

# Vittoria Assicurazioni

SOCIETÀ PER AZIONI  
REGISTERED OFFICES: 20153 MILAN - VIA CALDERA, 21 - ITALY  
SHARE CAPITAL EURO 30,345,790 FULLY PAID-UP  
FISCAL CODE AND MILAN COMPANIES REGISTER  
NO. 01329510158 - REA NO. 54871  
COMPANY AUTHORISED TO CARRY OUT INSURANCE ACTIVITIES  
PURSUANT TO ARTICLE 65 OF LEGISLATIVE DECREE NO. 966  
OF 29 APRIL 1923

## Consolidated quarterly report at 30 September 2006

Board of directors' meeting  
held on 9 November 2006



in accordance with Consob resolution no. 11971 of 14 May 1999 as modified and integrated by resolution no. 14990 of 14 April 2005

Please note that the original report is in Italian. In case of doubt the Italian version prevails.

This page intentionally left blank

## Table of contents

	Page
Company bodies and officers	4
Powers	6
Report format and content	7
Accounting policies	7
The Vittoria Assicurazioni Group and scope of consolidation	8
<hr/>	
<b>Directors' Report</b>	<b>10</b>
Performance of Vittoria Assicurazioni Group	10
Review of operations	12
Premiums	12
Life business	14
Premiums	14
Claims, accrued capital sums and annuities, and surrenders	14
Reinsurance	14
Non-Life business	15
Premiums and technical performance	15
Claims	15
Reinsurance	17
Commercial organisation	18
Products	18
Technical reserves	19
Overhead costs	20
Operating costs	22
Employees	22
Investments – cash & cash equivalents - property	23
Investments for which Group bears risk	24
Investments for which policyholders bear risk and connected with pension fund management	24
Change in securities	25
Investments in property	26
Financial liabilities	27
Gains and losses on investments	28
Other revenues	29
Equity	30
Events after quarter-end	31
Consolidated income statement	32
Consolidated income statement by business segment	33
Breakdown of main insurance captions	34
Reclassified income statement of parent company	35

---

**BOARD OF DIRECTORS**

---

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

---

**BOARD OF STATUTORY AUDITORS**

---

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

---

**GENERAL MANAGEMENT**

---

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

---

**INDEPENDENT AUDITOR**

---

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

\* Co-opted in the Board of Directors on 9 November 2006

---

**APPOINTMENTS AND REMUNERATION COMMITTEE**

---

Luca PAVERI FONTANA	Non-executive president
Francesco BAGGI SISINI	Independent non-executive member
Arnaud HELLOUIN de MENIBUS	Independent non-executive member

---

**INTERNAL CONTROL COMMITTEE**

---

* Pietro Carlo MARSANI	Independent non-executive president
Francesco BAGGI SISINI	Independent non-executive member
Giorgio COSTA	Independent non-executive member

---

**FINANCE COMMITTEE**

---

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

---

**REAL ESTATE COMMITTEE**

---

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

\* President appointed by the Board of Directors on 8 September 2006

In accordance with CONSOB (the Italian securities & exchange commission) communication no. 97001574 of 20 February 1997 and given that the company by-laws delegate to the Chairman of the Board of Directors powers of legal representation of the company for transactions with third parties and in court and, with the approach established by the Board of Directors, to the Deputy Chairman and Managing Director, a brief description is provided below of the nature of the powers given by the Board of Directors (\*), to be exercised on a disjoined basis, to:

The DEPUTY CHAIRMAN Carlo Acutis  
and to the MANAGING DIRECTOR

- Purchase, exchange and sell buildings up to a maximum of € 10 (ten) million per transaction.
- Stipulate tender contracts and sign projects and specifications related to the company's buildings.
- Purchase and sell, without any limit on the amount, government securities or securities guaranteed by the government, non-convertible bonds and similar securities and units in CIUs (collective investment undertakings) that mainly invest in bonds.
- Purchase and sell, give and carry over shares, convertible bonds, investments in companies and bodies, units of closed-end funds and credit instruments in general up to a maximum of € 10 (ten) million, reduced to € 5 (five) million when the investments and divestments relate to investments in insurance companies or other companies with a corporate purpose directly related or functional to that business. The right to purchase and sell majority investments in other companies and bodies is in any case the prerogative of the Board of Directors, except for those transactions involving real estate companies within the limit of € 10 million per transaction.
- Purchase and sell units of CIUs, excluding closed-end funds, that invest in the equity segment, up to the maximum amount of € 15 (fifteen) million.
- Purchase and sell, without any limit on amount, debt and equity securities for the benefit of life policyholders who bear related risk and those arising from pension fund management.
- Grant loans and financing up to the amount of € 5 (five) million in all other cases, with the right to agree on all guarantees, including mortgages.

The right to issue sureties and liens on behalf of third parties is in any case the prerogative of the Board of Directors except for those for lease contracts related to the company's normal operations.

(\*) Powers assigned by the Board of Directors on 29 April 2004.

## Report format and content

The consolidated quarterly interim report for the quarter ending on 30 September 2006, which has been prepared in accordance with IFRSs, is presented in compliance with Article 82 of the Implementation Regulation of Italian Legislative Decree no. 59 of 24/2/1998 concerning the regulation of issuers, adopted by the CONSOB with its resolution no. 11971 of 14 May 1999 as subsequently amended and supplemented.

The report, prepared in accordance with Annex 3D of the aforesaid resolution, consists of a directors' report, which comments on the group's performance and the main events in the period, the interim financial statements and related notes.

In addition to the consolidated income statement and the income statement by business segment, it has been deemed appropriate also to include the parent company's reclassified income statement, drawn up in compliance with Italian GAAPs, in order to provide greater information on insurance operating performance.

Unless otherwise indicated, figures in this report are expressed in thousands of euro (€ '000).

## Accounting policies

The rules for preparation and accounting policies adopted for the preparation of the consolidated quarterly interim report as at 30 September 2006 are consistent with those used for the annual consolidated financial statements. Accordingly, reference should be made to the "Accounting policies" section of the Consolidated Annual Report for the year ending on 31 December 2005. Nevertheless, given the faster presentation required than in the case of annual financial statements and since this is an interim report, use has been made – consistently with the period's operating data – of appropriate estimation methods.

## The Vittoria Assicurazioni Group and scope of consolidation

The changes involving the Group as up to 30 September were as follows:

### Scope of consolidation:

- **Vittoria Immobiliare SpA:** subscription by the parent company of € 3,926 thousand for its portion of the company's capital increase, of which € 536 thousand via conversion of the amount paid in for future capital increases in 2005 and € 3,390 thousand via fresh financial resources.
- **Vittoria Service S.r.l.:** foundation of the dedicated real estate and insurance advisory services company with an outlay of € 80 thousand, of which 70% pertaining to the parent company and 30% to the subsidiary Vittoria Immobiliare SpA.
- **Immobiliare Bilancia S.r.l.:** repayment to quotaholders, by the subsidiary, of the quota premium reserve for a total amount of € 16,000 thousand, of which € 15,625 thousand pertaining to the parent company.
- **Yafra Sas:** subscription by the parent company of 55.0% of the French vehicle, set up jointly with the associate company Yarpa International Holding NV, with an outlay of € 86 thousand. The vehicle, a limited partnership, owns 5% of the French real-estate limited partnership Cogedim Office Partners Sas.
- **Lauro 2000 S.r.l.:** purchase of 100% of the company, owner of a buildable area in Milan (the Portello area) with a total outlay of € 66,937 thousand, of which € 11,597 thousand paid in October.

### Unconsolidated investments:

- **Mosaico SpA.:** purchase of 25% of the real estate company, via Vittoria Immobiliare SpA, with an outlay of € 175 thousand.
- **White Finance SA:** payment of € 4,526 thousand by the parent company as an increase of the share premium reserve.
- **S.In.T. SpA:** purchase of a further 33.4% of the company, increasing ownership to 48.19%, with an outlay of € 4,387 thousand. Following this transaction, the investment in the company is now classified among investments in associate companies.



## Investments included in the scope of consolidation

The following companies are consolidated on a 100% line-by-line basis:

Name	Registered location	Share/quota capital - €	% Ownership		
			Direct	Indirect	Through
Vittoria Assicurazioni SpA	Milan	30,345,790			
Vittoria Immobiliare SpA	Milan	12,200,000	87.24%		
Immobiliare Bilancia Srl	Milan	2,000,000	97.66%		
Immobiliare Bilancia Prima Srl	Milan	2,000,000	100.00%		
Immobiliare Bilancia Seconda Srl	Milan	1,000,000	100.00%		
Immobiliare Bilancia Terza Srl	Milan	100,000	100.00%		
Lauro 2000 Srl	Milan	100,000	100.00%		
Yafra Sas	Paris France	37,000	55.00%		
Vittoria Properties Srl	Milan	4,000,000	99.00%	1.00%	
Interbilancia Srl	Milan	80,000	80.00%	20.00%	Vittoria Immobiliare SpA
Vittoria Service Srl	Milan	80,000	70.00%	30.00%	
Gestimmobili Srl	Milan	104,000		80.00%	
Interimmobili Srl	Rome	104,000		80.00%	Vittoria Immobiliare SpA
V.R.G. Domus Srl	Turin	1,000,000		51.00%	
Parco Fidenae Srl	Rome	50,000		51.00%	
Aspevi Srl	Milan	10,400		100.00%	
Vittoria.Net Srl	Milan	10,400		100.00%	Interbilancia Srl
Aspeca Srl in liquidazione	Milan	10,000		80.00%	

## Unconsolidated investments

The following companies are booked at equity:

Name	Registered location	Share/quota capital - €	% Ownership		
			Direct	Indirect	Through
Yarpa International Holding NV	Amsterdam Netherlands	675,000	25.00%		
Laumor BV	Amsterdam Netherlands	20,000	25.00%		
White Finance SA	Luxembourg	1,000,000	32.17%		
S.In.T. SpA	Turin	1,000,000	48.19%		
Gimatrading Srl	Turin	10,400		35.00%	
Sivim Srl	Milan	60,000		49.50%	Vittoria Immobiliare SpA
Rovimmobiliare Srl	Rome	20,000		50.00%	
Mosaico SpA	Turin	500,000		25.00%	
Le Api Srl	Milan	10,400		30.00%	Interbilancia Srl

All technical insurance data shown in the various tables in the report on performance, refer to Vittoria Assicurazioni SpA, which is the Group's only insurance company.

# Directors' Report

## Performance of the Vittoria Assicurazioni Group

The consolidated net profit attributable to parent company shareholders amounted to € 27,242 thousand in the first nine months of 2006 (9M06) as opposed to € 33,380 thousand in the same period in the previous year (9M05) (i.e. -18.4%).

As already foretold in the midyear interim report as at 30 June 2006, the improvement in insurance business reported as up to 30 September was set against a reduction in income in the real estate business. This was due to the different type of activities currently underway, prevalently concerning development and promotion operations (i.e. with a medium-/long-term horizon) rather than trading (with a short-term horizon). This means that related income will emerge later, over a longer time span.

Investments - which amounted to a total of € 1,574,643 thousand, of which € 115,465 thousand relating to investments for which risk is borne by policyholders and € 1,459,178 thousand to investments for which risk is borne by the Group – showed an increase of 5.7% vs. 31 December 2005.

Net gains for investments for which risk is borne by the Group amounted to € 56,193 thousand vs. € 77,191 thousand in 9M05.

Profit attributable to parent company shareholders is net of a technical accrual of € 1,541 thousand supplementing Life technical reserves, since the subsidiaries Vittoria Immobiliare SpA and Immobiliare Bilancia S.r.l. are partly allocated to segregated Life asset accounts. Given this, part of the related income recognised by the parent company in consolidated accounts has to be rebated to policyholders.

Equity attributable to parent company shareholders amounted to € 218,672 thousand whilst minority interest amounted to € 6,266 thousand.

During the current financial year the option to convert the subordinated loan into parent company shares became exercisable. As at 30 September 2006, following conversion applications, share capital had increased from € 30,000,000 to € 30,345,790.

In view of performance in the period and of the various positive income items, it is deemed reasonable to confirm for the current financial years consolidated ROE in the region of 16%, calculated on equity net of the reserve for unrealised capital gains recognised directly in equity due to application of IFRSs.

For the nine months ending on 30 September 2006 the parent company Vittoria Assicurazioni SpA showed a net profit – as per Italian accounting standards (Italian GAAPs) – of € 23,476 thousand (€ 15,295 thousand in the same period of 2005), with an increase of 53.5%. This result benefited from dividends distributed by foreign associate companies totalling € 7,250 thousand, of which € 5,000 thousand referring to profits already reported in previous years' consolidated accounts.

## **INSURANCE BUSINESS**

Profit for the insurance business, before taxes and intersegment eliminations, amounted to €44,905 thousand (€ 27,578 thousand in 9M05). The key operating items contributing to the period's result are described below.

Total insurance premiums in 9M06 amounted to € 399,469 thousand (+2.0% vs. premiums of € 391,517 thousand in 9M05), of which € 387,328 thousand for insurance premiums and € 12,141 thousand for index- and unit-linked investment contracts and for the Vittoria Formula Lavoro open-ended pension fund.

Premiums for direct Life business, which do not include policies classified as financial instruments (i.e. investment contracts), amounted to € 68,231 thousand, decreasing by -15.1%. The reduction is due to a time lag in the acquisition of new contracts.

Direct Non-Life (i.e. property & casualty) insurance premiums increased by +3.5%. Specifically:

- Motor premiums progressed by 2.5% (Land motor TPL +1.8%; Ship (sea, lake, and river) TPL +17.9%, Land vehicle hulls +4.6%; and Assistance +23.9%)
- Premiums for other non-marine insurance (which excludes the specialty categories, i.e. marine & transport, aviation, and credit & suretyship) grew by 9.1% whilst those of specialty categories decreased by -11.0%.

## **REAL-ESTATE BUSINESS**

Profit for the insurance business, before taxes and intersegment eliminations, amounted to € 7,645 thousand (€ 42,980 thousand in 9M05) and featured contributors to the income statement that, before intersegment eliminations, included:

- Income earned on properties from trading (€ 11,814 thousand) and development (€ 319 thousand) totalling € 12,133 thousand
- Revenues from real estate brokerage and management services of € 2,019 thousand and rental income of € 906 thousand.

The Group's share of associate companies' profit amounted to € 12,895 thousand (€ 4,224 thousand in 9M05). These profits, recognised in the Non-Life segment in the income statement by business segment, mainly relate to the results of real estate companies.

## **SERVICE BUSINESS**

Revenues for services rendered in 9M06 by Group companies, before elimination of intercompany services, amounted to € 2,648 thousand. These revenues included € 2,173 thousand for commissions and services rendered to the parent company and € 475 thousand for revenues from third parties.

This segment showed a profit, before tax and minority interest, of € 30 thousand (€ 102 thousand in 9M05).

## Review of operations

### Premiums

In consolidated accounts premiums are shown net of index- and unit-linked contracts and those relating to the open-ended pension fund Vittoria Formula Lavoro, since under IFRS 4 these revenues – which amounted to € 12,141 thousand (€ 3,082 thousand in 9M05) – are not considered to be insurance premiums.

Premiums collected in 9M06 thus amounted to € 387,328 thousand. The following table shows portfolio mix and changes occurring by insurance segment (Life and Non-Life (property & casualty)).

#### COMPARISON BETWEEN GROSS PREMIUMS WRITTEN IN FIRST 9 MONTHS OF 2006 AND 2005 DIRECT AND INDIRECT BUSINESS

(€ '000)

	First 9 months 30/09/06	First 9 months 30/09/05	YoY change %	% of total book	
				2006	2005
<b>Domestic direct business</b>					
<b>Life business</b>					
I Whole- and term life	40,298	43,680	-7.7	10.4	11.3
IV Health (long-term care)	229	214	7.0	0.1	0.1
V Capitalisation	27,704	36,430	-24.0	7.2	9.4
<b>Total Life business</b>	<b>68,231</b>	<b>80,324</b>	<b>-15.1</b>	<b>17.6</b>	<b>20.7</b>
<b>Non-Life business</b>					
Accident	17,479	15,846	10.3	4.5	4.1
Health	5,124	5,200	-1.5	1.3	1.3
Fire and natural events	15,175	14,208	6.8	3.9	3.7
Miscellaneous damage	9,812	9,028	8.7	2.5	2.3
General TPL (third-party liability)	15,635	15,197	2.9	4.0	3.9
Pecuniary losses	8,328	6,659	25.1	2.2	1.7
Legal protection	1,552	889	74.6	0.4	0.2
<b>Total non-marine lines (exc. specialty and motor)</b>	<b>73,105</b>	<b>67,027</b>	<b>9.1</b>	<b>18.9</b>	<b>17.3</b>
Railway rolling stock	2	2	0.0	0.0	0.0
Aircraft hulls	1,550	2,821	-45.1	0.4	0.7
Marine hulls	318	287	10.8	0.1	0.1
Cargo insurance	1,326	1,607	-17.5	0.3	0.4
Aviation TPL	160	323	-50.5	0.0	0.1
Bond insurance	5,655	5,089	11.1	1.5	1.3
<b>Total specialty lines</b>	<b>9,011</b>	<b>10,129</b>	<b>-11.0</b>	<b>2.3</b>	<b>2.6</b>
Third-party motor liability	193,028	189,634	1.8	49.8	48.8
Third-party marine liability	323	274	17.9	0.1	0.1
Motor vehicle hulls	39,949	38,202	4.6	10.3	9.8
Support and assistance	2,589	2,089	23.9	0.7	0.5
<b>Total motor lines</b>	<b>235,889</b>	<b>230,199</b>	<b>2.5</b>	<b>60.9</b>	<b>59.3</b>
<b>Total Non-Life business</b>	<b>318,005</b>	<b>307,355</b>	<b>3.5</b>	<b>82.1</b>	<b>79.1</b>
<b>Total direct business</b>	<b>386,236</b>	<b>387,679</b>	<b>-0.4</b>	<b>99.7</b>	<b>99.8</b>
<b>Domestic indirect business</b>					
Life business	2	11	-81.8	0.0	0.0
Non-Life business	1,090	745	46.3	0.3	0.2
<b>Total indirect business</b>	<b>1,092</b>	<b>756</b>	<b>44.4</b>	<b>0.3</b>	<b>0.2</b>
<b>Grand Total</b>	<b>387,328</b>	<b>388,435</b>	<b>-0.3</b>	<b>100.0</b>	<b>100.0</b>

Premiums relating solely to the third quarter of 2006 (3Q06) are instead shown in the following table:

		(€ '000)
		3Q 2006
		Gross premiums written
Direct domestic business	Life	17,613
	Non-Life - non-marine (exc. specialty and motor)	21,765
	Non-Life - specialty	2,688
	Non-Life - motor	71,764
	<b>Total</b>	<b>113,830</b>
Indirect domestic business	<b>Total</b>	<b>438</b>
<b>Grand total</b>		<b>114,268</b>

Revenues in the quarter for investment contracts (index-/unit-linked policies and the open-ended pension fund Vittoria Formula Lavoro) totalled € 4,727 thousand.

The table below shows the geographical spread of agencies and geographical breakdown of direct domestic business.

(€ '000)					
Region	Agencies (no.)	Non-Life business		Life business	
		Premiums	%	Premiums	%
<b>NORTH</b>					
Emilia Romagna	22	23,920		3,858	
Friuli Venezia Giulia	3	4,185		779	
Liguria	9	12,656		716	
Lombardy	59	83,776		31,979	
Piedmont	25	22,579		2,274	
Trentino Alto Adige	4	5,138		515	
Valle d'Aosta	1	1,421		112	
Veneto	22	23,320		4,225	
<b>Total</b>	<b>145</b>	<b>176,995</b>	<b>55.7</b>	<b>44,458</b>	<b>65.2</b>
<b>CENTRE</b>					
Abruzzo	7	12,882		1,478	
Latium	23	48,624		12,210	
Marches	8	5,530		857	
Tuscany	20	26,870		2,609	
Umbria	10	13,425		1,966	
<b>Total</b>	<b>68</b>	<b>107,331</b>	<b>33.8</b>	<b>19,120</b>	<b>28.0</b>
<b>SOUTH (mainland &amp; islands)</b>					
Basilicata	2	3,018		373	
Calabria	2	2,175		94	
Campania	6	6,108		2,482	
Apulia	4	8,766		942	
Sardinia	1	3,746		77	
Sicily	7	9,866		685	
<b>Total</b>	<b>22</b>	<b>33,679</b>	<b>10.6</b>	<b>4,653</b>	<b>6.8</b>
<b>Grand total</b>	<b>235</b>	<b>318,005</b>	<b>100.0</b>	<b>68,231</b>	<b>100.0</b>

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

## Life business

### Premiums

Direct premiums written in 9M05 amounted to € 68,231 thousand (€ 80,324 thousand in 9M05), of which € 36,962 thousand for single premiums and € 31,269 thousand for annual premiums, respectively accounting for 54.2% and 45.8% of the total.

Direct premiums written in 3Q06 amounted to € 17,613 thousand (€ 30,212 thousand in 3Q05), of which € 8,277 thousand for single premiums and € 9,336 thousand for annual premiums, respectively accounting for 47.0% and 53.0% of the total.

### Claims, accrued capital sums & annuities, and surrenders

The comparison relating to claims, accruals and surrenders relating both to the third quarter and the first 9 months of the year is summarised in the following table:

	(€ '000)	
	30/09/06	30/09/05
<b>Third quarter</b>		
Claims	705	875
Accrued capital sums & annuities	8,108	8,629
Surrenders	4,118	3,241
<b>Total</b>	<b>12,931</b>	<b>12,745</b>
<b>First 9 months</b>		
Claims	2,094	1,759
Accrued capital sums & annuities	25,920	28,617
Surrenders	12,889	11,976
<b>Total</b>	<b>40,903</b>	<b>42,352</b>

### Reinsurance

#### Outward reinsurance

In the Life business, for Class I (whole-life and term insurance), the main treaties in place are as follows:

- Surplus reinsurance
- Pure commercial premiums ceded in FYs 1996 and 1997.

In 3Q06 ceded premiums amounted to € 347 thousand for a total in 9M06 of € 1,995 thousand.

#### Inward reinsurance

In the Life business there is a traditional treaty no longer active that merely records changes occurring in the portfolio concerned.

## Non-Life business

### Premiums and technical performance

Direct premiums written in 9M06 amounted to € 318,005 thousand (€ 307,355 thousand in 9M05) and featured an increase of 3.5% YoY.

Direct premiums written in 3Q06 amounted to € 96,217 thousand (€ 92,871 thousand in 3Q05).

The total technical result, net of financial income attributable to the investments covering technical reserves, was positive and in line with that of 9M05. More specifically, below we show data for the various categories of lines:

#### Non-Marine Lines (exc. Specialty and Motor)

Non-marine premiums increased by 9.1% and continued to increase their weight in the parent company's book. The technical result is overall positive, with a reduction due to a significant increase of peak claims in some lines, albeit set against a reduction of frequency.

#### Specialty lines

Premiums in the Specialty category decreased by -11.0% in 9M06 mainly because of a sharp decrease in subscription of aviation contracts. The overall technical result was negative.

#### Motor lines

These lines featured 2.5% growth of premiums written, thanks above all to development of ancillary TPL risks and notwithstanding significant reform of the book in higher risk segments. The positive technical result showed tangible improvement over that of 9M05 thanks to the reduction in claims frequency and to the slight reduction in average costs.

## Claims

### Reported claims

The following tables concerning reported claims have been prepared based on the data of positions opened in the period in question. Data are compared with those of the same period in the previous FY:

	First 9 Months - 2006		First 9 Months - 2005		% Change	
	Number	Total cost	Number	Total cost	Number	Total cost
Accident	4,368	13,720	3,791	10,427	15.2	31.6
Health	2,363	2,469	2,721	2,811	-13.2	-12.2
Fire and natural elements	4,051	9,044	2,369	7,102	71.0	27.3
Other property damage	5,453	8,663	6,395	8,981	-14.7	-3.5
General TPL (third-party liability)	5,977	15,303	7,021	14,293	-14.9	7.1
Pecuniary losses	110	220	185	361	-40.5	-39.1
Legal protection	159	104	69	53	130.4	96.2
<b>Total Non-Marine</b>	<b>22,481</b>	<b>49,523</b>	<b>22,551</b>	<b>44,028</b>	<b>-0.3</b>	<b>12.5</b>
Aircraft hulls	11	878	10	673	10.0	30.5
Ship hulls (sea, lake and river)	11	72	10	70	10.0	2.9
Cargo insurance	269	1,956	318	1,024	-15.4	91.0
Aviation TPL	7	122	22	34	-68.2	258.8
Bond insurance	81	3,705	120	2,297	-32.5	61.3
<b>Total Specialty</b>	<b>379</b>	<b>6,733</b>	<b>480</b>	<b>4,098</b>	<b>-21.0</b>	<b>64.3</b>
Third-party motor liability	45,889	128,519	46,316	130,105	-0.9	-1.2
Third-party marine liability	26	91	39	133	-33.3	-31.6
Motor vehicle hulls	13,755	23,844	12,260	23,399	12.2	1.9
Support and assistance	5,613	746	4,172	392	34.5	90.3
<b>Total Motor</b>	<b>65,283</b>	<b>153,200</b>	<b>62,787</b>	<b>154,029</b>	<b>4.0</b>	<b>-0.5</b>
<b>Total Non-Life</b>	<b>88,143</b>	<b>209,456</b>	<b>85,818</b>	<b>202,155</b>	<b>2.7</b>	<b>3.6</b>

The following table summarises claims reported in 3Q06:

	3Q 2006	
	Number	Total Cost
Total Non-Marine	7,524	14,984
Total Specialty	127	2,228
Total Motor	23,105	46,593
<b>Total Non-Life</b>	<b>30,756</b>	<b>63,805</b>

#### Claims settled

In 3Q06 claims paid for direct business and the amount charged to reinsurers amounted to € 56,141 thousand and to € 8,302 thousand respectively.

The total amount in 9M06 of claims settled, broken down according to the period to which they refer, is summarised in the following table:

	Claims settled			Claims recovered from re-insurers	Sinistri pagati			Chg. In gross claims %
	First 9 months - 2006				First 9 months - 2005			
	Current FY	Previous FYs	Total		Current FY	Previous FYs	Total	
Accident	1,315	4,748	6,063	358	1,192	5,292	6,484	-6.5
Health	1,213	2,279	3,492	-	1,275	1,206	2,481	40.8
Fire and natural elements	2,883	4,949	7,832	691	2,605	2,685	5,290	48.1
Other property damage	3,470	3,080	6,550	53	3,656	1,877	5,533	18.4
General TPL (third-party liability)	1,866	7,295	9,161	234	1,748	9,123	10,871	-15.7
Pecuniary losses	91	37	128	-	35	28	63	103.2
Legal protection	-	9	9	8	-	-	-	n.v.
<b>Total Non-Marine</b>	<b>10,838</b>	<b>22,397</b>	<b>33,235</b>	<b>1,344</b>	<b>10,511</b>	<b>20,211</b>	<b>30,722</b>	<b>8.2</b>
Aircraft hulls	599	996	1,595	1,417	-	896	896	78.0
Ship hulls (sea, lake and river)	9	46	55	6	3	32	35	57.1
Cargo insurance	215	483	698	311	119	248	367	90.2
Bond insurance	782	2,091	2,873	1,451	1,564	6,423	7,987	-64.0
<b>Total Specialty</b>	<b>1,605</b>	<b>3,616</b>	<b>5,221</b>	<b>3,185</b>	<b>1,686</b>	<b>7,599</b>	<b>9,285</b>	<b>-43.8</b>
Third-party motor liability	46,373	94,347	140,720	27,909	46,263	88,321	134,584	4.6
Third-party marine liability	26	115	141	-	26	163	189	-25.4
Motor vehicle hulls	9,743	8,294	18,037	353	8,655	7,901	16,556	9.0
Support and assistance	694	271	965	845	353	251	604	59.8
<b>Total Motor</b>	<b>56,836</b>	<b>103,027</b>	<b>159,863</b>	<b>29,107</b>	<b>55,297</b>	<b>96,636</b>	<b>151,933</b>	<b>5.2</b>
<b>Total Non-Life</b>	<b>69,279</b>	<b>129,040</b>	<b>198,319</b>	<b>33,636</b>	<b>67,494</b>	<b>124,446</b>	<b>191,940</b>	<b>3.3</b>

The cost includes the amount incurred in 9M06 for the contribution to the guarantee fund for road-accident victims. This totalled € 4,619 thousand vs. € 4,512 thousand in 9M05.



## 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 market featuring high ratings.

The main treaties in place are the following:

<b>Non-life business</b>	<b>Type of treaty</b>
Accident	Pure premium for general aviation
Aircraft hulls	Pure premium for flight risks
	Pure premium for general aviation
Goods in transit	Voluntary-mandatory
Fire and natural elements	Excess claims
Motor TPL	Pure premium
	Excess claims
Aviation TPL	Pure premium for general aviation
General TPL	Excess claims
	Pure premium for general aviation
Suretyship	Pure premium
Legal expenses	Pure premium

### Inward reinsurance

Acceptance of inward reinsurance risks mainly arises from participation in syndications and from business concerning Aircraft hulls – flight risks.

Ceded and retroceded premiums in 3Q06 amounted to € 17,199 thousand for a total, in 9M06 of € 53,126 thousand.

## Commercial organisation

As part of the agency network expansion programme, during 3Q06 3 new agencies were set up and one was reorganised. As at 30 September 2006 the parent company was therefore present in Italy with 235 general agencies and 307 professional sub-agencies.

## Products

Work continued on the creation of new products and on revamping of existing products. More specifically, as at 30 September the situation was as follows:

### New Products

#### Life business:

- “Vittoria Formula Index Milan 2006”: life, single-premium index-linked policy directly linked to the S&P MIB market index
- “Vittoria Formula Equilibrio”: term life insurance policy with constant annual premium that provides for return of part of the premiums paid if the insured party is alive at the end of the contract
- “Vittoria Formula Futuro”: education insurance policy with merit bonus
- “Prodotto CQS”: a product covering loans granted to pensioners

#### Non-Life business

- “Prodotto Incendio ed R.C. della Proprietà”: a property damage and TPL policy combined with mortgages issued by a bank
- “Formula Navigare Più”: a policy making it possible to recover the entire sum insured in the case of loss of a vessel and to be reimbursed and compensated in the case of assistance or rescue
- “Vittoria Formula Impiego”: new coverage has been initiated for the risk of non-receipt of salary in relation to loans given to employees
- “Polizza postuma decennale indennitaria” and “Polizza fideiussoria a garanzia degli anticipi”: these policies (“10-year posthumous indemnity” and “Surety policy for down payments”) relate to the obligations envisaged by Italian Law 210/2004 to protect property buyers.

### Revamped Products

#### Non-Life business:

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

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

## Technical reserves

Technical reserves, gross of reinsurers' share were as shown in the following table:

### Breakdown of technical reserves

(€ '000)

	Direct business		Indirect business		Total carrying value	
	30/09/06	31/12/05	30/09/06	31/12/05	30/09/06	31/12/05
<b>Non-Life reserves</b>	<b>607,953</b>	<b>585,481</b>	<b>1,948</b>	<b>2,208</b>	<b>609,901</b>	<b>587,689</b>
Premiums reserve	160,619	164,084	300	342	160,919	164,426
Claims reserve	444,722	419,078	1,648	1,866	446,370	420,944
Other reserves of which reserves posted following liability adequacy testing	2,612 -	2,319 -	- -	- -	2,612 -	2,319 -
<b>Life reserves</b>	<b>684,201</b>	<b>670,311</b>	<b>577</b>	<b>577</b>	<b>684,778</b>	<b>670,888</b>
Reserve for amounts payable	12,231	24,069	14	14	12,245	24,083
Mathematical reserves	633,561	598,193	551	551	634,112	598,744
Technical reserves where investment risk is borne by policyholders and reserves arising from pension fund management	-	-	-	-	-	-
Other reserves of which reserves posted following liability adequacy testing of which deferred liabilities to policyholders	38,409 - 34,781	48,049 - 44,489	12 - -	12 - -	38,421 - 34,781	48,061 - 44,489
<b>Total Technical Reserves</b>	<b>1,292,154</b>	<b>1,255,792</b>	<b>2,525</b>	<b>2,785</b>	<b>1,294,679</b>	<b>1,258,577</b>

Of deferred liabilities to policyholders, € 22,161 thousand stems from measurement at fair value of available-for-sale securities and € 12,620 thousand from provisioning made against subsidiaries' profits allocated to the segregated asset accounts.

Reinsurers' share of technical reserves is detailed in the following table:

### Breakdown of reinsurers' share of technical reserves

(€ '000)

	Direct business		Indirect business		Total carrying value	
	30/09/06	31/12/05	30/09/06	31/12/05	30/09/06	31/12/05
<b>Non-Life reserves</b>	<b>106,512</b>	<b>115,751</b>	<b>1,389</b>	<b>1,637</b>	<b>107,901</b>	<b>117,388</b>
Premiums reserve	28,055	39,006	221	271	28,276	39,277
Claims reserve	78,457	76,745	1,168	1,366	79,625	78,111
Other reserves	-	-	-	-	-	-
<b>Life reserves</b>	<b>24,872</b>	<b>25,918</b>	<b>-</b>	<b>-</b>	<b>24,872</b>	<b>25,918</b>
Reserve for amounts payable	21	21	-	-	21	21
Mathematical reserves	24,818	25,858	-	-	24,818	25,858
Technical reserves where investment risk is borne by policyholders and reserves arising from pension fund management	-	-	-	-	-	-
Other reserves	33	39	-	-	33	39
<b>Reinsurers' total share of technical reserves</b>	<b>131,384</b>	<b>141,669</b>	<b>1,389</b>	<b>1,637</b>	<b>132,773</b>	<b>143,306</b>

## Overhead costs

### Insurance Business

#### Overhead costs

In 9M06 the total amount of insurance overhead costs – consisting of personnel costs, various general expenses, plus depreciation of tangible assets and amortisation of intangible assets – rose to € 40,008 thousand vs. € 38,276 thousand in 9M05, increasing by 4.5%.

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.

The following table details the breakdown of costs by nature, gross of infragroup costs:

(€ '000)

COST BREAKDOWN - direct insurance	First 9 months 2006	First 9 months 2005	Change
Personnel costs	21,511	20,581	4.5%
Other costs	14,643	14,495	1.0%
Depreciation & amortisation	3,854	3,200	20.4%
<b>Total overhead costs</b>	<b>40,008</b>	<b>38,276</b>	<b>4.5%</b>

Other costs mainly consist of office running costs, IT costs, legal and legal-entity expenses, mandatory contributions, and association membership dues.

Overhead costs are equivalent to 10.0% of total insurance premiums (9.8% in 9M05).

The following table shows the breakdown of operating costs, claims costs, and other costs by function, together with YoY changes.

(€ '000)

COST BREAKDOWN BY FUNCTION	First 9 months 2006	First 9 months 2005	Change
Other acquisition expenses	14,298	13,171	8.6%
Claims costs	7,739	7,092	9.1%
Other administrative costs	14,377	14,958	-3.9%
Investment management costs	592	652	-9.2%
Other costs	3,002	2,403	24.9%
<b>Total costs by function</b>	<b>40,008</b>	<b>38,276</b>	<b>4.5%</b>

## Real Estate Business – Service Business

The overhead costs of the Real Estate and Service businesses, before intersegment eliminations, are shown in the following tables.

Personnel costs and general expenses are allocated to operating expenses (and specifically to “Other administrative costs”). Depreciation and amortisation costs allocated to the “Other costs” item in the income statement.

### REAL ESTATE BUSINESS

(€ '000)

<b>COST BREAKDOWN</b>	<b>First 9 months 2006</b>	<b>First 9 months 2005</b>	<b>Change</b>
Personnel costs	1,989	2,252	-11.7%
Other costs	4,703	5,264	-10.7%
Depreciation & amortisation	186	180	3.3%
<b>Total overhead costs</b>	<b>6,878</b>	<b>7,696</b>	<b>-10.6%</b>

### SERVICE BUSINESS

(€ '000)

<b>COST BREAKDOWN</b>	<b>First 9 months 2006</b>	<b>First 9 months 2005</b>	<b>Change</b>
Personnel costs	446	521	-14.4%
Other costs	2,163	2,834	-23.7%
Depreciation & amortisation	18	14	28.6%
<b>Total overhead costs</b>	<b>2,627</b>	<b>3,369</b>	<b>-22.0%</b>

## Operating costs

The following table shows the total amount of insurance operating costs (Non-Life and Life) as reported in the income statement by business segment.

(€ '000)

	Non-Life Business		Life Business	
	First 9 months 2006	First 9 months 2005	First 9 months 2006	First 9 months 2005
<b>Gross commissions and other acquisition costs</b>	<b>73,177</b>	<b>66,938</b>	<b>5,659</b>	<b>6,763</b>
a Acquisition commissions	48,782	48,710	1,768	1,858
b Other acquisition expenses	17,749	15,696	2,251	2,987
c Change in deferred acquisition costs (DAC)	708	-1,607	600	605
d Premium collection commissions	5,938	4,139	1,040	1,313
<b>Profit and other commissions received from reinsurers</b>	<b>-14,075</b>	<b>-6,954</b>	<b>-306</b>	<b>-293</b>
<b>Investment management expenses</b>	<b>285</b>	<b>315</b>	<b>307</b>	<b>337</b>
<b>Other administrative expenses</b>	<b>11,267</b>	<b>12,072</b>	<b>3,293</b>	<b>3,541</b>
<b>Total</b>	<b>70,654</b>	<b>72,371</b>	<b>8,953</b>	<b>10,348</b>

## Employees

As at 30 September 2006 Vittoria Assicurazioni and fully consolidated companies had 466 employees vs. 462 as at 31 December 2005 and 455 as at 30 September 2005.

The average number of employees on the payroll, split by contractual category, and calculated on an active in-force basis, was as follows:

	30/09/06	30/09/05	31/12/05
Managers	21	21	21
Officers	102	95	96
Administrative staff	343	330	332
<b>Total</b>	<b>466</b>	<b>446</b>	<b>449</b>

## Investments – Cash & cash equivalents - Property

As at 30 September 2006 investments, cash & cash equivalents, and property had reached a value of € 1,574,643 thousand with an increase of € 84,221 thousand vs. 31/12/2005, i.e. +5.7%. The detailed breakdown is shown in the following table:

(€ '000)

	30/09/06	31/12/05	Change
<b>INVESTMENTS - CASH &amp; CASH EQUIVALENTS - PROPERTY</b>			
<b>Investment property</b>	-	-	-
- Investments in subsidiaries	-	-	
- Investments in associates	45,884	31,477	
- Investments in joint ventures	-	-	
<b>Investments in subsidiaries, associates, and joint ventures</b>	<b>45,884</b>	<b>31,477</b>	<b>45.8%</b>
- Reinsurance deposits	608	618	
- Other loans and receivables	11,470	16,244	
<b>Loans and receivables</b>	<b>12,078</b>	<b>16,862</b>	<b>-28.4%</b>
A <b>Held-to-maturity investments</b>	<b>148,170</b>	<b>71,687</b>	<b>106.7%</b>
- Shares and quotas	64,797	69,593	
- Units in CIUs	8,971	8,744	
- Bonds and other fixed-income securities	948,112	983,470	
B <b>Available-for-sale financial assets</b>	<b>1,021,880</b>	<b>1,061,807</b>	<b>-3.8%</b>
- Investments for which policyholders bear risk	115,465	122,758	
- Investments for which Group bears risk measured at fair value through profit or loss	-	-	
C <b>Financial assets at fair value through profit or loss</b>	<b>115,465</b>	<b>122,758</b>	<b>-5.9%</b>
- Shares and quotas held for trading	-	-	
- CIU units held for trading	-	-	
- Bonds and other fixed-income securities held for trading	3,303	1,607	
- Other financial assets held for trading	-	-	
D <b>Financial assets held for trading</b>	<b>3,303</b>	<b>1,607</b>	<b>105.5%</b>
<b>Financial assets at fair value through profit or loss</b>	<b>118,768</b>	<b>124,365</b>	<b>-4.5%</b>
<b>Cash &amp; cash equivalents</b>	<b>74,836</b>	<b>75,016</b>	<b>-0.2%</b>
Property under construction	106,507	35,056	
Property held for trading	30,842	58,458	
Owner-occupied property	15,678	15,694	
E <b>Property</b>	<b>153,027</b>	<b>109,208</b>	<b>40.1%</b>
<b>TOTAL INVESTMENTS</b>	<b>1,574,643</b>	<b>1,490,422</b>	<b>5.7%</b>
of which			
Investments with risk borne by Group	1,459,178	1,367,664	6.7%
Investments with risk borne by policyholders	115,465	122,758	-5.9%

### Investments with risk borne by Group

Investments with risks borne by the Group totalled € 1,459,178 thousand (€ 1,367,664 thousand as at 31 December 2005).

Transactions taking place during 9M06 were as follows:

#### A) Held-to-maturity investments:

- Repayment of bonds for a total of € 95 thousand
- Purchased of Italian fixed-rate government bonds for € 74,896 thousand.

#### B) Available-for-sale financial assets:

- Repayment of bonds for a total of € 47,069 thousand
- Sale of floating-rate bonds for € 12,037 thousand with a capital loss of € 9 thousand
- Purchase of Italian fixed-rate government bonds for € 37,649 thousand
- Partial redemption of closed-end property funds for € 91 thousand
- Cash-in of € 100 thousand for partial distribution of reserves of the company Marina Srl
- Impairment with a € 41-thousand write-down of the investment in Rita Srl due to alignment with value agreed and subsequent sale of quotas, in 3Q06, for € 12 thousand.

#### D) Financial assets held for trading

- Acquisitions for € 2,242 thousand coming from redemptions and non-subscription of policies pursuant to Article 41, paragraph 2, of Italian Legislative Decree no. 209 of 7 September 2005
- Repayment of bonds for € 535 thousand with capital gains of € 7 thousand.

### Investments benefiting Life policyholders who bear related risk and those arising from pension fund management (Section C. of previous table)

As at 30 September 2006 these investments amounted to € 115,465 thousand, with a decrease of -5.9% YoY. Of this amount € 113,247 thousand related to unit- and index-linked policies and € 2,218 thousand to the open-ended pension fund Vittoria Formula Lavoro. There was a positive total net return of € 6,680 thousand.

The value of investments in securities amounted to € 113,446 thousand (€ 116,312 thousand as at 31 December 2005) with a decrease of -2.5% YoY.

Their breakdown was as shown in the following table:

	(€ '000)		
	30/09/06	31/12/05	Change %
Equities	6,057	5,544	9.3
Mutual funds and SICAV	81,684	75,442	8.3
Bonds and other fixed-income securities	7,853	2,593	202.9
Synthetic stocks (index-linked)	17,853	32,733	-45.5
<b>Total</b>	<b>113,446</b>	<b>116,312</b>	<b>-2.5</b>



As at 30 September 2006 the status of the three segments of Vittoria Assicurazioni's open-ended pension fund was as follows:

	Members		Assets	
			(€ '000)	
	30/09/06	31/12/05	30/09/06	31/12/05
Previdenza Garantita (guaranteed)	23	25	258	269
Previdenza Equilibrata (balanced)	29	30	286	272
Previdenza Capitalizzata (capitalised)	106	110	1,600	1,381

### Change in securities

The following table shows the cumulative change in the 9 months ending on 30 September 2006 of financial assets with risk borne by Group companies (equity investments, bonds and other fixed-income securities, and CIU unit) as well as change in assets where risk is borne by policyholders and assets relating to pension fund management.

	Held-to-maturity investments	Available-for-sale financial assets				Financial assets measured at fair value through profit or loss	Financial assets held for trading	Total
		Shares and quotas	CIU units	Bonds and other fixed-income securities	Total	Assets with risk held by policyholders and relating to pension fund management	Bonds and other fixed-income securities	
<b>Balance as at 31/12/2005</b>	<b>71,687</b>	<b>69,593</b>	<b>8,744</b>	<b>983,470</b>	<b>1,061,807</b>	<b>122,758</b>	<b>1,607</b>	<b>1,257,859</b>
<b>Purchases and subscriptions</b>	74,896	4,436		37,649	42,085	20,634	2,242	139,857
<b>Sales and redemptions</b>	-95	-112	-91	-59,106	-59,309	-32,581	-535	-92,520
<b>Other changes:</b>								
- Effective-interest differences	1,258			625	625			1,883
- Alignment with fair value		-4,435	318	-13,976	-18,093	4,231	-31	-13,893
- Impairment		-41			-41			-41
- Change in accrued income	424			-550	-550	84	20	-22
- Other changes		-4,644			-4,644	339		-4,305
<b>Balance as at 30/09/2006</b>	<b>148,170</b>	<b>64,797</b>	<b>8,971</b>	<b>948,112</b>	<b>1,021,880</b>	<b>115,465</b>	<b>3,303</b>	<b>1,288,818</b>

### Investments in property (Section E of previous table)

As at 30 September 2006 real estate assets totalled € 153,027 thousand (+40.1% vs. 31 December 2005).

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

	(€ '000)		
	30/09/06	31/12/05	Change
Property under construction:			
- Gross book value	72,181	46,334	55.8%
- Down payments received	-3,127	-11,278	-72.3%
- Alignment with fair value of properties acquired in business combinations	37,453	-	n.d.
<b>Total property under construction</b>	<b>106,507</b>	<b>35,056</b>	<b>203.8%</b>
Property held for trading	30,842	58,458	-47.2%
Owner-occupied property:			
- Owned by parent company	12,462	13,071	-4.7%
- Owned by subsidiaries	3,216	2,623	22.6%
<b>Total owner-occupied property</b>	<b>15,678</b>	<b>15,694</b>	<b>-0.1%</b>
<b>Total</b>	<b>153,027</b>	<b>109,208</b>	<b>40.1%</b>

The increase of the value of property under construction by Group companies mainly reflects the acquisition of Lauro 2000 S.r.l., which holds as sole asset a buildable in Milan (Portello area). The buildable area acquired has been recognised in consolidated accounts at the fair value calculated at the time of acquisition, estimated to be € 81,400 thousand. This valuation therefore caused adjustment of € 37,453 thousand with respect to the property's carrying value of € 42,047 thousand shown in the investee company's accounts.

Property under construction by other companies showed a reduction of € 9,040 thousand, due to sales completed in the period.

Held-for-trading property mainly featured purchases totalling € 4,655 thousand and sales totalling € 41,709 thousand, making pre-tax capital gains of € 8,521 thousand.

## 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	30/09/06	31/12/05	Change
- Financial liabilities relating to investments with risk borne by policyholders for unit-/index-linked policies	113,247	120,796	
- Financial liabilities relating to investments with risk borne by policyholders for pension funds	2,218	1,962	
<b>Total financial liabilities relating to investments with risk borne by policyholders and those arising from pension fund management</b>	<b>115,465</b>	<b>122,758</b>	<b>-5.9%</b>
- Reinsurance deposits	106,295	106,301	
- Bank borrowings	92,426	55,782	
- Other financial liabilities	4,085	3,685	
- Subordinated liabilities	16,035	17,760	
<b>Other financial liabilities</b>	<b>218,841</b>	<b>183,528</b>	<b>19.2%</b>
<b>TOTAL FINANCIAL LIABILITIES</b>	<b>334,306</b>	<b>306,286</b>	<b>9.1%</b>

The table below shows the cumulative change in the 9 months ending on 30 September 2006 of financial liabilities relating to investments for which policyholders bear the risk and those relating to pension fund management.

(€ '000)

	Benefits relating to unit and index-linked policies	Benefits relating to pension fund management	Total
<b>Balance as at 31/12/05</b>	<b>120,796</b>	<b>1,962</b>	<b>122,758</b>
Investments of net inflows	11,883	153	12,036
Income attributable to policyholders	6,521	159	6,680
Sums paid	-25,953	-56	-26,009
<b>Balance as at 30/09/06</b>	<b>113,247</b>	<b>2,218</b>	<b>115,465</b>

## Gains and losses on investments

The following table shows the breakdown as at 30 September of net gains on investments, with separate disclosure of investments where the risk is borne by life policyholders.

							(€ '000)	
Gains and losses on investments	Net interest and other income	Realised net gains	Unrealised gains	Unrealised losses	Total net realised and unrealised gains 30/09/06	Total net realised and unrealised gains 30/09/05		
<b>Investments</b>	<b>45,254</b>	<b>1,255</b>	<b>5,662</b>	<b>879</b>	<b>51,292</b>	<b>46,540</b>		
<b>Of which:</b>								
a Investment property	-	-	-	-	-	-		
b Investments in subsidiaries, associates, and joint ventures	12,895	-	-	-	12,895	4,224		
c Held-to-maturity investments	3,862	-	-	-	3,862	2,306		
d Loans & receivables	432	-	-	2	430	708		
e Available-for-sale financial assets	27,479	-9	-	41	27,429	29,275		
f Financial assets held for trading	20	7	23	54	-4	52		
g Financial assets measured at fair value through profit or loss	566	1,257	5,639	782	6,680	9,975		
<b>Other receivables</b>	<b>346</b>	-	-	-	<b>346</b>	<b>383</b>		
<b>Cash &amp; cash equivalents</b>	<b>1,712</b>	-	-	-	<b>1,712</b>	<b>1,455</b>		
<b>Financial liabilities</b>	<b>-3,572</b>	-	-	<b>6,680</b>	<b>-10,252</b>	<b>-14,390</b>		
<b>Of which:</b>								
a Financial liabilities held for trading	-	-	-	-	-	-		
b Financial liabilities measured at fair value through profit or loss	-	-	-	6,680	-6,680	-9,975		
c Other financial liabilities	-3,572	-	-	-	-3,572	-4,415		
<b>Payables</b>	-	-	-	-	-	-		
<b>Total gains and losses on financial instruments</b>	<b>43,740</b>	<b>1,255</b>	<b>5,662</b>	<b>7,559</b>	<b>43,098</b>	<b>33,988</b>		
<b>Income from real estate business</b>								
a Gains on property trading	-	11,814	-	-	11,814	38,168		
b Revenue from construction contracts (percentage of completion)	319	-	-	-	319	2,518		
c Rental income on owner-occupied and trading properties	962	-	-	-	962	2,517		
<b>Total income from real estate business</b>	<b>1,281</b>	<b>11,814</b>	<b>-</b>	<b>-</b>	<b>13,095</b>	<b>43,203</b>		
<b>Total gains and losses on investments</b>	<b>45,021</b>	<b>13,069</b>	<b>5,662</b>	<b>7,559</b>	<b>56,193</b>	<b>77,191</b>		
<b>of which:</b>								
<b>Investments with risk borne by policyholders</b>	<b>566</b>	<b>1,257</b>	<b>5,639</b>	<b>-5,898</b>	<b>-</b>	<b>-</b>		
Investment result	566	1,257	5,639	782	6,680	9,975		
Write-up/write-down of liabilities	-	-	-	6,680	6,680	9,975		
<b>Investments with risk borne by Group</b>	<b>44,455</b>	<b>11,812</b>	<b>23</b>	<b>97</b>	<b>56,193</b>	<b>77,191</b>		

Net gains with risk borne by the Group decreased from by -27.2% YoY in 9M06 from € 77,191 thousand to € 56,193 thousand. The decrease was mainly due to the lower profits posted by the real estate companies as specified in the section "Performance of the Vittoria Assicurazioni Group".

As up to 30 September 2006 the weighted average return on "Bonds and other fixed-income securities" was 4.0% as compared with 4.6% in 9M05.

## Other revenues

The following table reiterates real estate income, as shown in the previous table, and provides the link to "Other revenues" as shown in the consolidated income statement.

	(€ '000)	
Other Revenues	First 9 months 2006	First 9 months 2005
Total income from real estate business (*)	13,095	43,203
Brokerage and management revenues	2,682	5,285
Other technical captions - insurance business	1,242	26
Other revenues - real estate business	72	1,445
Other revenues - insurance business	348	435
Other revenues - service business	6	348
<b>Total</b>	<b>17,445</b>	<b>50,742</b>

(\*) As per previous table "Gains and losses on investments"

## Equity

The breakdown of equity as at 30 September 2006 is shown in the following table.

	(€ '000)	
BREAKDOWN OF EQUITY	30/09/06	31/12/05
Share capital	30,346	30,000
Other equity instruments	1,269	1,398
Equity reserves	21,471	20,142
Earnings reserves and other reserves	126,737	91,715
Translation reserve	-10	6
Fair value reserve	12,807	21,585
Other gains (losses) recognised directly in equity	-1,190	-1,190
Profit (loss) for period	27,242	39,979
<b>Total equity attributable to parent company shareholders</b>	<b>218,672</b>	<b>203,635</b>
Capital and reserves of minority interest	5,413	5,518
Profit (loss) attributable to minority interest	853	4,380
<b>Total equity attributable to minority interest</b>	<b>6,266</b>	<b>9,898</b>
<b>Total Consolidated Equity</b>	<b>224,938</b>	<b>213,533</b>

Share capital consists of 30,345,790 shares with a par value of € 1.00 each, fully subscribed and paid up, as modified following exercise of bond conversion options as up to 30 September 2006.

## Events after quarter-end

### Insurance Business

In the period between 1 October 2006 and 30 October 2006 conversion continued of the "Vittoria Assicurazioni – Fixed/Floater 2001/2016" bond loan. Conversion in the period amounted to € 508 thousand. Given this, as at 30 October 2006, following the issue of 105,833 new shares, the parent company's share capital amounted to € 30,451,623.00. 30 October marked the end, for 2006, of the annual conversion period envisaged by the bond loan's Regulation.

On 5 October 2006 the parent company purchased another 205,000 shares of the company BPC SpA, with an outlay of € 96 thousand. The equity interest increased from 19.91% to 20.91%.

On 20 October 2006 the parent company paid the balance of € 11,597 thousand for the acquisition of Lauro 2000 Srl.

### Real Estate and Services Businesses

No significant events took place after 30 September.

The Board of Directors

Milan, 9 November 2006

CONSOLIDATED INCOME STATEMENT

(€ '000)

	First 9 months 2006	First 9 months 2005	FY2005	3rd quarter 2006	3rd quarter 2005	
1.1	Net premiums	335,485	335,539	452,955	106,320	118,457
1.1.1	<i>Gross premiums</i>	390,767	403,307	539,385	125,303	144,139
1.1.2	<i>Ceded premiums</i>	55,282	67,768	86,430	18,983	25,682
1.2	Commission income	645	1,447	1,943	10	563
1.3	Gains and losses on remeasurement of financial instruments at fair value through profit and loss	-4	52	45	40	14
1.4	Income from investments in subsidiaries, associates, and joint ventures	12,986	4,224	6,532	1,800	1,203
1.5	Income and gains from other financial instruments and investment property	33,831	34,127	44,593	11,689	10,191
1.5.1	<i>Interest income</i>	32,953	28,986	38,863	11,564	9,902
1.5.2	<i>Other income</i>	878	1,044	1,605	125	318
1.5.3	<i>Realised gains</i>	-	4,097	4,097	-	1
1.5.4	<i>Unrealised gains</i>	-	-	28	-	-30
1.6	Other revenues	17,445	50,742	60,314	4,025	12,141
<b>1</b>	<b>TOTAL REVENUE</b>	<b>400,388</b>	<b>426,131</b>	<b>566,382</b>	<b>123,884</b>	<b>142,569</b>
2.1	Net charges relating to claims	261,666	265,798	353,429	83,986	90,492
2.1.1	<i>Amounts paid and change in technical reserves</i>	298,496	323,431	422,812	94,574	117,866
2.1.2	<i>Reinsurers' share</i>	-36,830	-57,633	-69,383	-10,588	-27,374
2.2	Commission expense	315	237	722	67	102
2.3	Losses on investments in subsidiaries, associates, and joint ventures	91	-	298	22	-
2.4	Expense and losses on other financial instruments and investment property	3,624	3,763	5,117	1,313	1,128
2.4.1	<i>Interest expense</i>	3,572	3,763	5,117	1,304	1,128
2.4.2	<i>Other expense</i>	-	-	-	-	-
2.4.3	<i>Realised losses</i>	9	-	-	9	-
2.4.4	<i>Unrealised losses</i>	43	-	-	-	-
2.5	Operating costs	86,424	90,284	125,519	25,274	34,121
2.5.1	<i>Commission and other acquisition costs</i>	62,618	63,794	88,006	17,443	25,595
2.5.2	<i>Investment management costs</i>	591	652	729	219	290
2.5.3	<i>Other administrative costs</i>	23,215	25,838	36,784	7,612	8,236
2.6	Other costs	7,553	6,569	12,061	1,998	584
<b>2</b>	<b>TOTAL COSTS</b>	<b>359,673</b>	<b>366,651</b>	<b>497,146</b>	<b>112,660</b>	<b>126,427</b>
	<b>PROFIT (LOSS) FOR THE PERIOD/YEAR BEFORE TAX</b>	<b>40,715</b>	<b>59,480</b>	<b>69,236</b>	<b>11,224</b>	<b>16,142</b>
<b>3</b>	Income tax	12,620	22,371	24,877	4,411	6,462
	<b>PROFIT (LOSS) FOR THE PERIOD/YEAR</b>	<b>28,095</b>	<b>37,109</b>	<b>44,359</b>	<b>6,813</b>	<b>9,680</b>
<b>4</b>	<b>PROFIT (LOSS) ON DISCONTINUED OPERATIONS</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
	<b>CONSOLIDATED PROFIT (LOSS)</b>	<b>28,095</b>	<b>37,109</b>	<b>44,359</b>	<b>6,813</b>	<b>9,680</b>
	of which attributable to parent company shareholders	27,242	33,380	39,979	6,590	8,739
	of which attributable to minority interest	853	3,729	4,380	223	941
	Base earnings per share (EPS)	0.90	1.11	1.33	0.22	0.29
	Diluted EPS	0.82	1.01	1.21	0.20	0.26



Consolidated income statement by business segment

	Non-Life Business		Life Business		Real Estate Business		Service Business		Intersegment eliminations		Total	
	30/09/06	30/09/05	30/09/06	30/09/05	30/09/06	30/09/05	30/09/06	30/09/05	30/09/06	30/09/05	30/09/06	30/09/05
1.1 Net premiums	269,247	257,400	66,238	78,139	-	-	-	-	-	-	335,485	335,539
1.1.1 Gross premiums	322,534	322,972	68,233	80,335	-	-	-	-	-	-	390,767	403,307
1.1.2 Ceded premiums	53,287	65,572	1,995	2,196	-	-	-	-	-	-	55,282	67,768
1.2 Commission income	-	-	645	1,447	-	-	-	-	-	-	645	1,447
1.3 Gains and losses on remeasurement of financial instruments at fair value through profit and loss	-	-	-4	52	-	-	-	-	-	-	-4	52
1.4 Income from investments in subsidiaries, associates, and joint ventures	22,425	4,181	3,688	3,111	1	629	1	1	-13,129	-3,698	12,986	4,224
1.5 Income and gains from other financial instruments and investment property	12,574	10,843	20,594	22,669	828	767	19	23	-184	-175	33,831	34,127
1.6 Other revenues	1,739	1,928	5	109	15,531	50,556	2,653	3,554	-2,483	-5,405	17,445	50,742
<b>1 TOTAL REVENUES AND INCOME</b>	<b>305,985</b>	<b>274,352</b>	<b>91,166</b>	<b>105,527</b>	<b>16,360</b>	<b>51,952</b>	<b>2,673</b>	<b>3,578</b>	<b>-15,796</b>	<b>-9,278</b>	<b>400,388</b>	<b>426,131</b>
2.1 Net charges relating to claims	188,695	174,858	74,234	85,355	-	-	-	-	-1,263	5,585	261,666	265,798
2.1.2 Amounts paid and change in technical reserves	223,737	230,198	76,022	87,648	-	-	-	-	-1,263	5,585	298,496	323,431
2.1.3 Reinsurers' share	-35,042	-55,340	-1,788	-2,293	-	-	-	-	-	-	-36,830	-57,633
2.2 Commission expense	-	-	315	237	-	-	-	-	-	-	315	237
2.3 Losses on investments in subsidiaries, associates, and joint ventures	83	-	-	-	8	-	-	-	-	-	91	-
2.4 Expense and losses on other financial instruments and investment property	1,166	1,444	1,368	1,265	1,271	1,226	3	3	-184	-175	3,624	3,763
2.5 Operating costs	70,654	72,371	8,953	10,348	6,691	7,614	2,609	3,369	-2,483	-3,418	86,424	90,284
2.6 Other costs	6,645	6,410	132	13	745	132	31	14	-	-	7,553	6,569
<b>2 TOTAL COSTS AND CHARGES</b>	<b>267,243</b>	<b>255,083</b>	<b>85,002</b>	<b>97,218</b>	<b>8,715</b>	<b>8,972</b>	<b>2,643</b>	<b>3,386</b>	<b>-3,950</b>	<b>1,992</b>	<b>359,673</b>	<b>366,651</b>
<b>PROFIT (LOSS) FOR THE PERIOD BEFORE TAX</b>	<b>38,742</b>	<b>19,269</b>	<b>6,164</b>	<b>8,309</b>	<b>7,645</b>	<b>42,980</b>	<b>30</b>	<b>192</b>	<b>-11,866</b>	<b>-11,270</b>	<b>40,715</b>	<b>59,480</b>

(€ '000)

The table shows the breakdown of net premiums and net claims costs by primary insurance business, before intersegment eliminations.

### Breakdown of the main insurance technical captions

	30/09/06		30/09/05	
	Gross amount	Reinsurers' share	Net amount	Net amount
<b>NON-LIFE BUSINESS</b>				
			Gross amount	Reinsurers' share
				Net amount
<b>NET PREMIUMS</b>	<b>322,534</b>	<b>53,287</b>	<b>269,247</b>	<b>65,572</b>
a Premiums written	319,095	53,126	265,969	61,243
b Change in premiums reserve	-3,439	-161	-3,278	-4,329
				-10,543
<b>NET CLAIMS COSTS &amp; CHARGES</b>	<b>223,737</b>	<b>35,042</b>	<b>188,695</b>	<b>55,340</b>
a Amounts paid	203,642	33,711	169,931	42,148
b Change in claims reserve	25,556	1,762	23,794	13,459
c Change in recoveries	5,753	431	5,322	267
d Change in other technical reserves	292	-	292	315

34

	30/09/06		30/09/05	
	Gross amount	Reinsurers' share	Net amount	Net amount
<b>LIFE BUSINESS</b>				
			Gross amount	Reinsurers' share
				Net amount
<b>NET PREMIUMS</b>	<b>68,233</b>	<b>1,995</b>	<b>66,238</b>	<b>2,196</b>
<b>NET CLAIMS COSTS &amp; CHARGES</b>	<b>76,022</b>	<b>1,788</b>	<b>74,234</b>	<b>2,293</b>
a Amounts paid	52,943	2,834	50,109	525
b Change in reserve for amounts to be paid	-11,838	-	-11,838	-
c Change in mathematical reserves	34,850	-1,040	35,890	1,771
d Change in technical reserves when investment risk is borne by policyholders and in reserves arising from pension fund management	-	-	-	-
e Change in other technical reserves	67	-6	73	-3

For the purposes of fuller disclosure of insurance operating performance, below we present the parent company's reclassified income statement, prepared in accordance with Italian GAAPs.

## Reclassified income statement

### Vittoria Assicurazioni SpA (compliant with Italian GAAPs)

(Amounts in € '000)

	First 9 months 2006	First 9 months 2005	FY2005	3rd quarter 2006	3rd quarter 2005
<b>TECHNICAL ACCOUNT</b>					
<b>Life business:</b>					
<b>Direct insurance</b>					
(+) Gross premiums written	80,372	83,406	117,760	22,340	30,885
(-) Charges relating to claims	65,716	53,423	91,497	26,620	15,888
(-) Change in mathematical reserves and other technical reserves	28,993	46,838	42,720	4,847	23,854
(+) Net balance of other technical captions	653	828	1,111	141	247
(-) Operating costs	9,433	10,396	13,754	2,949	3,445
(+) Income from investments where risk is borne by company (Class C) net of portion transferred to the non-technical account	20,747	18,399	24,885	7,179	7,032
(+) Income from investments where risk is borne by policyholders - Class D	6,680	9,975	9,343	4,888	4,263
<b>Direct insurance results</b>	<b>4,310</b>	<b>1,951</b>	<b>5,128</b>	<b>132</b>	<b>-760</b>
Outward reinsurance result	100	389	614	179	473
Retained direct insurance result	<b>4,410</b>	<b>2,340</b>	<b>5,742</b>	<b>311</b>	<b>-287</b>
Indirect and retroceded insurance result	-31	-31	-55	1	-8
<b>Result of Life technical account</b>	<b>4,379</b>	<b>2,309</b>	<b>5,687</b>	<b>312</b>	<b>-295</b>
<b>Non-Life business:</b>					
<b>Direct insurance</b>					
(+) Gross premiums written	318,005	307,355	432,416	96,217	92,871
(-) Change in premiums reserve	-3,255	-14,067	8,178	-11,098	-20,704
(-) Charges relating to claims	223,457	229,892	295,776	73,127	82,355
(-) Change in other technical reserves	292	315	484	87	77
(+) Net balance of other technical captions	-1,922	-2,857	-3,251	-246	-251
(-) Operating costs	84,490	78,041	111,166	26,175	24,332
<b>Direct insurance results</b>	<b>11,099</b>	<b>10,317</b>	<b>13,561</b>	<b>7,680</b>	<b>6,560</b>
Outward reinsurance result	-3,352	-3,680	-3,172	-2,251	-3,211
Retained direct insurance result	<b>7,747</b>	<b>6,637</b>	<b>10,389</b>	<b>5,429</b>	<b>3,349</b>
Indirect and retroceded insurance result	245	1,673	331	30	1,438
<b>Total retained insurance result</b>	<b>7,992</b>	<b>8,310</b>	<b>10,720</b>	<b>5,459</b>	<b>4,787</b>
(-) Change in equalisation reserve	185	176	260	54	54
(+) Portion of investment income transferred from non-technical account	16,832	7,306	10,170	7,317	2,231
<b>Result of Non-Life technical account</b>	<b>24,639</b>	<b>15,440</b>	<b>20,630</b>	<b>12,722</b>	<b>6,964</b>
<b>Result of technical account</b>	<b>29,018</b>	<b>17,749</b>	<b>26,317</b>	<b>13,034</b>	<b>6,669</b>
(+) Income from Non-Life investments net of portion transferred to technical account	4,075	1,737	2,356	1,859	556
(+) Portion of investment income transferred from Life technical account	1,888	1,628	2,246	663	612
(+) Other income	1,565	1,426	2,008	645	598
(-) Interest on financial liabilities	674	743	990	211	248
(-) Other charges	3,444	2,675	5,331	1,165	878
<b>Result of ordinary operations</b>	<b>32,428</b>	<b>19,122</b>	<b>26,606</b>	<b>14,825</b>	<b>7,309</b>
(+) Extraordinary income	318	4,652	4,725	15	139
(-) Extraordinary charges	141	72	79	71	20
<b>Profit before tax</b>	<b>32,605</b>	<b>23,702</b>	<b>31,252</b>	<b>14,769</b>	<b>7,428</b>
(-) Taxation of profit	9,129	8,407	10,922	4,417	2,451
<b>Net profit</b>	<b>23,476</b>	<b>15,295</b>	<b>20,330</b>	<b>10,352</b>	<b>4,977</b>

The Board of Directors

Milan, 9 November 2006