Vittoria Assicurazioni

SOCIETÀ PER AZIONI
REGISTERED OFFICES: VIA CALDERA, 21 - 20153 MILAN - ITALY
SHARE CAPITAL: EURO 65.766.210 FULLY PAID-UP
FISCAL CODE AND MILAN COMPANIES REGISTER
NO. 01329510158 - REA NO. 54871
COMPANY REGISTERED TO REGISTER OF INSURANCE AND REINSURANCE COMPANIES – SECTION I NO.1.00014
PARENT COMPANY OF VITTORIA ASSICURAZIONI GROUP REGISTERED TO REGISTER OF INSURANCE GROUPS NO.008

87th year of business

Consolidated Financial report as at 31 December 2008

Board of Directors' meeting of 12 March 2009

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

Table of contents

BOARD OF DIRECTORS

Luigi GUATRI	Honorary President
Giorgio Roberto 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
Ferruccio ARALDI	Standing 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)

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 president
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 Regulation no. 13 of 2007 July (Balance Sheet, Income Statement, Statement of Changes in Equity, Statement of Cash Flows, and accounting schedules), and includes additional detailed tables as 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 (Private Insurance Code) and in CONSOB 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.

All amounts in this document are shown in thousands of Euro, unless otherwise indicated.

Other relevant information

The Vittoria Assicurazioni Group is registered with the Register of Insurance Groups envisaged in Article 85 of the Italian Code of Private Insurance Companies (with registration number 008).
The Vittoria Assicurazioni Group operates in the insurance sector solely through its parent company and, as part of its strategy to streamline its risk/reward profile, has made some of its investments in the real estate sector (trading, development, and real estate brokering and property management services) through Vittoria Immobiliare S.p.A. and other equity holdings, and in the private equity sector through Luxembourg-based companies.
Certain Group companies provide services primarily in support of insurance activities.

Yafa S.p.A., with registered office in Turin, Italy, controls Vittoria Assicurazioni through the chain of investors comprised of Yafa Holding B.V. and Vittoria Capital N.V., with registered offices in Amsterdam, The Netherlands, and administration offices in Italy.
The parent companies do not engage in management and coordination of the Group, insofar as they merely serve as financial holding companies.

Directors' report

Economic and insurance scenario

The current financial crisis, triggered by the notorious sub-prime mortgage crisis, triggered a recession in 2008 that has had a devastating impact on the entire global economy.
What initially seemed to be a financial crisis limited to certain economies quickly mushroomed to unexpected proportions, severely impacting the real economy and affecting the economies of nearly all developed countries.
There have been numerous bank failures in the United States, and others have been avoided only through governmental bail-outs: indeed, governments are still providing key support to the entire financial system.
The financial crisis shows no signs of abating and extreme uncertainty about the future has triggered a severe contraction in domestic demand, as measured both in terms of private consumption and business investment.
The crisis has become so intense and spread so quickly throughout the entire economic system as to lead some observers to compare it with the sadly famous Great Depression of the 1930's.
The contraction in global demand has also caused raw materials prices to collapse: in spite of geopolitical tensions and continual production cuts, oil prices have fallen by over 60% from the record highs reached in July 2008.
Both of these phenomena, the slowdown in demand and the abrupt fall of raw material prices have also smothered inflationary tendencies, to the point where certain countries might even experience deflation.
This situation has encouraged monetary authorities in many countries, even those that were previously more reluctant, to take bold expansionary measures, both by adjusting interest rates and by taking less conventional action, such as open-market purchases of securities (e.g. the U.S. Federal Reserve Bank, the Bank of England); furthermore, many of these measures have been taken on a co-ordinated basis by the various central banks involved, which is a truly rare occurrence.
The governments of the most important countries involved have also taken or announced new measures to support the economy.
Given these premises, the prospects for the global economy are far from encouraging. FY 2008 ended with growth of 3.4% (5.2% in 2007), while the International Monetary Fund estimates that growth will be 0.5% in 2009.
However, it is expected that the continual efforts being made to support the credit market, combined with the fiscal and monetary policies mentioned above, will enable the global economy to start recovering gradually in 2010.

The United States is facing an extremely difficult situation; the financial crisis has intensified at a time when economic growth was already compromised by the prolonged crisis on the real estate market.
That crisis has been exacerbated by a sharp decline in private consumption, caused both by the decrease in wages and salaries resulting from the soft labour market, and by the greater difficulty they have in obtaining credit from the banking system.
Turning to economic policy, 2008 witnessed approval by the American government of an extraordinary measure intended to recapitalise several large banks in order to stabilise the financial system and instil greater confidence on the market. Other measures to support the economy have been announced by the new U.S. President, Barack Obama.
For its part, the Federal Reserve Bank has continued its policy of cutting interest rates, by steadily reducing the benchmark FED Funds rate to the current level of 0.25%.

These measures should enable the U.S. economy to blunt the negative impact of this negative trend and close 2009 with a less acute slowdown in economic growth. The latest forecasts by the International Monetary Fund project that gross domestic product will contract by about 1.6% in 2009.

The prospects in the eurozone appear just as discouraging for the coming months.
Consumer and business confidence are severely impacted by the current economic crisis, as indicated by various measures of confidence, which have fallen to historic lows.
This will inevitably impact spending decisions for durable goods and capital investments.
Among the leading European countries, Germany, Italy, the United Kingdom and Ireland are currently in the grips of recession. Spain has reported its first quarter of negative growth since 1993, while France has narrowly avoided falling into a recession as defined in technical terms, but economic activity has stagnated.
Beginning in the second half of 2008, and responding in part to the collapse of raw material prices that significantly undercut the inflationary pressures prevailing in previous periods, the European Central Bank has adopted a strongly expansionary monetary policy. This policy has translated into numerous cuts in its benchmark interest rate which, after the last cut on 5 March 2009, now stands at 1.5%. The ECB has also publicly acknowledged the disastrous state of the European economy by publishing its economic forecasts for the next few years.
The scenario depicted in these forecasts is a drastic downward revision of growth forecasts for 2009 and, even more significantly, its inflation forecasts.
European Central Bank forecasts assume that the economy will contract by 2.7% (in December 2008 the ECB had forecast a contraction of just 0.5%, while in January 2009 the forecasts published by the International Monetary Fund predicted a negative growth rate of 2%). In regard to inflation, the forecasted rate is 0.4% for 2009 and 1% for 2010, far below the target rate of 2% repeatedly indicated by the ECB as the desirable inflation rate over the medium term.
In the opinion of many observers, this fact might lead the European Central Bank to make further cuts in interest rates over the course of the year.

Turning to the Italian economy, the figures recently published by ISTAT depict a situation of economic slowdown coupled with growth in the public deficit.
In 2008 Italian GDP fell 1% in real terms from 2007; this is the worst result since 1975.
Furthermore, the national budget deficit reached 2.7% of GDP (compared with 1.5% in 2007); partial consolation is offered by the fact that, in spite of the severity of the crisis and the problems in the real economy, the 3% limit imposed by the Maastricht Treaty on the deficit/GDP ratio was met.
The economy is expected to shrink by another 2% in 2009 (source: International Monetary Fund). As has been done in other countries, the Italian government has approved measures to support the banking system and ensure their solvency.

Turning to financial market figures at the end of December 2008, the S&P/MIB stock index posted a decrease of nearly 50%, while the bond market performed better, benefiting from the downward trend in interest rates to post an increase of 5.82% (FTSE Italy Govt Performance index).
On the foreign currency markets in 2008, the Euro exchange rate trend against major world currencies was contradictory: in contrast with a sharp rise against the British pound, it depreciated sharply against the Japanese yen, while the Euro-U.S. dollar rate remained substantially unchanged, even if the American currency appreciated during the first two months of 2009.

On the Italian insurance market, premiums (as calculated in accordance with Italian GAAP) at 30 September 2008 (the most recent available data) show the following changes from the same period a year earlier, and are compared with the results of Vittoria Assicurazioni:

	Change	
Sector	Market	Vittoria Assicurazioni
Life Business:	-12.5%	-13.3%
Non-Life Business:	-0.2%	+2.9%
of which Motor TPL:	-3.1%	+4.4%

After more than ten years of growth, the Italian real estate market contracted in 2008, being impacted by the financial crisis that began in 2007 and worsened over the course of 2008, partly due to the rationing of credit by banks coupled with the current macroeconomic slowdown.

The consequence was a reversal in the trend for the past ten years, not only in terms of market prices, but particularly in terms of sales volumes over the past 12 months.

This has caused the average time to make a sale and the percentage price discount offered during negotiations to rise, with both parameters returning to the levels that preceded the current expansionary phase.

The number of residential and commercial property sales dropped by about 14%, while the volume of sales in the office building and service segments contracted even more, by about 15%. These figures for real estate market trends refer to large Italian urban areas, which generally anticipate real estate sector trends.
In the face of lower demand, the market prices for residential and commercial properties have fallen sharply, by about 7.0%, with peaks of 7.5%, from levels in the previous year; the fall in business property prices has been even more marked, with decreases of about 9.7% for office buildings and service businesses.

In 2008 it took up to nine months on average to sell residential property on the Italian market, with about 58% of sales being made through recourse to the credit system.

In this challenging context, the market is characterised by a general contraction in sales of residential properties, except for the central areas of large cities, where the market might remain stable, while the time needed to make a sale in the residential segment could lengthen.

In this context, the Vittoria Assicurazioni Group favours property development and promotion activities instead of trading, and thus continues to upgrade its property services and develop new forms of investment, such as the management of closed real estate investment trusts.

Performance of the Vittoria Assicurazioni Group

The net profit reported on the consolidated financial statements attributable to the parent's shareholders was € 20,170 thousand (-77.5% as compared with the previous year's consolidated profit, which amounted to € 89,572 thousand).

On 15 October, the European Commission issued European Regulation 1004/2008, approving the new reclassifications of financial instruments upon modification of IAS 39 and IFRS 7 by the IASB. The Vittoria Group has decided not to avail itself of the regulatory changes for FY08 consolidated report.

This major change stemmed principally from two non-recurring events:
- the gain recognised in 2007 upon disposal of Cogedim S.A. by the associate Yarpa International Holding B.V., for which the Parent Company recognised a net gain of € 66,296 thousand;
- the € 15,034 thousand write-down of Cam Finanziaria S.p.A.

Profit for the insurance business, before intersegment eliminations and excluding the contribution made to subsidiaries and associates, rose from € 27,126 to € 28,870 thousand (+6.4%). The private equity investments made by the associates generated a loss of € 67 thousand (against a profit of € 3,482 thousand in 2007). The real estate sector also reported less favourable results (gross loss of € 545 thousand, compared with a profit of € 279 thousand in 2007) due to the market slowdown, the increase in financial expenses over most of the year and the evolution in activities currently underway, focused primarily on development and promotion (medium-term) rather than on trading (short-term): consequently, the earnings from this activity will be realised over a longer period.
The parent company Vittoria Assicurazioni S.p.A. showed net profit – determined according to Italian GAAPs – of € 37,939 thousand (€ 36,495 thousand at 31 December 2007), with an increase of 4.0%.
Investments, totalling € 1,959,708 thousand (-0.1%), consist of € 70,100 thousand (-32.8%) in investments with the risk being borne by policyholders and € 1,889,608 thousand in investments with the risk being borne by the Group (+1.8% from 31 December 2007).
The net financial income generated by investments with the risk borne by the Group totalled € 52,295 thousand, compared with € 126,808 thousand in the previous period (-58.8%).

The 2008 conversion period of the "Vittoria Assicurazioni – Fixed Floater 2001/2016" subordinated debenture closed on 30 October 2008. The share capital of the Parent Company totalled € 32,883,105 at that date.
Therefore, pursuant to the resolution by the Extraordinary Shareholders' Meeting of 27 June 2008, the bonus issue of € 32,883,105 was executed on 17 November 2008, through issuance of one new share for every outstanding share, raising the share capital to € 65,766,210.
Consequently, the conversion ratio of the aforementioned subordinated debenture was modified, raising the number of shares allocated upon conversion of each debenture from one to two.
The companies that comprise the Group are listed in the chapter "Explanatory notes to accounts" – Schedule A) Scope of consolidation.

INSURANCE BUSINESS

Profit for the insurance business, before taxes and intersegment eliminations, amounted to € 36,546 thousand (€ 107,702 thousand at 31 December 2007, for a decrease of 66.2%). The change stemmed primarily from the aforementioned non-recurring events, while the key operating items contributing to the period's result are described below.

Total insurance premiums at 31 December 2008 amounted to € 630,718 thousand (-0.9% compared with premiums of € 636,526 thousand in the previous year), of which € 626,312 thousand for insurance premiums (-0.4%) and € 4,406 thousand for unit-linked investment contracts and for the Vittoria Formula Lavoro open-ended pension fund (-40.6%).

Direct Life insurance premiums amounted to € 110,103 thousand, with a 17.6% YoY decrease. The reduction in premiums is mainly due to greater development of products with a higher technical content that, despite reducing the volume of premiums, are more profitable and, during the last several months of the year, deterioration in the economic and financial situation.

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

The returns realised were as follows:
- Vittoria Rendimento Mensile: 4.91%
- Vittoria Valore Crescente: 5.14%
- Vittoria Liquinvest: 4.90%

Revenues for investment contracts (life policies of a financial nature) fell from € 7,422 thousand to € 4,406 thousand (-40.6%) due to the Parent Company's policy to privilege sale of insurance policies, partly in light of the turbulence dominating financial markets.

Direct Non-Life (i.e. property and casualty) insurance premiums amounted to € 515,706 thousand, with a 4.2% YoY increase.

Motor premiums written increased by 3.7%. More specifically, the land vehicle hulls branch rose by 3.5%, due to consolidation of the commercial agreements in place. The motor TPL (third-party liability) line reported a 3.6% increase in premiums, against a 9.01% increase in the number of vehicles/year insured. This discrepancy, penalising in terms of premiums, resulted from application of the Bersani Decree, which requires that new automobiles purchased by the family be placed not in the previous average class, which is theoretically more balanced, but in the more favourable risk class acquired by the immediate family, without any technical reference to the new car.
Contributing to this growth were the constant attention dedicated to affinity groups and strengthening of the commercial organisation through the opening of new sales outlets.

Direct Non-Marine premiums increased by 6.2%. The result was achieved through the constant attention dedicated to this segment, which the company considers to be strategic insofar as it is aimed at improving the portfolio mix.

Premiums for Speciality lines (i.e. marine and transport, aviation, and credit and suretyship) decreased by 5.6%. This decrease stemmed in part from the severe risk selection criteria applied during underwriting.

Overhead costs as a percentage of total insurance premiums and revenues (direct business) amounted to 10.2% (9.2% in 2007), both due to the impact of the new costs stemming from the Bersani Decree for making disclosures to policyholders and to implementation of the five-year plan that calls for development and reinforcement of the in-house organisation set up to support the expected increase in agency and sub-agency sales networks, and to organise the parent company for greater development in the Non-Marine and Life businesses.
Following adoption of the equity method for measuring associate companies, the Group's interest in their profits totals € 9,022 thousand (€ 75,974 thousand last year), which is offset by costs of € 2,978 thousand (€ 287 thousand last year), recognised on the income statement under "income from equity investments in subsidiaries, associate companies, and joint ventures" and "expenses from equity investments in subsidiaries, associate companies, and joint ventures".
These results, which are recognised principally by business segment in the Non-life Business section on the Income Statement, are mainly connected with the results of real estate and private equity companies.

REAL ESTATE BUSINESS

The loss in the real estate business, before taxes and intersegment eliminations, amounted to € 545 thousand (against a profit of € 279 thousand as at 31 December 2007) and featured contributions to the income statement that, before intersegment eliminations, included:

- trading income on properties (€ 2,694 thousand) and development (€ 3,295 thousand) for a total of € 5,989 thousand (€ 7,075 thousand at 31 December 2007);
- real estate brokerage and management service revenues of € 2,200 thousand and administrative, contractual and technical service revenues of € 92 thousand, for a total of € 2,292 thousand (€ 2,542 thousand in 2007).

The reduction in the real estate segment's profit reflects not only the soft market and increase in financial expenses during the year, but also the different type of current activities, which are focused primarily on development and promotion (medium-long term) rather than on trading (short-term), as previously mentioned.

The net debt of the real estate business was € 188,528 thousand (€ 162,908 thousand at 31 December 2007); the increase in debt stems from the new development initiatives undertaken during the year.

SERVICE BUSINESS

Revenues for services rendered and commissions received by Group companies, before elimination of intercompany services, totalled € 4,236 thousand (€ 4,378 thousand at 31 December 2007).

This segment showed a profit, before tax and minority interest, of € 500 thousand (€ 187 thousand at 31 December 2007).

Equity and dividend policy

Equity attributable to shareholders of the parent company totalled € 333,846 thousand, and minority interests amounted to € 29,246 thousand (€ 320,770 and € 6,156 thousand respectively at 31 December 2007).

The current level of capitalisation is in line with that of major European insurance companies, thanks in part to the positive results for FY 2008.

The strategic objectives that the parent intends to pursue over the next few years are:

- increasing its market share, by privileging technical results;
- maintaining its achieved capitalisation ratio by means of cash flow.

The operating plans made to achieve strategic objectives envisage business results that render the proposed increase in dividends realistic.

Proposed dividend per share

The parent company's Board of Directors is submitting a motion for approval by shareholders at the General Meeting that the profit of € 37,939,426 shown in the statutory financial statements be allocated as follows:

To the Legal reserve	Euro	1.896.971	
To an available reserve	Euro	24.862.199	
To shareholders	Euro	11.180.256	corresponding to a dividend of

Euro 0.17 for each of the 65,766,210 shares constituting the share capital (€ 5,553,235 in FY 2007).

After approval by shareholders, dividend distribution will be recognised in the 2009 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 € 4,406 thousand (€ 7.422 thousand in FY07).

Premiums as up to 31 December 2008 thus amounted to € 626,312 thousand. Portfolio breakdown and the changes occurring by business segment and branch are shown in the following table:

DIRECT AND INDIRECT BUSINESS

(€/000)

	Year 2008	Year 2007	YoY change %	% of total book 2008	% of total book 2007
Domestic direct business					
Life business					
I Whole- and term life	91,682	114,262	- 19.8	14.6	18.2
IV Health (long-term care)	332	324	2.5	0.1	0.1
V Capitalisation	18,089	19,079	- 5.2	2.9	3.0
Total Life business	110,103	133,665	-17.6	17.6	21.3
Non-Life business					
Total non-marine lines (exc. specialty and motor)	150,160	141,358	6.2	24.0	22.5
Total specialty lines	12,093	12,813	-5.6	1.9	2.0
Total motor lines	353,453	340,800	3.7	56.4	54.1
Total Non-Life business	515,706	494,971	4.2	82.3	78.6
Total direct business	625,809	628,636	-0.5	99.9	99.9
Domestic indirect business					
Life business	1	1	0.0	0.0	0.0
Non-Life business	502	467	7.5	0.1	0.1
Total indirect business	503	468	7.5	0.1	0.1
Grand Total	626,312	629,104	-0.4	100.0	100.0

The direct operating parent company does not operate under freedom-to-provide-service provisions or via secondary establishments in other EU and non-EU countries.

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), to 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 € 110,103 and are broken down as follows:
- 59.8% for single premiums, totalling € 65,853 thousand (they were 64.0%, or € 85,599 thousand at 31 December 2007);
- 40.2% for recurrent premiums, totalling € 44,250 thousand (they were 36.0%, or € 48,066 thousand at 31 December 2007);

In 2008 the funds relating to separately managed businesses achieved the following returns:

(€/000)

	Average rate of return	Total investments
Vittoria Rendimento Mensile	4.91%	325,636
Vittoria Valore Crescente	5.14%	255,376
Vittoria Liquinvest	4.90%	9,963

The rate of return allocated to policyholders complies with the specific contractual terms stipulated.
As done in previous years, in 2008 acquisition commissions on long-term policies and incentives paid to agents for new business were deferred, i.e. capitalised, and amortised within the total limit of associated loading of premiums, depending on the 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 & annuities, and surrenders

The comparison relating to settlements in the quarter is shown in the following table:
The following table summarises data for direct business relating to claims, accrued capital sums and annuities, and surrenders as at 31 December 2008, compared with data for the same period in the previous year.

(€/000)

	31/12/2008	31/12/2007
Claims	9,880	2,789
Accrued sums and annuities	49,785	52,316
Surrenders	65,289	28,689
Total	124,954	83,794

The amount of surrenders shown for FY 2007 was reclassified for € 777 thousand in accrued principal and yields, pursuant to ISVAP Regulation no. 22 of 4 April 2008, which requires that the coupons paid be recognised according to the policy conditions under Accrued capital sums and annuities.
The increase in surrenders stems principally from recall by institutional investors of several annual premium capitalisation contracts for about € 40.6 million.

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.

In FY08 ceded premiums amounted to € 2,263 thousand.

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 BUSINESSES

The Non-Marine Businesses reported a 6.2% overall increase in premium revenues, confirming their growing importance in the parent company's portfolio. The balance of premium accruals and liabilities was negative, in contrast with the positive balance for the same period of the previous year, due to worsening results as illustrated below:

Accident insurance: this line's premiums grew by 4.0%, less than the previous year's increase (+6.2%). The balance of direct premium accruals and liabilities improved from the previous year, due to the contraction in the average cost of claims generated, even if full implementation of driver injury coverage in the automobile segment caused an increase in reported claims.

Health insurance: this line reported a 1.6% decrease in premiums against 8.1% growth from the previous year, mainly associated with restructuring of the portfolio. The loss (claims/premium) ratio remained virtually the same as in 2007, due to an average cost that was in line with the previous year and a slight increase in premiums for the period.

Fire and natural elements: this business reported a reduction in accrued premiums (-9.1%) due to non-renewal of two agreements for fire coverage connected with the granting of home loans. Net of this effect, development continued in the parent company's preferred segments, personal and SME coverage, consistently with the severe risk selection criteria. The line's balance of premium accruals and liabilities worsened due to the increase in claims.

Other asset damage: premium revenues in this business, which includes coverage against losses from theft, hail, and damage to electronic and technological devices, increased by 78.6%, compared with 7.7% in the previous year. This increase stems mainly from the contribution of about € 12.8 million for coverage against hail damage. The balance of premium accruals and liabilities worsened from the previous year due to the increased frequency and average cost of claims.

Third Party Liability (TPL): premiums increased by 10.7% due to the contribution made by group plans. However, the balance of premium accruals and liabilities was negative, mainly due to an increase in the average cost of claims, stemming from the coverage included in the blanket building policy and theft/fire policy.

Miscellaneous financial loss: the macroeconomic situation in the second half of the year led to review of underwriting policies, with a consequent slowdown in premiums and worsening of the balance of premium accruals and liabilities.

Legal protection: premiums in this line grew by 2.1%, since sale of the coverage was almost totally connected with car insurance. The balance of premium accruals and liabilities was positive.

SPECIALTY LINES

These lines reported a decrease of 5.6%, with improvement in the balance of premium accruals and liabilities from previous years. In particular:

Credit and Suretyship: premiums written decreased by 10.0%, due to the general economic situation, and especially the slowdown in the public works sector; a more selective underwriting policy initiated in previous years is gradually bringing this line back up to the breakeven point.

Aircraft Hulls – Aviation TPL: accrued premiums in these lines decreased by 5.3%, due to the reduction in subscription in the General Aviation and Space Risk TPL sector. The balance of premium accruals and liabilities in the Aircraft Hulls and Aircraft line did not change, remaining positive.

Ship hulls (sea, lake and river) and railway rolling stock: premiums grew by 2.9% from the previous year with a positive balance of premium accruals and liabilities that was in line with previous years.

Cargo (goods in transit): this business reported a 13.1% increase in premium accruals. Careful risk selection during the policy writing phase, and attentive management of recoveries made it possible to maintain a positive balance of premium accruals and liabilities.

MOTOR BUSINESS

These lines reported 3.7% growth in accrued premiums, with an overall positive balance in premium accruals and liabilities. In particular:

Third-party liability for land motor vehicles and for watercraft (sea, lake and river): premiums written grew by 3.6% due to the growth in number of vehicles insured per year, offset by a contraction in average premiums due to a stall in insurance rates and the impact of the no claims bonus (“bonus/malus”) clause. Corporate policies in this segment continue to be focused on accentuating customisation, in order to further improve retention of policyholders. The introduction of direct payment of claims brought down the average total cost of claims. Major investments continue to be made in parent company information technology and operating procedures in order adequately to deal with the problems resulting from application of this new regulation (“CARD”), as well as the creation of new databases that will permit increasingly detailed analyses for fair calculation of rates. The balance of premium accruals and liabilities improved, since the average cost remained substantially stable at 2007 levels and the increase in claims was less than the growth of vehicles insured per year.

Land motor vehicles: accrued premiums increased by 3.5%, up from the previous year (+3.0%). Previous policy-writing rules remained in effect. In addition to dedicating special attention to matching supplemental guarantees to Motor TPL and further development of “Affinity Groups,” these rules aimed to consolidate collaboration, through Group agencies, with the sales networks of newly registered vehicles and related services. The balance of premium accruals and liabilities were in line with the previous year, although it was subject to major claims resulting from atmospheric events (hail) during the summer season.

Assistance: accrued premiums rose by 13.1%, down slightly from the previous year. The balance of premium accruals and liabilities was consistent with the previous years.

Premiums

The premiums written for direct business totalled € 515,706 thousand and showed an increase of 4.2%.

Claims

Reported claims

The following schedule, illustrating reported claims, was prepared using data from positions opened during the year. The data are compared with the figures for the previous year.

(€/000)

	31/12/08		31/12/07		Change %	
	number	total cost	number	total cost	number	total cost
Total non-motor businesses	36,371	96,320	30,118	72,527	20.8	32.8
Total Special businesses	590	4,527	593	7,448	-0.5	-39.2
Total motor businesses	98,428	256,692	91,232	233,021	7.9	10.2
Total non-life businesses	135,389	357,539	121,943	312,996	11.0	14.2

Pursuant to the Insurance Code, starting with the losses occurring from 1 February 2007 in the TPL Motor – Marine Line, the rules set out in the Insurers Agreement for Direct Indemnification ("CARD") apply to payment of damages.

The following schedule illustrates the data broken down by handling type for the reported claims of the Motor TPL line:

(€/000)

		31/12/08		31/12/07	
Branch	Claim handling Type	Number	Total cost	Number	Total cost
Motor TPL - land	K-for-K - liable	45,979	87,012	36,757	82,146
Motor TPL - land	K-for-K - originator	55,377	135,168	44,126	99,219
Motor TPL - land	Non K-for-K claims	20,413	107,737	27,643	116,644
Motor TPL - watercraft	Non K-for-K claims	34	164	53	332
Total Motor T.P.L. claims handled		121,803	330,080	108,579	298,341

The parent company received 73,563 claims (70,082 at 31 December 2007), against which € 112,815 thousand will be recouped from other insurance companies (€ 90,334 thousand at 31 December 2007), on the basis of the lump-sum rate schedule defined by the Ministerial Technical Committee pursuant to Article 13 of Presidential Decree 254/2006.

Claims settled

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

(€/000)

	Claims paid 31/12/08			Claims recovered from reinsurers	Claims paid 31/12/07			Change gross claims %
	Current year	Previous years	Total		Current year	Previous years	Total	
Total non-motor businesses	44,636	32,454	77,090	14,536	26,648	31,531	58,179	32.5
Total Special businesses	2,110	7,841	9,952	4,185	6,450	4,136	10,586	-6.0
Total motor businesses	111,478	155,743	267,221	16,493	93,104	129,745	222,849	19.9
Total non-life businesses	158,225	196,038	354,263	35,214	126,202	165,412	291,614	21.5

The additional cost borne in 2008 for the road-accident victim guarantee fund was € 6,804 thousand vs. € 6,561 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	
	31/12/2008	31/12/2007	31/12/2008	31/12/2007
Accident insurance	59.43	60.02	80.05	74.90
Health insurance	84.37	85.42	73.62	62.70
Motor vehicle hulls	83.55	85.57	88.58	82.98
Fire and natural events	80.03	86.00	76.53	75.77
Miscellaneous damages - theft	85.97	87.02	86.48	85.88
Third-party motor liability	75.11	73.14	71.03	70.99
Third-party general liability	66.08	66.44	39.67	40.81

Claims cost trend

As required in IFRS 4, paragraph 39, we present some information concerning the Non-Life claims trend.

The table below shows estimated costs of claims in the year when they were generated, from 2001 to 2008, 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.

(€/000)

Year of event	2001	2002	2003	2004	2005	2006	2007	2008	Total
Cumulative claims cost									
At the end of year of event	190,338	197,900	230,661	285,648	293,743	301,296	324,196	349,709	2,173,491
1 year later	199,449	204,538	224,138	277,707	290,299	295,520	317,409		
2 years later	197,462	205,692	225,790	279,665	288,532	298,209			
3 years later	198,321	208,698	228,955	284,964	285,941				
4 years later	200,766	212,067	232,206	289,927					
5 year later	205,484	213,331	235,608						
6 years later	206,011	216,984							
7 years later	209,215								
Cumulative claims cost as at balance sheet date	209,215	216,984	235,608	289,927	285,941	298,209	317,409	349,709	2,203,002
Cumulative claims paid	192,876	194,665	208,791	246,979	251,300	251,046	224,788	152,075	1,722,520
Claims reserves as at 31 December 2008	16,339	22,319	26,817	42,948	34,641	47,163	92,621	197,634	480,482

Each figure present on the triangle is the estimated generation cost at 31 December of the year observed. The total cost is the sum of the following components:

- Cumulative claim amounts paid from the year of the claim event up to 31 December of the year of observation
- Accrued provisions for open claims, as at 31 December of the year of observation
- Estimate of IBNR (incurred but not reported) claims of the event year as at 31 December of the year of observation

Cumulative claim amounts paid excludes the cost of the contribution to the road-accident victim guarantee fund. This table shows the gross data; therefore, it does not report the amounts recovered and to be recovered from policyholders and third parties for recoupment, deductibles and, only in the Land Vehicle TPL line, claims settlements.

Reinsurance

Outward reinsurance

As far as outward reinsurance is concerned, the corporate policy is based on selective underwriting of risks and on book development and entity in relation to the risks covered. It aims to balance net retention. Transactions are undertaken internationally with players in the reinsurance markets featuring high ratings.
The main treaties in place are the following:

Non-Life Business	*Type of treaty*
Accident insurance	Claims excess Pure premium for general aviation
Aviation hulls	Pure premium for space risks Pure premium for general aviation
Marine hulls	Voluntary-mandatory
Cargo	Voluntary-mandatory
Fire and natural elements	Claims excess
Miscellaneous damage	Pure premium for hail, multi-risk
Land motor TPL	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

The Land motor TPL pure premium treaty was not renewed in FY 2008, but it continues to be managed with the codes for FY 2007. The pure premium treaty for general aviation was not renewed when it expired on 30 September 2008.
The premiums transferred in 2008 totalled € 30,257 thousand.

Active reinsurance

Acceptance of the risks involved in indirect business stems principally from participation in pools and the activity of Line 05 – Aircraft hulls – space risks.

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 covered by adequate reinsurance;
- Diversification of sales channels (agents, bancassurance agreements, and brokers);
- Selective risk underwriting policy and continuous monitoring of risk trends;
- Organisation of an agency network capable of timely and professional response to customer needs
- Strengthening of the affinity-group approach
- Enhancement of customer loyalty via the sale of integrated products and services;
- Increase of 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 diversification of risk by geographical area and at the same time paying the utmost attention to areas with anomalous claims rate trends;
- Reinforcement of the agency network in terms of continuous training for both agents and their staff;
- Creation of transparent products for policyholders;
- Incentive campaigns for agents to assure the ideal mix of types of cover marketed
- Use of outward reinsurance pursuing a policy of technical balance in mass risks and protection against peak and catastrophe claims;
- Limitation of costs, above all thanks to use of the new integrated headquarters/agency operating system, which permits improvement of the combined ratio;
- Presence of dedicated non-life actuaries, separate from those of the life business, thus permitting not only correct risk pricing (adjustment to the expected claims rate) but also development of customised tariffs with innovative content. The greatest degree of customisation has been achieved in the Motor TPL line with the parent company's lead product. The corporate sector, which includes large companies, has always featured pricing based on policyholder reliability and risk levels to be underwritten.

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

Financial and actuarial assumptions for Life insurance products

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

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

- Macro-economic assumptions: trends in market interest rates, inflation, cash flow discount rates, etc.;
- Second-order assumptions: mortality and expected portfolio trends, and assets' rate of return, 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 evaluations 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 cover (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.

(€/000)

S&P Rating	Current and deposit accounts	Technical reserves of inward & outward reinsurance	Total net balance sheets amounts	% breakdown
AAA	88	546	634	1.8%
AA	185	2,330	2,515	7.3%
AA-	-12,158	21,718	9,560	27.6%
A+	-8,551	13,283	4,732	13.7%
A	-174	1,573	1,399	4.0%
A-	-10,199	18,316	8,117	23.4%
BBB	3	-	3	0.0%
Not rated	951	6,749	7,700	22.2%
Totale	-29,855	64,515	34,660	100.0%

Concentration risk

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

Based on the analysis of premiums as at 31 December 2008, non-life business accounts for 82.3% of total Group premiums (78.6% as at 31/12/2007), with 56.4% of this percentage referring to motor lines (54.1% as at 31/12/2007).
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.
The risks of this concentration may make the Group more vulnerable to changes in the regulatory framework and in market trends. They may occasionally translate into increases in indemnities payable to policyholders. These risks are 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 other property 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 far exceeds 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 hull 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

In FY 2008 the parent company redefined its commercial organisation model to bring it into line with the current operating situation and consequently make it more effective. This led to a general restructuring intended to reinforce the agency commercial organisation.

The implemented measures reassigned staff responsibilities, so that everyone could perform his or her individual duties better, and reinforced the network of Territorial Inspectors, who are broken down into two different groups with specific objectives:

- the Commercial Inspectors responsible for providing agencies with assistance in view of improving their sales performance in qualitative and quantitative terms through participation in work scheduling and the planning of commercial campaigns, as well as increasing area coverage.
- the Technical Inspectors responsible for providing agencies with support when underwriting risks, restructuring portfolios and updating products and insurance solutions.

Furthermore, dialogue continued with the Agents Group in order to reach mutually acceptable solutions for higher profitability and territorial presence.

Organised, ongoing activity to develop the sales network also began, in view of opening 16 new agencies and reorganising another 31, while the decision was taken to close six agencies.

Consequently, the parent company had 251 general agencies and 378 professional sub-agencies at 31 December 2008.

Work continued on the insurance promoter network that supported the agencies in developing a select portfolio. During the year, an in-depth organisational analysis indicated that the organisational model, agencies and scope of action should be modified, in view of creating a more efficient network to realise parent company objectives. Consequently, there were 22 insurance salesmen (producers and sub-agents provided by the promoter network).

The commercial operating context was dominated by the initial consequences resulting from implementation of Law 40/2007 (former "Bersani Decree"), which abolished exclusive mandates and imposed an annual rather than multi-year term on non-marine policies. These consequences underscored the need to focus efforts on measures aimed at consolidating the portfolio through retention of existing customers and acquiring new ones by applying modular rates and agreements for homogeneous groups.

These efforts were also supported at the training level by applying the commitment introduced by the 2008 ISVAP regulation governing brokers with broader and more pro-active aims in order to expand the sales network in qualitative terms.

In regard to communication, the identity and benchmark values of the "Vittoria System" were reaffirmed by publicising the parent company brand in numerous media and advertising channels, and new supporting measures were implemented for sales and promotional tools to be promoted, complementing the marketed insurance solutions.

The parent company also confirmed the use of its own institutional website as its own official information tool, updating it in real time.

Products

The commitment to create new products and revise existing products was maintained. Work during the year can be summarised as follows:

New Products

Life Business:
- “Unit-Linked Multiasset Funds”: single premium unit-linked life insurance policy. This product is distinguished by the wide choice of funds in which the investment can be diversified and active management of asset allocation;
- “Zero Dubbi” (Zero Doubts): a capitalisation policy that is characterised by the provision for early redemption of the guaranteed principal at maturity for a portion of the contracts written;
- “Life insurance with a single premium and annual coupon”: life insurance policy offered exclusively to the Vittoria policyholders whose policies have expired.

Non-Marine Lines:
- “Business and Professional Line”: this is a new line dedicated to the needs of professionals operating in diversified business sectors. The line offers a specific product for each sector. The first extensively revised product is aimed at production and crafts firms.
- “Vittoria Formula Mutui”: this is a solution tailor-made to cover the building on which a mortgage loan has been granted;
- “Multirischi Alberghi”: this is an exclusive product created by our experts for improved protection of hotels;
- “Family protection”: this product expands previously offered insurance solutions with special conditions for the reimbursement of medical expenses, in the case of a nuclear family with just one policyholder and if three points of Permanent Invalidity are assigned.

Revised Products

Life Business
- “Savings Line”: the image and communication of the following products have been revised: Life Insurance with free payments, Financial Contract for capitalisation with single premium, Life insurance with regular payments, and Life Insurance with adjustable payments;
- “Investment Line”: the image and communication of the unit-linked product was revised, with its yield tied to the performance of the two internal funds, Vittoria Azionario Europa and Vittoria Obbligazionario Euro;
- “Vittoria Formula lavoro”: updating of the documentation for the Vittoria Formula Lavoro open-ended pension fund.

Non-Marine Lines:
The conditions of insurance for the following products have been revised: TPL Sundry Risks, TPL Industry and Building Trade, TPL Products, and TPL Vittoria Formula Professioni (Professions). The clause regulating the cumulative accidents policy was rewritten. A new version of the policy was prepared and the contractual documents for the industrial plant environmental liability policy and the posthumous ten-year indemnity policy were revised.

Motor Lines:
The “Vittoria Formula Strada” and “Vittoria Formula Strada InCamper” products were revised.

Overhead costs – direct business

In FY08 the total amount of insurance overhead costs (Non-Life and Life) – consisting of personnel costs and various other costs, plus depreciation of tangible assets and amortisation of intangible assets – rose to € 64,001 thousand vs. € 58,321 thousand in FY07, increasing by 9.7%.
Besides current operating expenses, these costs also include depreciation & amortisation costs for investments made in IT facilities and processes. These investments are intended to limit, in future years, the operating costs burdening corporate departments and the agency network, whilst at the same time improving services to policyholders as regards insurance coverage and claims settlement. Their breakdown is shown in the following table, where "Other costs" consist mainly of office running costs, IT costs, legal and legal-entity expenses, mandatory contributions, and association membership dues.

(€/000)

ANALYSIS OF COSTS	31/12/08	31/12/07	Change
Personnel expenses	34,613	31,340	10.4%
Other costs	23,896	22,076	8.2%
Amortisation/Depreciation	5,492	4,905	12.0%
Total cost by nature	64,001	58,321	9.7%

Increase in personnel expenses reflects the settlement of insurance labour contract closed in the second half of 2007 and the absence of € 808 thousand benefit recorded as at FY07, due to change to Retirement Indemnity calculation according to IAS 19.
Overhead costs as a percentage of total insurance premiums and revenues (direct business) amounted to 10.2% (9.2% in 2007), both due to the impact of the new costs stemming from the Bersani Decree for making disclosures to policyholders and to implementation of the five-year plan that calls for development and reinforcement of the in-house organisation set up to support the expected increase in agency and sub-agency sales networks, and to organise the parent company for greater development in the Non-Marine and Life businesses.

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.

(€/000)

			31/12/08	31/12/07	Change
Gross commissions and other acquisition costs			135,201	131,773	2.6%
	a	Gross commissions and other acquisition costs	98,975	102,746	-3.7%
	a1	Acquisition costs	90,489	93,759	-3.5%
	a2	Premium collection costs	7,055	8,987	-21.5%
	b	Other acquisition costs	34,221	27,950	22.4%
	c	Change in deferred acquisition costs	2,005	1,077	86.2%
Profit participation and other commissions received from reinsurers			-9,003	-13,494	-33.3%
Investment management costs			873	801	9.0%
Other administrative costs			17,426	17,750	-1.8%
Total			144,497	136,830	5.6%

REAL ESTATE BUSINESS

The Group's real estate business includes trading and development, brokerage, management of own and third-party property, and investment.
The operating highlights of Group companies are illustrated as follows.

Trading and development

The following companies operate in this segment:

- Vittoria Immobiliare S.p.A. – Milan
  Direct equity interest of 87.24%.
  The company operates in the areas of real estate development and trading, both directly and through specially created property companies; the revenues realised in FY 2008 from the sale of real estate totalled € 34,948 thousand. Final inventories totalled € 63,414 thousand.

- Immobiliare Bilancia S.r.l. – Milan
  Direct equity interest of 100%.
  The company, which operates in the property trading area, realised € 2,521 thousand on the sale of real estate. Final inventories totalled € 2,212 thousand.

- Jannozzi S.r.l. – Milan
  100% equity interest through Immobiliare Bilancia S.r.l.
  The company, 100% of which was acquired from Immobiliare Bilancia S.r.l. in 2008, owns a buildable area in San Donato Milanese (MI) that is slated for development.
  Final inventories totalled € 7,350 thousand.

- Immobiliare Bilancia Prima S.r.l. – Milan
  Direct equity interest of 100%.
  The company owns a buildable area in Parma. Final inventories totalled € 9,636 thousand.

- Immobiliare Bilancia Seconda S.r.l. – Milan
  Direct equity interest of 100%.
  The company, which operates in the property trading area, realised € 607 thousand on the sale of real estate and had inventories of € 1,522 thousand.

- Lauro 2000 S.r.l. – Milan
  Direct equity interest of 100%.
  The company operates in the property development sector. Final inventories, comprised by a buildable lot zoned for office use, totalled € 100,462 thousand, including € 42,266 thousand for the future headquarters of the parent company, Vittoria Assicurazioni.

- Acacia 2000 S.r.l. – Milan
  Equity interest of 65% held through Vittoria Immobiliare S.p.A.
  The company operates in the property development sector. Final inventories, comprised by a buildable lot in the Portello area of Milan and zoned for residential use, totalled € 129,681 thousand.
  At the beginning of 2008, the company obtained a € 180,000 thousand loan from a pool of banks.

- Forum Mondadori Residenze S.r.l. – Milan
  Equity interest of 70% held through Vittoria Immobiliare S.p.A.
  The company is currently not operative.

- Cadorna Real Estate S.r.l. – Milan
  Equity interest of 70% held through Vittoria Immobiliare S.p.A.
  The company operates in the trading business, following remodelling and improvement of buildings located on Corso Cairoli in Turin.
  Final inventories totalled € 11,726 thousand at the end of FY 2008.

- V.R.G. Domus S.r.l. – Turin
  Equity interest of 51% held through Vittoria Immobiliare S.p.A.
  The company realised sales revenues of € 782 thousand through the "Spina 1" real estate deal in Turin. Final inventories totalled € 1,459 thousand.

- Vaimm Sviluppo S.r.l. – Milan
  Equity interest of 51% held through Vittoria Immobiliare S.p.A.
  The company operates in the trading business (following remodelling and improvement of buildings). The final inventories of the properties located in Genoa at Piazza De Ferrari, Via Orefici, and Via Conservatori del Mare totalled € 44,714 thousand. A total of € 4,293 thousand in revenues from property sales were realised.

- Valsalaria S.r.l. – Rome
  Equity interest of 51% held through Vittoria Immobiliare S.p.A.
  The company, which took over Parco Fidenae S.r.l. (formerly controlled Vittoria Immobiliare S.p.A.), is developing a property in Rome, località Parco Fidenae. Final inventories totalled € 3,859 thousand.

Real Estate Brokering Activities

The following companies operate in this segment:

- Interimmobili S.r.l. – Rome
  Direct equity interest of 80% and 20% held through Vittoria Immobiliare
  The company generated € 2,749 thousand in commission revenues from its property brokerage activities, gross of intercompany eliminations. During the financial year, the company continued to sell real estate, mainly in Rome, Turin and Milan, on the basis of agency retainer agreements with Group companies and major institutional investors, social security institutions, and construction businesses.
  The project management contracts made by Interimmobili with Group companies generated revenues of € 1,853 thousand.

- Vittoria Service S.r.l. – Milan
  Direct equity interest of 70% and 30% held through Vittoria Immobiliare
  The Company generated € 258 thousand in revenues from the provision of services, gross of intercompany eliminations.

Property management

Gestimmobili S.r.l. of Milan operates in this segment. This company is active in administrative and technical management of real estate. The revenues generated by this activity totalled € 930 thousand.

Overhead costs

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

(€/000)

ANALYSIS OF COSTS	31/12/08	31/12/07	Change
Personnel expenses	3,370	3,083	9.3%
Other costs	4,164	3,870	7.6%
Amortisation/Depreciation	390	335	16.4%
Total cost by nature	7,924	7,288	8.7%

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

This segment showed a profit in the period, before tax and minority interest, of € 500 thousand.

Overhead costs

The following table shows overhead costs for the service business, before intersegment eliminations:

(€/000)

ANALYSIS OF COSTS	31/12/08	31/12/07	Change
Personnel expenses	603	699	-13.7%
Other costs	4,132	3,520	17.4%
Amortisation/Depreciation	11	24	-54.2%
Total cost by nature	4,746	4,243	11.9%

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 € 1,959,708 thousand with a decrease of € 1,451 thousand vs. 31/12/2007, i.e. -0.1%.
The detailed breakdown is shown in the following table:

(€/000)

	INVESTMENTS - CASH AND CASH EQUIVALENTS - PROPERTY	31/12/2008	31/12/2007	Change
A	Investments in subsidiaries and associates and interests in joint ventures	95,653	109,299	-12.5%
B	Held to maturity investments	104,858	173,106	-39.4%
	Loans and receivables	44,806	43,593	2.8%
	- Reinsurance deposits	404	426	
	- Other loans and receivables	44,402	43,167	
C	Financial assets available for sale	1,160,251	1,096,160	5.8%
	- Equity investments	38,217	58,843	
	- OEIC units	6,147	13,814	
	- Bonds and other fixed-interest securities	1,115,887	1,023,503	
	Financial assets at fair value through profit or loss	74,881	109,214	-31.4%
D	Financial assets at fair value through profit or loss	70,100	104,244	-32.8%
	- Investments where policyholders bear the risk	70,100	104,244	
E	Financial assets held for trading	4,781	4,970	-3.8%
	- Bonds and other fixed-interest securities held for trading	4,781	4,970	
	Cash and cash equivalents	97,488	69,267	40.7%
F	Property	381,771	360,520	5.9%
	Property under construction	254,441	242,771	
	Property held for trading	68,785	64,181	
	Owner-occupied property	58,545	53,568	
	TOTAL INVESTMENTS	1,959,708	1,961,159	-0.1%
	of which			
	investments where the Group bears the risk	1,889,608	1,856,915	1.8%
	investments where policyholders bear the risk	70,100	104,244	-32.8%

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

(€/000)

Investments - Cash and cash equivalents - Pro	Insurance Business		Real Estate Business		Service Business		Intersegment Eliminations		Total	
	31/12/2008	31/12/2007	31/12/2008	31/12/2007	31/12/2008	31/12/2007	31/12/2008	31/12/2007	31/12/2008	31/12/2007
Investments in subsidiaries	151,611	130,020	-	-	-	-	-151,611	-130,020	-	-
Investments in associates	94,533	109,146	2,178	1,217	128	48	-1,186	-1,112	95,653	109,299
Held to maturity investments	104,858	173,106	-	-	-	-	-	-	104,858	173,106
Reinsurance deposits	404	426	-	-	-	-	-	-	404	426
Other loans and receivables	34,435	41,542	10,628	2,220	-	-	-661	-595	44,402	43,167
Financial assets available for sale										
Equity investments	37,850	58,494	267	249	100	100	-	-	38,217	58,843
OEIC units	6,147	13,814	-	-	-	-	-	-	6,147	13,814
Bonds and other fixed-interest securities	1,115,887	1,023,503	-	-	-	-	-	-	1,115,887	1,023,503
Financial assets at fair value through profit or loss: Investments where policyholders bear the risk	70,100	104,244	-	-	-	-	-	-	70,100	104,244
Financial assets held for trading: Bonds and other fixed-interest securities	4,781	4,970	-	-	-	-	-	-	4,781	4,970
Cash and cash equivalents	43,343	37,389	51,520	30,009	2,625	1,869	-	-	97,488	69,267
Property under construction	-	-	231,117	219,447	-	-	23,324	23,324	254,441	242,771
Property held for trading	-	-	68,785	64,181	-	-	-	-	68,785	64,181
Owner-occupied property	11,031	12,168	31,480	25,366	-	-	16,034	16,034	58,545	53,568
Total	1,674,980	1,708,822	395,975	342,689	2,853	2,017	-114,100	-92,369	1,959,708	1,961,159

The units of O.I.C.R. (collective investment undertakings) consist of investments in harmonised European mutual funds.

Investments with risk borne by Group

Investments with risks borne by the Group totalled € 1,889,608 thousand (€ 1,856,915 thousand as at 31 December 2007).

The principal transactions carried out during the year are summarised as follows:

B) Investments held until maturity:

- redemption of bonds for € 69,687 thousand.

C) Financial assets available for sale:

- redemption of bonds for € 117,085 thousand;
- purchase of Italian fixed rate government bonds denominated in Euro for € 209,794 thousand and adjustable rate bonds for € 5,007 thousand;
- sale of Italian adjustable rate government bonds less than three years before maturity for € 9,699 and the same type of bonds at a fixed rate for € 9,932 thousand, realising gains of € 320 thousand and losses of € 216 thousand;
- sale of units in a money market fund for € 4,762 thousand, realising gains of € 704 thousand;
- partial redemption of closed real estate investment trusts for € 307 thousand assigned to the long-term investment segment;
- receipt of € 357 thousand as a partial advance for liquidation of the Swissair bond in default, recognising € 308 thousand as a gain;
- Liguria S.r.l.: € 515 thousand collected as partial redemption of share capital;
- Cam Finanziaria S.p.A.: the investment was marked to market at 31 December 2008, recognising write-downs of € 15,034 thousand; € 2,219 thousand were collected during the year as a distribution of capital reserves, which were discounted from the value of the equity investment;
- Gpa S.p.A. Group: 776,959 shares were acquired for a countervalue of € 4,027 thousand, raising its equity stake from 5.0% to 9.738%;
- Downhall Italia S.r.l.: 4,919 units were acquired for a countervalue of € 492 thousand, raising its equity stake from 5.08% to 9.999%;
- Mediorischi S.p.A.: 4,744 shares were acquired for a countervalue of € 233 thousand, raising its equity stake from 5.35% to 9.999%;
- Consorzio Movincom S.c.r.l.: a shareholding of € 1 thousand was subscribed;
- Immobiliare Adamello S.r.l. (Touring Club Italiano): € 60 thousand were paid to cover losses;

E) Financial assets held for trading:

- € 798 thousand in acquisitions resulting from redemptions and failure to subscribe policies pursuant to Article 41(2) Legislative Decree 209 of 7 September 2005;
- redemption of bonds for € 816 thousand, generating gains of € 33 thousand.

D) Investments benefiting Life policyholders who bear related risk and those arising from pension fund management

As at 31 December 2008 these investments amounted to € 70,100 thousand, with a decrease of-32.8% YoY. Of this amount, € 64,520 thousand related to unit- and index-linked policies and € 5,580 thousand to the open-ended pension fund Vittoria Formula Lavoro.
There was total net income of € -20,395 thousand.

F) Investments in property

As at 31 December 2008, real estate assets totalled € 381,771 thousand (+5.9% vs. 31 December 2007).

The following table shows the breakdown of these real estate assets:

(€/000)

	31/12/2008	31/12/2007	Change
Property under construction:			
- Gross carrying amount	234,100	222,644	5.1%
- Payments on account	-10,532	-10,746	-2.0%
- Alignment with fair value of property acquired in business combinations	30,873	30,873	0.0%
Total property under construction	254,441	242,771	4.8%
Property held for trading	68,785	64,181	7.2%
Owner-occupied property:			
- Held by the parent	11,031	12,168	-9.3%
- Held by subsidiaries	31,480	25,366	24.1%
- Alignment with fair value of property acquired in business combinations	16,034	16,034	
Total owner-occupied property	58,545	53,568	9.3%
Total	**381,771**	**360,520**	5.9%

Changes occurring in the period were the following:

(€/000)

	Property under construction	Property held for trading	Owner-occupied property	Total
Balance as at 31/12/07	242,771	64,181	53,568	360,520
Purchase and capitalised interests paid				
- MILAN - Portello Area (via Acacia 2000 S.r.l. and Lauro 2000 S.r.l.)	11,641	-	5,797	17,438
- PESCHIERA BORROMEO (MI) - (via Vittoria Immobiliare S.p.A.)	7,243	-	-	7,243
- SAN DONATO MILANESE (MI) - (via Jannozzi S.r.l.)	7,350	-	-	7,350
- SAN DONATO MILANESE (MI) - (via Vittoria Immobiliare S.p.A.)	7,406	-	-	7,406
- ROMA - Valsalaria S.r.l. Acquisition	3,859	-	-	3,859
- TORINO - Villar Focchiardo Street - (via Vittoria Immobiliare S.p.A.)	1,382	-	-	1,382
- GENOVA - De Ferrari Sq., Conservatori del Mare Str., Orefici Str. (via Vaimm Sviluppo S.r.l.)	-	3,091	-	3,091
- TORINO - Barbaroux Street (via Vittoria Immobiliare S.p.A.)	-	6,115	-	
- TORINO - Cairoli Street (via Cadorna Real Estate S.r.l.)	-	1,490	-	1,490
- Miscellaneous	3,440	205	1,024	4,669
Total purchase and capitalised interests paid	42,321	10,901	6,821	60,043
Sales:				
- GENOVA - De Ferrari Sq., Conservatori del Mare Str., Orefici Str. (via Vaimm Sviluppo S.r.l.)	-	(4,293)	-	(4,293)
- TORINO - "Spina" (via V.R.G. Domus S.r.l.)	(782)	-	-	(782)
- PESCHIERA BORROMEO (MI) - (via Vittoria Immobiliare S.p.A.)	(33,377)	-	-	(33,377)
- ROMA - Ugo Ojetti Street (via Immobiliare Bilancia Seconda S.r.l.)	-	(607)	-	(607)
- ROMA - Benedetto Croce Street (via Immobiliare Bilancia S.r.l.)	-	(2,521)	-	(2,521)
- ROMA - former Aurora (via Vittoria Immobiliare S.p.A.)	-	(764)	-	(764)
- Miscellaneous	-	-806	(2,319)	(3,125)
Total sales	(34,159)	(8,991)	(2,319)	(45,469)
Decrease / (Increase) advance received	214	-	-	214
Depreciations	-	-	(407)	(407)
Recognised gains	3,294	2,694	882	6,870
Balance as at 31/12/2008	254,441	68,785	58,545	381,771

To facilitate comprehension of the amounts shown in the table, note that, by excluding minority interests and owner-occupied property, the Group's aggregate exposure to property market risks is € 242.7 million (-11.8% from the corresponding value of € 275.2 million at 31 December 2007).

Investments in Subsidiaries, Associates and Joint Ventures (item A on the schedule shown on page 30)

The performance of the main associate companies is illustrated as follows.

Gruppo Yam Invest N.V. – Netherlands

Direct equity interest of 18.75%.
Due in part to the price equalisation payment received for sale of the Cogedim Group (in 2007), the aggregate net profit of the Yam Invest N.V. Group at 31 December 2008 was € 20,942 thousand, for which Vittoria Assicurazioni has recognised a benefit of € 3,927 thousand, gross of the tax impact.

Laumor Holdings S.a.r.l. – Luxembourg

Direct equity interest of 29.00%.
This associate invests in private equity transactions through closed real estate investment trusts.
At 31 December 2008 its shareholders' equity totalled € 29,176 thousand, net of the € 3,710 thousand loss for the year.

White Finance S.A. – Luxembourg

Direct equity interest of 32.17%.
This associate invests in private equity transactions through closed real estate investment trusts.
Its draft balance sheet at 31 December 2008 shows shareholders' equity of € 23,136 thousand, including € 8,103 thousand in net profit for the year.

Gima Finance S.A. – Luxembourg

Direct equity interest of 32.13%.
This associate company invests in private equity transactions through closed real estate investment trusts.
At 31 December 2008 its draft balance sheet showed shareholders' equity of € 16,102 thousand, net of the € 4,972 thousand loss for the year.

S.In.T. S.p.A. – Italy

Direct equity interest of 48.19%.
This associate realises and manages customer retention and sales network incentive programmes, relational marketing, communication and promotion.
Its draft balance sheet at 31 December 2008 shows IFRS equity of € 2,141 thousand, including € 43 thousand in net profit for the year.

Yarpa S.p.A. – Italy

Direct equity interest of 20.91%.
This associate offers financial services to businesses, from the analysis of pool financing to consultancy for the acquisition or sale of businesses. The subsidiary Yarpa Investimenti SGR operates the closed Italian investment funds "Maestrale" and "RP3 Fund" and the closed real estate investment trusts "Rosso Mattone" and "Ambiente."

Sivim S.r.l. – Italy

Equity interest of 49.50% held through Vittoria Immobiliare S.p.A.
This associate is a property company.
Its draft balance sheet at 31 December 2008 shows shareholders' equity of € 2 thousand, including € 39 thousand in net loss for the year.

Rovimmobiliare S.r.l. – Italy
Equity interest of 50.00% held through Vittoria Immobiliare S.p.A.
This associate is a property company.
After accounting for the tax burden resulting from tax transparency, the draft budget at 31 December 2008 shows shareholders' equity of € 1,891 thousand, net of the € 346 thousand net loss for the year.

Mosaico S.p.A. – Italy
Equity interest of 25.00% held through Vittoria Immobiliare S.p.A.
This associate is a property company involved in a development project at Collegno (TO).
Its draft balance sheet at 31 December 2008 shows shareholders' equity of € 393 thousand, including € 107 thousand in net loss for the year.

Pama & Partners S.r.l. – Italy
Equity interest of 25.00% held through Vittoria Immobiliare S.p.A.
This associate is a property company.
At 31 December 2008 its draft balance sheet showed shareholders' equity of € 1,633 thousand, net of the € 51 thousand loss for the year.

VP Sviluppo 2015 S.r.l. – Italy Equity interest of 40.00% held through Vittoria Immobiliare S.p.A.
VZ Real Estate S.r.l. – Italy Equity interest of 49.00% held through Vittoria Immobiliare S.p.A.
The two companies were incorporated at the end of 2008.
VZ Real Estate S.r.l. acquired a Milan property scheduled for urban renewal, for an outlay of € 6,060 thousand, while VP Sviluppo 2015 S.r.l. will acquire a buildable lot in 2009 at Peschiera Borromeo (MI) for an initial outlay of € 15,000 thousand, to be used for a property development.

Consorzio Movincom S.c.r.l. – Italy
Direct equity interest of 0.98% and 39.18% through Vittoria.Net S.r.l.
The associate is a company dedicated to the development of payment systems using the mobile phone.

Le Api S.r.l. – Italy
30.00% equity interest through Immobiliare Bilancia S.r.l.
The associate is a service company.
Its draft balance sheet at 31 December 2008 shows shareholders' equity of € 292 thousand, including € 130 thousand in net profit for the year.

Financial liabilities

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

(€/000)

FINANCIAL LIABILITIES	31/12/2008	31/12/2007	Change
Financial liabilities where the investment risk is borne by policyholders and arising from pension fund management	70,100	104,244	-32.8%
- Financial liabilities where the investment risk is borne by policyholders relating to index- and unit-linked policies	64,520	100,756	
- Financial liabilities where the investment risk is borne by policyholders relating to pension funds	5,580	3,488	
Othe financial liabilities	291,175	284,053	2.5%
- Reinsurance deposits	28,258	56,632	
- Payables to banks	230,874	183,617	
- Other financial payables	9,174	9,300	
- Other financial liabilities	18,605	29,243	
- Subordinated liabilities	4,264	5,261	
TOTAL FINANCIAL LIABILITIES	361,275	388,297	-7.0%

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

(€/000)

Financial liabilities	Insurance Business		Real Estate Business		Service Business		Intersegment Eliminations		Total	
	31/12/2008	31/12/2007	31/12/2008	31/12/2007	31/12/2008	31/12/2007	31/12/2008	31/12/2007	31/12/2008	31/12/2007
Financial liabilities where the investment risk is borne by policyholders relating to index- and unit-linked policies	64,520	100,756	-	-	-	-	-	-	64,520	100,756
Financial liabilities where the investment risk is borne by policyholders relating to pension funds	5,580	3,488	-	-	-	-	-	-	5,580	3,488
Reinsurance deposits	28,258	56,632	-	-	-	-	-	-	28,258	56,632
Payables to banks	-	-	230,874	183,617	-	-	-	-	230,874	183,617
Other financial payables	-	-	9,174	9,300	-	-	-	-	9,174	9,300
Other financial liabilities	18,605	29,243	-	-	-	-	-	-	18,605	29,243
Subordinated liabilities	4,264	5,261	-	-	-	-	-	-	4,264	5,261
Total	121,227	195,380	240,048	192,917	-	-	-	-	361,275	388,297

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

Gains and losses on investments

The following table shows the breakdown as at 31 December 2008 of net gains on investments, with separate disclosure of investments where the risk is borne by life policyholders.

(€/000)

Gains and losses on investments	Interest and other net income	Net realised gains	Unrealised gains	Unrealised losses	2008 total net realised and unrealised gains	2007 total net realised and unrealised gains
Investments	**64,315**	**-4,100**	**1,105**	**33,063**	**28,257**	**119,058**
From:						
a investment property	-	-	-	-	-	-
b investments in subsidiaries and associates and interests in joint ventures	6,044	-	-	-	6,044	75,687
c held to maturity investments	5,802	-	-	-	5,802	6,451
d loans and receivables	739	-	4	-	743	571
e financial assets available for sale	50,026	1,114	-	15,034	36,106	38,321
f financial assets held for trading	97	30	187	357	-43	2
g financial assets at fair value through profit or loss	1,607	-5,244	914	17,672	-20,395	-1,974
Other receivables	**343**	-	-	-	**343**	**479**
Cash and cash equivalents	**4,315**	-	-	-	**4,315**	**3,613**
Financial liabilities	**-7,696**	-	-	**-20,395**	**12,699**	**-4,275**
From:						
a financial liabilities held for trading	-	-	-	-	-	-
b financial liabilities at fair value through profit or loss	-	-	-	-20,395	20,395	1,974
c other financial liabilities	-7,696	-	-	-	-7,696	-6,249
Payables	-	-	-	-	-	-
Total gains and losses on financial instruments	61,277	-4,100	1,105	12,668	45,614	118,875
Real estate business						
From:						
a Gains on property trading	-	2,694	-	-	2,694	6,456
b Revenue from work in progress (percentage of completion)	3,295	-	-	-	3,295	619
c Rent income on owner-occupied property and property held for trading	692	-	-	-	692	858
Total real estate business	3,987	2,694	-	-	6,681	7,933
Total gains and losses on investments	65,264	-1,406	1,105	12,668	52,295	126,808

The net gains with the risk borne by the Group fell from € 126,808 thousand to € 52,295 thousand, for a decrease of 58.8% from the same period in the previous year. The decrease is attributable to the Group's share of the gain of € 66,292 thousand realised in 2007 by the associate Yarpa International Holding B.V. for sale of the Cogedim S.A. Group, and the marking to market of the equity investment held Cam Finanziaria S.p.A. for € 15,034 thousand, the lower profit margins reported by property companies and the lower results reported by the associates that invest in private equity deals.

The average weighted yield in the "bonds and other fixed income securities" segment was 4.6% (4.5% in FY 2007).

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

(€/000)

Net income on investments	Insurance Business		Real Estate Business		Service Business		Intersegment Eliminations		Total	
	31/12/08	31/12/07	31/12/08	31/12/07	31/12/08	31/12/07	31/12/08	31/12/07	31/12/08	31/12/07
Gains or losses on remeasurement of financial instruments at fair value through profit or loss	-43	2	-	-	-	-	-	-	-43	2
Gains or losses on investments in subsidiaries and associates and interests in joint ventures	7,586	80,577	2,048	-83	39	33	-3,629	-4,840	6,044	75,687
Gains or losses on other financial instruments and investment property	43,709	45,984	-4,136	-2,837	40	40	-	-1	39,613	43,186
Gains on property trading	-	-	2,694	6,456	-	-	-	-	2,694	6,456
Revenue from work in progress (percentage of completion)	-	-	3,295	619	-	-	-	-	3,295	619
Rent income on owner-occupied property and pro	200	187	583	781	-	-	-91	-110	692	858
Total	51,452	126,750	4,484	4,936	79	73	-3,720	-4,951	52,295	126,808

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.

Investment policies: objectives

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.

<u>Procedures</u>

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
- Trends of macroeconomic and market variables
- For bond portfolios, issuers' rating of the issuers and analysis of sensitivity to interest-rate risk
- Compliance with the investment limits defined by the Board of Directors
- Overall exposure to the same issuer.

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

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

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

Financial risk analysis

In this chapter we describe the risks to which the Group is exposed in relation to financial markets' movements. These risks are grouped in the three main categories, i.e. market risk, liquidity risk, and credit risk.
The chapter does not discuss the Group's investments in instruments designated at fair value going through profit and loss (index- and unit-linked policies – 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 units). It also provides indications concerning financial risk exposure and uncertainties of flows.

(€/000)

Investment nature	Amount 31/12/2008	% of breakdown	Amount 31/12/2007	% of breakdown
DEBT SECURITIES	1,225,526	93.4%	1,092,648	93.8%
Listed treasury bonds:	1,124,845	88.6%	1,076,865	84.5%
Fixed-interest rate	750,464	59.1%	627,125	49.2%
Variable interest rate	374,381	29.5%	449,740	35.3%
Unlisted treasury bonds:	2,504	0.2%	2,666	0.2%
Fixed-interest rate	-	0.0%	-	0.0%
Variable interest rate	2,504	0.2%	2,666	0.2%
Listed corporate bonds:	81,200	6.4%	101,456	8.0%
Fixed-interest rate	75,828	6.0%	93,675	7.4%
Variable interest rate	5,372	0.4%	7,781	0.6%
Unlisted corporate bonds:	2,779	0.2%	7,304	0.6%
Fixed-interest rate	247	0.0%	269	0.0%
Variable interest rate	2,532	0.2%	7,035	0.6%
Bonds of supranational issuers:	14,198	1.1%	13,288	1.0%
Fixed-interest rate	14,198	1.1%	13,288	1.0%
Variable interest rate	-	0.0%	-	0.0%
of which				
Total fixed-interest securities	840,737	68.6%	734,357	61.1%
Total variable-interest securities	384,789	31.4%	467,222	38.9%
Total debt securities	1,225,526	100.0%	1,201,579	100.0%
of which				
Total listed securities	1,220,243	99.6%	1,191,609	99.2%
Total unlisted securities	5,283	0.4%	9,970	0.8%
Total debt securities	1,225,526	100.0%	1,201,579	100.0%
EQUITY INSTRUMENTS	38,217	3.0%	58,843	4.6%
listed shares	12,755	1.0%	38,065	3.0%
unlisted equity instruments	25,462	2.0%	20,778	1.6%
OEIC UNITS	6,147	0.5%	13,814	1.1%
TOTAL	1,269,890	100.0%	1,274,236	100.0%

The fixed-income securities portfolio has a duration of 3.5 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 € 840,737 thousand (68.6% of the bond portfolio with investment risk borne by the Group).
The following table illustrates the quantitative impacts on the fair value of these latter assets of a hypothetical parallel variation in the interest rate curve of ±100 basis points (bp).

	(€ '000)
Fixed-interest securities at fair value	Amount
Carrying amount as at 31/12/2008	761,781 (1)
Change	
100 BP increase	-30,895
100 BP decrease	40,324

(1) of which Euro 386,548 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 € 384,789 thousand (31.4% 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 € +3,859 thousand and € -3,454 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 earlier.

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 (€/000)

Maturity	Amount	% of breakdown
< 1 year	72,052	8.6%
1<X<2	117,286	14.0%
2<X<3	53,875	6.4%
3<X<4	83,918	10.0%
4<X<5	85,654	10.2%
5<X<10	373,559	44.4%
more	54,393	6.4%
Total	840,737	100.0%

Variable - interest securities (€/000)

Tipe of rate	Indexation	Amount	% of breakdown
Constant mat. Swap	Euroswap 10Y	32,806	8.5%
Constant mat. Swap	Euroswap 30Y	7,598	2.0%
variabile	3 months tresury bonds	5,036	1.3%
Variable	6 months tresury bonds	336,660	87.5%
Variable	other	2,689	0.7%
Total		384,789	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 € 230,874 thousand.
To illustrate its sensitivity, an increase of 100 basis points would result, considering the hedge contracted by Acacia S.r.l., in € 1,431 thousand in greater interest expenses, and vice-versa, a decrease by the same amount would reduce interest expenses by € 1,431 thousand.

The equity instruments are shown net of their price risk, i.e. the possibility that their market value fluctuate both due to changes in specific factors of the individual instrument or its issuer and to factors that influence all the instruments negotiated on the market.
If the listed shares classified as "Financial assets available for sale" had posted a loss of 10% at 31 December 2008, the Group's interest in shareholders' equity would have decreased by € 1,276 thousand.

The equity instruments include the investment in Cam Finanziaria S.p.A., listed under financial assets available for sale. Its book value was marked to market at 31 December 2008, with recognition of a loss of € 15,034 thousand.
The Group is not exposed to currency risk since almost all of its risk investments at 31 December 2008 were denominated 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 integrated ALM procedure.

This risk may also arise as a result of inability to sell a financial asset fast at an amount close to its fair value.

This is less probable when the financial assets are listed in active markets. The greater the weight is of financial assets listed in active and regulated markets, the less likely it is that this will happen

As at 31.12.2008 financial assets listed in a regulated market accounted for over 95% of financial assets owned.

The following table shows the financial liabilities by maturity

(€/000)

Financial liabilities: maturity	31/12/08
< 1 year	175,501
1 < X < 3	14,722
3 < X < 5	909
5 < X < 10	9,516
more	160,627
Total	361,275

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 31.12.2008 nearly all bonds held by the group were rated as investment grade.

(€/000)

Rating (Standard & Poor's)	Amounts	% of breakdown
AAA	251,046	20.5%
AA+ / AA-	52,000	4.2%
A+ / A-	894,881	73.0%
BBB+ / BBB-	27,598	2.3%
Total investment grade	1,225,525	100.0%
Non investment grade	1	0.0%
Not rated	-	0.0%
Totale	1,225,526	100.0%

Infragroup and related-party transactions

Transactions with group companies referred to the normal course of business, using specific professional skills at going market rates. There were no atypical or unusual transactions.
This section presents financial and business transactions occurring during as up to 31 December 2008 with group companies, excluding those with companies consolidated on a 100% line-by-line basis.

(€/000)

Related parties	Other receivables	Loans	Commitments for subscription of private equity investments	Revenues	Costs
Associates	96	10,628	18,605	75	-
Fees:	-	-	-	-	-
Directors	-	-	-	-	1,782
Statutory auditors	-	-	-	-	159
Managers with strategic responsibility	-	-	-	-	1,396
Total	96	10,628	18,605	75	3,337

Transactions and relationships with subsidiaries

Beginning in 2008, Vittoria Assicurazioni S.p.A. renewed its option to participate in the National Tax Consolidation Programme (Articles 117 et seq. of Presidential Decree 917 of 22 December 1986) with the companies Immobiliare Bilancia S.r.l., Immobiliare Bilancia Prima S.r.l., Immobiliare Bilancia Seconda S.r.l., and Immobiliare Bilancia Terza S.r.l. Furthermore, in FY 2008, the subsidiaries Lauro 2000 S.r.l. and Acacia 2000 S.r.l. were also included in the scope of the tax consolidation programme. Both renewal of the option and inclusion of the new participants are effective for the three-year period 2008-2010.

Transactions and relationships with parent companies

The Group has no financial or commercial relationships with the direct parent company Vittoria Capital N.V. and the indirect parent companies Yafa Holding B.V., The Netherlands, and Yafa S.p.A.

Relations and transactions with associates, parent companies and joint ventures

Yam Invest N.V. – Netherlands Direct equity interest of 18.75%.

White Finance S.A. – Luxembourg Direct equity interest of 32.17%.

No commercial or supply relationships were maintained with these associates during the period.

Laumor Holdings S.a.r.l. – Luxembourg
Direct equity interest of 29.00%.
Vittoria Assicurazioni has recognised € 506 thousand under loans to associates and under financial liabilities for the commitment to subscribe to private equity investments through the associate.

Gima Finance S.A. – Luxembourg
Direct equity interest of 32.13%.
Vittoria Assicurazioni has recognised € 18,099 thousand under loans to associates and under financial liabilities for the commitment to subscribe to private equity investments through the associate.

S.In.T. S.p.A. – Turin
Direct equity interest of 48.19%.
The parent company used the services of S.In.T. S.p.A. in FY 2008 for the Formula Salute policies and other commercial agreements made by the parent company, for an aggregate cost of € 759 thousand plus VAT.

Yarpa S.p.A. – Genoa
Direct equity interest of 20.91%.
The associate provided the parent company with services for € 86 thousand plus VAT.

Mosaico S.p.A. – Turin
Equity interest of 25.00% held through Vittoria Immobiliare S.p.A.
The subsidiary Vittoria Immobiliare S.p.A. granted the associate as a non-interest bearing shareholder loan, which has a balance of € 607 thousand.

Pama & Partners S.r.l. – Genoa
Equity interest of 25.00% held through Vittoria Immobiliare S.p.A.
The subsidiary Vittoria Immobiliare S.p.A. gave the associate a non-interest bearing shareholder loan, which has a balance of € 375 thousand.

Sivim S.r.l. – Milan
Equity interest of 49.50% held through Vittoria Immobiliare S.p.A.
The subsidiary Vittoria Immobiliare S.p.A. gave the associate as a non-interest bearing shareholder loan, which has a balance of € 245 thousand.

Rovimmobiliare S.r.l. – Rome
Equity interest of 50.00% held through Vittoria Immobiliare S.p.A.
Gestimmobili S.r.l. billed the indirect associate € 28 thousand for administrative services, and trade receivables totalled € 7 thousand at 31 December 2008.
The subsidiary Vittoria Immobiliare S.p.A. gave the associate a non-interest bearing shareholder loan, which has a balance of € 280 thousand.

VP Sviluppo 2015 S.r.l. – Milan
Equity interest of 40.00% held through Vittoria Immobiliare S.p.A.
The subsidiary Vittoria Immobiliare S.p.A. gave the associate a non-interest bearing shareholder loan, which has a balance of € 6,000 thousand.

VZ Real Estate S.r.l. – Turin
Equity interest of 49.00% held through Vittoria Immobiliare S.p.A.
The subsidiary Vittoria Immobiliare S.p.A. gave the associate a non-interest bearing shareholder loan, which has a balance of € 3,121 thousand.

Le Api S.r.l. - Milan
30.00% equity interest through Interbilancia S.r.l.
The associate provided the parent company with services for € 1,667 thousand plus VAT.

Consorzio Movincom S.c.r.l. – Turin
Direct equity interest of 40% through Vittoria.Net S.r.l.
The associated billed the parent company for fees of € 10 thousand plus VAT.

Performance in the early months of FY 2009 and expected business progress

Insurance Business

SACE acquisition

An application was made to ISVAP for authorisation for acquisition of the Life Business of the company SACE BT S.p.A., resolved by the parent company Board of Directors last December. A preliminary sale agreement was signed on 23 December 2008.
The expected commitment for the parent company totals about € 4 million, subject to an equalisation payment according to the situation of the portfolio at the contract closing date.

Group VAT

On 16 February 2009, the parent company elected the option for FY 2009 to be considered "parent company" for payment of Group VAT, pursuant to Article 73 of Presidential Decree 633/1972 and the Ministerial Decree of 13 December 1979. This procedure involves the following subsidiaries:

- Immobiliare Bilancia Terza S.r.l.
- Lauro 2000 S.r.l.
- Forum Mondadori Residenze S.r.l.
- Interimmobili S.r.l.
- Gestimmobili S.r.l.
- Vittoria Properties S.r.l.

Until 31 December 2008 the parent company had waived this option, insofar as it had been exercised instead by Vittoria Immobiliare S.p.A. and included the companies directly controlled by the latter.

Real Estate Business

On 15 January the subsidiary Vittoria Service S.r.l. subscribed to a rights offering by its equity investment Spefin Finanziaria S.p.A., subscribing 1,037 shares at a par value of €100 each with a total of € 1,067,500.00 in additional paid-in capital. Following this transaction, Vittoria Service raised its equity interest in Spefin Finanziaria S.p.A. to 21%.

On 6 February 2009 Vittoria Assicurazioni paid € 840 thousand for the capital increase of Vittoria Service S.r.l.

On 3 March 2009 the respective general meetings resolved on the merger of Jannozzi S.r.l. with its parent company Immobiliare Bilancia S.r.l.. Involving the takeover of a wholly-owned company, the merger will be finalised with cancellation, without exchange, of the share representing the entire share capital of the merged company.

The Board of Directors

Milan, 12 March 2009

Consolidated Financial Statements

FY 2008

Vittoria Assicurazioni S.p.A.
Consolidated financial statements as at 31 December 2008

BALANCE SHEET - ASSETS

(€/000)

		Note	31/12/2008	31/12/2007
1	INTANGIBLE ASSETS		21,437	17,349
1.1	Goodwill	1	0	0
1.2	Other intangible assets	2	21,437	17,349
2	PROPERTY, PLANT AND EQUIPMENT		386,075	364,499
2.1	Property	2	381,771	360,520
2.2	Other items of property, plant and equipment	2	4,304	3,979
3	REINSURERS' SHARE OF TECHNICAL RESERVES	3	66,088	97,307
4	INVESTMENTS		1,480,449	1,531,372
4.1	Investment property		0	0
4.2	Investments in subsidiaries and associates and interests in joint ve	4	95,653	109,299
4.3	Held to maturity investments	5	104,858	173,106
4.4	Loans and receivables	5	44,806	43,593
4.5	Financial assets available for sale	5	1,160,251	1,096,160
4.6	Financial assets at fair value through profit or loss	5	74,881	109,214
5	OTHER RECEIVABLES		175,137	176,493
5.1	Receivables relating to direct insurance	6	144,869	148,612
5.2	Receivables relating to reinsurance business	7	6,230	3,502
5.3	Other receivables	8	24,038	24,379
6	OTHER ASSETS		66,566	55,350
6.1	Non-current assets or assets of a disposal group classified as held for sale		0	0
6.2	Deferred acquisition costs	9	8,168	10,173
6.3	Deferred tax assets	10	19,196	13,044
6.4	Current tax assets	11	34,675	28,843
6.5	Other assets	12	4,527	3,290
7	CASH AND CASH EQUIVALENTS	13	97,488	69,267
	TOTAL ASSETS		2,293,240	2,311,637

Vittoria Assicurazioni S.p.A.
Consolidated financial statements as at 31 December 2008

BALANCE SHEET - EQUITY AND LIABILITIES

(€/000)

		Note	31/12/2008	31/12/2007
1	EQUITY		363,092	326,926
1.1	attributable to the shareholders of the parent		333,846	320,770
1.1.1	Share capital	14	65,766	32,666
1.1.2	Other equity instruments	14	323	404
1.1.3	Equity-related reserves	14	31,378	30,518
1.1.4	Income-related and other reserves	14	207,129	156,008
1.1.5	(Treasury shares)	14	0	0
1.1.6	Translation reserve	14	-757	45
1.1.7	Fair value reserve	14	9,888	11,495
1.1.8	Other gains or losses recognised directly in equity	14	-51	62
1.1.9	Profit for the year attributable to the shareholders of the parent		20,170	89,572
1.2	attributable to minority interests	14	29,246	6,156
1.2.1	Share capital and reserves attributable to minority interests		29,336	6,249
1.2.2	Gains or losses recognised directly in equity		0	0
1.2.3	Profit for the year attributable to minority interests		-90	-93
2	PROVISIONS	15	3,758	4,066
3	TECHNICAL RESERVES	16	1,448,844	1,448,667
4	FINANCIAL LIABILITIES		361,275	388,297
4.1	Financial liabilities at fair value through profit or loss	17	70,100	104,244
4.2	Other financial liabilities	17	291,175	284,053
5	PAYABLES		64,703	95,625
5.1	Payables arising from direct insurance business	18	8,226	6,414
5.2	Payables arising from reinsurance business	19	8,233	9,977
5.3	Other sums payable	20	48,244	79,234
6	OTHER LIABILITIES		51,568	48,056
6.1	Liabilities of a disposal group held for sale		0	0
6.2	Deferred tax liabilities	21	27,555	22,738
6.3	Current tax liabilities	22	933	2,907
6.4	Other liabilities	23	23,080	22,411
	TOTAL EQUITY AND LIABILITIES		2,293,240	2,311,637

Vittoria Assicurazioni S.p.A.
Consolidated financial statements as at 31 December 2008

INCOME STATEMENT

(€/000)

		Note	31/12/08	31/12/07
1.1	Net premiums		578,884	552,436
1.1.1	*Gross premiums*	24	612,086	601,785
1.1.2	*Ceded premiums*	24	33,202	49,349
1.2	Commission income	25	1,146	1,763
1.3	Gains or losses on remeasurement of financial instruments at fair value through profit or loss	26	-43	2
1.4	Gains on investments in subsidiaries and associates and interests in joint ventures	26	9,022	75,974
1.5	Gains on other financial instruments and investment property	26	62,564	46,990
1.5.1	*Interest income*		60,162	54,117
1.5.2	*Other income*		1,063	1,628
1.5.3	*Realised gains*		1,335	383
1.5.4	*Unrealised gains*		4	0
1.6	Other income	27	15,609	17,409
1	TOTAL REVENUE		667,182	573,576
2.1	Net charges relating to claims		444,562	375,909
2.1.1	*Amounts paid and change in technical reserves*	24	466,058	463,334
2.1.2	*Reinsurers' share*	24	-21,496	-33,594
2.2	Commission expense	28	197	650
2.3	Losses on investments in subsidiaries and associates and interests in joint ventures	26	2,978	287
2.4	Losses on other financial instruments and investment property	26	22,951	12,942
2.4.1	*Interest expense*		7,696	6,249
2.4.2	*Other expense*		0	0
2.4.3	*Realised losses*		221	0
2.4.4	*Unrealised losses*		15,034	6,693
2.5	Operating costs		151,860	143,792
2.5.1	*Commissions and other acquisition costs*	29	122,112	115,584
2.5.2	*Investment management costs*	29	873	801
2.5.3	*Other administrative costs*	29	28,875	27,407
2.6	Other costs	30	9,479	11,098
2	TOTAL COSTS		632,027	521,707
	PROFIT FOR THE YEAR BEFORE TAXATION		35,155	51,869
3	Income taxes	31	15,075	15,724
	PROFIT FOR THE YEAR		20,080	36,525
4	GAIN (LOSS) ON DISCONTINUED OPERATIONS		0	0
	CONSOLIDATED PROFIT		20,080	36,525
	of which attributable to the shareholders of the parent		20,170	89,572
	of which attibutable to minority interests	14	-90	-93

Basic EARNINGS per share		0.31	2.74
Diluted EARNINGS per share		0.30	2.66

Earning per share

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

		31/12/08	31/12/07
Profit for the year attributable to the shareholders of the parent	Euro	20,169,981	89,572,238
Average number of shares	N.	65,766,210	32,666,088
Basic earnings per share	Euro	0.31	2.74
Adjustments			
Financial charges on the convertible subordinated bond issue	Euro	206,817	235,812
Number of potential shares	N.	1,733,790	1,083,912
Adjusted profit for the year attributable to the shareholders of the parent	Euro	20,376,798	89,808,050
Adjusted average number of shares	N.	67,500,000	33,750,000
Diluted earnings per share	Euro	0.30	2.66

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

(€/000)

			Balance at 31/12/2006	Adjustment to closing balance	Allocation	Reclass. to profit or loss	Other reclassifications	Balance at 31/12/2007	Adjustment to closing balance	Allocation	Reclass. to profit or loss	Other reclassifications	Balance at 31/12/2008
Equity attributable to the shareholders of the parent	Share capital		30,452	0	2,214		0	32,666		33,100		0	65,766
	Other equity instruments		1,229	0	-825		0	404		-81		0	323
	Equity-related reserves		21,878	0	8,640		0	30,518		860		0	31,378
	Income-related and other reserves		125,478	0	35,408		-4,878	156,008		56,674		-5,553	207,129
	(Treasury shares)		0	0	0		0	0		0		0	0
	Translation reserve		-2	0	47			45		-802			-757
	Fair value reserve		11,847	0	-352			11,495		-1,607			9,888
	Other gains or losses recognised directly in equity	Hedging reserve	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
		Reserve for changes in the equity of investees	22	0	40			62		-113			-51
		Intangible asset revaluation reserve	0	0	0			0		0			0
		Property, plant and equipment revaluation reser	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
		Other reserves	0	0	0	0	0	0		0		0	0
	Profit for the year		35,407	0	54,165		0	89,572		-69,402		0	20,170
	Total attributable to the shareholders of the parent		**226,311**	**0**	**99,337**	**0**	**-4,878**	**320,770**	**0**	**18,629**	**0**	**-5,553**	**333,846**
Equity attributable to minority interests	Share capital and reserves attributable to minority interests		5,393	0	1,118		-262	6,249		-93		23,180	29,336
	Gains or losses recognised directly in equity		0	0	0	0	0	0		0		0	0
	Profit for the year		1,118	0	-1,211		0	-93		3		0	-90
	Total attributable to minority interests		**6,511**	**0**	**-93**	**0**	**-262**	**6,156**	**0**	**-90**	**0**	**23,180**	**29,246**
Total			**232,822**	**0**	**99,244**	**0**	**-5,140**	**326,926**	**0**	**18,539**	**0**	**17,627**	**363,092**

Vittoria Assicurazioni S.p.A.
Consolidated financial statements as at 31 December 2008

STATEMENT OF SOURCES AND APPLICATION OF FUNDS

(€/000)

	31/12/2008	31/12/2007
Profif for the year before taxation	35,155	105,203
Change in non-monetary items	14,394	52,330
Change in non-life premium reserve	23,388	34,156
Change in claims reserve and other non-life technical reserves	29,028	60,807
Change in mathematical reserves and other life technical reserves	-21,020	41,850
Change in deferred acquisition costs	2,005	1,077
Change in provisions	-308	-747
Non-monetary gains and losses on financial instruments, investment property and investments in subsidiaries and associates and interests in joint ventures	-8,990	-68,998
Other changes	-9,709	-15,815
Change in receivables and payables arising from operating activities	-29,566	-30,655
Change in receivables and payables relating to direct insurance and reinsurance	1,083	-34,815
Change in other receivables and payables	-30,649	4,160
Taxes paid	-15,075	-15,724
Net cash flow generated by/used for monetary items from investing and financing activities	189	-1,560
Liabilities from financial contracts issued by insurance companies	-34,144	-11,804
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	34,333	10,244
NET CASH FLOW FROM OPERATING ACTIVITIES	5,097	109,594

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	7,489	19,622
Net cash flow generated by/used for loans and receivables	-1,213	-24,105
Net cash flow generated by/used for held to maturity investments	68,248	-21,882
Net cash flow generated by/used for financial assets available for sale	-50,664	-92,632
Net cash flow generated by/used for property, plant and equipment	-25,664	-86,892
Other net cash flows generated by/used for investing activities	0	0
NET CASH FLOW FROM INVESTING ACTIVITIES	-1,804	-205,889

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	-5,553	-4,872
Net cash flow generated by/used for share capital and reserves attributable to minority interests	23,359	-220
Net cash flow generated by/used for subordinated liabilities and equity instruments	0	0
Net cash flow generated by/used for other financial liabilities	7,122	87,901
NET CASH FLOW FROM FINANCING ACTIVITIES	24,928	82,809

Effect of exchange rate gains/losses on cash and cash equivalents	0	0

CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	69,267	82,753
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	28,221	-13,486
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	97,488	69,267

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. 7 of 13 July 2007.

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).

Currency 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 ISVAP regulation no. 16/2008.

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 of 7 September 2005 no. 209, article 37, 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 section IV of ISVAP regulation no. 16 of 4 March 2008.

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 Article 37 of Italian Legislative Decree no. 209 of 7 September 2005.
  The reserve has been calculated on a non-analytical basis by accruing 10% of gross premiums written for products that do not consider the policyholder's age in premium calculation and contain clauses limiting the company's possibility of terminating the contract.
- Profit participation and reversal reserve (Non-Life and Life businesses)
  Profit participation includes all amounts pertaining to the year, paid and to be paid to policyholders or other beneficiaries, including amounts used to increase technical reserves or reduce future premiums, as long as they constitute distribution of technical profits arising from non-life and life insurance activities, after deduction of amounts accrued in previous years' that are no longer necessary.

  Reversals consist of the amounts that are partial rebates of premiums made on the basis of each contract's performance.
- Reserve for deferred liabilities to policyholders (Life business)

  This reserve shows the share of unrealised gains or losses attributable to policyholders, as described in the specific section on "Shadow Accounting".
- Reserve for management expenses (Life business)

  This reserve is calculated based on loading for management expenses and on the other technical bases of the tariffs applied.
- Complementary insurance premium reserve (Life business)

  The premium reserve for complementary accident insurance is calculated analytically by applying the premiums-brought-forward criterion to the related pure premiums.
- LAT (Liability Adequacy Test) reserve (Non-Life and Life business)

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

Financial liabilities

▪ Financial liabilities at fair value through profit or loss

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

▪ Other financial liabilities

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

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

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

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

Subsequent measurement

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

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

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

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

Payables

This category consists of:

- ### Payables arising from direct insurance transactions

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

- ### Payables arising from reinsurance transactions

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

These payables are recognised at nominal value.

- ### Other payables

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

Other liabilities

- ### Current and deferred tax liabilities

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

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

- ### Sundry liabilities

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

Income Statement

REVENUES

Revenue recognition

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

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

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

Net premiums

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

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

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

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

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

Commission income

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

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

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

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

Income from investments in subsidiaries, associates, and joint ventures

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

Income from other financial instruments and investment property

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

Other revenue

This item includes:

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

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

COSTS

Claims costs

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

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

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

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

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

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

Commission expense

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

Losses on investments in subsidiaries, associates, and joint ventures

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

Losses on other financial instruments and investment property

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

Operating costs

This category comprises:

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

  In particular, the item includes:

  - Commissions paid on acquisition and renewal, including tacit renewal, of contracts;
  - Extra commissions and commission bonuses;
  - Personnel expenses, logistics costs, costs for services and purchase of goods of the management departments involved in the assessment, issue and management of insurance contracts;
  - Medical check-up costs;
  - Amortisation charge, for the year, of acquisition commissions and other acquisition costs;
  - Commissions paid on the collection of premiums related to long-term contracts.

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

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

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

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

Other costs

This category includes:

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

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

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

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

Current and deferred taxes

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

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

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

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

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

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

Additional information

Inward insurance

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

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

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

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

Retrocession

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

Impairment losses

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

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

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

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

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

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

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

▪ Impairment of financial assets (IAS 39)

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

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

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

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

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

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

Shadow accounting

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

The procedure envisages the following steps:

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

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

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

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

Liability Adequacy Test (LAT)

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

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

<u>Life business</u>

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.

<u>Non-life business</u>

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 notes to the consolidated financial statements comprise:

- tables and notes of a general nature listed below in alphabetic order;
- tables and notes of a specific nature on the individual balance sheet, income statement, equity and cash flow statement captions, listed below in numerical order.

General explanatory notes to accounts

A) Consolidation scope

	Registered Offices	Share Capital Euro	% Ownership Direct	% Ownership Indirect	Via
Vittoria Assicurazioni S.p.A.	Milan	65,766,210			
Vittoria Immobiliare S.p.A.	Milan	20,000,000	87.24%		
Immobiliare Bilancia S.r.l.	Milan	3,150,000	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	17,500,000	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.	Milano	104,000		80.00%	Vittoria Immobiliare S.p.A.
Acacia 2000 S.r.l.	Milano	100,000		65.00%	Vittoria Immobiliare S.p.A.
Interimmobili S.r.l.	Roma	104,000		80.00%	Vittoria Immobiliare S.p.A.
Forum Mondadori Residenze S.r.l.	Milano	100,000		70.00%	Vittoria Immobiliare S.p.A.
Cadorna Real Estate S.r.l.	Milano	10,000		70.00%	Vittoria Immobiliare S.p.A.
V.R.G. Domus S.r.l	Torino	1,000,000		51.00%	Vittoria Immobiliare S.p.A.
Vaimm Sviluppo S.r.l.	Milano	100,000		51.00%	Vittoria Immobiliare S.p.A.
Valsalaria S.r.l.	Roma	60,000		51.00%	Vittoria Immobiliare S.p.A.
Jannozzi S.r.l.	Milano	20,000		100.00%	Immobiliare Bilancia S.r.l.
Aspevi S.r.l.	Milan	10,400		100.00%	Interbilancia S.r.l.
Vittoria.Net S.r.l.	Milan	50,000		100.00%	Interbilancia S.r.l.

Changes occurring in FY08

Vittoria Immobiliare S.p.A. – direct equity interest of 87.24%

The share capital of Vittoria Immobiliare was raised to € 20,000 thousand in FY 2008, pursuant to the authority granted to the Board of Directors to increase the share capital to € 40,000 thousand by 2012.

The Parent Company participated in the capital increase, to the extent of its own shareholding.

Lauro 2000 S.r.l. – direct equity interest of 100.00%

During the financial year, Vittoria Assicurazioni subscribed the rights offering resolved by the subsidiary's general meeting for € 2,550 thousand at par and € 7,500 thousand for additional paid-in capital.

Immobiliare Bilancia S.r.l. – direct equity investment of 100.00%

On 22 December 2008 the subsidiary's General Meeting resolved on a rights issue as follows:

- a capital increase for € 1,150 thousand at par with total additional paid-in capital of € 7,475 thousand, which was simultaneously paid by the sole shareholder Vittoria Assicurazioni S.p.A.;
- delegation of authority to the Board of Directors to carry out an additional rights issue for a total of € 11,375 thousand (total amount of the possible additional paid-in capital) by 22 December 2011.

Acacia 2000 S.r.l. – equity interest of 65.00% held through Vittoria Immobiliare S.p.A.

In FY 2008 Vittoria Immobiliare S.p.A. completed sale of a 35% share in the company Acacia 2000 S.r.l., thereby reducing its shareholding to 65%.

Valsalaria S.r.l. – equity interest of 51.00% through Vittoria Immobiliare S.p.A.

On 17 January 2008 Vittoria Immobiliare S.p.A. acquired 51% of the company Valsalaria S.r.l. for a price of € 87 thousand.
The takeover through merger of Parco Fidenae S.r.l. with Valsalaria S.r.l. took effect on 29 December 2008. At the same time the share capital of Valsalaria S.r.l. was increased by € 50 thousand through subscription of new shares granted to the shareholders of the company that was taken over.

Jannozzi S.r.l. – equity interest of 100.00% through Immobiliare Bilancia S.r.l.

The subsidiary Immobiliare Bilancia S.r.l. paid € 3,386 thousand to acquire 100% of the company Jannozzi S.r.l.

Vittoria.Net S.r.l. – equity interest of 100.00% through Interbilancia S.r.l.

In February Interbilancia S.r.l. paid the subsidiary Vittoria.Net S.r.l. € 90 thousand, of which € 40 thousand for a capital increase and € 50 thousand as additional paid-in capital.

B) List of unconsolidated investments

	Registered Offices	Share Capital Euro	% Ownership Direct	% Ownership Indirect	Via
Yam Invest N.V.	Amsterdam Netherlands	63,083,168	18.75%		
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%		
Consorzio Movincom S.c.r.l.	Turin	102,100	0.98%	39.18%	Vittoria.Net S.r.l.
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.
VP Sviluppo 2015 S.r.l.	Milan	100,000		40.00%	Vittoria Immobiliare S.p.A.
VZ Real Estate S.r.l.	Turin	100,000		49.00%	Vittoria Immobiliare S.p.A.
Le Api S.r.l.	Milan	10,400		30.00%	Interbilancia S.r.l.

Changes occurring in FY08

Yam Invest N.V. – Direct equity investment of 18.75%

As previously mentioned, on 19 December 2008 the reverse merger of Yarpa International Holding B.V. with Yam Invest N.V. took effect. Following this transaction, Vittoria Assicurazioni S.p.A. owns 18.75% of Yam Invest N.V. During FY 2008, Yarpa International Holding B.V. reimbursed the parent company € 2,688 thousand for additional paid-in capital.

Given the material importance of the investment in Yam Invest N.V., the equity investment continues to be carried at equity, consistently with the previous accounting treatment of Yarpa International Holding B.V., a company merged with Yam Invest N.V.

Laumor Holdings S.a.r.l. – direct equity investment of 29.00%

During the financial year, the parent company paid the associate € 4,008 thousand for the increase in additional paid-in capital. In December 2008 the parent company received € 319 thousand from the associate as partial reimbursement of additional paid-in capital.

Gima Finance S.A. – direct equity interest of 32.13%

A total of € 6,630 thousand was paid to the associate by the parent company towards an increase in additional paid-in capital.

White Finance S.A. – direct equity interest of 32.17%

In December 2008 the associate reimbursed the parent company for € 2,392 thousand, as part of additional paid-in capital.

Consorzio Movincom S.c.r.l. – 40% equity interest through Vittoria.Net S.r.l.

In February 2008 Vittoria.Net S.r.l. participated in the formation of the Consorzio Movincom, a consortium organised to develop payments by mobile phone. Vittoria.Net S.r.l. subscribed an initial share of 40% with an investment of € 40 thousand. The Consortium carried out a capital increase in September. The Parent Company subscribed a share of 0.98% of this capital increase, by paying € 1 thousand, raising the equity investment of Vittoria.net to 39.37%. A 59.06% shareholding is owned by the associated company S.In.T. S.p.A.

VP Sviluppo 2015 S.r.l. - 40% equity interest through Vittoria Immobiliare S.p.A.

In December 2008 Vittoria Immobiliare S.p.A. participated in formation of the property company VP Sviluppo 2015 S.r.l., by subscribing 40% of the share capital through payment of € 40 thousand.

VZ Real Estate S.r.l. – 49% equity interest through Vittoria Immobiliare S.p.A.

In December 2008 Vittoria Immobiliare S.p.A. participated in formation of the property company VZ Real Estate S.r.l., by subscribing 49% of the share capital through payment of € 49 thousand.

Laumor B.V.

Liquidation of the associate Laumor B.V. was terminated in October 2008.

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 total balance sheet assets, deferred costs, and of the main items of revenue.

(€/000)

Assets	Italy		Europe		Rest of the World		Total	
	31/12/2008	31/12/2007	31/12/2008	31/12/2007	31/12/2008	31/12/2007	31/12/2008	31/12/2007
Debt instruments	847,979	805,355	346,303	356,692	31,244	39,532	1,225,526	1,201,579
Equity instruments and OEIC units	47,038	63,299	92,978	111,968	-	-	140,016	175,267
Property (incl. owner-occupied propert	381,771	360,520	-	-	-	-	381,771	360,520
Other assets	545,927	574,271	-	-	-	-	545,927	574,271
Total	1,822,714	1,803,445	439,281	468,660	31,244	39,532	2,293,240	2,311,637

(€/000)

Deferred costs	Italy North		Centre		South and Islands		Total external deferred costs	
	31/12/2008	31/12/2007	31/12/2008	31/12/2007	31/12/2008	31/12/2007	31/12/2008	31/12/2007
Other property, plant and equipment	3,987	3,696	317	283	-	-	4,304	3,979
Other intangible assets	21,417	17,325	20	24	-	-	21,437	17,349
Owner-occupied property	56,553	51,532	1,318	1,347	674	689	58,545	53,568
Total	81,957	72,553	1,655	1,654	674	689	84,286	74,896

(€/000)

Revenue (gross of intersegment eliminations)	Italy North		Centre		South and Islands		Total	
	31/12/2008	31/12/2007	31/12/2008	31/12/2007	31/12/2008	31/12/2007	31/12/2008	31/12/2007
Insurance premiums - direct business	335,371	315,281	224,289	255,505	66,148	57,850	625,808	628,636
Trading and construction profits	4,858	2,342	1,131	4,733	-	-	5,989	7,075
Services and rent income	7,094	6,073	1,749	2,202	-	-	8,843	8,275
Total	347,323	323,696	227,169	262,440	66,148	57,850	640,640	643,986

Specific explanatory notes

Consolidated Balance Sheet

Note 1	31/12/2008	31/12/2007	Change
Goodwill	0	0	0

Note 2	31/12/2008	31/12/2007	Change
Other intangible assets	21,437	17,349	4,088
Other items of property, plant and equipment	4,304	3,979	325
Property	381,771	360,520	21,251

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

The following table shows the breakdown of the items and the changes occurred in the year:

(€/000)

	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 31/12/2007	42,321	153	431	42,905	4,464	10,647	5,389	238	20,738
Acquisitions	6,641	989	0	7,630	355	586	931	60	1,932
Improvement costs	0	0	0	0	0	0	0	0	0
Sales	0	0	0	0	0	-179	-25	-96	-300
Gross carrying amount at 31/12/2008	48,962	1,142	431	50,535	4,819	11,054	6,295	202	22,370
Accumulated Depreciation at 31/12/2007	25,177	0	379	25,556	3,754	8,553	4,268	184	16,759
Depreciation	3,522	0	20	3,542	263	559	702	28	1,552
Decrease of cumulative depreciation due to disposals	0	0	0	0	0	-152	-18	-75	-245
Accumulated Depreciation at 31/12/2008	28,699	0	399	29,098	4,017	8,960	4,952	137	18,066
Net value as at 31/12/2007	17,144	153	52	17,349	710	2,094	1,121	54	3,979
Net value as at 31/12/2008	20,263	1,142	32	21,437	802	2,094	1,343	65	4,304

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. In 2008 the Group decided to adopt SAP as its management information system; SAP is in effect in the real estate segment from January 2009 and its implementation in the insurance segment is in progress.

Property

The following table shows the breakdown of this item:

(€/000)

	31/12/2008	31/12/2007	Change
Owner-occupied property	58,545	53,568	4,977
Property held for trading	68,785	64,181	4,604
Property under construction	254,441	242,771	11,670
Total	381,771	360,520	21,251

- Owner-occupied property

The book value of owner-occupied property at 31 December 2008 includes € 11,031 thousand for property owned by the parent company, € 2,847 thousand for property owned by the subsidiary Vittoria Properties S.r.l., € 2,100 thousand for property owned by Vittoria Immobiliare S.p.A., € 42,266 thousand for property owned by the subsidiary Lauro 2000 S.r.l., and € 301 thousand for property owned by the subsidiary Acacia 2000 S.r.l.

The following table shows the reconciliation of changes occurring during FY08:

(€/000)

Owner-occupied property	31/12/2007	Acquisitions	Improvement costs	Sales	Depreciation	31/12/2008
Gross carrying amount	54,980	1,026	5,797	-1,619	0	60,184
Accumulated depreciation	1,412	0	0	-178	406	1,639
Carrying amount	53,568	1,026	5,797	-1,441	-406	58,545

Depreciation is applied on a straight-line basis during property's estimated useful life of between 30 and 50 years. The appraisals committed to independent experts on almost all of this property have been updated. The current value of owner-occupied property at 31 December 2008 is equal to € 68,570 thousand.

- Property held for trading and property under construction

The following table shows the reconciliation of changes occurring during FY08:

(€/000)

Property	Trading activities	Construction work	Total
Carrying amount as at 31/12/2007	64,181	242,771	306,952
Acquisitions, net of capitalised financial charges	8,203	36,670	44,873
Capitalised financial charges	2,698	5,651	8,349
Revaluations due to work in progress	0	269	269
Sales	-8,992	-33,946	-42,938
Recognised gains	2,695	3,026	5,721
Carrying amount as at 31/12/2008	68,785	254,441	323,226
Other information on inventory			
Inventory expected to be sold after one year	57,718	246,570	304,288
Inventory charged to secure liabilities	24,011	179,112	203,123
Fair value net of costs to sell	72,257	257,110	329,367
Commitments for acquisitions to be settled	0	0	0
Other information on construction work at 31/12/08			
Advances received		10,532	
Guarantee withholdings		5,982	

Please refer to the Report on Operations for details on the principal real estate activities carried out during the year.
The margins recognised on construction in progress, measured according to their percentage of completion, reflect revenues allocated to the pertaining period and discount all revenues from units already pledged for sale and recognised in previous years according to the stage of work progress.

Note 3	31/12/2008	31/12/2007	Change
Reinsurers' share of technical reserves	66,088	97,307	31,219

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

(€/000)

	Direct business		Indirect business		Total carrying amount	
	31/12/2008	31/12/2007	31/12/2008	31/12/2007	31/12/2008	31/12/2007
Non-life reserves	46,635	78,853	589	452	47,224	79,305
Premium reserve	9,403	18,559	66	81	9,469	18,640
Claims reserve	37,232	60,294	523	371	37,755	60,665
Other reserves	-	-	-	-	-	-
Life reserves	18,864	18,002	-	-	18,864	18,002
Reserve for payable amounts	-	21	-	-	-	21
Mathematical reserves	18,841	17,956	-	-	18,841	17,956
Other reserves	23	25	-	-	23	25
Total reinsurers' share of technical reserves	65,499	96,855	589	452	66,088	97,307

Note 4	31/12/2008	31/12/2007	Change
Investments in subsidiaries and associates and interests in joint-ventures	95,653	109,299	-13,646

The breakdown of this item was as follows:

(€/000)

Investments in associates	31/12/2008	31/12/2007
Yam Invest N.V. (*)	65,277	82,248
Laumor B.V.	0	1,943
White Finance S.A	7,443	10,948
Gima Finance S.A	5,164	151
S.In.T. S.p.A.	4,746	4,725
Yarpa. S.p.A.	2,468	2,317
Laumor Holdings S.a.r.l.	8,459	5,852
VP Sviluppo 2015 S.r.l.	40	0
VZ Real Estate S.r.l.	49	0
Sivim S.r.l.	1	20
Rovimmobiliare S.r.l	945	118
Mosaico S.p.A.	148	132
Pama & Partners S.r.l.	785	797
Le Api S.r.l.	88	48
Consorzio Movincom S.c.r.l.	40	0
Total carrying amount	95,653	109,299

(*) Yam Invest N.V. incorporated Yarpa International Holding B.V.

The Group's interest in net income and losses totals € 4,021 thousand (with revaluations of € 6,756 thousand and write-downs for € 2,735 thousand).

The shares of the associated company Mosaico S.p.A. owned by Vittoria Immobiliare have been pledged to Intesa Sanpaolo, as security for the credit lines granted to the associate by the bank.

The change in the line item of € 13,646 thousand reflects all investments and divestments made during the period, as well as the Group's interest in the change of equity of the associates carried at equity, as illustrated in the following table:

	(€/000)
Carrying amount at 31/12/2007	109,299
Acquisitions and subscriptions	11,784
Gima Finance S.A	6,610
Laumor Holdings S.a.r.l.	4,002
VP Sviluppo 2015 S.r.l.	40
VZ Real Estate S.r.l.	49
Rovimmobiliare S.r.l	1,000
Mosaico S.p.A.	43
Consorzio Movincom S.c.r.l.	40
Sales and repayments	-5,405
Yam Invest N.V. (*)	-2,688
Laumor B.V.	-6
White Finance S.A	-2,392
Laumor Holdings S.a.r.l.	-319
Change to equity method measurement	3,829
Yam Invest N.V. (*)	3,927
Laumor B.V.	-62
White Finance S.A	2,607
Gima Finance S.A	-1,597
S.In.T. S.p.A.	21
Yarpa. S.p.A.	202
Laumor Holdings S.a.r.l.	-1,076
Sivim S.r.l.	-19
Rovimmobiliare S.r.l	-173
Mosaico S.p.A.	-27
Pama & Partners S.r.l.	-13
Le Api S.r.l.	39
Dividend distribution	-22,983
Other changes	-871
Carrying amount at 31/12/2008	95,653

(*) Yam Invest N.V. incorporated Yarpa International Holding B.V.

Vittoria Assicurazioni Group prepared its Annual Accounts as at 31 December 2008 fifteen days in advance respect to 2007.
Associates operating in Private Equity sector via investments in closed-end funds, due to technical time required by asset managers in order to prepare half-year reports, prepared their financial statements as at 31 December 2008 without the year end valuations of such funds, today not yet received.
Even in absence of specific negative information about the investments, considering the bearish trend of the financial markets recorded in the exercise, the Parent Company prudentially restated the

financial statements received, assuming that the market value of the funds held by the Associates fell, with respect to the data communicated by asset mangers at HY08, consistently with market indices. Such depreciation influenced, for the relevant quota, Vittoria Assicurazioni Group's results, with a negative impact of € 5,017 thousand.

Note 5	31/12/2008	31/12/2007	Change
Held to maturity investments	104,858	173,106	-68,248
Loans and receivables	44,806	43,593	1,213
Financial assets available for sale	1,160,251	1,096,160	64,091
Financial assets at fair value through profit or loss	74,881	109,214	-34,333

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".

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

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.

(€/000)

	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 31/12/2007	173,106	58,843	13,814	1,023,503	1,096,160	104,244	4,970	1,378,480
Acquisitions and subscriptions	-	4,771	-	214,801	219,572	21,382	798	241,752
Sales and repayments	-69,687	-	-4,762	-136,716	-141,478	-28,815	-816	-240,796
Other changes:								
- effective interest adjustments	1,822	-	-	3,035	3,035	-	-	4,857
- fair value adjustments	-	-7,689	-2,120	10,058	249	-5,089	-170	-5,010
- impairment loss	-	-15,034	-	-	-15,034	-	-	-15,034
- rate changes	-383	-	-478	1,254	776	-3	-1	389
- other changes	-	-2,674	-307	-48	-3,029	-21,619	-	-24,648
Carrying amount at 31/12/2008	104,858	38,217	6,147	1,115,887	1,160,251	70,100	4,781	1,339,990

Loans and receivables

As at 31 December 2008 loans and receivables totalled € 44,806 thousand (€ 43,593 thousand as at 31 December 2007).

As envisaged in IAS 32 – AG7, the item includes the contra entry for commitments to Laumor Holdings S.a.r.l. and Gima Finance S.A. for the payments to be made for financing of the investments that the equity holdings will make in private equity transactions. The parent company's residual commitment at 31 December 2008 is € 18,605 thousand.

The related commitments to the equity holding are recognised under the "Other financial liabilities" discussed in note 17.

In addition to the foregoing, the item is principally comprised of the following:

- loans granted by Vittoria Immobiliare S.p.A. to the indirect associates Mosaico S.p.A., Sivim S.r.l., Rovimmobiliare S.r.l., Pama & Partners S.r.l., VP Sviluppo S.r.l. e VZ Real Estate S.r.l. for a total of € 10,628 thousand;
- loans granted by the parent company to third parties and secured by mortgages for a total of € 3,348 thousand;
- € 3,706 thousand in loans against life insurance policies;
- loans granted to employees and agents of the parent company for € 1,592 thousand;
- € 6,300 thousand in loans granted to other subsidiaries and associates (€ 2,000 thousand to Immobiliare Adamello S.r.l., € 500 thousand to GPA S.p.A. Group and € 3,800 thousand to the company Spefin Finanziaria S.p.A.);
- reinsurance deposit assets for € 404 thousand.

The amount of € 12,387 thousand is collectable after 12 months.

Disclosure concerning fair value

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

(€/000)

Financial assets	Carrying amount	Fair Value
Held to maturity investments	104,858	102,540
Loans and receivables	44,806	44,806
Financial assets available for sale	1,160,251	1,160,251
Financial assets held for trading	4,781	4,781
Financial assets at fair value through profit or loss	70,100	70,100
Total	1,384,796	1,382,478

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. The latter include use of recent transactions and analyses using the discounted cash flow method.

Note 6	31/12/2008	31/12/2007	Change
Receivables relating to direct insurance	144,869	148,612	-3,743

The breakdown of this item was as follows:

(€/000)

Receivables relating to direct insurance	31/12/2008	31/12/2007
Premiums due from policyholders	48,469	53,117
Receivables due from brokers and agents	55,173	53,252
Receivables due from insurance companies - current accounts	12,332	14,018
Amounts to be recovered from policyholders and third parties	28,895	28,225
Total	144,869	148,612

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

Note 7	31/12/2008	31/12/2007	Change
Receivables relating to reinsurance business	6,230	3,502	2,728

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	31/12/2008	31/12/2007	Change
Other receivables	24,038	24,379	-341

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

The most significant sub-item as up to 31 December 2008 consisted of advances of € 5,982 thousand paid by the real estate companies.

Note 9	31/12/2008	31/12/2007	Change
Deferred acquisition costs	8,168	10,173	-2,005

This item includes acquisition costs paid in advance upon signature of long-term insurance contracts.
As at 31 December 2008 € 2,753 thousand referred to the life business and € 5,415 thousand to the non-life business.
The table below shows the changes in the item:

(€/000)

Deferred acquisition costs	Carrying amount
Carrying amount at 31/12/2007	10,173
Portfolio transfers	0
Exchange rate gains or losses	0
Change in consolidation scope	0
Change for the year	-2,005
Carrying amount at 31/12/2008	8,168

Note 10	31/12/2008	31/12/2007	Change
Deferred tax assets	19,196	13,044	6,152

The item included deferred tax assets pertaining to the direct operating parent company (€ 14,204 thousand) and to the real estate and services sector (€ 2,500 thousand), plus those relating to consolidation adjustments (€ 2,492 thousand).

The breakdown of this item was as follows:

(€/000)

Deferred tax assets	31/12/2008
Exchange rate gains or losses	47
Provision for bad debts	2,782
Technical reserves (claims)	8,943
Accruals to the provision for charges	2,094
Adjustments to life insurance liabilities	2,492
Elimination of intragroup profits	273
Tax benefit for property revaluation	2,209
Other	356
Total	19,196

Note 11	31/12/2008	31/12/2007	Change
Current tax assets	34,675	28,843	5,832

The item includes tax receivables of the direct operating parent company of € 14,316 thousand (including tax credits relating to taxes prepaid on the life business mathematical reserves) and VAT receivables totalling € 17,726 thousand of the real estate companies arising from the purchase of buildable areas and property.

Note 12	31/12/2008	31/12/2007	Change
Other assets	4,527	3,290	1,237

The item includes € 360 thousand of deferred commission expenses relating to investment contracts and € 3,692 thousand of prepayments, mainly relating to G&A costs.

Note 13	31/12/2008	31/12/2007	Change
Cash and cash equivalents	97,488	69,267	28,221

The item refers to bank balances of € 97,363 thousand and cash amounts of € 125 thousand.

Note 14	31/12/2008	31/12/2007	Change
Equity attributable to shareholders of the parent	333,846	320,770	13,076
Equity attributable to minority interests	29,246	6,156	23,090

Changes in consolidated equity are detailed in chapter “Statement of Changes in Equity”.
The following table details the breakdown of equity:

(€/000)

BREAKDOWN OF EQUITY	31/12/2008	31/12/2007
Total equity attributable to the shareholders of the parent	333,846	320,770
Share capital	65,766	32,666
Other equity instruments	323	404
Equity-related reserves	31,378	30,518
Income-related and other reserves	207,129	156,008
Translation reserve	-757	45
Fair value reserve	9,888	11,495
Other gains or losses recognised directly in equity	-51	62
Group profit for the year	20,170	89,572
Total equity attributable to minority interests	29,246	6,156
Share capital and reserves attributable to minority interests	29,336	6,249
Minority interests' profit for the year	-90	-93
Total consolidated equity	363,092	326,926

At their meeting on 26 April 2001, shareholders approved the issue of 3,750,000 shares for the purpose of conversion of the “Vittoria Assicurazioni SpA Fixed/Floater 2001/2016 subordinated bond issue convertible into ordinary shares” (ISIN: IT0003184758).
During FY08 conversion continued of the bond loan into parent company shares: 217,017 bonds were converted, for a nominal amount of € 1,041,682.
The direct operating parent company’s share capital consists of 65,766,210fully subscribed and paid-up shares with a nominal value of € 1.00 each.

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

Dividends paid out by the direct operating parent company, shown in the column “Other transfers” in the statement of changes in equity, totalled € 4,872,260 and € 5,553,235 respectively for FYs 2007 and 2008.

Below we provide greater detail on the breakdown of equity as at 31 December 2008:

- “Other equity instruments”: the item, which as at 31 December 2008 amounted to € 323 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 € 81 thousand vs. 31 December 2007 reflects the conversions that took place in the period May-October 2008, as better described in the Directors' Report;

- "Equity reserves": the item refers to the direct operating parent company's share premium reserve of € 31,378 thousand. The increase of € 860 thousand was due to conversion of the convertible bond loan;

- "Earnings reserves and other reserves": the item, which totalled € 207,129 thousand, mainly consisted of:
  - The direct operating parent company's legal reserve = € 6,533 thousand
  - Retained earnings = € 198,281 thousand
  - The reserve for gains or losses on IFRS first-time adoption = 2,315 thousand

- "Fair value reserve": this item includes the net unrealised gains on the fair value measurement of assets available for sale (€ 9,888 thousand, net of the portion attributable to policyholders (shadow accounting) of € 4,581 thousand).

More specifically, changes in the "Fair value reserve" (i.e. gains or losses on available-for-sale financial assets") are detailed in the following table:

(€/000)

A) Net unrealised gains	Gross amount	Tax impact	Net amount
31/12/2007	19,801	3,266	16,535
Decrease due to sales	-547	156	-703
Decrease due to fair value changes	294	1,656	-1,363
Total change for the period/year	-253	1,813	-2,066
31/12/2008	19,548	5,078	14,469

(€/000)

B) Shadow accounting reserve	Gross amount	Tax impact	Net amount
31/12/2007	7,447	2,407	5,040
Change in shadow accounting reserve	-679	-219	-459
31/12/2008	6,768	2,188	4,581

Gains or losses on financial assets AFS (€/000)

Combined effect A) - B)	Gross amount	Tax impact	Net amount
31/12/2007	12,354	859	11,495
Decrease due to sales	-547	156	-703
Decrease due to fair value changes	294	1,656	-1,363
Change in shadow accounting reserve	679	219	459
Total change for the period/year	425	2,032	-1,607
31/12/2008	12,779	2,891	9,888

Losses recognised directly in equity in FY08 of € 1,607 thousand were the result of the reduction of € 2,066 thousand in the reserve for unrealised capital gains on financial assets available for sale, net of the reduction of € 459 thousand in the shadow accounting reserve.

The sum of profits through profit and loss and the losses recognised directly in equity totals € -3,548 thousand, as detailed below:

	€ '000
Gains recognised in profit or loss	20,170
Gains recognised directly in equity	-1,607
Total gains recognised in profit or loss and equity	18,563

The following table, which refers to 31 December 2008, 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.

(€/000)

	Portion pertaining to parent company		Portion pertaining to minority interest	
	Equity excluding year's profit	2008 profit	Equity excluding year's profit	2008 profit
Parent company's financial statements compliant with Italian GAAPs	221,738	37,939		
IFRS adjustments (net of related tax effects)	4,587	4,719	-	-
Parent company's financial statements based on IFRSs	226,325	42,658	-	-
Consolidated companies' equity	221,355	(19,602)	26,162	38
Allocation of consolidation differences and eliminations	28,099	-		
Consolidated companies' carrying value	(151,611)	-		
Minority interest	(3,280)	128	3,280	(128)
Elimination of infragroup profits	(767)	-	(106)	
Profits not yet attributed to life policyholders in the year and in previous years	(10,168)	2,458		
Dividend elimination	3,568	(3,568)		
Deferred taxes on profits not yet attributed to life policyholders in the year and in previous years	1,972	520		
Deferred taxes on consolidated companies' results	(1,817)	(2,424)		
IFRS-compliant consolidated financial statements	313,676	20,170	29,336	(90)

Note 15

	31/12/2008	31/12/2007	Change
Provisions	3,758	4,066	-308

This account refers mainly to the provisions made for € 3,017 thousand in costs for real estate contracts that have yet to be incurred, connected with properties for which closing has already taken place.
The table below shows the changes in the item:

(€/000)

Provisions	31/12/2007	Accruals of the year	Utilisations of the year	31/12/2008
Provision for costs to be incurred	3,317	630	-930	3,017
Other provisions	749	-	-8	741
Total	4,066	630	- 938	3,758

Note 16	31/12/2008	31/12/2007	Change
Technical reserves	1,448,844	1,448,667	177

The following table shows the breakdown of technical reserves.

(€/000)

	Direct business		Indirect business		Total carrying amount	
	31/12/2008	31/12/2007	31/12/2008	31/12/2007	31/12/2008	31/12/2007
Non-life reserves	726,143	705,956	1,045	899	727,188	706,855
Premium reserve	212,873	198,642	106	120	212,979	198,762
Claims reserve	509,496	504,022	939	779	510,435	504,801
Other reserves	3,774	3,292	-	-	3,774	3,292
Life reserves	721,243	741,414	413	398	721,656	741,812
Reserve for payable amounts	21,545	21,836	10	-	21,555	21,836
Mathematical reserves	673,765	691,361	395	388	674,160	691,749
Other reserves	25,933	28,217	8	10	25,941	28,227
Total technical reserves	1,447,386	1,447,370	1,458	1,297	1,448,844	1,448,667

The Premiums reserve includes the unearned premium reserve calculated on a pro rata temporis basis.

The Claims reserve comprises the reserve for reported claims of € 482,310 thousand and the reserve for IBNR claims (claims incurred but not reported) of € 28,125 thousand.

The Non-Life Other reserves consist of the ageing reserve of the Health line.

The Life Other reserves mainly consisted of:

- € 14,478 thousand = reserve for deferred liabilities to policyholders (€ 6,768 thousand of which stemming from fair value measurement of financial assets available for sale and € 7,709 thousand from accrual of subsidiaries' profits allocated to segregated accounts)
- € 11,272 thousand = management expenses.

The Mathematical reserves include a € 104 thousand accrual for interest rate decrease, relating to the Separate Account "Liquinvest".

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 book value of the technical reserves shown in accounts.

Non-Life business

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

(€/000)

Claims Reserve	Carrying amount
Carrying amount at 31/12/2007	504,801
Portfolio transfers	9
Exchange rate gains or losses	0
Change in consolidation scope	0
Change for the year	5,625
Carrying amount at 31/12/2008	510,435

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 Legislative Decree no. 209 of 7 September 2005.

Life business

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

(€/000)

Mathematical Reserves	Carrying amount
Carrying amount at 31/12/2007	691,749
Portfolio transfers	-611
Exchange rate gains or losses	0
Change in consolidation scope	0
Change for the year	-16,978
Carrying amount at 31/12/2008	674,160

Key actuarial assumptions concerning Life technical reserves are detailed below:

(€ '000)

Risk category	Capital sums, annuities	Technical reserves	Year of issue	Technical basis Financial	Demographic
Temporary	7,090,757	91,331	1968 - 1977	4%	SIM 51
			1978 - 1989	4%	SIM 61
			1990 - 1997	4%	SIM 81
			1998 - 2001	3% - 4%	SIM 91
			2001 - 2007	3%	SIM 91 al 70%
			since 2007	3%	SIM91 50% e 70%
Adjustable	25	27	1969 - 1979	3% *	SIM 51
Indexed	24	26	1980 - 1988	3% *	SIM 51
Other types	149	117			
Revaluable	912,522	582,245	1988 - 1989	3% *	SIM 71
			1990 - 1996	4% *	SIM 81
			1997 - 1999	3% *	SIM 91
			since 2000	2% *	SIM 81-91
L.T.C.	101,830	1,062	2001 - 2004	2.5%	(1)
			since 2004	2.5%	(2)
Dread Disease	27	1	since 2003	2.5%	(3)
Pension fund	5,574	5,574	since 1999	----	----
Index-linked	17,427	17,536	since 1997	0%	SIM 91
Unit-linked	46,444	46,451	since 1998	0%	SIM 91
Total ordinary	8,174,779	744,370			
AIL revaluable	11,183	10,407	1986 - 1998	4% *	SIM 51
			1999 - 2004	3% *	SIM 81
Total business lines	8,185,962	754,777			

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

indexed policies: 6.14% adjustable policies: 6.28% AIL revaluable policies: 4.17%

revaluable policies: Vittoria Valore Crescente 4.10% Vittoria Rendimento Mensile 3.99%

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

(2) SIM 91 reduced 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	31/12/2008	31/12/2007	Change
Financial liabilities at fair value through profit or loss	70,100	104,244	-34,144
Other financial liabilities	291,175	284,053	7,122

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 2008.

(€/000)

	Benefits relating to unit-linked and index-linked policies	Benefits relating to pension fund management	Total
Carrying amount at 31/12/2007	100,756	3,488	104,244
Investment of net fund assets	2,252	1,971	4,223
Profits attributable to policyholders	-19,315	-1,080	-20,395
Amounts paid	-19,173	1,201	-17,972
Carrying amount at 31/12/2008	64,520	5,580	70,100

Other financial liabilities

The item includes the direct operating parent company's commitment for payment of € 506 thousand to the associate Laumor Holdings Sarl and of € 18,099 thousand to the associate Gima Finance SA, 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 € 123,347 thousand falling due after more than 12 months – mainly refers to:
- Reinsurance deposits of € 28,258 thousand
- Bank loans issued to the Group's real estate companies for a total of € 240,048 thousand (of which € 140,738 thousand backed by collateral)
- Subordinated liabilities of € 4,264 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 € 4,161,096 following exercise of bond conversion option as up to the end of 31/12/2008;
- Originally consisting of 3,750,000 bonds with a nominal value of € 4.80 each, as at 31/12/2008 866,985 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 2009 and 2010, in the period between 20 May (included) and 30 October (included) of each year. In the years 2011, 2012, 2013, 2014 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 (2 shares for each bond starting from 2009 conversions); the conversion ratio has been increased from 1 to 2 shares for each bond, following the resolution of Extraordinary Meeting of Shareholders of Vittoria Assicurazioni held on 27 April 2008 providing a bonus capital increase of € 32,883,105, with the issue of 32,883,105 ordinary shares, assigned at the rate of 1 new share for each outstanding share.
- 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.

Disclosure concerning fair value

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

(€/000)

Financial liabilities	Carrying amount	Fair Value
Financial liabilities at fair value through profit or loss	70,100	70,100
Other financial liabilities	291,175	291,231
Total	361,275	361,331

In addition to what is illustrated hereinabove, note that the total fair value of the "Other financial liabilities" illustrated in the table refers to the subordinated loan for € 4,320 thousand, the commitment to Laumor Holdings S.a.r.I. and Gima Finance S.A. for a total of € 18,605 thousand, and to reinsurance deposits and loans granted to the real estate companies for € 268,306 thousand. The fair value of the subordinated loan was determined on the basis of market prices for similar instruments.

Note 18	31/12/2008	31/12/2007	Change
Payables arising from direct insurance business	8,226	6,414	1,812

The breakdown of the item was as follows:

(€/000)

Payables arising from direct insurance business	31/12/2008	31/12/2007
Payables to insurance brokers and agents	5,017	2,861
Payables to insurace companies - current accounts	2,439	2,888
Guarantee deposits paid by policyholders	224	193
Payables to guarantee funds in favour of policyholders	546	472
Total	8,226	6,414

Note 19	31/12/2008	31/12/2007	Change
Payables arising from reinsurance business	8,233	9,977	1,744

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	31/12/2008	31/12/2007	Change
Other sums payable	48,244	79,234	-30,990

The breakdown of the item was as follows:

(€/000)

Other sums payable	31/12/2008	31/12/2007
Payments on accounts received by real estate companies for preliminary sales agreements	3,861	573
Trade payables	15,854	11,649
Payables to employees (amounts settled in January 2008 and accruals for untaken holidays)	1,888	1,745
Employee benefits - provisions for termination benefits	5,174	5,563
Policyholders' tax due	10,159	9,185
Sundry tax liabilities (withholdings)	1,211	1,418
Social security charges payable	2,092	2,042
Payables to associate companies	3	6
Sundry payables	8,002	47,053
Total	48,244	79,234

The change in Other sums payable reflects the balance for the acquisition price of the equity investment in the subsidiary Acacia 2000 S.r.l. for € 44,159 thousand.

The other liabilities for employee benefits, particularly health benefits (P.S.) and seniority bonuses (P.A.) are classified in the account "Other liabilities" (note 23).

It is expected that the amount of the reserve for termination benefits (T.F.R.) will be collectible more than 12 months hence.

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).

(€/000)

Changes in defined benefit plans	Post-employment benefits		Other long-term benefits	Total
Charge	Healthcare services	Termination benefits	Seniority bonuses	
Carrying amount at 31/12/2007	1,232	5,563	835	7,630
Accruals	150	2,091	103	2,344
Utilisations	(3)	(2,479)	0	(2,482)
Other changes (exchange rate gains or losses, acquisitions)	0	0	0	0
Carrying amount at 31/12/2008	1,379	5,174	938	7,491

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

(€/000)

Charge	Healthcare services	Termination benefits	Seniority bonuses	Total
Current service cost	134	1,744	51	1,929
Interest	16	206	25	247
Net actuarial gains	0	141	27	168
Total charges	150	2,091	103	2,344

The principal actuarial and financial assumptions made here refer to:
- Inflation rate (assumed to be a constant 2.0% over time)
- Discount rate (assumed to be the euroswap rate, with a duration equal to that of existing staff, with reference to each of the expected benefits payable)
- Corporate service termination from:
    - death (assumptions derived from ISTAT 2000 surveys, reduced by 25%)
    - invalidity
    - resignation and dismissal
    - retirement
- Premium paid to each family for Health Benefits to Executives during Retirement

Note 21	31/12/2008	31/12/2007	Change
Deferred tax liabilities	27,555	22,738	4,817

The account includes deferred tax liabilities allocated to the insurance business for € 9,378 thousand, the real estate and services business for € 4,875 thousand, and to reversals totalling € 13,302 thousand, mainly in regard to fair value adjustment of the assets owned by associates and subsidiaries acquired in the past few years.

The breakdown of the item was as follows:

(€/000)

Deferred tax liabilities	31/12/2008
Alignment with fair value of assets held by investee companies acc	17,128
Deferral of gains on the sale of financial instruments	95
Exchange rate gains or losses	48
Financial assets available for sale	6,311
Derecognition of the catastrophe reserves	1,913
Owner-occupied property	4,305
Dividends	-108
Nettable deferred tax assets (shadow accounting)	-2,188
Other nettable deferred tax assets	51
Total	27,555

Note 22	31/12/2008	31/12/2007	Change
Current tax liabilities	933	2,907	-1,974

This account refers to period income taxes net of tax prepayments.
This payable reflects the options adopted by the parent company as part of the National Tax Consolidation Programme.

Note 23	31/12/2008	31/12/2007	Change
Other liabilities	23,080	22,411	669

This account consists mainly of commissions to be paid on the bonuses being collected at the end of the period and provisions for agency awards totalling € 10,852 thousand, the deferred commission income of € 348 thousand connected with investment contracts, invoices and notes to be received from suppliers totalling € 9,148 thousand, and the liabilities for defined benefits and other long-term employee benefits (health benefits and seniority benefits) for € 2,316 thousand.

Note 24	31/12/2008	31/12/2007	Change
Gross premiums	612,086	601,785	10,301
Ceded premiums for reinsurance	33,202	49,349	-16,147
Amounts paid and change in technical reserves	466,058	463,334	2,724
Reinsurers' share	-21,496	-33,593	12,098

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

(€/000)

	31/12/2008				31/12/2007			
	Non-life business	Life business	Intersegment eliminations	Total	Non-life business	Life business	Intersegment eliminations	Total
NET PREMIUMS	471,043	107,841	-	578,884	420,947	131,489	-	552,436
Gross premiums	501,983	110,103	-	612,086	468,119	133,666	-	601,785
Gross premiums written	516,208	110,103	-	626,311	495,438	133,666	-	629,104
a Direct business	515,706	110,102	-	625,808	494,971	133,665	-	628,636
b Indirect business	502	1	-	503	467	1	-	468
Change in premium reserve	-14,225	-	-	-14,225	-27,319	-	-	-27,319
a Direct business	-14,259	-	-	-14,259	-27,365	-	-	-27,365
b Indirect business	34	-	-	34	46	-	-	46
Ceded premiums	30,940	2,262	-	33,202	47,172	2,177	-	49,349
Gross premiums ceded	30,536	2,262	-	32,798	48,104	2,177	-	50,281
a Outward reinsurance	30,257	2,262	-	32,519	47,833	2,177	-	50,010
b Retrocession	279	-	-	279	271	-	-	271
Change in premium reserve	404	-	-	404	-932	-	-	-932
a Outward reinsurance	383	-	-	383	-969	-	-	-969
b Retrocession	21	-	-	21	37	-	-	37
NET CHARGES RELATING TO CLAIMS	340,128	106,892	-2,458	444,562	300,478	131,181	-1,919	429,740
Amounts paid and change in technical reserves	359,848	108,668	-2,458	466,058	332,250	133,003	-1,919	463,334
Direct business	359,499	108,596	-	468,095	331,912	132,999	-	464,911
Indirect business	349	72	-	421	338	4	-	342
Shadow accounting of investee companies' profits	-	-	-2,458	-2,458	-	-	-1,919	-1,919
Reinsurers' share	19,720	1,776	-	21,496	31,772	1,822	-	33,594
Outward reinsurance	19,431	1,776	-	21,207	31,549	1,822	-	33,371
Retrocession	289	-	-	289	223	-	-	223

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 "Geographical segment reporting (secondary segment)".

Note 25	31/12/2008	31/12/2007	Change
Commission income	1,146	1,763	-617

The item refers to commission income for the period for investment contracts classified as financial liabilities (index- and unit-linked contracts and pension funds).

Note 26	31/12/2008	31/12/2007	Change
Gains or losses on financial instruments at fair value through profit or loss	-43	2	-45
Gains on investments in subsidiaries and associates and interests in joint ventures	9,022	75,974	-66,952
Gains or losses on other financial instruments and investment property	62,564	56,128	6,436
Losses on investments in subsidiaries and associates and interests in joint ventures	-2,978	-287	-2,691
Losses on other financial instruments and investment property	-22,951	-12,942	-10,009

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 € 127 thousand, whilst unrealised income amounted to € -170 thousand (net capital loss).

As regards financial assets designated at fair value through profit or loss – i.e. referring to investment contracts of the index-linked, unit-linked, and pension-fund type – net income recognised in FY08 amounted to € 20,395 thousand, set against losses/charges of the same amount, due to the change in related financial liabilities designated at fair value through profit or loss.

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

Of the net result of investments in subsidiaries, associates, and joint ventures, € 2,218 thousand refer to the capital gain from sale of 35% of participating interest in Acacia 2000 Srl and € 3,828 thousand refer to the share in the year's result of the Group's equity-accounted companies. More

specifically, the share of profits totalled € 6,756 thousand whilst the share of losses amounted to € -2,967 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 (€/000)

	Gains 31/12/08	Gains 31/12/07	Losses 31/12/08	Losses 31/12/07
Investment property	-	-	-	-
Held to maturity investments	5,802	6,451	-	-
Loans and receivables	743	575	-	4
Financial assets available for sale	51,361	45,010	15,255	6,689
Other receivables	343	479	-	-
Cash and cash equivalents	4,315	3,613	-	-
Other financial liabilities	-	-	7,696	6,249
Total	62,564	56,128	22,951	12,942

Note 27	31/12/2008	31/12/2007	Change
Other income	15,609	17,049	-1,800

The following table details the breakdown of this item.

(€/000)

Other income	31/12/08	31/12/07
Trading profits	2,694	6,456
Revenue from construction work in progress	3,295	619
Revenue from services: real estate brokerage	1,927	2,165
Revenue from services: real estate management	103	108
Revenue from services: administration, real estate appraisals and other income	10	30
Revenue from services: insurance commission income with third parties	527	311
Revenue from services: other revenue from services	1,005	591
Rent income	692	858
Technical income on insurance contracts (*)	3,543	3,535
Gains on the sale of property, plant and equipment	1	268
Exchange rate gains	187	-
Incidental non-operating income	504	2,175
Other income	247	293
Total	15,609	17,409

(*) Of which:

- € 33 thousand (€ 206 thousand in 2007) referring to reversal of commissions on cancelled premiums;
- € 3,509 thousand (€ 3,211 thousand in 2007) referring to other technical items, mainly consisting of recovers on knock-for-knock claims settlement costs and ANIA contributions for cars scrapped following claim events;
- € 1 thousand (€ 118 thousand in 2007) of utilisation of bad-debt provision.

Note 28	31/12/2008	31/12/2007	Change
Commission expense	197	650	-453

The item includes commission expense, i.e., acquisition and maintenance costs incurred in FY08 for investment contracts classified as financial liabilities (index-linked, unit-linked and pension funds).

Note 29	31/12/2008	31/12/2007	Change
Commissions and other acquisition costs	122,112	115,584	6,528
Investment management costs	873	801	72
Other administrative costs	28,875	27,407	1,468

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 2008.

(€/000)

Gross commissions and other acquisition costs net of profit participation and other commissions	31/12/08	31/12/07
Acquisition commissions	87,395	91,314
Other acquisition costs	33,229	27,700
Change in deferred acquisition costs	2,005	1,077
Premium collection commissions	8,486	8,987
Profit participation and other commissions received from reinsurers	-9,003	-13,494
Total	122,112	115,584

Personnel expenses, other G&A costs and depreciation & amortisation charges allocated to operating costs totalled € 42,879thousand (€ 38,631 thousand as up to 31/12/2007).

Note 30	31/12/2008	31/12/2007	Change
Other costs	9,479	11,098	-1,619

The breakdown of this item was as shown below:

(€/000)

Other costs	31/12/08	31/12/07
Technical costs on insurance contracts (*)	3,015	3,759
Accruals to the provision for bad debts	-	1,000
Foreign-exchange losses	-	250
Incidental non-operating costs	598	1,663
Annual.depreciation & amortisation	5,533	4,222
Other costs	333	204
Total	9,479	11,098

(*) Of which:

- € 585 thousand (€ 1,671 thousand in 2007) for technical write-offs and losses on unrecoverable premiums and related bad-debt provisioning;
- € 2,430 thousand (€ 2,088 thousand in 2007) for services supporting insurance covers and costs for premiums under litigation.

Note 31	31/12/2008	31/12/2007	Change
Income taxes	15,075	15,724	-649

Of this item, € 19,077 thousand related to current taxes and € 4,002 thousand to deferred taxes. 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 (IRES)			(€/000)
Profit before taxation		35,156	
Permanent differences:			
Non-deductible interest and taxes	1,161		
Non-deductible accruals, costs and expenses	833		
Participating interest impairment	15,038		
Revaluation of associates under the equity method	-3,959		
Benefit from property revaluation	-10,048		
Dividends received	-634		
Tax-exempt capital gains/(losses)	-2,104		
Other captions	-692		
Total Change	-405		
Taxable base		34,751	
Theoretical IRES		9,668	27.50%
Current IRES		9,556	27.18%

Other disclosures

Employees

Employees of Vittoria Assicurazioni and of fully consolidated companies numbered 483 as at 31 December 2008 vs. 463 present as at 31 December 2007.

The average number of in-force employees on the payroll, split by contractual grade, was as follows:

	31/12/2008	31/12/2007
Managers	20	21
Officers	116	108
Administrative staff	346	341
Total	482	470

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.

(€/000)

Type of services rendered	Auditing company	Entities forming part of its network
Independent audit services	365	-
Verifications for issue of attestations	47	-
Other services	30	-

Tax status

Availing itself of the provisions set out in Article 2(44) of Law 350 of 24 December 2003, published in the Official Gazette of 27 December 2003 (the 2004 Italian National Budget Act), the parent company settled its direct and indirect taxes for all fiscal years through 2002, inclusive, except as illustrated below.

Insurance Business

Availing itself of the provisions set out in Article 2(44) of Law 350 of 24 December 2003, published in the Official Gazette of 27 December 2003 (the 2004 Italian National Budget Act), the parent company settled its direct and indirect taxes for all fiscal years through 2002, inclusive. An appeal pending before the Court of Cassation was settled in the Group's favour, regarding a lawsuit over the deductibility of the provision of Mathematical Reserves for the Life Business in FY 1992. In 2008 Vittoria Assicurazioni obtained reversal of the higher taxes assessed by the Italian Inland Revenue and reimbursement of the principal that had been registered on the tax rolls. In early 2009, the parent company obtained reimbursement of the late interest paid until the date of cancellation of the assessment (about € 49,500), which had been recognised as a receivable at the end of FY 2008.

For the financial year that ended on 31 December 2008, the parent company decided to revalue its real estate pursuant to Article 15(20) of Decree Law 285 of 29 November 2005, converted with amendments by Law 2 of 28 January 2009.
For the depreciable and non-depreciable real estate recognised under fixed assets on the financial statements at 31 December 2007 and 31 December 2008, respectively, the statute permits recognition of the higher value for application of IRES (corporate income tax) and IRAP (regional tax), effective in the 2013 tax year (in the event of possible disposal, the recognition is deferred by a

year to 2014) through the payment of a substitute tax, to be paid in a single instalment or, at the taxpayer's discretion, in three instalments.
The substitute tax to be paid is 3% of the recognised gains for depreciable real estate and 1.5% of the recognised gains for non-depreciable real estate.
In regard to these statutory amendments, the parent company decided to revalue its depreciable and non-depreciable real estate for tax purposes and that is attributable to the Non-Life Business, up to the market value indicated in an independent appraisal of those properties.
For additional details on the substitute taxes to be paid, the gains recognised under tax law and the criteria for their accounting, reference is made to the section in these Explanatory Notes dedicated to the comments on specific financial statement accounts.

Real Estate Business
The companies VRG Domus S.r.l. and Vittoria Immobiliare S.p.A. were subjected to tax audits for the 2004 tax year. At the end of these audits, VRG Domus S.r.l. paid the tax authorities € 126 thousand in higher assessed taxes, penalties, and interest, while Vittoria Immobiliare, which has not yet received the notice of assessment, set aside € 128 thousand as tax provisions to cover the charges made in the assessment report.

The Board of Directors

Milan, 12 March 2009

Appendices to Consolidated Financial Statements

FY 2008

Vittoria Assicurazioni S.p.A.
Consolidated financial statements as at 31 December 2008

Consolidation scope

	Country	Method (1)	Business (2)	% of direct holding	% of total investment (3)	% of voting rights in ordinary meetings (4)	% of consolidation
Vittoria Assicurazioni S.p.A.	Italy	G	1				
Vittoria Immobiliare S.p.A.	Italy	G	10	87.24	87.24	-	100.00
Immobiliare Bilancia S.r.l.	Italy	G	10	100.00	100.00	-	100.00
Immobiliare Bilancia Prima S.r.l.	Italy	G	10	100.00	100.00	-	100.00
Immobiliare Bilancia Seconda S.r.l.	Italy	G	10	100.00	100.00	-	100.00
Immobiliare Bilancia Terza S.r.l.	Italy	G	10	100.00	100.00	-	100.00
Lauro 2000 S.r.l.	Italy	G	10	100.00	100.00	-	100.00
Vittoria Properties S.r.l.	Italy	G	10	99.87	99.87	100.00	100.00
Interbilancia S.r.l.	Italy	G	9	97.45	97.45	100.00	100.00
Vittoria Service S.r.l.	Italy	G	11	96.17	96.17	100.00	100.00
Acacia 2000 S.r.l.	Italy	G	10	56.71	56.71	65.00	100.00
Gestimmobili S.r.l.	Italy	G	11	69.79	69.79	80.00	100.00
Interimmobili S.r.l.	Italy	G	11	69.79	69.79	80.00	100.00
V.R.G. Domus S.r.l	Italy	G	10	44.49	44.49	51.00	100.00
Vaimm Sviluppo S.r.l.	Italy	G	10	44.49	44.49	51.00	100.00
Forum Mondadori Residenze S.r.l.	Italy	G	10	61.07	61.07	70.00	100.00
Cadorna Real Estate S.r.l.	Italy	G	10	61.07	61.07	70.00	100.00
Valsalaria S.r.l.	Italy	G	10	44.49	44.49	51.00	100.00
Aspevi S.r.l.	Italy	G	11	97.45	97.45	100.00	100.00
Vittoria.Net S.r.l.	Italy	G	11	97.45	97.45	100.00	100.00
Jannozzi S.r.l.	Italy	G	10	100.00	100.00	100.00	100.00

(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.

Vittoria Assicurazioni S.p.A.
Consolidated financial statements as at 31 December 2008

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
Yam Invest N.V.	Holland	9	c	18.75	18.75	-	65,277
White Finance S.A	Luxembourg	9	b	32.17	32.17	-	7,443
S.In.T. S.p.A.	Italy	11	b	48.19	48.19	-	4,746
Yarpa S.p.A.	Italy	9	b	20.91	20.91	-	2,468
Laumor Holdings S.a.r.l.	Luxembourg	9	b	29.00	29.00	-	8,459
Gima Finance S.A.	Luxembourg	9	b	32.13	32.13	-	5,164
Sivim S.r.l.	Italy	10	b	-	43.18	49.50	1
Rovimmobiliare S.r.l	Italy	10	b	-	43.62	50.00	945
Mosaico S.p.A.	Italy	10	b	-	21.81	25.00	148
Pama & Partners S.r.l.	Italy	10	b	-	21.81	25.00	785
Le Api S.r.l.	Italy	11	b	-	29.23	30.00	88
Consorzio Movincom S.c.r.l.	Italy	11	b	0.98	39.35	39.37	40
VP Sviluppo 2015 S.r.l.	Italy	10	b	-	34.90	40.00	40
VZ Real Estate S.r.l.	Italy	10	b	-	42.75	49.00	49

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

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

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

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

Vittoria Assicurazioni S.p.A.
Consolidated financial statements as at 31 December 2008

Balance sheet by business and business line

(€/000)

		Non-life business		Life business		Real estate business		Service business		Intersegment eliminations		Total	
		31/12/08	31/12/07	31/12/08	31/12/07	31/12/08	31/12/07	31/12/08	31/12/07	31/12/08	31/12/07	31/12/08	31/12/07
1	INTANGIBLE ASSETS	20,320	16,830	440	183	675	331	2	5	0	0	21,437	17,349
2	PROPERTY, PLANT AND EQUIPMENT	14,959	15,787	0	0	331,726	309,318	32	36	39,358	39,358	386,075	364,499
3	REINSURERS' SHARE OF TECHNICAL RESERVES	47,223	79,306	18,865	18,001	0	0	0	0	0	0	66,088	97,307
4	INVESTMENTS	778,703	773,763	841,902	885,502	13,074	3,686	228	148	-153,458	-131,727	1,480,449	1,531,372
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	190,074	196,083	56,070	43,083	2,178	1,217	128	48	-152,797	-131,132	95,653	109,299
4.3	Held to maturity investments	10,858	47,280	94,000	125,826	0	0	0	0	0	0	104,858	173,106
4.4	Loans and receivables	18,606	37,472	16,233	4,496	10,628	2,220	0	0	-661	-595	44,806	43,593
4.5	Financial assets available for sale	559,165	492,928	600,718	602,883	268	249	100	100	0	0	1,160,251	1,096,160
4.6	Financial assets at fair value through profit or loss	0	0	74,881	109,214	0	0	0	0	0	0	74,881	109,214
5	OTHER RECEIVABLES	139,619	130,226	19,209	27,470	20,332	22,173	416	471	-4,439	-3,847	175,137	176,493
6	OTHER ASSETS	30,530	21,511	9,923	11,582	24,555	21,443	401	155	1,157	659	66,566	55,350
6.1	Deferred acquisition costs	5,415	6,679	2,753	3,494	0	0	0	0	0	0	8,168	10,173
6.2	Other assets	25,115	14,832	7,170	8,088	24,555	21,443	401	155	1,157	659	58,398	45,177
7	CASH AND CASH EQUIVALENTS	26,558	23,254	16,785	14,135	51,520	30,009	2,625	1,869	0	0	97,488	69,267
	TOTAL ASSETS	1,057,912	1,060,677	907,124	956,873	441,882	386,960	3,704	2,684	-117,382	-95,557	2,293,240	2,311,637
1	EQUITY											363,092	326,926
2	PROVISIONS	741	741	0	0	3,017	3,325	0	0	0	0	3,758	4,066
3	TECHNICAL RESERVES	727,188	706,855	713,947	731,644	0	0	0	0	7,709	10,168	1,448,844	1,448,667
4	FINANCIAL LIABILITIES	30,557	71,052	90,670	124,328	240,048	192,917	0	0	0	0	361,275	388,297
4.1	Financial liabilities at fair value through profit or loss	0	0	70,100	104,244	0	0	0	0	0	0	70,100	104,244
4.2	Other financial liabilities	30,557	71,052	20,570	20,084	240,048	192,917	0	0	0	0	291,175	284,053
5	PAYABLES	43,017	40,468	5,765	4,787	17,367	52,425	2,282	2,387	-3,728	-4,442	64,703	95,625
6	OTHER LIABILITIES	22,787	18,482	4,793	8,023	11,580	9,718	574	63	11,834	11,770	51,568	48,056
	TOTAL EQUITY AND LIABILITIES											2,293,240	2,311,637

Income statement by business and business line

(€/000)

		Non-life business		Life business		Real estate business		Service business		Intersegment eliminations		Net gains and costs/losses	
		31/12/08	31/12/07	31/12/08	31/12/07	31/12/08	31/12/07	31/12/08	31/12/07	31/12/08	31/12/07	31/12/08	31/12/07
1.1	Net premiums	471,043	420,947	107,841	131,489	0	0	0	0	0	0	578,884	552,436
1.1.1	*Gross premiums*	501,982	468,119	110,104	133,666	0	0	0	0	0	0	612,086	601,785
1.1.2	*Ceded premiums*	30,939	47,172	2,263	2,177	0	0	0	0	0	0	33,202	49,349
1.2	Commission income	0	0	1,146	1,763	0	0	0	0	0	0	1,146	1,763
1.3	Gains or losses on remeasurement of financial instruments at fair value through profit or loss	0	0	-43	2	0	0	0	0	0	0	-43	2
1.4	Gains on investments in subsidiaries and associates and interests in joint ventures	7,921	77,840	2,412	2,924	2,279	16	39	33	-3,629	-4,839	9,022	75,974
1.5	Gains on other financial instruments and investment property	26,147	22,816	34,421	31,901	1,963	1,402	54	46	-21	-37	62,564	56,128
1.6	Other income	5,225	4,365	234	815	9,967	12,058	5,139	4,383	-4,956	-4,212	15,609	17,409
1	TOTAL REVENUE	510,336	525,968	146,011	168,894	14,209	13,476	5,232	4,462	-8,606	-9,088	667,182	703,712
2.1	Net charges relating to claims	340,127	300,478	106,893	131,181	0	0	0	0	-2,458	-1,919	444,562	429,740
2.1.2	*Amounts paid and change in technical reserves*	359,848	332,250	108,668	133,003	0	0	0	0	-2,458	-1,919	466,058	463,334
2.1.3	*Reinsurers' share*	-19,721	-31,772	-1,775	-1,822	0	0	0	0	0	0	-21,496	-33,594
2.2	Commission expense	0	0	197	650	0	0	0	0	0	0	197	650
2.3	Losses on investments in subsidiaries and associates and interests in joint ventures	2,747	188	0	0	231	99	0	0	0	0	2,978	287
2.4	Losses on other financial instruments and investment property	8,362	7,377	8,497	1,356	6,099	4,239	14	6	-21	-36	22,951	12,942
2.5	Operating costs	124,024	111,767	20,473	25,063	7,534	6,953	4,700	4,220	-4,871	-4,211	151,860	143,792
2.6	Other costs	8,233	8,962	338	138	890	1,906	18	49	0	43	9,479	11,098
2	TOTAL COSTS	483,493	428,772	136,398	158,388	14,754	13,197	4,732	4,275	-7,350	-6,123	632,027	598,509
	PROFIT FOR THE YEAR BEFORE TAXATION	26,843	97,196	9,613	10,506	-545	279	500	187	-1,256	-2,965	35,155	105,203

Breakdown of financial assets

(€/000)

	Held to maturity investments		Loans and receivables		Financial assets available for sale		Financial assets at fair value through profit or loss				Total carrying amount	
							Financial assets held for trading		Financial assets at fair value through profit or loss			
	31/12/08	31/12/07	31/12/08	31/12/07	31/12/08	31/12/07	31/12/08	31/12/07	31/12/08	31/12/07	31/12/08	31/12/07
Equity and derivative instruments measured at cost	0	0	0	0	18,160	13,888	0	0	0	0	18,160	13,888
Equity instruments at fair value	0	0	0	0	20,057	44,955	0	0	5,155	6,116	25,212	51,071
of which listed	0	0	0	0	12,755	38,065	0	0	5,155	6,116	17,910	44,181
Debt securities	104,858	173,106	0	0	1,115,887	1,023,503	4,781	4,970	26,744	34,570	1,252,270	1,236,149
of which listed	99,575	163,136	0	0	1,115,887	1,023,502	4,781	4,970	26,744	34,570	1,246,987	1,226,178
OEIC units	0	0	0	0	6,147	13,814	0	0	33,272	52,525	39,419	66,339
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	404	426	0	0	0	0	0	0	404	426
Financial asset portion of insurance contracts	0	0	0	0	0	0	0	0	0	0	0	0
Other loans and receivables	0	0	25,797	13,924	0	0	0	0	0	0	25,797	13,924
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	18,605	29,243	0	0	0	0	4,929	11,033	23,534	40,276
Total	104,858	173,106	44,806	43,593	1,160,251	1,096,160	4,781	4,970	70,100	104,244	1,384,796	1,422,073

Vittoria Assicurazioni S.p.A.
Consolidated financial statements as at 31 December 2008

Financial and investment gains and losses/costs

(€/000)

		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 FY2008	Net gains and costs/losses FY2007
								Valuation capital gains	Write-backs	Valuation capital losses	Write-downs			
Investments		57,296	10,461	3,442	1,930	6,030	60,215	1,105	0	18,029	15,034	-31,958	28,257	119,058
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	9,022	2,978	0	0	6,044	0	0	0	0	0	6,044	75,687
c	Held to maturity investments	5,802	0	0	0	0	5,802	0	0	0	0	0	5,802	6,451
d	Loans and receivables	739	0	0	0	0	739	4	0	0	0	4	743	571
e	Financial assets available for sale	48,963	1,063	0	1,335	221	51,140	0	0	0	15,034	-15,034	36,106	38,321
f	Financial assets held for trading	97	0	0	30	0	127	187	0	357	0	-170	-43	2
g	Financial assets at fair value through profit or loss	1,695	376	464	565	5,809	-3,637	914	0	17,672	0	-16,758	-20,395	-1,974
Other receivables		343	0	0	0	0	343	0	0	0	0	0	343	479
Cash and cash equivalents		4,315	0	0	0	0	4,315	0	0	0	0	0	4,315	3,613
Financial liabilities		-7,696	0	0	0	0	-7,696	0	0	-20,395	0	20,395	12,699	-4,275
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	-20,395	0	20,395	20,395	1,974
c	Other financial liabilities	-7,696	0	0	0	0	-7,696	0	0	0	0	0	-7,696	-6,249
Payables		0	0	0	0	0	0	0	0	0	0	0	0	0
Total		54,258	10,461	3,442	1,930	6,030	57,177	1,105	0	-2,366	15,034	-11,563	45,614	118,875

Breakdown of technical reserves

(€/000)

	Direct business		Indirect business		Total carrying amount	
	31/12/08	31/12/07	31/12/08	31/12/07	31/12/08	31/12/07
Non-life reserves	**726,143**	**705,956**	**1,045**	**899**	**727,188**	**706,855**
Premium reserve	212,873	198,642	106	120	212,979	198,762
Claims reserve	509,496	504,022	939	779	510,435	504,801
Other reserves	3,774	3,292	0	0	3,774	3,292
of which posted following liability adequacy testing	0	0	0	0	0	0
Life reserves	**721,243**	**741,414**	**413**	**398**	**721,656**	**741,812**
Reserve for payable amounts	21,545	21,836	10	0	21,555	21,836
Mathematical reserves	673,765	691,361	395	388	674,160	691,749
Technical reserves where investment risk is borne by policyholders and reserves arising from pension fund managment	0	0	0	0	0	0
Other reserves	25,933	28,217	8	10	25,941	28,227
of which posted following liability adequacy testing	0	0	0	0	0	0
of which deferred liabilities to policyholders	14,478	17,615	0	0	14,478	17,615
Total technical reserves	1,447,386	1,447,370	1,458	1,297	1,448,844	1,448,667

Breakdown of reinsurers' share of technical reserves

(€/000)

	Direct business		Indirect business		Total carrying amount	
	31/12/08	31/12/07	31/12/08	31/12/07	31/12/08	31/12/07
Non-life reserves	**46,635**	**78,855**	**589**	**452**	**47,224**	**79,307**
Premium reserve	9,403	18,559	66	81	9,469	18,640
Claims reserve	37,232	60,296	523	371	37,755	60,667
Other reserves	0	0	0	0	0	0
Life reserves	**18,864**	**18,000**	**0**	**0**	**18,864**	**18,000**
Reserves for payable amounts	0	20	0	0	0	20
Mathematical reserves	18,841	17,956	0	0	18,841	17,956
Technical reserves where investment risk is borne by policyholders and reserves arising from pension fund management	0	0	0	0	0	0
Other reserves	23	24	0	0	23	24
Total reinsurers' share of technical reserves	**65,499**	**96,855**	**589**	**452**	**66,088**	**97,307**

Breakdown of financial liabilities

(€/000)

	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					
	31/12/08	31/12/07	31/12/08	31/12/07	31/12/08	31/12/07	31/12/08	31/12/07
Participating non-equity instruments	0	0	0	0	0	0	0	0
Subordinated liabilities	0	0	0	0	4,264	5,261	4,264	5,261
Liabilities from financial contracts issued by insurers arising from:	0	0	70,100	104,244	0	0	70,100	104,244
Contracts where policyholders bear investment risk	0	0	64,520	100,756	0	0	64,520	100,756
Pension-fund management	0	0	5,580	3,488	0	0	5,580	3,488
Other contracts	0	0	0	0	0	0	0	0
Deposits received from reinsurers	0	0	0	0	28,258	56,632	28,258	56,632
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	240,048	192,917	240,048	192,917
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	18,605	29,243	18,605	29,243
Total	0	0	70,100	104,244	291,175	284,053	361,275	388,297

Detail of insurance technical items

(€/000)

		31/12/08			31/12/07		
		Gross amount	Reinsurer's share of amount	Net amount	Gross amount	Reinsurers' share of amount	Net amount
Non-life business							
NET PREMIUMS		501,982	30,939	471,043	468,119	47,172	420,947
a	Premiums written	516,207	30,535	485,672	495,438	48,104	447,334
b	Change in premiums reserve	14,225	-404	14,629	27,319	932	26,387
NET CLAIMS COSTS		359,848	19,721	340,127	332,250	31,772	300,478
a	Amounts paid	359,973	35,373	324,600	299,408	40,138	259,270
b	Change in claims reserves	5,577	-15,987	21,564	42,421	-8,230	50,651
c	Change in recoveries	6,184	-335	6,519	10,089	136	9,953
d	Change in other technical reserves	482	0	482	510	0	510
Life business							
NET PREMIUMS		110,104	2,263	107,841	133,666	2,177	131,489
NET CLAIMS COSTS		108,668	1,775	106,893	133,003	1,822	131,181
a	Amounts paid	125,289	912	124,377	82,803	6,483	76,320
b	Change in reserve for amounts to be paid	-280	-21	-259	1,066	0	1,066
c	Change in mathermatical reserves	-17,199	885	-18,084	42,822	-4,653	47,475
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	858	-1	859	6,312	-8	6,320

Breakdown of insurance operating costs

(€/000)

		Non-life business		Life business	
		31/12/08	31/12/07	31/12/08	31/12/07
Gross commissions and other acquisition costs		117,743	110,256	17,458	21,517
a	Acquisition commissions	80,068	79,619	10,421	14,140
b	Other acquisition costs	29,356	23,099	4,865	4,851
c	Change in deferred acquisition costs	1,264	270	741	807
d	Premium collection commissions	7,055	7,268	1,431	1,719
Profit participation and other commissions received from reinsurers		-8,581	-12,962	-422	-532
Investment management costs		428	381	445	420
Other administrative costs		14,434	14,092	2,992	3,658
Total		124,024	111,767	20,473	25,063

Vittoria Assicurazioni S.p.A.
Consolidated financial statements as at 31 December 2008

Breakdown of property, plant and equipment and intangible assets

(€/000)

	At cost	Deemed cost or fair value	Total carrying amount
Investment property	-	-	-
Other property	381,771	-	381,771
Other items of property, plant a	4,304	-	4,304
Other intangible assets	21,437	-	21,437

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

(€/000)

	Unit- and index-linked benefits		Benefits relating to pension-fund management		Total	
	31/12/08	31/12/07	31/12/08	31/12/07	31/12/08	31/12/07
On-balance sheet assets	64,520	100,756	5,580	3,488	70,100	104,244
Infragroup assets *	0	0	0	0	0	0
Total assets	64,520	100,756	5,580	3,488	70,100	104,244
On-balance sheet liabilities	64,520	100,756	5,580	3,488	70,100	104,244
On-balance sheet technical reserves	0	0	0	0	0	0
Infragroup liabilities*	0	0	0	0	0	0
Total Liabilities	64,520	100,756	5,580	3,488	70,100	104,244

* Assets and liabilities eliminated in consolidation process

Management Attestation

Società per Azioni
Via Caldera, 21 - 20153 Milano, Italia
Tel. 02.48219.1 - Fax 02.48203693
Casella Post. n. 14356 - 20140 Milano
www.vittoriaassicurazioni.com

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

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 2008-31 December 2008.

It is also attested that consolidated annual financial statements as at 31 December 2008:

a) Having been prepared in compliance with the International Financial Reporting Standards adopted by the European Union pursuant to EC Regulation no. 1606/2002;

b) Match corporate books and accounting records;

c) 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, 12 March 2009

Roberto Guarena
Managing Director

Mario Ravasio
Corporate Financial Reporting Manager

Cap. Soc. Euro 65.766.210,00 int. vers.
P.IVA, Cod. Fisc. e Reg. Imp. Milano
n. 01329510158 - Iscritta all'Albo
Imprese di Assicurazione e
Riassicurazione Sez. I
n. 1.00014 - Capogruppo del
Gruppo Vittoria Assicurazioni iscritto
all'Albo dei Gruppi Assicurativi n. 008

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, which comprise the balance sheet, the income statement, the statement of changes in shareholders' equity, the cash flow statement and the related notes of Vittoria Assicurazioni and its subsidiaries (the "Vittoria Assicurazioni Group") as at and for the year ended December 31st, 2008. These financial statements, prepared in accordance with International Reporting Standards as adopted by the European Union and the Regulation issued to implement art. 90 of Legislative Decree n. 209/2005, 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 and criteria 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, 2008 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, 2008 comply with the International Financial Reporting Standards adopted by European Community governing their preparation, and with the regulation issued to implement art. 90 of Legislative Decree n. 209/2005; therefore they are clearly stated and give a true and fair view of the financial position, the results of operations, the changes in the shareholders' equity and the cash flows of Vittoria Assicurazioni Group for the year then ended.

4. The Directors of Vittoria Assicurazioni S.p.A. are responsible for the preparation of the Report on Operations in accordance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the Report on Operations with the consolidated financial statements, as required by art. 156, paragraph 4-bis, letter d), of the Legislative Decree 58/98. For this purpose, we have performed the procedures required under Auditing Standard n. 001 issued by the Italian Accounting Profession (CNDCEC) and recommended by CONSOB. In our opinion the Report on Operations is consistent with the consolidated financial statements of Vittoria Assicurazioni Group as of December 31st, 2008.

Milan, April 7th , 2009

BDO Sala Scelsi Farina
Società di Revisione per Azioni

Signed: Paolo Scelsi
(Director)