Vittoria Assicurazioni

SOCIETÀ PER AZIONI (SpA) - JOINT STOCK COMPANY
REGISTERED OFFICES: VIA CALDERA 21 - 20153 MILAN - ITALY
SHARE CAPITAL: EUR 32,666,088.00 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

86th year of business

2007 Consolidated Annual Report & Accounts

Annual General Meeting
of Shareholders
29 April 2008

(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

Cesare CALDARELLI *	Joint General Manager
Mario RAVASIO	Joint General Manager
Enrico CORAZZA	Central Manager
Antonio MASSOCCO *	Central Manager
Piero Angelo PARAZZINI *	Central Manager

INDEPENDENT AUDITOR

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

* appointed by the Board of directors' meetings of 27 March 2008

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) and administration offices in Turin (Italy). The ultimate and group parent company is Yafa SpA, with registered offices in Turin (Italy). The non-operating parent companies do not perform activities of direction and co-ordination as they act as financial holding companies.

Directors' report

Economic and insurance scenario

2007 ended with less than encouraging signals as regards global economic growth.
Industrialised countries' economies had to face several and almost simultaneous adverse events.
The crisis of the real estate sector, already underway for several months, led to consequences that, via the now well-known subprime mortgage affair, soon made themselves felt in financial markets, increasing the latter's turbulence.
This already difficult situation was joined by the upward thrust of commodity prices, particularly in the energy sector.
Oil and food prices have constantly hit new records, triggering widespread inflation in many sectors of the real economy.
This scenario has caused the world's major economies to revise their estimates for short-term economic growth downwards.

According to estimates recently issued by the International Monetary Fund (IMF), the US economy is forecast to grow by around 1.5% in 2008 (as opposed to an earlier OECD forecast that saw it at 2%). According to many merchant banks, it may even be lower.
Fears of recession have been supported by a marked increase in the unemployment rate, which rose from 4.7% to 5% reported last December.
On the price front, inflation surged, rising from 3.5% in October to 4.1% in December.
This economic picture was further exacerbated by the negative effect of the mortgage crisis, which has profoundly affected the entire American economic fabric.
The reference is specifically to the banking industry's major liquidity shortage and to the emergence of insolvencies that could trigger a dangerous spiral of bankruptcies in the banking industry.
In the early months of 2008, this state of affairs caused the Federal Reserve to reduce the cost of money by 2%, thus lowering the Fed Fund rate to 2.25%.

This is a monetary spur of unprecedented entity in recent history. It is a clear demonstration of concerns about economic trends.

The economic environmental is also less than reassuring in the Eurozone. The IMF has revised the 1.9% growth rate initially forecast by the OECD down to 1.6%.
Moreover, the Eurozone features, in parallel, an increase in inflation, which rose from 2.5% to the 3% level reported in November 2007.
The attitude of the European Central Bank (ECB), however, diverges sharply from that of the Federal Reserve. The ECB in fact seems more interested in cooling inflationary thrusts than in stimulating the economy.
At the last meeting of its management on 6 March 2008, the ECB reiterated its concern about the levels reached by prices – and notwithstanding consensus on apprehensions concerning economic trends – it also reiterated that its primary institutional objective was to control inflation.
At the same meeting, it was decided to leave interest rates unchanged at 4%.
We should nevertheless point out that there is widespread conviction among operators of a forthcoming ECB move to reduce the cost of money. This is confirmed by the changing trend of the forward rates curve, which, initially starting flat, sloped steeply downwards through January 2008.

Moving on to look at the Italian economy, 2007 ended in chiaroscuro mode, i.e. definitely good in terms of turnaround, with the public deficit remaining at 1.9% of GDP (well below the 3% threshold set by the European Union), but bad in terms of economic growth.
The Bank of Italy has in fact revised the previous OECD 2008 growth estimate (+1.9%) drastically downwards to a more prudent +1%.
From this point of view, Italy continues to be the most fragile country in the European Union.

As regards financial market data at the end of December 2007, after the positive trend in the first half of the year the S&P/MIB index ended with slippage of -6.95%, whereas, for the bond market, 2007 featured progress of +1.57% (FTSE Italian Govt. Performance index).
On the exchange-rate front, during 2007 and in the early months of 2008 the European currency continued to appreciate against the world's main currencies and in particular against the USD, with a level that has now exceeded a rate of USD 1.50 per euro.

As far as the Italian insurance market is concerned, we report that premiums (as per Italian GAAPs) as up the 30 September 2007 (the most recent data available), show the following changes over the same period in 2006, compared with those of Vittoria Assicurazioni:

	Premiums – YoY Change	
Segment	Market	Vittoria Assicurazioni
Life	-9.0%	+20.4%
Non-Life	+1.3%	+10.1%
of which Motor TPL	-7.0%	+5.2%

After nine years of non-stop growth, in 2007 the Italian real estate market felt the twofold effect of (a) the financial crises occurring during the year, with consequent rationing of credit by lender banks, combined with (b) the macroeconomic slowdown underway in Italy.

The consequence was shrinkage as regards the trends of the last decade, not so much as regards the trend of property prices, as the volume of sales deals completed in the last 12 months.

Expectations of a downturn, although little supported by economic fundamentals, caused an increase in average selling times and also of percent discounts applied during negotiations. Both these items have returned to the levels featured prior to the present expansionary phase.

The dip in property sales transactions was about -3.3%, with peaks of around -10% in major Italian cities and towns, which typically anticipate industry-wide trends.
In a scenario where demand was slack, there was an upward trend in residential property's market prices, with increases of about 5.1% YoY. Growth was even greater in the case of business property, with increases of about 5.8% for commercial buildings and of about 7.1% for industrial sheds.

In this difficult environment, the market nevertheless tends to exclude any significant reduction in prices. In value terms, property transactions are continuing, albeit at a slower pace than in the past.

In this environment, the Group gives preference to real estate promotion transactions as opposed to trading. It is therefore continuing the approach – initiated in 2006 - of (a) strengthening its real estate services area and (b) developing new forms of investment, such as management of closed-end real estate funds.

Performance of the Vittoria Assicurazioni Group

Net profit attributable to parent company shareholders reported in consolidated financial statements amounted to € 89,572 thousand (+153.0% vs. the previous year's profit, which amounted to € 35,407 thousand).

The result was affected by some non-recurring items, of which the most significant were:

- The Group's portion (25%), amounting to € 72,184 thousand, of the result of the associate company Yarpa International Holding BV, primarily due to sale of the French real estate group Cogedim SA . In FY2008, possible positive equalisation of the price of this sale, up to € 25 million (mn) based on Cogedim Group's earnings in FY2007 may lead to an additional benefit of up to € 3.3 mn for the Vittoria Assicurazioni Group, considering the indirect equity interest and associated charges.
- Write-down of the equity interest in Cam Finanziaria SpA by € 6,689 thousand, following alignment of carrying value with the stock market price as at 31/12/2007.

As already specified in interim reports, the improvement in insurance business reported as at 31 December – to which private equity deals undertaken by associate companies contributed € 3,339 thousand net - was set against a reduction in income in the real estate business. This was due to the evolution 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 € 36,496 thousand (€ 27,437 thousand as at 31 December 2006), with an increase of 33.0% YoY.

Of investments totalling € 1,961,159 thousand (+14.7%), € 104,244 thousand (-10.2%) referred to investments where policyholders bear the risk and € 1,856,915 thousand to investments where the Group bears the risk (+16.5% vs. 31 December 2006).

Net gains on investments where risk is borne by the Group amounted to € 126,808 thousand (vs. € 76,587 thousand in the previous year (+65.6%).

30 October 2007 marked the end, for 2007, of the annual conversion period envisaged by the Regulation for the "Vittoria Assicurazioni – Fixed/Floater 2001/2016" bond issue. The nominal amount of bonds converted totalled € 10,629,432, with an increase of the direct operating parent company's share capital from € 30,451,623 to € 32,666,088 and of its share premium reserve from € 21,878,235 to € 30,517,935, and with simultaneous reduction of the equity reserve for the conversion option from € 1,229,488 to € 404,034.

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

INSURANCE SECTOR

Profit for the insurance business, before taxes and intersegment eliminations, amounted to € 107,702 thousand (vs.€ 47,416 thousand as at 31/12/2006, with a 127.1% increase).The key operating items contributing to the period's result are described below.

Total insurance revenues as at 31 December 2007 amounted to € 636,526 thousand (+8.4% vs. € 587,489 thousand in the previous year), of which € 629,104 thousand for insurance premiums (+10.2%) and € 7,422 thousand for index- and unit-linked investment contracts and for the Vittoria Formula Lavoro open-ended pension fund (-55.5%).

Premiums for direct Life business amounted to € 133,665 thousand with a 16.2% increase YoY. More specifically, the increase was achieved via the development of specific insurance covers relating to the "20% salary-assignment loan" (= cessione del quinto, in Italian) area and, as regards contracts with a higher financial content relating to segregated asset management accounts, thanks also to the good returns of the products marketed.

Returns on segregated accounts 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 gross returns achieved were as follows:

- Vittoria Rendimento Mensile: 5.00%;
- Vittoria Valore Crescente: 5.12%;
- Vittoria Liquinvest: 4.78%.

Revenues relating to investment contracts (life policies of a financial nature) decreased from € 16,687 thousand to € 7,422 thousand (-55.5%). This was a consequent of the direct operating parent company's policy of giving preference to sale of insurance cover, also in view of the particular turbulence of financial markets.

Direct Non-Life (i.e. property & casualty) premiums written totalled € 494,971 thousand, with an 8.9% YoY increase.

Premiums written for Motor business increased by 5.3%. More specifically motor property damage (land motor vehicle hulls) premiums progressed by 3.0%, achieved thanks to consolidation of commercial agreements in place. The Motor TPL (third-party liability) branch featured a 6.2% increase in vehicles insured/year with a 5.6% increase in premiums. Contributors to development were the constant attention dedicated to affinity groups and strengthening of the commercial organisation via the inauguration of new sales outlets.

Premiums written for direct Non-Marine business increased significantly, i.e. by +19.7%. This result was achieved thanks to the constant attention dedicated to the sector – considered strategic by the direct operating parent company as the aim is to improve portfolio mix. Excluding the contribution of the pecuniary loss branch, Non-Marine premiums grew by 6.6%.

Premiums for Specialty categories (i.e. marine & transport, aviation, and credit & suretyship) progressed by 0.4%. This limited increase was also due to the severe risk selection criteria applied during underwriting.

Overheads as a percentage of total direct insurance revenues increased to 9.2% (vs. 9.1% in 2006). This was mainly due to the new costs arising from the so-called Bersani Decree concerning information disclosures to policyholders and from the Italian Insurance Code as regards training of all members of the sales network.

Due to equity accounting of associate companies, the relevant portions of profit of the companies concerned amounted to € 75,972 thousand (€ 16,737 thousand in 2006) set against losses of € 287 thousand (€ 408 thousand in 2006). These items are respectively classified in the income statement among “Income from investments in subsidiaries, associates, and joint ventures” and “Losses from investments in subsidiaries, associates, and joint ventures”.
These results, recognised primarily in the Non-Life business in the income statement presented by business segment, mainly relate to the results of real estate and private equity companies.

REAL ESTATE BUSINESS

Profit for the real estate business, before taxes and intersegment eliminations, amounted to € 279 thousand (€ 8,647 thousand as at 31/12/2006) and featured contributors to the income statement that, before intersegment eliminations, included:

- Income earned on properties from trading (€ 6,456 thousand) and development (€ 619 thousand) totalling € 7,075 thousand
- Revenues from real estate brokerage and management services of € 2,394 thousand and from administrative, contractual, and technical services of € 148 thousand.

As already noted earlier, 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).

The net financial position of the real estate business featured net debt of € 162,908 thousand (vs. debt of € 48,898 thousand as at 31/12/2006). The increase in debt related to new development initiatives undertaken during FY2007.

SERVICES BUSINESS

Revenues for services rendered and commissions received by Group companies, before elimination of intercompany services, amounted to € 4,378 thousand.

This segment showed a profit, before tax and minority interest, of € 187 thousand (€ 117 thousand as at 31/12/2006).

Equity and dividend policy

Equity attributable to shareholders of the parent company totalled € 320,770 thousand whilst that attributable to minority interests amounted to € 6,156 thousand (€ 226,311 thousand and € 6,511 thousand respectively as at 31/12/2006).

Thanks to positive FY2007 results, the present level of capitalisation with that of premier European insurance companies.
The strategic objectives that the operating parent company intends to pursue in future FYs are:

- An increase in market share, focusing on technical results
- Maintenance, via self-financing, of the level of capitalisation achieved.

The operating plans devised to achieve these strategic results project business results such as to make a significant increase in shareholder remuneration a realistic proposition.

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 € 36,495,064 shown in individual statutory financial statements be allocated as follows:

To the legal reserve € 442,893
To an available reserve € 30,498,936
To shareholders € 5,553,235 corresponding to a dividend of € 0.17 for each of the 32,666,068 shares forming share capital.

Dividend distribution, after approval by shareholders, will be recognised in FY2008 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 € 7,422 thousand (€ 16,687 thousand in the previous year).
Premiums as at 31 December 2007 thus amounted to € 629,104 thousand. Portfolio breakdown and the changes occurring by business segment (Life and Non-Life (property & casualty)) are shown in the following table:

COMPARISON BETWEEN GROSS PREMIUMS WRITTEN IN 2007 AND 2006
DIRECT AND INDIRECT BUSINESS

(in thousand of euros)

	Year 2007	Year 2006	YoY change %	% of total book 2007	% of total book 2006
Domestic direct business					
Life business					
I Whole- and term life	114,262	65,012	75.8	18.2	11.4
IV Health (long-term care)	324	309	4.9	0.1	0.1
V Capitalisation	19,079	49,695	- 61.6	3.0	8.7
Total Life business	133,665	115,016	16.2	21.3	20.2
Non-Life business					
Total non-marine lines (exc. specialty and motor)	141,358	118,077	19.7	22.5	20.7
Total specialty lines	12,813	12,762	0.4	2.0	2.2
Total motor lines	340,800	323,721	5.3	54.1	56.7
Total Non-Life business	494,971	454,560	8.9	78.6	79.6
Total direct business	628,636	569,576	10.4	99.9	99.8
Domestic indirect business					
Life business	1	28	-96.4	0.0	0.0
Non-Life business	467	1,198	-61.0	0.1	0.2
Total indirect business	468	1,226	-61.8	0.1	0.2
Grand Total	629,104	570,802	10.2	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 segregated accounts), 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 € 133,665 thousand, of which € 85,599 thousand for single premiums and € 48,066 thousand for recurrent premiums, respectively accounting for 64.0% and 36.0% of the total. The 16.2% increase in premiums was achieved thanks to growth of premiums for Class I - Whole and term life insurance.

In 2007 the funds relating to segregated accounts achieved the following returns:

(in thousands of euros)

	Average rate of return	Total investments
Vittoria Rendimento Mensile	5.00%	350,107
Vittoria Valore Crescente	5.12%	272,647
Vittoria Liquinvest	4.78%	9,727

The rate of return allocated to policyholders complies with the specific contractual terms stipulated.
As done in previous years, in 2007 acquisition commissions on long-term policies and incentives paid to agents for new business were deferred, i.e. capitalised, and amortised – always 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 2007, compared with data for the previous year.

(in thousands of Euros)

	31/12/2007	31/12/2006
Claims	2,789	3,309
Accrued sums and annuities	51,539	48,238
Surrenders	29,466	22,297
Total	83,794	73,844

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 Euro 2,177 thousand in 2007.

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 19.7% strengthening the growth of their weight in the parent company's book. The technical result was positive and up vs. 2006, also thanks to the positive results of the fire and accident lines.

Accident insurance: this line's premiums grew by 6.2%. The year's technical performance featured a decrease in claims frequency and average cost vs. 2006, also because of a tangible decrease in peak claims. The positive technical result was higher than in the previous year.

Health insurance: Following revamping of products to tailor them more closely to customer needs, based on customers' economic/geographical area, this line's premiums grew by 8.1%. The underwriting criteria applied made it possible to reduce claims frequency vs. FY2006. The technical result was negative due to a persistent number of serious claim events with a high average cost.

Fire and natural elements: this insurance business continued to grow, mainly in the personal line and SME category, with a 10.5% increase in premiums written. Observance of severe risk selection criteria applied with the agency network's active assistance, plus cover provided for larger companies underpinned by an appropriate reinsurance policy, permitted achievement of a technical positive result, better than in the previous year.

Other asset damage: premiums for this branch, which includes the risk of theft, electronic equipment and technological damage, and hail, grew by 7.7%. The claim loss ratio was down vs. that of FY2006, also thanks to the decrease in claims frequency. The technical result was negative, even although less so than in the previous year.

General TPL: premiums increased by 1.3%, much less than average Non-Marine premium growth. This was due to conclusion of tariff adjustment policies implemented 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 further reduction of claims frequency. This, notwithstanding the increase in average cost, had a positive impact on the line's results. After several years, the technical result broke even, confirming the clear inversion of trend emerging in recent years and the possibility of achieving the operating targets set for this line.

Pecuniary loss: premiums in this branch grew by 113.1% thanks to development of business in the "20%-salary-assignment loan" ("cessione del quinto") segment. The technical result was positive, albeit lower than that of 2006 due to the impact of acquisition costs arising from the considerable growth of premiums.

Legal protection: Premiums in this branch progressed by 14.9%, largely thanks to cover provided for risks arising from the use of cars. During the year we started sale of new products targeting the household segment. The technical result was positive, showing further growth compared with that of 2006.

SPECIALTY BUSINESS

Branches in this category showed an increase of 0.4%, notwithstanding the significant reduction of activity in the field of general aviation and flight risks. The overall technical result was still negative, worse than in the previous year.

Credit & suretyship: Premiums written increased by 13.7%, confirming the growth trend already reported in FY2006. Premium growth particularly related to the segment of warranties for buyers of homes as required by Italian Law 210/2004 [concerning newly built or about-to-be-built homes]. Selection of underwriting risks permitted further reduction of the claim loss ratio in FY2007. Claims in the year featured a further decrease by virtue of the quality of risks underwritten. 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 61.7% due to reduction of underwriting activity in the general aviation and flight risks segment. The technical result was negative.

Ship hulls (sea, lake, and river) and railway rolling stock: premiums grew by 125.8% thanks to growth in business in the leisure boat segment, including cover during building. The technical result was negative due to an increase in the frequency of small claims.

Cargo (goods in transit): premiums written decreased by 6.9% due to discontinuation of dealings with some brokers. Careful selection of underwriting risks and tight management of recoveries once again permitted achievement of a positive technical result.

MOTOR BUSINESS

Motor lines featured 5.3% growth in premiums written. The overall technical result remained positive, although lower than in FY2006.

Third-party liability for land motor vehicles and for watercraft (sea, lake, and river). Premiums written grew by 5.6% following an increase in the number of vehicles/year insured, which increased by 6.2% in the land motor vehicle TPL segment, whereas tariffs remained substantially unchanged.

Company policies in this segment continue to aim for further customisation, also via new contractual conditions. These are designed to further increase retention, introducing an insurance approach targeting the whole family as opposed to the previous, more exquisitely individual approach.

During FY2007 the segment's operations were heavily influenced by start-up of the knock-for-knock procedure introduced by the Private Insurers Code. The investments made for the launch of this procedure enabled us to address the new approach to claims handling positively. The delay shown by a significant part of the market in adopting the new procedures – as regards both reporting of claims and settlement – does not yet permit full assessment of the effects of the new operating approach. There was a negative result due to adjustment of claims reserves to align them with the development of jurisprudence concerning bodily injury, as well as to topping up of accruals for IBNR (incurred but not reported) claims relating to the market situation concerning the knock-for-knock system.

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 4.8%, higher than in 2006, due to the increase in the number of vehicles insured. 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 technical result, thanks also to the action taken to reduce claim frequency and average cost, was positive, showing progress compared with FY2006.

Premiums

Premiums for direct business amounted to € 494,971 thousand and showed an increase of 8.9%.

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)

	Year 2007		Year 2006		Change %	
	number	total cost	number	total cost	number	total cost
Total non-motor businesses	30,118	72,527	30,725	65,322	-2.0	11.0
Total Special businesses	593	7,448	612	8,153	-3.1	-8.6
Total motor businesses	91,232	233,021	88,186	203,254	3.5	14.6
Total non-life businesses	121,943	312,996	119,523	276,729	2.0	13.1

For Motor TPL claims (land vehicles and watercraft) occurring from 1 February 2007 onwards, the regulation concerning the Inter-insurer Agreement for Direct Compensation (knock-for-knock system – Italian acronym = CARD) is applied for settlement of damages, in compliance with the requirements of the Italian Insurance Code.

As regards Motor TPL reported claims, the following table shows data by claim handling type:

(in thousands of euros)

		31/12/07	
Branch	Claim handling Type	Number	Total cost
Motor TPL - land	K-for-K - liable	36,757	82,146
Motor TPL - land	K-for-K - originator	44,126	99,219
Motor TPL - land	Non K-for-K claims	27,643	116,644
Motor TPL - watercraft	Non K-for-K claims	53	332
Total Motor T.P.L. claims handled		108,579	298,341

The operating parent company received 70,082 claim event reports to be managed as originator (i.e. as claimant for the damaged party), against which it will execute recoveries totalling € 90,334 thousand from the other insurers. This is based on the forfeitary amounts established by the Ministry Technical Committee as per Article 13 of Italian Presidential Decree no. 254/2006.

Claims paid

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 31/12/07			Claims recovered from reinsurers	Claims paid 31/12/06			Change gross claims %
	Current year	Previous years	Total		Current year	Previous years	Total	
Total non-motor businesses	26,648	31,531	58,179	3,960	22,509	28,068	50,577	15.0
Total Special businesses	6,450	4,136	10,586	5,735	2,999	2,804	5,803	82.4
Total motor businesses	93,104	129,745	222,849	29,257	95,472	120,377	215,849	3.2
Total non-life businesses	126,202	165,412	291,614	38,952	120,980	151,249	272,229	7.1

The additional cost borne in 2007 for the road-accident victim guarantee fund was € 6,561 thousand vs. € 6,247 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	
	31/12/2007	31/12/2006	31/12/2007	31/12/2006
Accident insurance	60.02	55.62	74.90	72.27
Health insurance	85.42	77.63	62.70	91.75
Motor vehicle hulls	85.57	85.30	82.98	82.55
Fire and natural events	86.00	79.89	75.77	58.92
Miscellaneous damages - theft	87.02	79.36	85.88	80.40
Third-party motor liability	73.14	68.57	70.99	69.92
Third-party general liability	66.44	53.43	40.81	38.82

Claims reserve run-off – Direct risks

The claims reserve existing at the beginning of FY2007, 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 and solely for direct risks, a loss of € 6,366 thousand, i.e. 1.4% of opening reserves, as highlighted in the following table:

Direct Risks (in thousands of euros)

	2007	2006
Claims reserve brought forward	460,548	419,018
Amounts paid in the year related to claims occurred in previous years	-171,319	-157,980
Balance of claims recovered or to be recovered by policyholders	4,386	5,024
Claims reserve carried forward	-299,981	-274,688
Balance of portfolio transfers	0	0
Aggregate loss development table	**-6,366**	**-8,626**
% of incidence on claims reserve brought forward	**-1.4%**	**-2.1%**

Claims reserve evolution

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 2007, 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	2007	Total
Cumulative claims cost								
At the end of year of event	190,338	197,900	230,661	285,648	293,743	301,296	330,756	1,830,342
1 year later	199,449	204,538	224,138	277,707	290,299	294,785		
2 years later	197,462	205,692	225,790	279,665	287,346			
3 years later	198,321	208,698	228,955	284,454				
4 years later	200,766	212,067	232,340					
5 year later	205,484	210,372						
6 years later	208,075							
Cumulative claims cost as at balance sheet date	208,075	210,372	232,340	284,454	287,346	294,785	330,756	1,848,128
Cumulative claims paid	184,010	187,761	198,732	234,714	234,413	217,250	126,716	1,383,596
Claims reserves as at 31 December 2007	24,065	22,611	33,608	49,740	52,933	77,535	204,040	464,532

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 not 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 does not include the sums recovered, or to be recovered, from policyholders and third parties for recourse/subrogation and deductibles and – solely for Motor TPL – from policyholders who decide to repay claims to maintain their bonus/malus status.

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 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 are as follows:

Non-life business	Type of treaty
Accident insurance	Claims excess
	Pure premium for general aviation
Aviation hulls	Pure premium for flight risks
	Pure premium for general aviation
Cargo	Voluntary-mandatory
Fire and natural elements	Claims excess
Land motor TPL	Pure premium (in FY2007 the portion ceded was reduced from 20% to 10%)
	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/flight risks sector.

Premiums ceded and retroceded in FY2007 amounted to € 48,104 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-line and SME risks, without however neglecting larger companies whose policies are underpinned 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 changing 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 the 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 the insurance market.

Policies

The Group intends to 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 rates;
- 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 protection 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 specialised non-life actuaries, 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, 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 product.

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 exposure (earthquakes, hail, flight, and floods).

<u>Credit risk</u>

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	-	-	-	-205	658	-	453	1.4%
AA+	-	-	-	-	-	-	-	0.0%
AA	-	-33	112	-657	2,766	-	2,188	6.6%
AA-	-	-38,012	140	-3,786	49,066	-359	7,049	21.2%
A+	-	-7,938	516	-1,171	13,328	-	4,735	14.3%
A	-	-204	375	-288	1,967	-	1,850	5.6%
A-	-	-10,226	301	-1,683	18,450	-	6,842	20.6%
BBB+	-	-	2	-	-	-	2	0.0%
BBB	-	-	-	-11	284	-	273	0.8%
Unrated	426	-219	2,057	-2,176	10,846	-1,125	9,809	29.5%
Total	426	-56,632	3,503	-9,977	97,365	-1,484	33,201	100.0%

Concentration risk

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

Based on the analysis of premiums as at 31 December 2007, non-life business accounts for 78.6% of total Group premiums (79.6% as at 31/12/2006), headed by motor lines (54.1% vs. 56.7% as at 31/12/2006).
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 worst-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 worst claim that has ever occurred in this line.

Flight 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 market operators. The capacity purchased, as in the case of the earthquake risk, far exceeds the worst-case requirement assumed in the model.

Commercial organisation

During 2007 development of the sales network, which had already progressed in previous years, continued with great determination. 9 new agencies were inaugurated and another 14 agencies were reorganised, whilst 2 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 31/12/2007 the parent company was therefore present in Italy with 241 general agencies and 368 professional sub-agencies.

During FY2007, the network of insurance promoters set up to work alongside agencies - and organisationally heavily skewed towards development of a select portfolio – was further consolidated and professionally enhanced. As at 31 December 2007, members of this set-up (business generators and sub-agents fuelled by the promoter network) totalled 67.

Italian Law 40/2007 (following the so-called Bersani Decree), as well as abolishing exclusive (i.e. single-card) insurance agency mandates, also led to de-facto "annualisation" of the Non-Marine portfolio. This new reality further focused the operating parent company's attention on initiatives to consolidate the existing portfolio – but also to exploit major growth opportunities in a sector that continues to be a good earner. Consistently with this approach, a challenging but constructive dialogue was initiated with the group of agents to assure increasingly cohesive loyalty of the agency network.

On the communication front, work intensified to underline the parent company's key visual image via revamping of its logo and related items, with all this confirming the key values of the "Vittoria System" in representing corporate image. We also increased the production of product supports, creating full insurance lines of sales aids for the sales network and robust promotional tools for policyholders.

The parent company also continued to develop the various sections of its institutional website. Specifically, it has made it easier to locate agencies via the introduction of a well-known research engine's applications.

Products

Work continued on new-product development and on revamping of existing products. Work done during the year is outlined below:

New Products

<u>Life business</u>:

- "Vittoria Formula Optimiz 2006": a single-premium, index-linked life 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.
- "Linea Protezione": in this product we have grouped all types of cover relating to personal protection
- "Ali Azzurre con Vittoria Formula Deposito": an accumulation plan dedicated to members of an affinity-group entity

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

- "Linea Salute e Benessere": we restructured the entire range of health-related products, now conceived as a line. The new line proposes 5 "modular" and "complementary" types of cover able to meet all health-related needs. In addition, the new product Rimborso Spese Sanitarie Classic was created.
- "Vittoria Formula Rimborso Spese Mediche": a new dedicated product for members of an affinity-group organisation.
- "Vittoria Formula Multirischi Abitazione": a new product devised for the beneficiaries of an affinity-group convention.

Motor business:

- "Vittoria Assistance Navigare": a new assistance cover specifically designed for leisure boats.

Revamped Products

Life business:

- "Vittoria Formula Lavoro": revision of contractual documents and release of the new prospectus. Updating of documentation concerning the open-ended pension fund Vittoria Formula Lavoro.

Non-Marine business:

- "Vittoria Formula Salute", "Vittoria Formula Famiglia" and "Formula Assistenza per due Enti appartenenti agli Affinity Groups", "Polizza globale Alberghi", and "Multiprotezione".

Motor business:

Sale continued of products launched in previous periods. The products "Vittoria Formula Strada" and "Vittoria Formula Strada InCamper" were 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 € 58,321 thousand vs. € 53,094 thousand in 2006, with a 9.8% increase 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	2007	2006	Change
Personnel expenses	31,340	28,274	10.8%
Other costs	22,076	19,903	10.9%
Amortisation/Depreciation	4,905	4,917	-0.2%
Total cost by nature	58,321	53,094	9.9%

Overhead costs as a percentage of total insurance premiums and revenues (direct business) amounted to 9.2% (9.1% in 2006).

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)

			2007	2006	Change
Gross commissions and other acquisition costs			131,773	110,628	19.1%
a		Gross commissions and other acquisition costs	102,746	83,158	23.6%
	a1	Acquisition costs	93,759	71,915	30.4%
	a2	Premium collection costs	8,987	11,243	-20.1%
b		Other acquisition costs	27,950	25,902	7.9%
(*)	b1	allocated overheads costs	20,385	18,298	11.4%
	b2	other costs	7,565	7,604	-0.5%
c		Change in deferred acquisition costs	1,077	1,568	-31.3%
Profit participation and other commissions received from reinsurers			-13,494	-13,117	2.9%
(*)		Investment management costs	801	859	-6.8%
Other administrative costs			17,750	19,606	-9.5%
(*)	b1	allocated overheads costs	17,445	19,318	-9.7%
	b2	other costs	305	288	5.8%
Total			136,830	117,976	16.0%

(*) of which overhead costs as shown in the "Allocation by function" table 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 data 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 development and trading, both directly and via special-purpose real estate companies. Revenues from the sale of property amounted to € 8,842 thousand. Closing inventory totalled € 71,839 thousand.

- Immobiliare Bilancia Srl - Milan
  This company, active in real estate trading, achieved revenue on the sale of property totalling € 12,777 thousand. Closing inventory totalled € 3,781 thousand.

- Immobiliare Bilancia Prima Srl - Milan
  In December 2006 the company purchased a site, in the municipality of Parma, for which – starting in the second half of 2008 - demolition of the existing building is planned, followed by construction of new housing. The closing inventory amounted to € 7,162 thousand.

- Immobiliare Bilancia Seconda Srl - Milan
  This company, active in real estate trading, achieved revenue on the sale of property totalling € 2,120 thousand. Closing inventory totalled € 1,918 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 € 89,101 thousand. Of this, about 41% refers to the building that will become the future HQ of the parent company Vittoria Assicurazioni, construction of which started at the end of 2007.

- Acacia 2000 Srl – Milan
  The company is active in property development. Closing inventory – consisting of a buildable area for residential use – amounted to € 123,705 thousand.
  At the end of FY2007 the company obtained building permits for the entire area owned in Milan (the so-called Portello area) and appointed the Cassa di Risparmio di Parma e Piacenza as the bank to set up to a pool to finance the residential property development initiative. The related contract was signed in January 2008.

- Forum Mondadori Residenze Srl – Milan
  The company, founded in March 2007, is active in development. In June 2007, it signed a preliminary contract for the purchase of a buildable area in the municipality of Mantua at a price of € 8,000 thousand. The initial down payment totalled € 1,608 thousand.
  During the year the company asked for a quotaholder loan totalling € 1,700 thousand.

- Cadorna Real Estate Srl – Milan
  The company, acquired in June 2007, is currently active in the trading (after restructuring and refurbishment) of buildings located in Corso Cairoli in Turin.
  Vittoria Immobiliare paid out a quotaholder loan of € 1,208 thousand to the company.
  Closing inventories at the end of FY2007 amounted to € 10,057 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 € 2,936 thousand. Closing inventory totalled € 2,060 thousand.

- Vaimm Sviluppo Srl – Milan
  The company, founded in April 2007, is active in trading (after restructuring and refurbishment of buildings). In 1H07 it acquired a property compendium in Genoa, mainly earmarked for service/commercial use. For the building units located in Piazza De Ferrari, Via Orefici and Via Conservatori del Mare 5, the total price paid amounted to some € 40 million, for which bank loans were taken out.
  In addition, Vittoria Immobiliare paid out a quotaholder loan of € 4,473 thousand to the company.
  Closing inventories at the end of FY2007 amounted to € 44,545 thousand.

- Parco Fidenae Srl – Rome
  The company is planning a real estate project in the Parco Fidenae locality in Rome, for which it holds a preliminary purchase agreement. Vittoria Immobiliare has also paid out a quotaholder loan of € 775 thousand to the company.

Brokerage

The following companies operate in this segment:

- Interimmobili Srl – Rome
  In its real estate brokerage activities, the company achieved commission revenue of € 3,332 thousand in revenue, before infragroup eliminations. In FY2007 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.
  Project management contracts acquired by Interimmobili with Group companies generated further revenues of € 1,533 thousand.

- Vittoria Service Srl – Milan
  The company achieved service revenues of € 250 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 € 1,170 thousand.

Overhead costs

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

(in thousands of Euros)

ANALYSIS OF COSTS	2007	2006	Change
Personnel expenses	3,083	2,691	14.6%
Other costs	3,870	7,275	-46.8%
Amortisation/Depreciation	335	261	28.4%
Total cost by nature	7,288	10,227	-28.7%

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 € 187 thousand.

Overhead costs

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

(in thousands of Euros)

ANALYSIS OF COSTS	2007	2006	Change
Personnel expenses	699	597	17.1%
Other costs	3,520	3,075	14.5%
Amortisation/Depreciation	24	24	0.0%
Total cost by nature	4,243	3,696	14.8%

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 € 1,961,159 thousand with an increase of € 250,990 thousand vs. 31/12/2006, i.e. +14.7% YoY. The breakdown of the total amount is shown below:

(in thousands of Euros)

	INVESTMENTS - CASH AND CASH EQUIVALENTS - PROPERTY	31/12/2007	31/12/2006	Change
	Investment property	-	-	n.v
A	Investments in subsidiaries and associates and interests in joint ventures	109,299	53,194	105.5%
	- Investments in subsidiaries	-	-	
	- Investments in associates	109,299	53,194	
	- Interests in joint ventures	-	-	
B	Held to maturity investments	173,106	151,224	14.5%
	Loans and receivables	43,593	19,488	123.7%
	- Reinsurance deposits	426	534	
	- Other loans and receivables	43,167	18,954	
C	Financial assets available for sale	1,096,160	1,010,569	8.5%
	- Equity investments	58,843	64,525	
	- OEIC units	13,814	8,030	
	- Bonds and other fixed-interest securities	1,023,503	938,014	
	Financial assets at fair value through profit or loss	109,214	119,458	-8.6%
D	Financial assets at fair value through profit or loss	104,244	116,048	-10.2%
	- Investments where policyholders bear the risk	104,244	116,048	
E	Financial assets held for trading	4,970	3,410	45.7%
	- Bonds and other fixed-interest securities held for trading	4,970	3,410	
	Cash and cash equivalents	69,267	82,753	-16.3%
F	Property	360,520	273,483	31.8%
	Property under construction	242,771	198,529	
	Property held for trading	64,181	25,237	
	Owner-occupied property	53,568	49,717	
	TOTAL INVESTMENTS	1,961,159	1,710,169	14.7%
	of which			
	investments where the Group bears the risk	1,856,915	1,594,121	16.5%
	investments where policyholders bear the risk	104,244	116,048	-10.2%

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	
	31/12/2007	31/12/2006	31/12/2007	31/12/2006	31/12/2007	31/12/2006	31/12/2007	31/12/2006	31/12/2007	31/12/2006
Investments in subsidiaries	130,020	131,633	-	40	-	-	-130,020	-131,673	-	-
Investments in associates	109,146	52,967	1,217	1,233	48	15	-1,112	-1,021	109,299	53,194
Held to maturity investments	173,106	151,224	-	-	-	-	-	-	173,106	151,224
Reinsurance deposits	426	534	-	-	-	-	-	-	426	534
Other loans and receivables	41,542	18,329	2,220	765	-	-	-595	-140	43,167	18,954
Financial assets available for sale										
Equity investments	58,494	64,126	249	299	100	100	-	-	58,843	64,525
OEIC units	13,814	8,030	-	-	-	-	-	-	13,814	8,030
Bonds and other fixed-interest securities	1,023,503	938,014	-	-	-	-	-	-	1,023,503	938,014
Financial assets at fair value through profit or loss: Investments where policyholders bear the risk	104,244	116,048	-	-	-	-	-	-	104,244	116,048
Financial assets held for trading: Bonds and other fixed-interest securities	4,970	3,410	-	-	-	-	-	-	4,970	3,410
Cash and cash equivalents	37,389	39,243	30,009	42,531	1,869	979	-	-	69,267	82,753
Property under construction	-	-	219,447	175,204	-	-	23,324	23,325	242,771	198,529
Property held for trading	-	-	64,181	25,237	-	-	-	-	64,181	25,237
Owner-occupied property	12,168	12,397	25,366	21,286	-	-	16,034	16,034	53,568	49,717
Total	1,708,822	1,535,955	342,689	266,595	2,017	1,094	-92,369	-93,475	1,961,159	1,710,169

Investments with risk borne by the Group

Investments for which risk is borne by the Group amounted to € 1,856,915 (€ 1,594,121 thousand as at 31 December 2006).

The main transactions completed in FY2007 were as follows:

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

- Repayment of corporate bonds = € 181 thousand
- Purchases of fixed-rate euro-denominated Eurozone government securities with AAA rating = € 19,619 thousand

C) <u>Available-for-sale financial assets:</u>

- Repayment of corporate bonds = € 66,744 thousand
- Purchase of fixed-rate euro-denominated Eurozone government securities with AAA rating = € 136,227 thousand
- Purchase of euro-denominated fixed-rate (= € 24,578 thousand) and variable-rate (= € 2,007 thousand) Italian government securities
- Subscription, for € 5,000 thousand, in shares of BCM Market Neutral Fund Plc, a hedge fund set up by the investee company BCM & Partners LLP
- Partial repayment of closed-end investment funds = € 232 thousand
- Partial repayment of closed-end real estate funds = € 117 thousand
- Touring Vacanze Srl: increase of € 240 thousand in value of equity interest due to additional costs relating to quota held
- Banca Popolare Etica Soc. Coop: sale at cost of equity interest, with cash-in of € 52 thousand
- Cestar Srl.: sale of entire equity interest, making a capital gain of € 52 thousand
- Immobiliare Adamello Srl: subscription of 10% of the company with an outlay of € 100 thousand

- Marina Srl – Società in liquidazione volontaria: cash-in of € 1,061 thousand upon conclusion of the process of voluntary winding-up of the company initiated in FY2006, making a capital gain of € 331 thousand
- Subscription by the subsidiary Vittoria Service Srl of shares accounting for 10% of the share capital of Spefin Finanziaria SpA, with an outlay of € 75 thousand.

E) Held-for-trading financial assets

- 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) = € 1,630 thousand

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

As at 31 December 2007 these investments amounted to € 104,244 thousand with a decrease of -10.2% YoY. Of the total, € 100,756 thousand related to unit-linked and index-linked policies and € 3,488 thousand to the Vittoria Formula Lavoro open-ended pension fund.
Overall net return was negative by € 1,974 thousand -118.1% YoY).

Property investments (point F of earlier table)

As at 31 December 2007 property assets amounted to € 360,520 thousand (+31.8% vs. 31 December 2006).

(in thousands of Euros)

	31/12/2007	31/12/2006	Change
Property under construction:			
- Gross carrying amount	222,644	170,685	30.4%
- Payments on account	-10,746	-3,029	254.8%
- Alignment with fair value of property acquired in business combinations	30,873	30,873	0.0%
Total property under construction	242,771	198,529	22.3%
Property held for trading	64,181	25,237	154.3%
Owner-occupied property:			
- Held by the parent	12,168	12,397	-1.8%
- Held by subsidiaries	25,366	21,286	19.2%
- Alignment with fair value of property acquired in business combinations	16,034	16,034	
Total owner-occupied property	53,568	49,717	7.7%
Total	**360,520**	**273,483**	31.8%

The following table shows the property breakdown:

The following table shows changes in property investments:

(in thousands of Euros)

	Construction work	Trading activities	Owner-occupied property	Total
Carrying amount at 31/12/2006	198,529	25,237	49,717	273,483
Costs and financial charges capitalyzed				
- GENOA - P.za De Ferrari, Via Conservatori del Mare, Via Orefici (purchase of building via Vaimm Sviluppo S.r.l.)		44,546		44,546
- TURIN - C.so Cairoli (purchase of Cadorna Real Estate S.r.l.)		10,057		10,057
- SAN DONATO MILANESE (MI) - purchase of a buildable area (via Vittoria Immobiliare S.p.A.)	27,752			27,752
- PESCHIERA BORROMEO (MI) - costs (via Vittoria Immobiliare S.p.A.)	11,742			11,742
- TURIN - Via Villar Focchiardo - purchase of a building area (via Vittoria Immobiliare S.p.A.)	3,849			3,849
- MILAN - Portello Area (via Acacia 2000 S.r.l. e Lauro 2000 S.r.l.)	8,720		2,360	11,080
- Miscellaneous costs	1,546	2,291	1,865	5,702
Total costs and financial charges	53,609	56,894	4,225	114,728
Sales				
- ROME - Via Benedetto Croce, Via di Villa Massimo (via Immobiliare Bilancia S.r.l.)		(12,778)		(12,778)
- TURIN - "Spina" (via V.R.G. Domus S.r.l.)	(2,936)			(2,936)
- Other sales (miscellaneous)	(398)	(10,564)		(10,962)
Total Sales	(3,334)	(23,342)		(26,676)
Decrease (Increase) advance received	(7,717)			(7,717)
Depreciations			(374)	(374)
Recognized gains	1,684	5,392		7,076
Carrying amount at 31/12/2007	242,771	64,181	53,568	360,520

For the sake of better understanding of the amounts shown in the chart, we point out that, excluding minority interests and owner-occupied property, the Group's total exposure to real estate market risk amounted to € 275.2 million (+34.7% vs. € 204.4 million as at 31/12/2006).
Compared with FY2006, as regards opening inventories, € 34,109 thousand relating to the buildable area located in Milan (the "Portello" area), earmarked as the operating parent company's HQ, has been reclassified from "Property under construction" to "Owner-occupied property".

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

The main associate companies' performance is described below:

<u>Yarpa International Holding NV Group - Holland</u>
The overall net profit of the Yarpa International Holding NV Group for the year ending on 31 December 2007 totalled € 288,739 thousand, of which the after-tax benefit for Vittoria Assicurazioni was € 71,192 thousand.
The associate's results were mostly due to sale of the French real estate company COGEDIM to the Altarea property company.

Laumor BV Group - Holland
During 2007 the company, which is the holding company of companies active in France, ceased operation and will presumably initiate the liquidation process in 2008.

For the year ending on 31 December 2007 the Laumor BV Group reported a net loss of € -275 thousand, for which Vittoria Assicurazioni recognised a loss of € -69 thousand in its accounts.

Laumor Holdings Sarl – Luxembourg
This associate company invests in private equity deals via closed-end investment funds.

Its draft financial statements as at 31 December 2007 showed equity of € 20,171 thousand, inclusive of the year's profit of € 1,658 thousand.

White Finance SA - Luxembourg
The associate company invests in private equity deals via closed-end investment funds.

The 2007 draft financial statements show equity of € 34,033 thousand, including the year's profit of € 9,330 thousand.

Gima Finance SA - Luxembourg

The associate, founded in 2007, is a company invests in private equity deals via closed-end investment funds.

The 2007 draft financial statements show equity of € 470 thousand, net of the year's net loss of € 372 thousand caused by start-up costs.

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 2007 showed IFRS-compliant equity of € 2,098 thousand, including the year's profit of € 7 thousand.

Yarpa SpA – Italy
The associate is a company offering corporate financial services. These range from projects for syndicated loans to advisory assistance for the purchase or sale of companies. Its subsidiary Yarpa Investimenti SGR manages the Italian closed-end investment funds "Maestrale" and "RP3 Fund" and the closed-end real estate funds "Rosso Mattone" and "Ambiente".

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 2007 showed equity of € 41 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.
During FY2007 the company invested € 10,462 thousand in the purchase of a property in Livorno (Leghorn), mainly classified for use by the service industry, and earmarked for subsequent sale.
To support this acquisition the associate, besides using a bank loan, asked for a quotaholder loan totalling € 2,000 thousand, for which Vittoria Immobiliare SpA paid in its share.
Its draft financial statements as at 31 December 2007 showed equity – after recognition of see-through taxation - of € 237 thousand, including the year's loss of € -141 thousand.
Negotiations are currently underway for sale en bloc of the above property, for a total price of some € 14 million.

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 2007 showed equity of € 329 thousand, including the year's loss of € -92 thousand.

Pama & Partners Srl – Italy
This associate is a real estate company in which an interest is owned via Vittoria Immobiliare SpA.
In 2007 the company acquired an area in Genoa – for construction of a premium residential complex – with an investment of € 5,925 thousand.
This investment was financed by the company's resources, supplemented by a quotaholder loan totalling € 1,000 thousand (Vittoria Immobiliare SpA's share = 25%) and bank debt of € 2,700 thousand.
Draft financial statements as at 31 December 2007 showed equity of € 1,684 thousand, including the year's loss of € -13 thousand.

Le Api Srl – Italy
This associate is a service company in which an interest is owned via Interbilancia Srl.
Its draft financial statements as at 31 December 2007 showed equity of € 161 thousand, including the year's profit of € 109 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	31/12/2007	31/12/2006	Change
Financial liabilities where the investment risk is borne by policyholders and arising from pension fund management	104,244	116,048	-10.2%
- Financial liabilities where the investment risk is borne by policyholders relating to index- and unit-linked policies	100,756	113,669	
- Financial liabilities where the investment risk is borne by policyholders relating to pension funds	3,488	2,379	
Othe financial liabilities	284,053	206,181	37.8%
- Reinsurance deposits	56,632	86,934	
- Payables to banks	183,617	91,430	
- Other financial payables	9,300	4,085	
- Other financial liabilities	29,243	7,924	
- Subordinated liabilities	5,261	15,808	
TOTAL FINANCIAL LIABILITIES	388,297	322,229	20.5%

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	
	31/12/2007	31/12/2006	31/12/2007	31/12/2006	31/12/2007	31/12/2006	31/12/2007	31/12/2006	31/12/2007	31/12/2006
Financial liabilities where the investment risk is borne by policyholders relating to index- and unit-linked policies	100,756	113,669	-	-	-	-	-	-	100,756	113,669
Financial liabilities where the investment risk is borne by policyholders relating to pension funds	3,488	2,379	-	-	-	-	-	-	3,488	2,379
Reinsurance deposits	56,632	86,934	-	-	-	-	-	-	56,632	86,934
Payables to banks	-	-	183,617	91,430	-	-	-	-	183,617	91,430
Other financial payables	-	-	9,300	4,085	-	-	-	-	9,300	4,085
Other financial liabilities	29,243	7,924	-	-	-	-	-	-	29,243	7,924
Subordinated liabilities	5,261	15,808	-	-	-	-	-	-	5,261	15,808
Total	195,380	226,714	192,917	95,515	-	-	-	-	388,297	322,229

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 2007 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	2007 total net realised and unrealised gains	2006 total net realised and unrealised gains
Investments	129,114	1,643	1,664	13,363	119,058	72,931
From:						
a investment property	-	-	-	-	-	-
b investments in subsidiaries and associates and interests in joint ventures	75,687	-	-	-	75,687	17,811
c held to maturity investments	6,451	-	-	-	6,451	5,389
d loans and receivables	575	-	-	4	571	588
e financial assets available for sale	44,627	383	-	6,689	38,321	38,218
f financial assets held for trading	73	-	42	113	2	8
g financial assets at fair value through profit or loss	1,701	1,260	1,622	6,557	-1,974	10,917
Other receivables	479	-	-	-	479	455
Cash and cash equivalents	3,613	-	-	-	3,613	2,286
Financial liabilities	-6,249	-	-	-1,974	-4,275	-16,078
From:						
a financial liabilities held for trading	-	-	-	-	-	-
b financial liabilities at fair value through profit or loss	-	-	-	-1,974	1,974	-10,917
c other financial liabilities	-6,249	-	-	-	-6,249	-5,161
Payables	-	-	-	-	-	-
Total gains and losses on financial instruments	126,957	1,643	1,664	11,389	118,875	59,594
Real estate business						
From:						
a Gains on property trading	-	6,456	-	-	6,456	15,435
b Revenue from work in progress (percentage of completion)	619	-	-	-	619	435
c Rent income on owner-occupied property and property held for trading	858	-	-	-	858	1,123
Total real estate business	1,477	6,456	-	-	7,933	16,993
Total gains and losses on investments	128,434	8,099	1,664	11,389	126,808	76,587
of which						
Investments where policyholders bear the risk	1,701	1,260	1,622	8,531	-	-
Investment result	1,701	1,260	1,622	6,557	-1,974	10,917
Write-up/write-down of liabilities	-	-	-	-1,974	-1,974	10,917
Investments where the Group bears the risk	126,733	6,839	42	6,806	126,808	76,587

Net gains with risk borne by the Group increased by 65.6% vs. 2006 from € 76,587 thousand to € 126,808 thousand. The increase was mainly due to the Group's share of revaluation of Yarpa International Holding NV.
In FY2007 the weighted average return on "Bonds and other fixed-income securities" was 4.5% (4.0% in FY2006).

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

(in thousands of Euros)

Net income on investments	Insurance Business 2007	Insurance Business 2006	Real Estate Business 2007	Real Estate Business 2006	Service Business 2007	Service Business 2006	Intersegment Eliminations 2007	Intersegment Eliminations 2006	Total 2007	Total 2006
Gains or losses on remeasurement of financial instruments at fair value through profit or loss	2	8	-	-	-	-	-	-	2	8
Gains or losses on investments in subsidiaries and associates and interests in joint ventures	80,577	23,250	-83	-143	33	8	-4,840	-5,304	75,687	17,811
Gains or losses on other financial instruments and investment property	45,984	42,889	-2,837	-1,133	40	19	-1	-	43,186	41,775
Gains on property trading	-	-	6,456	15,435	-	-	-	-	6,456	15,435
Revenue from work in progress (percentage of completion)	-	-	619	435	-	-	-	-	619	435
Rent income on owner-occupied property and pro	187	205	781	1,055	-	-	-110	-137	858	1,123
Total	126,750	66,352	4,936	15,649	73	27	-4,951	-5,441	126,808	76,587

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 variables' trends
- For bond portfolios, issuers' rating 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 Finance Committee regularly reviews the results of the above activities and reports. 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 – pension 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 (collective investment undertaking) units). It also provides indications concerning financial risk exposure and uncertainties of flows.

(in thousands of euros)

Investment nature	Amount 31/12/2007	% of breakdown	Amount 31/12/2006	% of breakdown
DEBT SECURITIES	1,201,579	93.4%	1,092,648	93.8%
Listed treasury bonds:	1,076,865	84.5%	881,575	75.7%
Fixed-interest rate	627,125	49.2%	426,402	36.6%
Variable interest rate	449,740	35.3%	455,173	39.1%
Unlisted treasury bonds:	2,666	0.2%	-	0.0%
Fixed-interest rate	-	0.0%	-	0.0%
Variable interest rate	2,666	0.2%	-	0.0%
Listed corporate bonds:	101,456	8.0%	180,745	15.5%
Fixed-interest rate	93,675	7.4%	172,158	14.8%
Variable interest rate	7,781	0.6%	8,587	0.7%
Unlisted corporate bonds:	7,304	0.6%	11,584	1.0%
Fixed-interest rate	269	0.0%	1,721	0.1%
Variable interest rate	7,035	0.6%	9,863	0.9%
Bonds of supranational issuers:	13,288	1.0%	18,744	1.6%
Fixed-interest rate	13,288	1.0%	18,744	1.6%
Variable interest rate	-	0.0%	-	0.0%
of which				
Total fixed-interest securities	734,357	61.1%	619,025	56.7%
Total variable-interest securities	467,222	38.9%	473,623	43.3%
Total debt securities	1,201,579	100.0%	1,092,648	100.0%
of which				
Total listed securities	1,191,609	99.2%	1,081,064	98.9%
Total unlisted securities	9,970	0.8%	11,584	1.1%
Total debt securities	1,201,579	100.0%	1,092,648	100.0%
EQUITY INSTRUMENTS	58,843	4.6%	64,525	5.5%
listed shares	38,065	3.0%	43,544	3.7%
unlisted equity instruments	20,778	1.6%	20,981	1.8%
OEIC UNITS	13,814	1.1%	8,030	0.7%
TOTAL	1,274,236	100.0%	1,165,203	100.0%

The fixed-income securities portfolio has a duration of 3.2 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 € 734,357 thousand (61.1% 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	Amount
Carrying amount	596,597 (1)
Change	
100 BP increase	-27,954
100 BP decrease	30,601

(1) of which Euro 357,717 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 € 467,222 thousand (38.9% 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 € +4,613 thousand and € -4,221 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	117,667	16.0%
1<X<2	51,829	7.1%
2<X<3	78,948	10.7%
3<X<4	52,761	7.2%
4<X<5	64,582	8.8%
5<X<10	307,725	41.9%
more	60,845	8.3%
Total	734,357	100.0%
of which repayable in advance	5,030	

Variable - interest securities			(in thousands of euros)
Tipe of rate	Indexation	Amount	% of breakdown
Constant mat. Swap	Euroswap 10Y	33,085	7.1%
Constant mat. Swap	Euroswap 30Y	7,947	1.7%
variabile	3 months tresury bonds	7,696	1.6%
Variable	6 months tresury bonds	413,724	88.6%
Variable	other	4,771	1.0%
Total		467,222	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 € 183,617 thousand.
In order to indicate their sensitivity, it is noted that a 100-bp increase would increase interest expense by € 1,836 thousand. Vice versa, a similar decrease would reduce interest expense by € 1,836 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 and those affecting all instruments traded on the market
If the listed shares classified as "Financial assets available for sale" had suffered a 10% loss as at 31.12.2007, equity attributable to parent company shareholders would have decreased by € 3,807 thousand.

Equity securities held include the equity interest – classified among financial assets available for sale – in Cam Finanziaria SpA, whose market value as at 31/12/2007 featured a significant and persistent decrease vs. carrying value.
The parent company – also considering present market price trends pointing even further downwards – has decided to align carrying value with the stock's market price as at 31 December 2007, recognising impairment of € 6,689 thousand.

The Group is not exposed to foreign exchange risk since, as at 31.12.2007, nearly all investments for which it bears the risk were expressed in euro.

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.

The greater the weight is of financial assets listed in active and regulated markets, the less likely it is that this will happe.n

As at 31.12.2007 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 31.12.2007 nearly all bonds held by the group were rated as investment grade.

(in thousands of euros)

Rating (Standard & Poor's)		Amounts	% of breakdown
AAA		254,373	21.2%
AA+ / AA-		93,086	7.7%
A+ / A-		809,620	67.4%
BBB+ / BBB-		34,832	2.9%
	Total investment grade	1,191,911	99.2%
Non investment grade		2,633	0.2%
Not rated		7,035	0.6%
Totale		1,201,579	100.0%

Information on ownership status as at 31/12/2007 (pursuant to Article 123/2 of Italian Consolidated Finance Act)

a) Structure of share capital

As at 31 December 2007, the share capital of Vittoria Assicurazioni SpA amounted to € 32,666,088.00, divided into 32,666,088 ordinary shares with a par value of € 1.00 each.

Vittoria Assicurazioni ordinary shares are listed in the STAR segment the screen-based equity market (Mercato Telematico Azionario – MTA) managed by Borsa Italiana SpA. They give their holders the capital and administrative rights established by Italian law and by the company's by-laws.

Once again as at 31 December 2007, there were 1,083,912 bonds outstanding convertible into an equal number of Vittoria Assicurazioni ordinary shares.

The convertible bonds are listed on the screen-based equity market (Mercato Telematico Azionario – MTA) managed by Borsa Italiana SpA.

No equity-based incentive plans involving capital increases have been approved.

b) Restrictions on the transfer of securities

There are no by-law or legal restrictions on the transfer of Vittoria Assicurazioni SpA ordinary shares and of the convertible bonds.

c) Major shareholdings

As at 31 December 2007, the parties who – based on notifications received pursuant to Article 120 of the Italian Consolidated Finance Act, on the shareholder register, and on other information received – directly or indirectly owned major shareholdings in Vittoria Assicurazioni SpA were:

Declarant	Direct shareholder	% share of ordinary capital	share of voting capital
Carlo Acutis	Vittoria Capital NV	52.75%	52.75%
	Yafa Holding BV	5.65%	5.65%
Francesco Baggi Sisini	Opalia BV	8.96%	8.96%
Serfis SpA	Serfis SpA	3.66%	3.66%

d) Securities giving special rights

Vittoria Assicurazioni SpA has not issued securities that give special rights of control.

e) Employee equity participation: mechanism for exercising voting rights

No employee equity-participation schemes have been approved.

f) Restrictions on voting rights

There are no restrictions on voting rights

g) Shareholder agreements

In September 2005, Yura International Holding BV (now Yafa Holding BV) and the insurance shareholders of Vittoria Capital NV, the parent company of Vittoria Assicurazioni, signed a shareholders' agreement regulating the rights of transfer of shares owned in Vittoria Capital NV.

More specifically, the pact provides for reciprocal pre-emption rights between its participants and co-sale rights in favour of minority shareholders, together with automatic application to the pact of 26.02% of Vittoria Assicurazioni shares if Vittoria Capital is dissolved.

The pact, originally signed by Yura International Holding BV (now Yafa Holding BV), by the Munich Re Group, and by Assurance Générale de France (AGF), was updated in February 2008 following purchase by Yafa Holding of the Vittoria Capital shares owned by AGF.

h) Appointment and substitution of directors and by-law amendments

The Extraordinary Shareholder Meeting approves by-law amendments in accordance with legal regulations.

Pursuant to Article 2365 of the Italian Civil Code, Article 14 of the Company By-Laws gives the Board of Directors the power to decide on, saving legal limits, (a) the creation or closure of branches; (b) which directors have powers of corporate representation; (c) any reduction of capital in cases of shareholder withdrawal; (d) adaptation of company by-laws to regulatory requirements; (e) transfer of the registered HQ within Italian territory; and (f) mergers in the cases indicated in Articles 2505 and 2505/2 of the Italian Civil Code, to which reference is also made for demergers, in cases where such rules are applicable.

Below we show Article 10 of the Company By-laws, which regulates the appointment and substitution of directors:

"Art. 10 – Board of Directors
The Company shall be administered by a Board of Directors consisting of no fewer than 7 and no more than 16 Directors, elected by the General Meeting, with a term of office of a maximum of three financial years and who shall always be eligible for re-election. Prior to electing the Directors the General Meeting shall decide on the number thereof between the said limits.
The Directors must meet the requirements specified by the legislation current at the time; a minimum number of these corresponding to the minimum provided by legislation must satisfy the requirements for independence referred to in Article 148, paragraph 3, of Legislative Decree No. 58/1998.
Any Director who ceases to fulfil these requirements shall cease to hold office. If any Director ceases to meet the requirements for independence specified above he shall not become ineligible to hold his post if the requirements continue to be met by the minimum number of Directors who in accordance with current legislation must meet the said requirement.
Election to the Board of Directors shall be made on the basis of lists submitted by shareholders in the manner specified below, on which candidates must be listed with a consecutive number.
Lists submitted by shareholders, signed by the person submitting them, must be lodged at the registered office of the Company, available to any person on request, at least fifteen days prior to the date set for the General Meeting on first call, and must be published in the manner specified in the legislation current at the time.
Shareholders subscribing to a relevant shareholders' agreement within the meaning of Article 122 of Legislative Decree No. 58/1998, the parent company, the subsidiary companies and those under joint control within the meaning of Article 93 of Legislative Decree No. 58/1998, may not submit or take part in the submission, including through an intermediary or trust company, of more than a single list, and may not vote for several lists, and each candidate may only appear in a single list on pain of ineligibility. Any seconding of nominations or votes cast in breach of this prohibition shall not count towards any list.
Only those shareholders who, alone or together with other submitting shareholders, are overall holders of voting shares representing at least 2.5% of the share capital with the right to vote at the General Meeting, or representatives of any lesser percentage which may be provided by mandatory provisions of the law or regulations shall be entitled to submit lists.
Together with each list, by the respective dates indicated above, the following shall be lodged:
(i) the appropriate certificate issued by a legally authorised intermediary proving ownership of the number of shares necessary for the submission of the lists; (ii) a declaration by each candidate accepting their nomination and attesting, on their own responsibility, that none of the causes of disqualification and incompatibility apply to them, and the existence of the requirements prescribed for the respective posts; (iii) a curriculum vitae relating to the personal and professional characteristics of each candidate showing where appropriate the suitability of the same to claim independence.
Any lists submitted other than in accordance with the above provisions shall be considered not submitted.
Election to the Board of Directors shall be carried out as follows:
a) the Directors to be elected shall be chosen from the list which has obtained the highest number of votes cast by the shareholders in the consecutive order in which they appear on the list, except one;
b) the remaining Director shall be chosen from the list which is not linked in any way, directly or indirectly, with the shareholders who submitted or voted for the list referred to at a) above, and which obtained the second highest number of votes cast by the shareholders. For this purpose, any lists which have not obtained a percentage of votes at least equal to half of those required for submission of the lists, referred to in paragraph six of this Article, shall be disregarded.
Where the election of candidates in the manner described above does not give rise to the election of a number of Directors who meet the requirements for independence provided for by

Article 148, paragraph 3, of Legislative Decree No. 58 of 28 February 1998 equivalent to the minimum number provided by law in relation to the total number of Directors, the non-independent candidate last elected in consecutive order from the list obtaining the highest number of votes, referred to at a) in the above paragraph, shall be replaced by the first independent candidate in consecutive order not elected from the same list, or, failing that, by the first independent candidate in consecutive order not elected from other lists, according to the number of votes obtained by each. This substitution process shall continue until the Board of Directors is made up of a number of members satisfying the requirements of Article 148, paragraph 3, of Legislative Decree No. 58/1998 at least equal to the minimum prescribed by law. Finally, where this procedure does not produce the result referred to, substitution will take place on the basis of a resolution adopted by the General Meeting on a simple majority, after candidates meeting the said requirements have been put forward.
Where only one list is submitted or where no lists are submitted, the General Meeting shall decide on a legal majority, without following the above procedure. If during the course of the financial year one or more Directorships become vacant, provided that the majority of Directors have been elected by the General Meeting, the procedure referred to in Article 2386 of the Civil Code shall be followed, as described below:
a) the Board of Directors shall carry out the substitution from names appearing on the same list on which the retiring Director appeared, and the General Meeting shall resolve on the same observing the same criterion with the statutory majority;
b) where there are no candidates on the said list who remain unelected or meet the requirements, or in any event where for whatever reason it is not possible to comply with the provisions of sub-paragraph a), the Board of Directors shall carry out the substitution, and the General Meeting shall subsequently resolve on the same, with the statutory majorities and without a vote on the lists.
In any event the Board of Directors and the General Meeting shall proceed to the election in order to ensure the presence of the minimum total number of independent Directors required by current legislation."

i) Delegation of powers to increase share capital and authorisations of share buybacks

No shareholder resolutions have been passed authorising the Board of Directors to increase capital pursuant to Article 2443 of the Italian Civil Code, to issue equity financial instruments, or to buy back own shares.

j) Change-of-control clauses

Vittoria Assicurazioni SpA and its subsidiaries have not stipulated relevant agreements that take effect, are amended or are extinguished if control of the contractor company changes.

k) Indemnities for directors in the case of resignation, dismissal, or cessation following a public tender offer

Vittoria Assicurazioni SpA has not stipulated any agreements with its directors providing for indemnities in the case of resignation or dismissal/revocation without just cause, or in the case of cessation of the employment relationship following a public tender offer.

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 and with directors, statutory auditors, and strategically accountable managers.

(in thousands of Euros)

Related parties	Other receivables	Loans	Commitments for subscription of private equity investments	Financial liabilities	Other payables	Revenues	Costs
Parents	-	-	-	-	-	-	-
Associates	5	2,080	29,243	-	6	349	-
Fees:	-	-	-	-	-	-	-
Directors	-	-	-	-	-	-	1,588
Statutory auditors	-	-	-	-	-	-	95
Managers with strategic responsibility	-	-	-	-	-	-	901
Total	5	2,080	29,243	-	6	349	2,584

Transactions and relationships 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 and relationships with parent companies

During the 2007 conversion window starting on 20 May, the direct non-operating parent company, Vittoria Capital NV – Holland, converted all its 1,925,000 subordinated convertible bonds issued by Vittoria Assicurazioni. Its equity interest as at 31 December 2007 had risen to 52.753% (vs. 50.267% as at 31.12.2006).

At the same time, the indirect non-operating parent company, Yafa Holding BV – Holland, converted all the 206,188 subordinated convertible bonds issued by Vittoria Assicurazioni in its possession, thereby increasing its equity interest to 5.652% (vs. 5.386% as at 31.12.2006).

As up to 31 December 2007, following conversion of bonds by both the direct and indirect non-operating parent companies, there were no financial or trading transactions between Vittoria Assicurazioni and these companies.
The non-operating parent companies do not perform activities of direction and co-ordination, as they act as financial holding companies.

Effective 1 July 2007, Vittoria Capital NV and Yafa Holding BV transferred their administration offices to Italy.

Transactions with associate companies

Yarpa International Holding NV – Holland

Laumor BV - Holland

White Finance SA – Luxembourg

Yarpa SpA – Genoa

Sivim Srl – Milan

No trading or supply transactions took place with the above associate companies in the period concerned.

Laumor Holdings Sarl – Luxembourg

In its accounts Vittoria Assicurazioni reports – among loans to associate companies and among financial liabilities – the amount of € 4,514 thousand relating to its commitment to subscribe private equity investments via the associate company.

Gima Finance SA – Luxembourg

In its accounts Vittoria Assicurazioni reports – among loans to associate companies and among financial liabilities – the amount of € 24,729 thousand relating to its commitment to subscribe private equity investments via the associate company.

S.In.T. SpA - Turin

In FY2007 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 € 529 thousand plus VAT.

Mosaico SpA – Turin

The associate received an € 650-thousand interest-free shareholder loan from Vittoria Immobiliare SpA.

Pama & Partners Srl – Genoa

The subsidiary Vittoria Immobiliare SpA paid € 250 thousand to the associate as an interest-free quotaholder loan.

Rovimmobiliare Srl – Rome

Gestimmobili Srl charged this indirect associate company for administrative services (€ 14 thousand). As at 31/12/2007, Gestimmobili Srl reported trading accounts receivable from the associate of € 2 thousand.

In addition, the subsidiary Vittoria Immobiliare SpA paid € 1,180 thousand to the associate as a quotaholder loan.

Le Api Srl - Milan

The associate rendered services totalling € 1,364 thousand to Vittoria Assicurazioni SpA.

Performance in early months of FY2008 and expected business progress

Insurance business

The introduction of specific regulations concerning sales networks and their professional training has imposed new rules on the market. Introduction of the new knock-for-knock system has also introduced changes in the method for settling Motor TPL. In view of all this, the direct operating parent company is currently working on reorganisation, envisaging the creation of business units with a stronger market orientation, to replace the previous organisation by functions.
The objective is to aim for growth of sales outlets (agencies, sub-agencies, and business generators) both via market acquisitions and via training using the company's internal resources.

Real estate business

In January 2008, Acacia 2000 Srl stipulated a € 180,000-thousand mortgage loan agreement with the banking syndicate co-ordinated by Cassa di Risparmio di Parma e Piacenza SpA. The loan is intended to cover costs for purchase of the buildable area owned and to finance, based on completion status, building costs. After establishment of the mortgage, in February 2008 the syndicate paid out € 87,750 thousand to the subsidiary (before substitute tax and fees).

Vittoria Immobiliare SpA has completed acquisition of 51% of Valsalaria Srl, paying € 87 thousand, and taking over quotaholder loans for a further outlay of € 619 thousand. Valsalaria Srl will later be merged with Parco Fidenae Srl, for subsequent building development of the area in the Fidene Villa Spada locality. Vittoria Immobiliare had entered this project back in 2004.

The Board of Directors

Milan, 27 March 2008

Consolidated Financial Statements

FY 2007

Vittoria Assicurazioni S.p.A.
Consolidated financial statements as at and for the year ended 31 December 2007

BALANCE SHEET - ASSETS

(in thousands of Euros)

		Note	31/12/2007	31/12/2006
1	INTANGIBLE ASSETS		17,349	16,432
1.1	Goodwill	1	0	0
1.2	Other intangible assets	2	17,349	16,432
2	PROPERTY, PLANT AND EQUIPMENT		364,499	278,524
2.1	Property	2	360,520	273,483
2.2	Other items of property, plant and equipment	2	3,979	5,041
3	REINSURERS' SHARE OF TECHNICAL RESERVES	3	97,307	126,958
4	INVESTMENTS		1,531,372	1,353,933
4.1	Investment property		0	0
4.2	Investments in subsidiaries and associates and interests in joint ve	4	109,299	53,194
4.3	Held to maturity investments	5	173,106	151,224
4.4	Loans and receivables	5	43,593	19,488
4.5	Financial assets available for sale	5	1,096,160	1,010,569
4.6	Financial assets at fair value through profit or loss	5	109,214	119,458
5	OTHER RECEIVABLES		176,493	148,272
5.1	Receivables relating to direct insurance	6	148,612	114,514
5.2	Receivables relating to reinsurance business	7	3,502	5,710
5.3	Other receivables	8	24,379	28,048
6	OTHER ASSETS		55,350	40,265
6.1	Non-current assets or assets of a disposal group classified as held for sale		0	0
6.2	Deferred acquisition costs	9	10,173	11,250
6.3	Deferred tax assets	10	13,044	12,050
6.4	Current tax assets	11	28,843	14,002
6.5	Other assets	12	3,290	2,963
7	CASH AND CASH EQUIVALENTS	13	69,267	82,753
	TOTAL ASSETS		2,311,637	2,047,137

BALANCE SHEET - EQUITY AND LIABILITIES

(in thousands of Euros)

		Note	31/12/2007	31/12/2006
1	EQUITY		326,926	232,822
1.1	attributable to the shareholders of the parent		320,770	226,311
1.1.1	Share capital	14	32,666	30,452
1.1.2	Other equity instruments	14	404	1,229
1.1.3	Equity-related reserves	14	30,518	21,878
1.1.4	Income-related and other reserves	14	156,008	125,478
1.1.5	(Treasury shares)	14	0	0
1.1.6	Translation reserve	14	45	-2
1.1.7	Fair value reserve	14	11,495	11,847
1.1.8	Other gains or losses recognised directly in equity	14	62	22
1.1.9	Profit for the year attributable to the shareholders of the parent		89,572	35,407
1.2	attributable to minority interests	14	6,156	6,511
1.2.1	Share capital and reserves attributable to minority interests		6,249	5,393
1.2.2	Gains or losses recognised directly in equity		0	0
1.2.3	Profit for the year attributable to minority interests		-93	1,118
2	PROVISIONS	15	4,066	4,813
3	TECHNICAL RESERVES	16	1,448,667	1,341,505
4	FINANCIAL LIABILITIES		388,297	322,229
4.1	Financial liabilities at fair value through profit or loss	17	104,244	116,048
4.2	Other financial liabilities	17	284,053	206,181
5	PAYABLES		95,626	98,059
5.1	Payables arising from direct insurance business	18	6,414	6,827
5.2	Payables arising from reinsurance business	19	9,977	12,489
5.3	Other sums payable	20	79,235	78,743
6	OTHER LIABILITIES		48,056	47,709
6.1	Liabilities of a disposal group held for sale		0	0
6.2	Deferred tax liabilities	21	22,738	24,479
6.3	Current tax liabilities	22	2,907	6,145
6.4	Other liabilities	23	22,411	17,085
	TOTAL EQUITY AND LIABILITIES		2,311,638	2,047,137

Vittoria Assicurazioni S.p.A.
Consolidated financial statements as at and for the year ended 31 December 2007

INCOME STATEMENT

(in thousands of Euros)

		Note	2007	2006
1.1	Net premiums		552,436	484,421
1.1.1	*Gross premiums*	24	601,785	563,601
1.1.2	*Ceded premiums*	24	49,349	79,180
1.2	Commission income	25	1,763	408
1.3	Gains or losses on remeasurement of financial instruments at fair value through profit or loss	26	2	8
1.4	Gains on investments in subsidiaries and associates and interests in joint ventures	26	75,974	18,219
1.5	Gains on other financial instruments and investment property	26	56,128	46,990
1.5.1	*Interest income*		54,117	45,175
1.5.2	*Other income*		1,628	1,808
1.5.3	*Realised gains*		383	7
1.5.4	*Unrealised gains*		0	0
1.6	Other income	27	17,409	23,530
1	TOTAL REVENUE		703,712	573,576
2.1	Net charges relating to claims		429,740	375,909
2.1.1	*Amounts paid and change in technical reserves*	24	463,334	436,791
2.1.2	*Reinsurers' share*	24	-33,594	-60,882
2.2	Commission expense	28	650	602
2.3	Losses on investments in subsidiaries and associates and interests in joint ventures	26	287	408
2.4	Losses on other financial instruments and investment property	26	12,942	5,215
2.4.1	*Interest expense*		6,249	5,161
2.4.2	*Other expense*		0	0
2.4.3	*Realised losses*		0	9
2.4.4	*Unrealised losses*		6,693	45
2.5	Operating costs		143,792	127,559
2.5.1	*Commissions and other acquisition costs*	29	115,584	94,474
2.5.2	*Investment management costs*	29	801	859
2.5.3	*Other administrative costs*	29	27,407	32,226
2.6	Other costs	30	11,098	12,014
2	TOTAL COSTS		598,509	521,707
	PROFIT FOR THE YEAR BEFORE TAXATION		105,203	51,869
3	Income taxes	31	15,724	15,344
	PROFIT FOR THE YEAR		89,479	36,525
4	GAIN (LOSS) ON DISCONTINUED OPERATIONS		0	0
	CONSOLIDATED PROFIT		89,479	36,525
	of which attributable to the shareholders of the parent		89,572	35,407
	of which attibutable to minority interests	14	-93	1,118

Basic EARNINGS per share		2.74	1.16
Diluted EARNINGS per share		2.66	1.07

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

		2007	2006
Profit for the year attributable to the shareholders of the parent	Euro	89,572,238	35,406,514
Average number of shares	N.	32,666,088	30,451,623
Basic earnings per share	Euro	2.74	1.16
Adjustments			
Financial charges on the convertible subordinated bond issue	Euro	235,812	708,608
Number of potential shares	N.	1,083,912	3,298,377
Adjusted profit for the year attributable to the shareholders of the parent	Euro	89,808,050	36,115,122
Adjusted average number of shares	N.	33,750,000	33,750,000
Diluted earnings per share	Euro	2.66	1.07

The 2,214,465 shares arising from conversion of the bond loan in the period between May and October 2007 have entitlement as from 1 January 2007.

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

(in thousands of Euros)

			Balance at 31/12/2005	Adjustment to closing balance	Allocation	Reclass. to profit or loss	Other reclassifications	Balance at 31/12/2006	Adjustment to closing balance	Allocation	Reclass. to profit or loss	Other reclassifications	Balance at 31/12/2007
Equity attributable to the shareholders of the parent	Share capital		30,000	0	452		0	30,452	0	2,214		0	32,666
	Other equity instruments		1,398	0	-169		0	1,229	0	-825		0	404
	Equity-related reserves		20,142	0	1,736		0	21,878	0	8,640		0	30,518
	Income-related and other reserves		91,715	0	38,263		-4,500	125,478	0	35,408		-4,878	156,008
	(Treasury shares)		0	0	0		0	0	0	0		0	0
	Translation reserve		6	0	-8	0		-2	0	47	0		45
	Fair value reserve		21,585	0	-9,740	2		11,847	0	-352	0		11,495
	Other gains or losses recognised directly in equity	Hedging reserve	0	0	0	0	0	0	0	0	0	0	0
		Gains or losses on hedging instruments of net investment in foreign operations	0	0	0	0		0	0	0	0		0
		Reserve for changes in the equity of investees	-1,190	0	1,212	0		22	0	40	0		62
		Intangible asset revaluation reserve	0	0	0			0	0	0			0
		Property, plant and equipment revaluation reser	0	0	0			0	0	0			0
		Gains or losses on non-current assets or assets of a disposal group classified as held for sale	0	0	0	0	0	0	0	0	0	0	0
		Other reserves	0	0	0	0	0	0	0	0	0	0	0
	Profit for the year		39,979	0	-4,572		0	35,407	0	54,165		0	89,572
	Total attributable to the shareholders of the parent		**203,635**	**0**	**27,174**	**2**	**-4,500**	**226,311**	**0**	**99,337**	**0**	**-4,878**	**320,770**
Equity attributable to minority interests	Share capital and reserves attributable to minority interests		5,518	0	4,451		-4,576	5,393	0	1,118		-262	6,249
	Gains or losses recognised directly in equity		0	0	0	0	0	0	0	0	0	0	0
	Profit for the year		4,380	0	-3,262		0	1,118	0	-1,211		0	-93
	Total attributable to minority interests		**9,898**	**0**	**1,189**	**0**	**-4,576**	**6,511**	**0**	**-93**	**0**	**-262**	**6,156**
Total			**213,533**	**0**	**28,363**	**2**	**-9,076**	**232,822**	**0**	**99,244**	**0**	**-5,140**	**326,926**

STATEMENT OF SOURCES AND APPLICATION OF FUNDS

(in thousands of Euros)

	31/12/2007	31/12/2006
Profif for the year before taxation	105,203	51,869
Change in non-monetary items	52,330	97,014
Change in non-life premium reserve	34,156	20,817
Change in claims reserve and other non-life technical reserves	60,807	41,467
Change in mathematical reserves and other life technical reserves	41,850	36,992
Change in deferred acquisition costs	1,077	1,568
Change in provisions	-747	-531
Non-monetary gains and losses on financial instruments, investment property and investments in subsidiaries and associates and interests in joint ventures	-68,998	-8,114
Other changes	-15,815	4,815
Change in receivables and payables arising from operating activities	-30,654	80,558
Change in receivables and payables relating to direct insurance and reinsurance	-34,815	1,585
Change in other receivables and payables	4,161	78,973
Taxes paid	-15,724	-15,344
Net cash flow generated by/used for monetary items from investing and financing activities	-1,560	-1,803
Liabilities from financial contracts issued by insurance companies	-11,804	-6,710
Payables to bank and interbank customers	0	0
Loans and receivables from bank and interbank customers	0	0
Other financial instruments at fair value through profit or loss	10,244	4,907
NET CASH FLOW FROM OPERATING ACTIVITIES	109,595	212,294
Net cash flow generated by/used for investment property	0	0
Net cash flow generated by/used for investments in subsidiaries and associated companies and interests in joint ventures	19,622	-3,865
Net cash flow generated by/used for loans and receivables	-24,105	-2,626
Net cash flow generated by/used for held to maturity investments	-21,882	-79,537
Net cash flow generated by/used for financial assets available for sale	-92,632	32,974
Net cash flow generated by/used for property, plant and equipment	-86,892	-165,446
Other net cash flows generated by/used for investing activities	0	0
NET CASH FLOW FROM INVESTING ACTIVITIES	-205,889	-218,500
Net cash flow generated by/used for equity instruments attributable to the shareholders of the parent	0	0
Net cash flow generated by/used for treasury shares	0	0
Dividends distributed to the shareholders of the parent	-4,872	-4,500
Net cash flow generated by/used for share capital and reserves attributable to minority interests	-220	-6,229
Net cash flow generated by/used for subordinated liabilities and equity instruments	0	0
Net cash flow generated by/used for other financial liabilities	87,901	24,672
NET CASH FLOW FROM FINANCING ACTIVITIES	82,809	13,943
Effect of exchange rate gains/losses on cash and cash equivalents	0	0
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	82,753	75,016
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	-13,486	7,737
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	69,267	82,753

There are no cash and cash equivalents that the Group can not use (e.g. due to foreign currency restrictions).
Credit lines available to the Group and not yet used as at 31/12/2007 amounted to € 2,617 thousand (€ 3,331 thousand as at 31/12/2006).

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.

<u>Initial measurement</u>
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.

<u>Subsequent measurement</u>

<u>Non-conversion</u>
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.

<u>Conversion</u>
The financial liability component is reversed and charged to equity. The initially recognised equity reserve is transferred to the share premium reserve.

<u>Reimbursement or call-up</u>
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 to accounts consist of:

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

General explanatory notes to accounts

A) Scope of consolidation

	Registered Offices	Share Capital Euro	%Ownership Direct	Indirect	Via
Vittoria Assicurazioni S.p.A.	Milan	32,666,088			
Vittoria Immobiliare S.p.A.	Milan	16,600,000	87.24%		
Immobiliare Bilancia S.r.l.	Milan	2,000,000	100.00%		
Immobiliare Bilancia Prima S.r.l.	Milan	3,000,000	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%		
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	100,000	70.00%	30.00%	Vittoria Immobiliare S.p.A.
Gestimmobili S.r.l.	Milan	104,000		80.00%	Vittoria Immobiliare S.p.A.
Acacia 2000 S.r.l.	Milan	100,000		100.00%	Vittoria Immobiliare S.p.A.
Interimmobili S.r.l.	Rome	104,000		80.00%	Vittoria Immobiliare S.p.A.
Forum Mondadori Residenze S.r.l.	Milan	100,000		70.00%	Vittoria Immobiliare S.p.A.
Cadorna Real Estate S.r.l.	Milan	10,000		70.00%	Vittoria Immobiliare S.p.A.
V.R.G. Domus S.r.l	Turin	1,000,000		51.00%	Vittoria Immobiliare S.p.A.
Vaimm Sviluppo S.r.l.	Milan	100,000		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: in April 2007 the Extraordinary Shareholder Meeting of Vittoria Immobiliare SpA approved a bonus capital increase of € 300 thousand and a paid capital increase of € 4,100 thousand. The shareholders' resolution also gives the Board of Directors the power to increase share capital, by the end of 2012, up to achievement of share capital of € 40,000 thousand.

  The direct operating company participated for its relevant share in operations completed during the period.
- Vittoria Service Srl: the direct operating parent company and Vittoria Immobiliare SpA paid the subsidiary – each in proportion to their respective share - € 20 thousand for a capital increase and € 100 thousand for the quota premium reserve.
- Immobiliare Bilancia Srl: the subsidiary transferred € 8,594 thousand to the direct operating parent company as partial reimbursement of the quota premium reserve. In addition, the direct operating parent company increased its ownership of the subsidiary to 100%, with an outlay of € 406 thousand for purchase of the remaining 2.34% equity interest in the company.

- Immobiliare Bilancia Prima Srl: the direct operating parent company paid the subsidiary € 3,000 thousand, of which € 1,000 thousand for a capital increase and € 2,000 thousand for the quota premium reserve.
- Yafra Sas: in July 2007 the parent company sold its entire 55% stake in the company, with cash-in of € 86 thousand, equal to the investee company's historical cost. At the same time, the associate company Yarpa International Holding NV sold its 45% equity interest in the investee company.
- Vaimm Sviluppo Srl: foundation of the company - which has a trading/refurbishment operation underway on premium buildings located in Genoa - with an outlay of € 51 thousand by Vittoria Immobiliare SpA.
- Forum Mondadori Residenze Srl: foundation of the company for execution of a property project in Mantua, with an outlay of € 70 thousand by Vittoria Immobiliare SpA.
- Cadorna Real Estate Srl: purchase of a 100% equity interest by Vittoria Immobiliare SpA, with an outlay of € 3,170 thousand, and subsequent sale of a 30% interest to real estate partners for € 980 thousand.

B) Unconsolidated equity interests

			%Ownership		
	Registered Offices	Share Capital Euro	Direct	Indirect	Via
Yarpa International Holding N.V.	Amsterdam Netherlands	675,000	25%		
Laumor B.V.	Amsterdam Netherlands	20,000	25%		
S.In.T. S.p.A.	Turin	1,000,000	48.19%		
Yarpa S.p.A.	Genoa	9,635,000	20.91%		
White Finance S.A	Luxembourg	1,000,000	32.17%		
Laumor Holdings S.a.r.l.	Luxembourg	12,500	29.00%		
Gima Finance S.A.	Luxembourg	31,000	32.13%		
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:

- White Finance SA: payment by the direct operating parent company of € 1,611 thousand to the associate as an increase of the share premium reserve. The associate subsequently repaid part of the same reserve for an amount totalling € 3,941 thousand.

- Yarpa SpA: BPC SpA changed its corporate name to Yarpa SpA. At the same time its subsidiary BPC Investimenti SGR SpA changed its name to Yarpa Investimenti SGR SpA.

- Laumor Holdings Sarl: the direct operating parent company paid € 3,424 thousand to the associate, of which € 90 thousand for the balance of the purchase of equity quotas in 2006 and € 3,334 thousand as an increase of the quota premium reserve.

- Gima Finance SA: in July 2007 the direct operating company took part in the foundation of the Luxembourg company, with share capital of € 31,000 thousand. Subsequently, a further € 266 thousand was paid as share premium. The direct operating parent company's share of commitment – for the private equity deals undertaken in future by the associate company – amounts to € 25 million.

- Gimatrading Srl: the company, 35% owned by Vittoria Immobiliare, was wound up.

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.

(in thousands of Euros)

Assets	Italy		Europe		Rest of the World		Total	
	31/12/2007	31/12/2006	31/12/2007	31/12/2006	31/12/2007	31/12/2006	31/12/2007	31/12/2006
Debt instruments	805,355	832,245	356,692	222,510	39,532	37,893	1,201,579	1,092,648
Equity instruments and OEIC units	63,299	72,038	111,968	53,711	-	-	175,267	125,749
Property (incl. owner-occupied propert	360,520	273,483	-	-	-	-	360,520	273,483
Other assets	574,271	555,257	-	-	-	-	574,271	555,257
Total	1,803,445	1,733,023	468,660	276,221	39,532	37,893	2,311,637	2,047,137

(in thousands of Euros)

Deferred costs	Italy North		Centre		South and Islands		Total external deferred costs	
	31/12/2007	31/12/2006	31/12/2007	31/12/2006	31/12/2007	31/12/2006	31/12/2007	31/12/2006
Other property, plant and equipment	3,696	4,711	283	330	-	-	3,979	5,041
Other intangible assets	17,325	16,412	24	20	-	-	17,349	16,432
Owner-occupied property	51,532	47,640	1,347	1,373	689	704	53,568	49,717
Total	72,553	68,763	1,654	1,723	689	704	74,896	71,190

(in thousands of Euros)

Revenue (gross of intersegment eliminations)	Italy North		Centre		South and Islands		Total	
	2007	2006	2007	2006	2007	2006	2007	2006
Insurance premiums - direct business	315,281	335,494	255,505	182,495	57,850	51,587	628,636	569,576
Trading and construction profits	2,342	5,366	4,733	10,504	-	-	7,075	15,870
Services and rent income	6,073	5,613	2,202	4,313	-	-	8,275	9,926
Total	323,696	346,473	262,440	197,312	57,850	51,587	643,986	595,372

Specific explanatory notes to accounts

Consolidated Balance Sheet

Note 1	31/12/2007	31/12/2006	Change
Goodwill	0	0	0

Note 2	31/12/2007	31/12/2006	Change
Other intangible assets	17,349	16,432	917
Other items of property, plant, and equipment	3,979	5,041	-1,062
Property	360,520	273,483	87,037

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 machines	Cars	TOTAL OTHER ITEMS OF PROPERTY, PLANT AND EQUIPMENT
Gross carrying amount at 31/12/2006	38,207	364	417	38,988	4,294	10,171	9,018	806	24,289
Acquisitions	3,753	153	14	3,920	170	488	499	54	1,211
Improvement costs	0	0	0	0	0	0	0	0	0
Sales	-3	0	0	-3	0	-12	-4,128	-622	-4,762
Reclassification of assets under development	364	-364	0	0	0	0	0	0	0
Gross carrying amount at 31/12/2007	42,321	153	431	42,905	4,464	10,647	5,389	238	20,738
Accumulated Depreciation at 31/12/2006	22,191	0	365	22,556	3,459	8,000	7,364	425	19,248
Depreciation	2,989	0	14	3,003	295	562	920	102	1,879
Decrease of cumulative depreciation due to disposals	-3	0	0	-3	0	-9	-4,016	-343	-4,368
Accumulated Depreciation at 31/12/2007	25,177	0	379	25,556	3,754	8,553	4,268	184	16,759
Net value as at 31/12/2006	16,016	364	52	16,432	835	2,171	1,654	381	5,041
Net value as at 31/12/2007	17,144	153	52	17,349	710	2,094	1,121	54	3,979

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.

Property

The following table shows the breakdown of this item:

(in thousands of Euros)

	31/12/2007	31/12/2006	Change
Owner-occupied property	53,568	49,717	3,851
Property held for trading	64,181	25,237	38,944
Property under construction	242,771	198,529	44,242
Total	360,520	273,483	87,037

- Owner-occupied property

Of the carrying value of owner-occupied property as at 31 December 2007, € 12,168 thousand referred to property of the direct operating parent company, € 3,108 thousand to property of the subsidiary Vittoria Properties Srl, € 1,515 thousand to property of Vittoria Immobiliare SpA, and € 308 thousand to assets of the subsidiary Acacia 2000 Srl.
The following table shows the reconciliation of changes occurring during the year.

(in thousands of Euros)

Owner-occupied property	31/12/2006	Acquisitions	Improvement costs	Sales	Depreciation	31/12/2007
Gross carrying amount	50,755	4,194	31	0	0	54,980
Accumulated depreciation	1,038	0	0	0	374	1,412
Carrying amount	49,717	4,194	31	0	-374	53,568

Depreciation is applied on a straight-line basis during property's estimated useful life of between 30 and 50 years.
Nearly all these properties were subjected to appraisals commissioned to independent experts.
The fair value as at 31 December 2007 of owner-occupied property was € 63,195 thousand.

- 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
Carrying amount as at 31/12/2006	25,237	198,529	223,766
Acquisitions, net of capitalised financial charges	45,448	51,834	97,282
Capitalised financial charges	1,733	1,776	3,509
Revaluations due to work in progress	0	618	618
Sales	-23,341	-11,051	-34,392
Fair value of property acquired in business combinations	9,712	0	0
Write-downs	0	0	0
Recognised gains	5,392	1,065	6,457
Recognised losses	0	0	0
Exchange rate gains or losses	0	0	0
Carrying amount as at 31/12/2007	64,181	242,771	297,240
Other information on inventory			
Inventory expected to be sold after one year	48,091	261,511	309,602
Inventory charged to secure liabilities	22,998	64,109	87,107
Fair value net of costs to sell	74,988	250,946	325,934
Commitments for acquisitions to be settled	341	7,600	7,941
Other information on construction work at 31/12/07			
Advances received		10,746	
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).

Readers should refer to the Directors' Report for illustration of the year's main real estate activities.

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	31/12/2007	31/12/2006	Change
Reinsurers' share of technical reserves	97,307	126,958	-29,651

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

(in thousands of Euros)

	Direct business		Indirect business		Total carrying amount	
	31/12/2007	31/12/2006	31/12/2007	31/12/2006	31/12/2007	31/12/2006
Non-life reserves	78,853	102,706	452	1,590	79,305	104,296
Premium reserve	18,559	25,428	81	126	18,640	25,554
Claims reserve	60,294	77,278	371	1,464	60,665	78,742
Other reserves	-	-	-	-	-	-
Life reserves	18,002	22,662	-	-	18,002	22,662
Reserve for payable amounts	21	21	-	-	21	21
Mathematical reserves	17,956	22,609	-	-	17,956	22,609
Other reserves	25	32	-	-	25	32
Total reinsurers' share of technical reserves	96,855	125,368	452	1,590	97,307	126,958

Note 4	31/12/2007	31/12/2006	Change
Investments in subsidiaries, associates, and JVs	109,299	53,194	56,105

The breakdown of this item was as follows:

(in thousands of Euros)

Investments in associates	31/12/2007	31/12/2006
Yarpa International Holding N.V.	82,248	27,001
Laumor B.V.	1,943	4,512
White Finance S.A	10,948	11,661
Gima Finance S.A	151	0
S.In.T. S.p.A.	4,725	4,721
Yarpa. S.p.A.	2,317	2,070
Laumor Holdings S.a.r.l.	5,852	2,037
Gimatrading S.r.l.	0	9
Sivim S.r.l.	20	23
Rovimmobiliare S.r.l	118	189
Mosaico S.p.A.	132	155
Pama & Partners S.r.l.	797	801
Le Api S.r.l.	48	15
Total carrying amount	109,299	53,194

Goodwill included in investments' carrying value amounted to € 4,205 thousand of which, more specifically, € 3,713 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 € 75,391 thousand (write-ups of € 75,678 thousand and write-downs of € 287 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 € 56,105 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 31/12/2006	53,194
Acquisitions and subscriptions	5,216
White Finance S.A.	1,611
Gima Finance S.A.	271
Laumor Holdings S.a.r.l.	3,334
Sales and repayments	-3,950
White Finance S.A.	-3,941
Gimatrading S.r.l.	-9
Change to equity method measurement	75,682
Yarpa International Holding N.V.	72,185
Laumor B.V.	-69
White Finance S.A	3,000
Gima Finance S.A	-120
S.In.T. S.p.A.	4
Yarpa S.p.A.	269
Laumor Holdings S.a.r.l.	481
Gimatrading S.r.l.	0
Sivim S.r.l.	-3
Rovimmobiliare S.r.l	-71
Mosaico S.p.A.	-23
Pama & Partners S.r.l.	-4
Le Api S.r.l.	33
Dividend distribution	-20,945
Other changes	102
Carrying amount at 31/12/2007	109,299

Note 5	31/12/2007	31/12/2006	Change
Investments held to maturity	173,106	151,224	21,882
Loans and receivables	43,593	19,488	24,105
Financial assets available for sale	1,096,160	1,010,569	85,591
Financial assets at fair value through profit or loss	109,214	119,458	-10,244

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 through profit or loss	Financial assets held for trading	Total
		Equity investments	OEIC units	Bonds and other fixed-interest securities	Total	Assets where the risk is borne by policyholders and related to pension funds	Bonds and other fixed-interest securities	
Carrying amount at 31/12/2006	151,224	64,525	8,030	938,014	1,010,569	116,048	3,410	1,281,251
Acquisitions and subscriptions	19,619	175	5,000	162,812	167,987	22,931	1,630	212,167
Sales and repayments	-181	-921	-349	-66,744	-68,014	-37,686	-	-105,881
Other changes:								
- effective interest adjustments	1,949	-	-	1,752	1,752	-	-	3,701
- fair value adjustments	-	1,513	1,133	-14,692	-12,046	-2,710	-72	-14,828
- impairment loss	-	-6,689	-	-	-6,689	-	-	-6,689
- rate changes	495	-	-	2,361	2,361	10	2	2,868
- other changes	-	240	-	-	240	5,651	-	5,891
Carrying amount at 31/12/2007	173,106	58,843	13,814	1,023,503	1,096,160	104,244	4,970	1,378,480

Loans and receivables

As at 31 December 2007 loans and receivables totalled € 43,593 thousand (€ 19,488 thousand as at 31 December 2006), with an increase of € 24,105 thousand (+123.7%).
The item includes, as required by IAS 32 – AG7 (AG = Application Guidance), the corresponding entry for the commitments for payments to Laumor Holdings Sarl and Gima Finance SA. These payments will finance the investments that the investee companies make in private equity transactions. The direct operating parent company's residual commitment as at 31 December 2007 amounted to € 29,243 thousand.
Related commitments to the investee companies are posted among "Other financial liabilities", as indicated in Note 17.

Besides the above, the item mainly consisted of:

- Loans granted by Vittoria Immobiliare SpA to the indirect associates Mosaico SpA, Rovimmobiliare Srl, and Pama & Partners Srl for a total amount of € 2,080 thousand
- Mortgage loans granted by the direct operating parent company to third parties = € 3,311 thousand
- Loans against life policies = € 4,098 thousand
- Loans to employees and agents of the direct operating parent company = € 1,326 thousand
- Loans granted to other investee companies = € 2,000 thousand
- Inward reinsurance deposits = € 426 thousand.

The amount of € 21,108 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	173,106	170,966
Loans and receivables	43,593	43,593
Financial assets available for sale	1,096,160	1,096,160
Financial assets held for trading	4,970	4,970
Financial assets at fair value through profit or loss	104,244	104,244
Total	1,422,073	1,419,933

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	31/12/2007	31/12/2006	Change
Receivables relating to direct insurance business	148,612	114,514	34,098

The breakdown of the item was as follows:

(in thousands of Euros)

Receivables relating to direct insurance	31/12/2007	31/12/2006
Premiums due from policyholders	53,117	36,601
Receivables due from brokers and agents	53,252	47,013
Receivables due from insurance companies - current accounts	14,018	6,360
Amounts to be recovered from policyholders and third parties	28,225	24,540
Total	148,612	114,514

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

Note 7	31/12/2007	31/12/2006	Change
Receivables relating to reinsurance business	3,502	5,710	-2,208

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

Note 8	31/12/2007	31/12/2006	Change
Other receivables	24,379	28,048	-3,669

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

The most significant sub-item as at 31 December 2007 consisted of the real estate companies' receivables of € 7,262 thousand for down payments executed by them.

Note 9	31/12/2007	31/12/2006	Change
Deferred acquisition costs	10,173	11,250	-1,077

This item includes acquisition costs paid in advance upon signature of long-term insurance contracts.
As at 31 December 2007, € 3,493 thousand referred to the life business and € 7,410 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 31/12/2006	11,250
Portfolio transfers	0
Exchange rate gains or losses	0
Change in consolidation scope	0
Change for the year	-1,077
Carrying amount at 31/12/2007	10,173

Note 10	31/12/2007	31/12/2006	Change
Deferred tax assets	13,044	12,050	994

The item included deferred tax assets pertaining to the direct operating parent company (€ 9,668 thousand) and to the real estate and services sector (€ 3,376 thousand).

The following table details the item’s breakdown as at 31 December 2007.

(in thousands of Euros)

Deferred tax assets	31/12/2007
Exchange rate gains or losses	154
Provision for bad debts	2,846
Technical reserves (claims)	6,298
Accruals to the provision for charges	1,041
Adjustments to life insurance liabilities	1,972
Elimination of intragroup profits	166
Advance taxes for see-through taxation	56
Other	511
Total	13,044

Note 11	31/12/2007	31/12/2006	Change
Current tax assets	28,843	14,002	14,841

The item includes tax receivables of the direct operating parent company of € 9,694 thousand (including deferred tax assets on the life business mathematical reserves) and VAT receivables totalling € 16,429 thousand of the real estate companies arising from the purchase of buildable areas and property.

Note 12	31/12/2007	31/12/2006	Change
Other assets	3,290	2,963	327

The item includes € 540 thousand of deferred commission expenses relating to investment contracts and € 2,358 thousand of prepayments, mainly relating to G&A.

Note 13	31/12/2007	31/12/2006	Change
Cash and cash equivalents	69,267	82,753	-13,486

The item refers to bank balances of € 69,199 thousand and cash amounts of € 68 thousand.

Note 14	31/12/2007	31/12/2006	Change
Equity attributable to parent company shareholders	320,770	226,311	94,459
Equity attributable to minority interest	6,156	6,511	-355

Changes in consolidated equity are detailed in this report in the table called "Statement of Changes in Equity" in the "2007 Consolidated Financial Statements" section.
The following table details the breakdown of equity:

(in thousands of Euros)

BREAKDOWN OF EQUITY	31/12/2007	31/12/2006
Total equity attributable to the shareholders of the parent	320,770	226,311
Share capital	32,666	30,452
Other equity instruments	404	1,229
Equity-related reserves	30,518	21,878
Income-related and other reserves	156,008	125,478
Translation reserve	45	-2
Fair value reserve	11,495	11,847
Other gains or losses recognised directly in equity	62	22
Group profit for the year	89,572	35,407
Total equity attributable to minority interests	6,156	6,511
Share capital and reserves attributable to minority interests	6,249	5,393
Minority interests' profit for the year	-93	1,118
Total consolidated equity	326,926	232,822

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 2007 marked the end, for FY2006, of the annual conversion period envisaged by the loan's Regulation. 2,214,465 bonds were converted, for a nominal amount of € 10,629,432.
The direct operating parent company's share capital consists of 30,666,088 fully subscribed and paid-up shares with a par 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 € 4,500,000 and € 4,872,260 respectively for FYs 2006 and 2007.

Below we provide greater detail on the breakdown of equity as at 31 December 2007:

- "Other equity instruments": the item, which as at 31 December 2007 amounted to € 404 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 € 825 thousand vs. 31 December 2006 reflects the conversions that took place in the period May-October 2007, as better described in the Directors' Report;
- "Equity reserves": the item refers to the direct operating parent company's share premium reserve of € 30,518 thousand. The increase of € 8,640 thousand was due to conversion of the convertible bond loan;

- "Earnings reserves and other reserves": the item, which totalled € 156,008 thousand, mainly consisted of:
  - The direct operating parent company's legal reserve = € 6,090 thousand
  - Retained earnings = € 140,824 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 (€ 11,495 thousand, net of the portion attributable to policyholders (shadow accounting) of € 5,040 thousand).

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

(in thousands of euro)

A) Net unrealised gains	Gross amount	Tax impact	Net amount
31/12/2006	31,829	8,614	23,215
Decrease due to sales	4,772	133	4,639
Decrease due to fair value changes at 30 June 2006	-16,800	-5,482	-11,318
Total change for the period/year	-12,028	-5,348	-6,680
31/12/2007	19,801	3,266	16,535

B) Shadow accounting reserve	Gross amount	Tax impact	Net amount
31/12/2006	18,410	7,042	11,368
Change in shadow accounting reserve	-10,963	-4,635	-6,328
31/12/2007	7,447	2,407	5,040

Gains or losses on financial assets AFS

Combined effect A) - B)	Gross amount	Tax impact	Net amount
31/12/2006	13,419	1,572	11,847
Decrease due to sales	4,772	133	4,639
Decrease due to fair value changes at 30 June 2007	-16,800	-5,482	-11,318
Change in shadow accounting reserve	10,963	4,635	6,328
Total change for the period/year	-1,065	-713	-352
31/12/2007	12,354	859	11,495

Losses recognised directly in equity in FY2007 of € 352 thousand were the result of the reduction of € 6,680 thousand in the reserve for unrealised capital gains on financial assets available for sale, net of the reduction of € 6,328 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 € 89,221 thousand, as specified below.

Gains recognised in profit and loss	89,572
Gains/Losses recognised directly in Net Equity	-352
Total	89,221

The following table, which refers to 31 December 2007, 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	FY2007 profit	Equity excluding year's profit	FY2007 profit
Parent company's financial statements compliant with Italian GAAPs	178,867	36,495		
IFRS adjustments (net of related tax effects)	15,810	1,361	-	-
Parent company's financial statements based on IFRSs	194,677	37,856	-	-
Consolidated companies' equity	149,894	54,365	2,833	123
Allocation of consolidation differences and eliminations	25,796	0		
Consolidated companies' carrying value	(130,020)	0		
Minority interest	(3,521)	201	3,521	(216)
Elimination of infragroup profits	(767)	0	(105)	
Profits attributed to life policyholders in the year and in previous years	(12,087)	1,919		
Dividend elimination	4,824	(4,824)		
Life policyholder effect on dividend elimination	2,774	(802)		
Deferred taxes on consolidated companies' results	(410)	(1,407)		
Other items	38	2,264		
IFRS-compliant consolidated financial statements	231,198	89,572	6,249	(93)

Note 15	31/12/2007	31/12/2006	Change
Provisions	4,066	4,813	-747

The item mainly refers to provisioning of € 3,317 thousand for construction costs still to be borne for property units already sold under notarial seal.

The table below shows the changes in the item:

(in thousands of Euros)

Provisions	31/12/2006	Accruals of the year	Utilisations of the year	31/12/2007
Provision for tax demand	335	-	-335	-
Provision for costs to be incurred	3,738	79	-500	3,317
Other provisions	740	9	-	749
Total	4,813	88	- 835	4,066

Note 16	31/12/2007	31/12/2006	Change
Technical reserves	1,448,667	1,341,505	107,162

The following table details the breakdown of technical reserves:

(in thousands of Euros)

	Direct business		Indirect business		Total carrying amount	
	31/12/2007	31/12/2006	31/12/2007	31/12/2006	31/12/2007	31/12/2006
Non-life reserves	705,956	634,708	899	2,173	706,855	636,881
Premium reserve	198,642	171,329	120	191	198,762	171,520
Claims reserve	504,022	460,596	779	1,982	504,801	462,578
Other reserves	3,292	2,783	-	-	3,292	2,783
Life reserves	741,414	704,124	398	500	741,812	704,624
Reserve for payable amounts	21,836	20,759	-	11	21,836	20,770
Mathematical reserves	691,361	648,599	388	479	691,749	649,078
Other reserves	28,217	34,766	10	10	28,227	34,776
Total technical reserves	1,447,370	1,338,832	1,297	2,673	1,448,667	1,341,505

The "Premiums reserve" includes the unearned premium reserve calculated on a pro rata temporis basis. In FY2007 it was necessary to top up the reserve for risks outstanding of € 135 thousand relating to the Aviation business.

The "Claims reserve" comprises the reserve for reported claims of € 472,432 thousand and the reserve for IBNR claims (claims incurred but not reported) of € 32,369 thousand.

The "Other reserves" item consists of the ageing reserve of the Health line in non-life business (€ 3,292 thousand) and of other reserves of € 28,227 thousand for the life segment, of which the main items were:

- € 17,615 thousand = reserve for deferred liabilities to policyholders (€ 7,447 thousand of which stemming from fair value measurement of financial assets available for sale and € 10,168 thousand from accrual of subsidiaries' profits allocated to segregated accounts)
- € 10,401 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 were 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 carrying value of technical reserves shown in accounts.

Non-Life business

The following table indicates the causes of changes in the claims reserve.

(in thousands of Euros)

Claims Reserve	Carrying amount
Carrying amount at 31/12/2006	462,578
Portfolio transfers	-16
Exchange rate gains or losses	-182
Change in consolidation scope	0
Change for the year	42,421
Carrying amount at 31/12/2007	504,801

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 Italian Industry Ministry decree no. 67 of 28 January 2004 and to the supervisory authority's directives.

Life business

The following table shows the causes of changes in mathematical reserves.

(in thousands of Euros)

Mathematical Reserves	Carrying amount
Carrying amount at 31/12/2006	649,078
Portfolio transfers	-152
Exchange rate gains or losses	0
Change in consolidation scope	0
Change for the year	42,823
Carrying amount at 31/12/2007	691,749

Key actuarial assumptions concerning Life technical reserves are detailed below:

Risk category	Year of issue	Technical basis financial	Technical basis demographic
Temporary	1968 - 1977	4%	SIM 51
	1978 - 1989	4%	SIM 61
	1990 - 1997	4%	SIM 81
	1998 - 2001	3% - 4%	SIM 91
	2001 - 2007	3%	70% SIM 91
	from 2007	3%	50% and 70% SIM 91
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
	dal 2000	2% *	SIM 81-91
L.T.C.	2001 - 2004	2.5%	(1)
L.T.C.	from 2004	2.5%	(2)
Dread Disease	dal 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: 5.36%	adjustable policies: 4.72%	AIL revaluable policies: 4.06%
revaluable policies:	Vittoria Valore Crescente 4.10%	Vittoria Rendimento Mensile 3.98%

(1) 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	31/12/2007	31/12/2006	Change
Financial liabilities at fair value through profit or loss	104,244	116,048	-11,804
Other financial liabilities	284,053	206,181	77,872

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 2007 in 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 31/12/2006	113,669	2,379	116,048
Investment of net fund assets	5,802	1,227	7,029
Profits attributable to policyholders	-1,898	-77	-1,975
Amounts paid	-16,817	-41	-16,858
Carrying amount at 31/12/2007	100,756	3,488	104,244

Other financial liabilities

The item includes the direct operating parent company's commitment for payment of € 4,514 thousand to the associate Laumor Holdings Sarl and of € 24,729 thousand to the associate Gima Finance, 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 € 70,158 thousand falling due after more than 12 months – mainly refers to:

- Reinsurance deposits of € 56,632 thousand
- Bank loans issued to the Group's real estate companies for a total of € 183,617 thousand (of which € 70,158 thousand backed by collateral)
- Subordinated liabilities of € 5,261 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 € 5,202,777.60 following exercise of the bond conversion option as up to 31/12/2007;
- Originally consisting of 3,750,000 bonds with a nominal value of €4.80 each, as at 31/12/2007 1,083,912 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 reserved 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.

<u>Disclosure concerning fair value</u>

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	-	-
Financial liabilities at fair value through profit or loss	104,244	104,244
Other financial liabilities	284,053	284,335
Total	388,297	388,579

To complete what is shown above, we point out that the total fair value of the "Other financial liabilities" shown in the table relates to: the subordinated loan (€ 5,543 thousand), to the commitment to Laumor Holdings Sarl and Gima Finance SA (€ 29,243 thousand in total), to reinsurance deposits, and to loans granted to the real estate companies (€ 249,549 thousand). As regards the subordinated loan, its fair value was calculated based on the market prices of similar instruments.

Note 18	31/12/2007	31/12/2006	Change
Payables arising from direct insurance transactions	6,414	6,827	-413

The breakdown of the item was as follows:

(in thousands of Euros)

Payables arising from direct insurance business	31/12/2007	31/12/2006
Payables to insurance brokers and agents	2,861	1,427
Payables to insurace companies - current accounts	2,888	4,933
Guarantee deposits paid by policyholders	193	27
Payables to guarantee funds in favour of policyholders	472	440
Total	6,414	6,827

Note 19	31/12/2007	31/12/2006	Change
Payables arising from reinsurance transactions	9,977	12,489	-2.512

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	31/12/2007	31/12/2006	Change
Other payables	79,234	78,743	491

The item comprises:

(in thousands of Euros)

Other sums payable	31/12/2007	31/12/2006
Payments on accounts received by real estate companies for preliminary sales agreements	573	1,683
Trade payables	11,649	10,295
Payables to employees (amounts settled in January 2008 and accruals for untaken holidays)	1,745	1,648
Employee benefits - provisions for termination benefits	5,563	7,453
Policyholders' tax due	9,185	9,332
Sundry tax liabilities (withholdings)	1,418	1,201
Social security charges payable	2,042	1,715
Payables to associate companies	6	91
Sundry payables	47,053	45,325
Total	79,234	78,743

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

Following the reform in Italy of supplementary pension provision as per Italian Legislative Decree no. 252 of 5 December 2005, the portions of post-employment benefits accrued as up to 31/12/2006 continue to be managed by employers. Conversely, portions of such benefits accruing as from 1 January 2007 can go – at the employee's discretion – to various supplementary pension schemes or remain with employers, who transfer the accrued portions of post-employment benefit to the central fund managed by the INPS (the state pension & welfare agency).

In view of all the above, as from FY2007 actuarial valuation of post-employment benefit provisions as per IAS 19 has been performed applying the following methodology, which reflects the guidelines provided by the Italian Order of Actuaries:

- <u>Allocation of post-employment benefit accruing to supplementary pension schemes</u>.
  In accordance with IAS 19, only the liability relating to accrued post-employment benefits remaining in Group companies has been measured. This is because the portion now accruing is regularly paid to a separate entity (supplementary pension scheme), without such payments placing any further obligations on the company relating to the employee's future service.
  Based on IAS 19 rules concerning the specific situation, the liability associated with the portion of post-employment benefit already accrued in the past is measured actuarially without pro-rating service. The employees' service has in fact already been rendered in full. Consequently, in future the current service cost will be zero.
  This actuarial valuation takes into account the forecast likelihood of the events connected with post-employment benefit payments and consequent discounting to present value at regulatory interest rates

- <u>Transfer of post-employment benefit accruing to the INPS treasury fund</u> (for employees who, although they have opted not to allocate benefits accruing to supplementary pension schemes, work in companies that have at least 50 employees).
  The regulatory framework for this situation has not yet been defined. For the purposes of measurement, this case has been assimilated with the one in the previous point and therefore requires application of the same methodological criteria.

Other liabilities relating to employee benefits – and specifically to 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 ("supplementary" pension as described above 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 31/12/2006	1,097	7,453	748	9,298
Accruals	50	899	87	1,036
Utilisations	85	(2,789)	0	(2,704)
Other changes (exchange rate gains or losses, acquisitions)	0	0	0	0
Carrying amount at 31/12/2007	1,232	5,563	835	7,630

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	92	1,651	46	1,789
Interest	21	214	29	264
Net actuarial gains	(63)	(966)	12	(1,017)
Total charges	50	899	87	1,036

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	31/12/2007	31/12/2006	Change
Deferred tax liabilities	22,738	24,479	-1,741

The following table details the breakdown of this item as at 31 December 2007.

(in thousands of Euros)

Deferred tax liabilities	31/12/2007
Alignment with fair value of assets held by investee companies acc	15,727
Deferral of gains on the sale of financial instruments	841
Exchange rate gains or losses	147
Financial assets available for sale	3,465
Derecognition of the catastrophe reserves	1,761
Owner-occupied property	1,283
Dividends	1,819
Nettable deferred tax assets (shadow accounting)	-2,407
Other nettable deferred tax assets	102
Total	22,738

Note 22	31/12/2007	31/12/2006	Change
Current tax liabilities	2,907	6,145	-3,238

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	31/12/2007	31/12/2006	Change
Other liabilities	22,411	17,085	5,326

This item mainly consists of commissions to be paid on premiums under collection at year-end and provision for agents' incentives (€ 13,396 thousand), deferred commission income on investment contracts (€ 612 thousand), invoices and notes to be received from suppliers (€ 5,721 thousand), and liabilities relating to defined benefit plans and other long-term employee benefits, (healthcare services and seniority bonus (€ 2,067 thousand).

Consolidated Income Statement

Note 24	31/12/2007	31/12/2006	Change
Gross premiums earned	601,785	563,601	38,184
Ceded premiums earned	49,349	79,180	-29,831
Amounts paid and changes in technical reserves	463,334	436,791	26,543
Reinsurers' share	-33,593	-60,882	27,289

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

(in thousands of Euros)

	2007				2006			
	Non-life business	Life business	Intersegment eliminations	Total	Non-life business	Life business	Intersegment eliminations	Total
NET PREMIUMS	420,947	131,489	-	552,436	371,895	112,526	-	484,421
Gross premiums	468,119	133,666	-	601,785	448,557	115,044	-	563,601
Gross premiums written	495,438	133,666	-	629,104	455,758	115,044	-	570,802
a Direct business	494,971	133,665	-	628,636	454,560	115,016	-	569,576
b Indirect business	467	1	-	468	1,198	28	-	1,226
Change in premium reserve	-27,319	-	-	-27,319	-7,201	-	-	-7,201
a Direct business	-27,365	-	-	-27,365	-7,305	-	-	-7,305
b Indirect business	46	-	-	46	104	-	-	104
Ceded premiums	47,172	2,177	-	49,349	76,662	2,518	-	79,180
Gross premiums ceded	48,104	2,177	-	50,281	73,199	2,518	-	75,717
a Outward reinsusrance	47,833	2,177	-	50,010	72,370	2,518	-	74,888
b Retrocession	271	-	-	271	829	-	-	829
Change in premium reserve	-932	-	-	-932	3,463	-	-	3,463
a Outward reinsusrance	-969	-	-	-969	3,342	-	-	3,342
b Retrocession	37	-	-	37	121	-	-	121
NET CHARGES RELATING TO CLAIMS	300,478	131,181	-1,919	429,740	255,802	121,903	-1,796	375,909
Amounts paid and change in technical reserves	332,250	133,003	-1,919	463,334	314,303	124,284	-1,796	436,791
Direct business	331,912	132,999	-	464,911	313,974	124,228	-	438,202
Indirect business	338	4	-	342	329	56	-	385
Shadow accounting of investee companies' profits	-	-	-1,919	-1,919	-	-	-1,796	-1,796
Reinsurers' share	31,772	1,822	-	33,594	58,501	2,381	-	60,882
Outward reinsurance	31,549	1,822	-	33,371	58,257	2,381	-	60,638
Retrocession	223	-	-	223	244	-	-	244

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 segregated accounts.

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

Note 25	31/12/2007	31/12/2006	Change
Commission income	1,763	408	1,355

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	31/12/2007	31/12/2006	Change
Gains and losses on financial instruments at fair value through profit or loss	2	8	-6
Gains on investments in subsidiaries, associates, and joint ventures	75,974	18,219	57,755
Gains on other financial instruments and investment property	56,128	46,990	9,138
Losses on investments in subsidiaries, associates, and joint ventures	-287	408	-695
Losses on other financial instruments and investment property	-12,942	-5,215	-7,727

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 € 3,034 thousand, whilst unrealised income amounted to € 5,006 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 losses/charges recognised in FY2007 amounted to € 1,974 thousand, set against income 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, € 75,687 thousand refer to the share in the year's result of the Group's equity-accounted companies. More specifically, the share of profits totalled € 75,974 thousand whilst the share of losses amounted to € -287 thousand. Reference should be made to Note 4 for further details;

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)

	Gains 2007	Gains 2006	Losses 2007	Losses 2006
Investment property	-	-	-	-
Held to maturity investments	6,451	5,389	-	-
Loans and receivables	575	592	4	4
Financial assets available for sale	45,010	38,268	6,689	50
Other receivables	479	455	-	-
Cash and cash equivalents	3,613	2,286	-	-
Other financial liabilities	-	-	6,249	5,161
Total	56,128	46,990	12,942	5,215

Note 27	31/12/2007	31/12/2006	Change
Other revenues	17,409	23,530	-6,123

The table below details the breakdown of this item:

(in thousands of Euros)

Other income	2007	2006
Trading profits	6,456	15,435
Revenue from construction work in progress	619	435
Revenue from services: real estate brokerage	2,165	2,817
Revenue from services: real estate management	108	117
Revenue from services: administration, real estate appraisals and other income	30	104
Revenue from services: insurance commission income with third parties	311	-
Revenue from services: other revenue from services	591	153
Rent income	858	1,123
Technical income on insurance contracts	3,535	2,166
Gains on the sale of property, plant and equipment	268	3
Exchange rate gains	-	-
Incidental non-operating income	2,175	974
Other income	293	203
Total	17,409	23,530

(*) Of which:

- € 206 thousand (€ 417 thousand in 2006) referring to reversal of commissions on cancelled premiums
- € 3,211 thousand (€ 1,347 thousand in 2006) referring to other technical items, mainly consisting of recoveries on knock-for-knock claims settlement costs and ANIA contributions for cars scrapped following claim events
- € 118 thousand (€ 402 thousand in 2006) of utilisation of bad-debt provision.

Note 28	31/12/2007	31/12/2006	Change
Commission expense	650	602	48

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	31/12/2007	31/12/2006	Change
Commissions and other acquisition costs	115,584	94,474	21,110
Investment management costs	801	859	-58
Other administrative costs	27,407	32,226	-4,821

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 2007.

(in thousands of Euros)

Gross commissions and other acquisition costs net of profit participation and other commissions	2007	2006
Acquisition commissions	91,314	69,053
Other acquisition costs	27,700	25,727
Change in deferred acquisition costs	1,077	1,568
Premium collection commissions	8,987	11,243
Profit participation and other commissions received from reinsurers	-13,494	-13,117
Total	115,584	94,474

Personnel expenses, other G&A costs and depreciation & amortisation charges allocated to operating costs totalled € 38,631 thousand (€ 38,475 thousand as at 31 December 2006) as better described in the "Overhead Costs" section of the Directors' Report.

Note 30	31/12/2007	31/12/2006	Change
Other costs	11,098	12,014	-916

The detailed breakdown of this item was as follows:

(in thousands of Euros)

Other costs	2007	2006
Technical costs on insurance contracts (*)	3,759	3,879
Accruals to the provision for bad debts	1,000	2,540
Foreign-exchange losses	250	334
Incidental non-operating costs	1,663	971
Annual.depreciation & amortisation	4,222	4,104
Impairment loss on goodwill	-	-
Other costs	204	186
Total	11,098	12,014

(*) Of which:

- € 1,671 thousand (€ 2,621 thousand in 2006) referring to cancellation of premiums for technical reasons, cancellation of premiums for uncollectability (default) and related bad-debt provisioning;
- € 2,088 thousand (€ 1,258 thousand in 2006) referring to charges for services supporting insurance covers and costs borne for legal disputes concerning premiums.

Note 31	31/12/2007	31/12/2006	Change
Income taxes	15,724	15,344	380

Of this item, € 18,155 thousand related to current taxes and € 2,431 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 current Italian corporate income tax (Italian acronym = IRES) –theoretical and effective taxation.

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

(in thousands of Euros)

	Taxable base	Tax		
	IRES	actual	theoretical	tax rate
Current IRES				
Profit before taxation	105,203		34,717	33.00%
Temporary differences deductible in sunsequent years (net)	9,372	3,093		2.94%
Revaluation of associates under the equity method	-75,646	-24,963		-23.73%
Participating interest impairment	6,689	2,207		2.10%
Dividends received	-666	-220		-0.21%
Tax impact of adjustment to life technical provisions	-435	-144		-0.14%
Other captions	783	258		0.25%
Total Change	-59,903	-19,769	34,717	-18.79%
Taxable base	45,300	14,948		14.21%

Other disclosures

Employees

Employees of Vittoria Assicurazioni and of fully consolidated companies numbered 463 as at 31 December 2007vs. 462 as at 31 December 2006.
The average number of in-force employees on the books, split by contractual grade, was as follows:

	31/12/2007	31/12/2006
Managers	21	22
Officers	108	102
Administrative staff	341	342
Total	470	466

Disclosure of auditing fees

As required by Article 149/12 of CONSOB Regulation 11971 of 14 May 1999, below we report the fees relating to FY2007 for services rendered to the Group by the auditing company BDO Sala Scelsi Farina Società di Revisione per Azioni – and by entities forming part of its network.

(in thousands of euros)

Type of services rendered	Auditing company	Entities forming part of its network
Independent audit services	329	-
Verifications for issue of attestations	44	-
Other services	-	-

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 Italian Official 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 Italian Official 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, applying the principle of prudence.
In November 2007, the Italian Supreme Court allowed the appeal filed by the direct operating parent company. Following this decision, the direct operating parent company has recognised in FY2007 non-recurring income the amount that it had currently charged to expense in FY2004, plus interest as up to 31 December relating to division into instalments of the tax demand, net of related legal expenses.

Real Estate Business

The companies VRG Domus Srl and Vittoria Immobiliare SpA have undergone official tax assessments relating to the 2004 tax period. VRG Domus has received a fine of € 126 thousand. Vittoria Immobiliare, based on the items contested that emerged, has made tax provision of € 128 thousand.

The Board of Directors

Milan, 27 March 2008

Appendices to Consolidated Financial Statements

FY 2007

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.	Italia	G	1				
Vittoria Immobiliare S.p.A.	Italia	G	10	87.24	87.24	-	87.24
Immobiliare Bilancia S.r.l.	Italia	G	10	100.00	100.00	-	100.00
Immobiliare Bilancia Prima S.r.l.	Italia	G	10	100.00	100.00	-	100.00
Immobiliare Bilancia Seconda S.r.l.	Italia	G	10	100.00	100.00	-	100.00
Immobiliare Bilancia Terza S.r.l.	Italia	G	10	100.00	100.00	-	100.00
Lauro 2000 S.r.l.	Italia	G	10	100.00	100.00	-	100.00
Vittoria Properties S.r.l.	Italia	G	10	99.87	99.87	100.00	99.87
Interbilancia S.r.l.	Italia	G	9	97.45	97.45	100.00	97.45
Vittoria Service S.r.l.	Italia	G	11	96.17	96.17	100.00	96.17
Acacia 2000 S.r.l.	Italia	G	10	87.24	87.24	100.00	87.24
Gestimmobili S.r.l.	Italia	G	11	69.79	69.79	80.00	69.79
Interimmobili S.r.l.	Italia	G	11	69.79	69.79	80.00	69.79
V.R.G. Domus S.r.l	Italia	G	10	44.49	44.49	51.00	44.49
Parco Fidenae S.r.l.	Italia	G	10	44.49	44.49	51.00	44.49
Vaimm Sviluppo S.r.l.	Italia	G	10	44.49	44.49	51.00	44.49
Forum Mondadori Residenze S.r.l.	Italia	G	10	61.07	61.07	70.00	61.07
Cadorna Real Estate S.r.l.	Italia	G	10	61.07	61.07	70.00	61.07
Aspevi S.r.l.	Italia	G	11	97.45	97.45	100.00	97.45
Vittoria.Net S.r.l.	Italia	G	11	97.45	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		25.00	25.00		82,248
Laumor B.V.	Holland	9		25.00	25.00		1,943
White Finance S.A	Luxembourg	9		32.17	32.17		10,948
S.In.T. S.p.A.	Italy	11		48.19	48.19		4,725
Yarpa S.p.A.	Italy	9		20.91	20.91		2,317
Laumor Holdings S.a.r.l.	Luxembourg	9		29.00	29.00		5,852
Gima Finance S.A.	Italy	9		32.13	32.13		151
Sivim S.r.l.	Italy	10		-	43.18	49.50	20
Rovimmobiliare S.r.l	Italy	10		-	43.62	50.00	118
Mosaico S.p.A.	Italy	10		-	21.81	25.00	132
Pama & Partners S.r.l.	Italy	10		-	21.81	25.00	797
Le Api S.r.l.	Italy	11		-	29.23	30.00	48

(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.

Balance sheet by business and business line

(in thousands of Euros)

		Non-life business		Life business		Real estate business		Service business		Intersegment eliminations		Total	
		31/12/07	31/12/06	31/12/07	31/12/06	31/12/07	31/12/06	31/12/07	31/12/06	31/12/07	31/12/06	31/12/07	31/12/06
1	INTANGIBLE ASSETS	16,830	15,784	183	259	331	383	5	6	0	0	17,349	16,432
2	PROPERTY, PLANT AND EQUIPMENT	15,787	16,998	0	0	309,318	222,116	36	52	39,358	39,358	364,499	278,524
3	REINSURERS' SHARE OF TECHNICAL RESERVES	79,306	104,296	18,001	22,662	0	0	0	0	0	0	97,307	126,958
4	INVESTMENTS	773,763	656,309	885,502	828,006	3,686	2,337	148	115	-131,727	-132,834	1,531,372	1,353,933
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 joint	196,083	135,573	43,083	49,027	1,217	1,273	48	15	-131,132	-132,694	109,299	53,194
4.3	Held to maturity investments	47,280	37,155	125,826	114,069	0	0	0	0	0	0	173,106	151,224
4.4	Loans and receivables	37,472	13,892	4,496	4,971	2,220	765	0	0	-595	-140	43,593	19,488
4.5	Financial assets available for sale	492,928	469,689	602,883	540,481	249	299	100	100	0	0	1,096,160	1,010,569
4.6	Financial assets at fair value through profit or loss	0	0	109,214	119,458	0	0	0	0	0	0	109,214	119,458
5	OTHER RECEIVABLES	130,226	109,657	27,470	21,222	22,173	22,448	471	717	-3,847	-5,772	176,493	148,272
6	OTHER ASSETS	21,511	18,061	11,582	11,887	21,443	8,431	155	136	659	1,750	55,350	40,265
6.1	Deferred acquisition costs	6,679	6,949	3,494	4,301	0	0	0	0	0	0	10,173	11,250
6.2	Other assets	14,832	11,112	8,088	7,586	21,443	8,431	155	136	659	1,750	45,177	29,015
7	CASH AND CASH EQUIVALENTS	23,254	20,568	14,135	18,675	30,009	42,531	1,869	979	0	0	69,267	82,753
	TOTAL ASSETS	1,060,677	941,673	956,873	902,711	386,960	298,246	2,684	2,005	-95,557	-97,498	2,311,637	2,047,137
1	EQUITY											326,926	232,822
2	PROVISIONS	741	741	0	336	3,325	3,736	0	0	0	0	4,066	4,813
3	TECHNICAL RESERVES	706,855	636,880	731,644	692,538	0	0	0	0	10,168	12,087	1,448,667	1,341,505
4	FINANCIAL LIABILITIES	71,052	81,704	124,328	145,011	192,917	95,514	0	0	0	0	388,297	322,229
4.1	Financial liabilities at fair value through profit or loss	0	0	104,244	116,048	0	0	0	0	0	0	104,244	116,048
4.2	Other financial liabilities	71,052	81,704	20,084	28,963	192,917	95,514	0	0	0	0	284,053	206,181
5	PAYABLES	40,468	44,882	4,787	6,274	52,425	50,999	2,387	1,816	-4,442	-5,912	95,625	98,059
6	OTHER LIABILITIES	18,482	17,315	8,023	4,400	9,718	12,330	63	27	11,770	13,637	48,056	47,709
	TOTAL EQUITY AND LIABILITIES											2,311,637	2,047,137

Income statement by business and business line

(in thousands of Euros)

		Non-life business		Life business		Real estate business		Service business		Intersegment eliminations		Total	
		2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
1.1	Net premiums	420,947	371,895	131,489	112,526	0	0	0	0	0	0	552,436	484,421
1.1.1	*Gross premiums*	468,119	448,557	133,666	115,044	0	0	0	0	0	0	601,785	563,601
1.1.2	*Ceded premiums*	47,172	76,662	2,177	2,518	0	0	0	0	0	0	49,349	79,180
1.2	Commission income	0	0	1,763	408	0	0	0	0	0	0	1,763	408
1.3	Gains or losses on remeasurement of financial instruments at fair value through profit or loss	0	0	2	8	0	0	0	0	0	0	2	8
1.4	Gains on investments in subsidiaries and associates and interests in joint ventures	77,840	18,975	2,924	4,391	16	149	33	8	-4,839	-5,304	75,974	18,219
1.5	Gains on other financial instruments and investment property	22,816	17,935	31,901	28,026	1,402	1,029	46	24	-37	-24	56,128	46,990
1.6	Other income	4,365	2,800	815	700	12,058	21,089	4,383	3,799	-4,212	-4,858	17,409	23,530
1	**TOTAL REVENUE**	**525,968**	**411,605**	**168,894**	**146,059**	**13,476**	**22,267**	**4,462**	**3,831**	**-9,088**	**-10,186**	**703,712**	**573,576**
2.1	Net charges relating to claims	300,478	255,802	131,181	121,903	0	0	0	0	-1,919	-1,796	429,740	375,909
2.1.2	*Amounts paid and change in technical reserves*	332,250	314,303	133,003	124,284	0	0	0	0	-1,919	-1,796	463,334	436,791
2.1.3	*Reinsurers' share*	-31,772	-58,501	-1,822	-2,381	0	0	0	0	0	0	-33,594	-60,882
2.2	Commission expense	0	0	650	602	0	0	0	0	0	0	650	602
2.3	Losses on investments in subsidiaries and associates and interests in joint ventures	188	116	0	0	99	292	0	0	0	0	287	408
2.4	Losses on other financial instruments and investment property	7,377	1,279	1,356	1,793	4,239	2,162	6	5	-36	-24	12,942	5,215
2.5	Operating costs	111,767	103,758	25,063	14,218	6,953	9,966	4,220	3,672	-4,211	-4,055	143,792	127,559
2.6	Other costs	8,962	10,669	138	108	1,906	1,200	49	37	43	0	11,098	12,014
2	**TOTAL COSTS**	**428,772**	**371,624**	**158,388**	**138,624**	**13,197**	**13,620**	**4,275**	**3,714**	**-6,123**	**-5,875**	**598,509**	**521,707**
	PROFIT FOR THE YEAR BEFORE TAXATION	**97,196**	**39,981**	**10,506**	**7,435**	**279**	**8,647**	**187**	**117**	**-2,965**	**-4,311**	**105,203**	**51,869**

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: Financial assets held for trading		Financial assets at fair value through profit or loss: Financial assets at fair value through profit or loss		Total carrying amount	
	31/12/07	31/12/06	31/12/07	31/12/06	31/12/07	31/12/06	31/12/07	31/12/06	31/12/07	31/12/06	31/12/07	31/12/06
Equity and derivative instruments measured at cost	0	0	0	0	13,888	13,682	0	0	0	0	13,888	13,682
Equity instruments at fair value	0	0	0	0	44,955	50,843	0	0	6,116	6,879	51,071	57,722
of which listed	0	0	0	0	38,065	43,544	0	0	6,116	6,879	44,181	50,423
Debt securities	173,106	151,224	0	0	1,023,503	938,014	4,970	3,410	34,570	29,017	1,236,149	1,121,665
of which listed	163,136	141,073	0	0	1,023,502	938,014	4,970	1,977	34,570	29,017	1,226,178	1,110,081
OEIC units	0	0	0	0	13,814	8,030	0	0	52,525	76,453	66,339	84,483
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	426	534	0	0	0	0	0	0	426	534
Financial asset portion of insurance contracts	0	0	0	0	0	0	0	0	0	0	0	0
Other loans and receivables	0	0	13,924	11,030	0	0	0	0	0	0	13,924	11,030
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	29,243	7,924	0	0	0	0	11,033	3,699	40,276	11,623
Total	173,106	151,224	43,593	19,488	1,096,160	1,010,569	4,970	3,410	104,244	116,048	1,422,073	1,300,739

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 2007	Net gains and costs/losses 2006
								Valuation capital gains	Write-backs	Valuation capital losses	Write-downs			
Investments		51,351	78,510	747	2,241	598	130,757	1,664	0	6,674	6,689	-11,699	119,058	72,931
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	75,974	287	0	0	75,687	0	0	0	0	0	75,687	17,811
c	Held to maturity investments	6,451	0	0	0	0	6,451	0	0	0	0	0	6,451	5,389
d	Loans and receivables	575	0	0	0	0	575	0	0	4	0	-4	571	588
e	Financial assets available for sale	42,999	1,628	0	383	0	45,010	0	0	0	6,689	-6,689	38,321	38,218
f	Financial assets held for trading	73	0	0	0	0	73	42	0	113	0	-71	2	8
g	Financial assets at fair value through profit or loss	1,253	908	460	1,858	598	2,961	1,622	0	6,557	0	-4,935	-1,974	10,917
Other receivables		479	0	0	0	0	479	0	0	0	0	0	479	455
Cash and cash equivalents		3,613	0	0	0	0	3,613	0	0	0	0	0	3,613	2,286
Financial liabilities		-6,249	0	0	0	0	-6,249	0	0	-1,974	0	1,974	-4,275	-16,078
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	-1,974	0	1,974	1,974	-10,917
c	Other financial liabilities	-6,249	0	0	0	0	-6,249	0	0	0	0	0	-6,249	-5,161
Payables		0	0	0	0	0	0	0	0	0	0	0	0	0
Total		49,194	78,510	747	2,241	598	128,600	1,664	0	4,700	6,689	-9,725	118,875	59,594

Breakdown of technical reserves

(in thousands of Euros)

	Direct business		Indirect business		Total carrying amount	
	31/12/07	31/12/06	31/12/07	31/12/06	31/12/07	31/12/06
Non-life reserves	705,956	634,708	899	2,173	706,855	636,881
Premium reserve	198,642	171,329	120	191	198,762	171,520
Claims reserve	504,022	460,596	779	1,982	504,801	462,578
Other reserves	3,292	2,783	0	0	3,292	2,783
of which posted following liability adequacy testing	0	0	0	0	0	0
Life reserves	741,414	704,124	398	500	741,812	704,624
Reserve for payable amounts	21,836	20,759	0	11	21,836	20,770
Mathematical reserves	691,361	648,599	388	479	691,749	649,078
Technical reserves where investment risk is borne by policyholders and reserves arising from pension fund managment	0	0	0	0	0	0
Other reserves	28,217	34,766	10	10	28,227	34,776
of which posted following liability adequacy testing	0	0	0	0	0	0
of which deferred liabilities to policyholders	17,615	30,497	0	0	17,615	30,497
Total technical reserves	1,447,370	1,338,832	1,297	2,673	1,448,667	1,341,505

Breakdown of reinsurers' share of technical reserves

(in thousands of Euros)

	Direct business		Indirect business		Total carrying amount	
	31/12/07	31/12/06	31/12/07	31/12/06	31/12/07	31/12/06
Non-life reserves	**78,855**	**102,706**	**452**	**1,590**	**79,307**	**104,296**
Premium reserve	18,559	25,428	81	126	18,640	25,554
Claims reserve	60,296	77,278	371	1,464	60,667	78,742
Other reserves	0	0	0	0	0	0
Life reserves	**18,000**	**22,662**	**0**	**0**	**18,000**	**22,662**
Reserves for payable amounts	20	21	0	0	20	21
Mathematical reserves	17,956	22,609	0	0	17,956	22,609
Technical reserves where investment risk is borne by policyholders and reserves arising from pension fund management	0	0	0	0	0	0
Other reserves	24	32	0	0	24	32
Total reinsurers' share of technical reserves	**96,855**	**125,368**	**452**	**1,590**	**97,307**	**126,958**

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					
	31/12/07	31/12/06	31/12/07	31/12/06	31/12/07	31/12/06	31/12/07	31/12/06
Participating non-equity instruments	0	0	0	0	0	0	0	0
Subordinated liabilities	0	0	0	0	5,261	15,808	5,261	15,808
Liabilities from financial contracts issued by insurers arising from:	0	0	104,244	116,048	0	0	104,244	116,048
Contracts where policyholders bear investment risk	0	0	100,756	113,669	0	0	100,756	113,669
Pension-fund management	0	0	3,488	2,379	0	0	3,488	2,379
Other contracts	0	0	0	0	0	0	0	0
Deposits received from reinsurers	0	0	0	0	56,632	86,934	56,632	86,934
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	192,917	95,515	192,917	95,515
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	29,243	7,924	29,243	7,924
Total	0	0	104,244	116,048	284,053	206,181	388,297	322,229

Detail of insurance technical items

(in thousands of Euros)

		2007			2006		
		Gross amount	Reinsurer's share of amount	Net amount	Gross amount	Reinsurers' share of amount	Net amount
Non-life business							
NET PREMIUMS		468,119	47,172	420,947	448,557	76,662	371,895
a	Premiums written	495,438	48,104	447,334	455,758	73,199	382,559
b	Change in premiums reserve	27,319	932	26,387	7,201	-3,463	10,664
NET CLAIMS COSTS		332,250	31,772	300,478	314,303	58,501	255,802
a	Amounts paid	299,408	40,138	259,270	279,732	45,589	234,143
b	Change in claims reserves	42,421	-8,230	50,651	41,785	12,961	28,824
c	Change in recoveries	10,089	136	9,953	7,677	49	7,628
d	Change in other technical reserves	510	0	510	463	0	463
Life business							
NET PREMIUMS		133,666	2,177	131,489	115,044	2,518	112,526
NET CLAIMS COSTS		133,003	1,822	131,181	124,284	2,381	121,903
a	Amounts paid	82,803	6,483	76,320	77,192	5,637	71,555
b	Change in reserve for amounts to be paid	1,066	0	1,066	-3,312	0	-3,312
c	Change in mathermatical reserves	42,822	-4,653	47,475	49,695	-3,250	52,945
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	6,312	-8	6,320	709	-6	715

Breakdown of insurance operating costs

(in thousands of Euros)

		Non-life business		Life business	
		31/12/07	31/12/06	31/12/07	31/12/06
Gross commissions and other acquisition costs		110,256	101,405	21,517	9,223
a	Acquisition commissions	79,619	68,639	14,140	3,276
b	Other acquisition costs	23,099	22,838	4,851	3,064
c	Change in deferred acquisition costs	270	461	807	1,107
d	Premium collection commissions	7,268	9,467	1,719	1,776
Profit participation and other commissions received from reinsurers		-12,962	-12,709	-532	-408
Investment management costs		381	422	420	437
Other administrative costs		14,092	14,640	3,658	4,966
Total		111,767	103,758	25,063	14,218

Vittoria Assicurazioni S.p.A.
Consolidated financial statements as at and for the year ended 31 December 2007

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	360,520	-	360,520
Other items of property, plant a	3,979	-	3,979
Other intangible assets	17,349	-	17,349

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	
	31/12/07	31/12/06	31/12/07	31/12/06	31/12/07	31/12/06
On-balance sheet assets	100,756	113,669	3,488	2,379	104,244	116,048
Infragroup assets *	0	0	0	0	0	0
Total assets	**100,756**	**113,669**	**3,488**	**2,379**	**104,244**	**116,048**
On-balance sheet liabilities	100,756	113,669	3,488	2,379	104,244	116,048
On-balance sheet technical reserves	0	0	0	0	0	0
Infragroup liabilities*	0	0	0	0	0	0
Total Liabilities	**100,756**	**113,669**	**3,488**	**2,379**	**104,244**	**116,048**

* Assets and liabilities eliminated in consolidation process

Management attestation

Attestation of consolidated annual financial statements pursuant to Article 82/3 of CONSOB Regulation no. 11971 of 14 May 1999 as subsequently amended and supplemented

1. The undersigned Roberto Guarena and Mario Ravasio, in their respective capacities of Managing Director and Corporate Financial Reporting Manager of Vittoria Assicurazioni SpA, herewith attest, also having taken into account the requirements of Article 154/2, paragraphs 3 and 4, of Italian Legislative Decree no. 58 of 24 February 1998 [the Italian Consolidated Finance Act]:
   - The adequacy of such statements in relation to the enterprise's characteristics, and
   - Effective application of administrative and accounting procedures for formation of consolidated financial statements during the period 1 January 2007-31 December 2007.
2. No significant aspects have emerged in this respect.
3. It is also attested that consolidated annual financial statements as at 31 December 2007:
   a) Match corporate books and accounting records
   b) Having been prepared in compliance with (a) the International Financial Reporting Standards adopted by the European Union pursuant to EC Regulation no. 1606/2002, (b) the requirements indicated in Italian Legislative Decree no. 38 of 28 February 2005, (c) the Italian Civil Code, (d) Italian Legislative Decree no. 209 of 7 September 2005, and (e) applicable ISVAP (Italian insurance regulator) ordinances, regulations, and circulars, are – to the best of their knowledge – such as to provide fair and true representation of the assets and liabilities, profit or loss, and financial position of the issuer and of the undertakings included in consolidation taken as a whole.

Milan, 27 March 2008

Roberto Guarena	Mario Ravasio
Managing Director	*Corporate Financial Reporting Manager*

Report of Independent auditors

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, 2007. 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 11th, 2007 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, 2007 comply with the International Financial Reporting Standards adopted by European Community governing their preparation, and with the regulation issued in accordance with Art. 90 of Delegate Decree n. 209/2005; 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 , 2008

BDO Sala Scelsi Farina
Società di Revisione per Azioni

Paolo Scelsi
(Director)