2006

Financial and investment gains and losses/costs

(in thousands of Euros)

		Interest	Other net income	Other costs	Realised gains	Realised losses	Net realised gains and losses	Valuation gains		Valuation losses		Net unrealised gains and losses	Net gains and costs/losses 2006	Net gains and costs/losses 2005
								Valuation capital gains	Write-backs	Valuation capital losses	Write-downs			
Investments		43,357	21,453	964	2,648	377	66,117	7,778	0	923	41	6,814	72,931	57,715
a	Investment property	0	0	0	0	0	0	0	0	0	0	0	0	0
b	Investments in subsidiaries and associates and interests in joint ventures	0	18,219	408	0	0	17,811	0	0	0	0	0	17,811	6,234
c	Held to maturity investments	5,389	0	0	0	0	5,389	0	0	0	0	0	5,389	3,154
d	Loans and receivables	592	0	0	0	0	592	0	0	4	0	-4	588	699
e	Financial assets available for sale	36,453	1,808	0	7	9	38,259	0	0	0	41	-41	38,218	38,241
f	Financial assets held for trading	31	0	0	7	0	38	47	0	77	0	-30	8	45
g	Financial assets at fair value through profit or loss	892	1,426	556	2,634	368	4,028	7,731	0	842	0	6,889	10,917	9,342
Other receivables		455	0	0	0	0	455	0	0	0	0	0	455	532
Cash and cash equivalents		2,286	0	0	0	0	2,286	0	0	0	0	0	2,286	1,967
Financial liabilities		-5,161	0	0	0	0	-5,161	0	0	10,917	0	-10,917	-16,078	-14,459
a	Financial liabilities held for trading	0	0	0	0	0	0	0	0	0	0	0	0	0
b	Financial liabilities at fair value through profit or loss	0	0	0	0	0	0	0	0	10,917	0	-10,917	-10,917	-9,342
c	Other financial liabilities	-5,161	0	0	0	0	-5,161	0	0	0	0	0	-5,161	-5,117
Payables		0	0	0	0	0	0	0	0	0	0	0	0	0
Total		40,937	21,453	964	2,648	377	63,697	7,778	0	11,840	41	-4,103	59,594	45,755

Breakdown of technical reserves

(in thousands of Euros)

	Direct business		Indirect business		Total carrying amount	
	31/12/06	31/12/05	31/12/06	31/12/05	31/12/06	31/12/05
Non-life reserves	634,708	585,481	2,173	2,208	636,881	587,689
Premium reserve	171,329	164,084	191	342	171,520	164,426
Claims reserve	460,596	419,078	1,982	1,866	462,578	420,944
Other reserves	2,783	2,319	0	0	2,783	2,319
of which posted following liability adequacy testing	0	0	0	0	0	0
Life reserves	704,124	670,311	500	577	704,624	670,888
Reserve for payable amounts	20,759	24,069	11	14	20,770	24,083
Mathematical reserves	648,599	598,193	479	551	649,078	598,744
Technical reserves where investment risk is borne by policyholders and reserves arising from pension fund managment	0	0	0	0	0	0
Other reserves	34,766	48,049	10	12	34,776	48,061
of which posted following liability adequacy testing	0	0	0	0	0	0
of which deferred liabilities to policyholders	30,497	44,489	0	0	30,497	44,489
Total technical reserves	1,338,832	1,255,792	2,673	2,785	1,341,505	1,258,577

Breakdown of reinsurers' share of technical reserves

(in thousands of Euros)

	Direct business		Indirect business		Total carrying amount	
	31/12/06	31/12/05	31/12/06	31/12/05	31/12/06	31/12/05
Non-life reserves	102,706	115,751	1,590	1,637	104,296	117,388
Premium reserve	25,428	39,006	126	271	25,554	39,277
Claims reserve	77,278	76,745	1,464	1,366	78,742	78,111
Other reserves	0	0	0	0	0	0
Life reserves	22,662	25,918	0	0	22,662	25,918
Reserves for payable amounts	21	21	0	0	21	21
Mathematical reserves	22,609	25,858	0	0	22,609	25,858
Technical reserves where investment risk is borne by policyholders and reserves arising from pension fund management	0	0	0	0	0	0
Other reserves	32	39	0	0	32	39
Total reinsurers' share of technical reserves	125,368	141,669	1,590	1,637	126,958	143,306

Breakdown of financial liabilities

(in thousands of Euros)

	Financial liabilities at fair value through profit or loss				Other financial liabilities		Total carrying amount	
	Financial liabilities held for trading		Financial liabilities at fair value through profit or loss					
	31/12/06	31/12/05	31/12/06	31/12/05	31/12/06	31/12/05	31/12/06	31/12/05
Participating non-equity instruments	0	0	0	0	0	0	0	0
Subordinated liabilities	0	0	0	0	15,808	17,760	15,808	17,760
Liabilities from financial contracts issued by insurers arising from:	0	0	116,048	122,758	0	0	116,048	122,758
Contracts where policyholders bear investment risk	0	0	113,669	120,796	0	0	113,669	120,796
Pension-fund management	0	0	2,379	1,962	0	0	2,379	1,962
Other contracts	0	0	0	0	0	0	0	0
Deposits received from reinsurers	0	0	0	0	86,934	106,301	86,934	106,301
Negative financial components of insurance contracts	0	0	0	0	0	0	0	0
Debt securities on issue	0	0	0	0	0	0	0	0
Bank customer deposits	0	0	0	0	0	0	0	0
Interbank liabilities	0	0	0	0	0	0	0	0
Other loans received	0	0	0	0	95,515	59,467	95,515	59,467
Non-hedging derivatives	0	0	0	0	0	0	0	0
Hedging derivatives	0	0	0	0	0	0	0	0
Other financial liabilities	0	0	0	0	7,924	0	7,924	0
Total	0	0	116,048	122,758	206,181	183,528	322,229	306,286

Detail of insurance technical items

(in thousands of Euros)

		2006			2005		
		Gross amount	Reinsurer's share of amount	Net amount	Gross amount	Reinsurers' share of amount	Net amount
Non-life business							
NET PREMIUMS		448,557	76,662	371,895	426,067	83,315	342,752
a	Premiums written	455,758	73,199	382,559	433,406	83,399	350,007
b	Change in premiums reserve	7,201	-3,463	10,664	7,339	84	7,255
NET CLAIMS COSTS		314,303	58,501	255,802	296,598	66,041	230,557
a	Amounts paid	279,732	45,589	234,143	276,543	55,727	220,816
b	Change in claims reserves	41,785	12,961	28,824	26,990	10,620	16,370
c	Change in recoveries	7,677	49	7,628	7,418	306	7,112
d	Change in other technical reserves	463	0	463	483	0	483
Life business							
NET PREMIUMS		115,044	2,518	112,526	113,318	3,115	110,203
NET CLAIMS COSTS		124,284	2,381	121,903	120,678	3,342	117,336
a	Amounts paid	77,192	5,637	71,555	60,366	688	59,678
b	Change in reserve for amounts to be paid	-3,312	0	-3,312	7,142	0	7,142
c	Change in mathermatical reserves	49,695	-3,250	52,945	52,653	2,654	49,999
d	Change in technical reserves when investment risk is borne by policyholders and in reserves arising from pension fund management	0	0	0	0	0	0
e	Change in other technical reserves	709	-6	715	517	0	517

Breakdown of insurance operating costs

(in thousands of Euros)

		Non-life business		Life business	
		31/12/06	31/12/05	31/12/06	31/12/05
Gross commissions and other acquisition costs		101,405	95,736	9,223	9,266
a	Acquisition commissions	68,639	68,424	3,276	2,667
b	Other acquisition costs	22,838	22,039	3,064	3,749
c	Change in deferred acquisition costs	461	-906	1,107	1,026
d	Premium collection commissions	9,467	6,179	1,776	1,824
Profit participation and other commissions received from reinsurers		-12,709	-13,270	-408	-387
Investment management costs		422	372	437	356
Other administrative costs		14,640	15,998	4,966	4,263
Total		103,758	98,836	14,218	13,498

Breakdown of property, plant and equipment and intangible assets

(in thousands of Euros)

	At cost	Deemed cost or fair value	Total carrying amount
Investment property	-	-	-
Other property	273,483	-	273,483
Other items of property, plant ar	5,041	-	5,041
Other intangible assets	16,432	-	16,432

Detail of assets and liabilities relating to insurance contracts with risk borne by policyholders or relating to pension-fund management

(in thousands of Euros)

	Unit- and index-linked benefits		Benefits relating to pension-fund management		Total	
	31/12/06	31/12/05	31/12/06	31/12/05	31/12/06	31/12/05
On-balance sheet assets	113,669	120,796	2,379	1,962	116,048	122,758
Infragroup assets *	0	0	0	0	0	0
Total assets	113,669	120,796	2,379	1,962	116,048	122,758
On-balance sheet liabilities	113,669	120,796	2,379	1,962	116,048	122,758
On-balance sheet technical reserves	0	0	0	0	0	0
Infragroup liabilities*	0	0	0	0	0	0
Total Liabilities	113,669	120,796	2,379	1,962	116,048	122,758

Report of the Independent Auditors

BDO

BDO SALA SCELSI FARINA
Società di Revisione per Azioni

Via Andrea Appiani 12 20121 Milano

Report of the auditors in accordance with article 156 of legislative decree n. 58 of 24 February 1998 and article 102 of legislative decree n. 209 of 7 September 2005

(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, including balance sheet, profit and loss, movements of equity, cash flow statement and Directors' Report, of Vittoria Assicurazioni and its associated companies (Vittoria Assicurazioni Group) as at and for the year ended December 31st, 2006. These financial statements are the responsibility of the parent company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

   Reference should be made to the report issued by us on April 7th, 2006 for our opinion on the prior year figures which are presented for comparative purposes as required by law.

3. In our opinion, the consolidated financial statements of Vittoria Assicurazioni S.p.A. as at and for the year ended December 31st, 2006 comply with the International Financial Reporting Standards adopted by European Community governing their preparation; therefore they are clearly stated and give a true and fair view of the financial position, the results, the movements of equity and the cash flows of the Vittoria Assicurazioni Group for the year then ended.

Milan, April 11th , 2007

BDO Sala Scelsi Farina
Società di Revisione per Azioni

Paolo Scelsi
(Director)