

Vittoria Assicurazioni

SOCIETÀ PER AZIONI
REGISTERED OFFICES: VIA CALDERA, 21 - 20153 MILAN - ITALY
SHARE CAPITAL: EURO 32,637,400 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 half-year report as at 30 June 2007

Board of Directors' meeting
of 7 September 2007



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

Table of contents

Page

Corporate bodies and officers	4
<hr/> CONSOLIDATED FY2007 HALF-YEAR REPORT <hr/>	
Format and content	7
Accounting policies	7
Other relevant information	8
Directors' report	9
Economic and insurance scenario	9
Performance of the Vittoria Assicurazioni Group	11
Insurance business	12
Review of performance	13
Insurance risk management and analysis	21
Commercial organisation	24
Products	24
Overhead costs	25
Operating costs	26
Real estate business	27
Service business	30
Investments – Cash & cash equivalents - Property	31
Financial liabilities	37
Investment gains and losses	38
Investment and financial risk management & analysis policies	40
Infragroup and related-party transactions	46
Events after balance sheet date	48
Consolidated FY2007 half-year financial statements	49
Balance sheet	50
Income statement	52
Statement of changes in equity	54
Cash flow statement	55
Explanatory notes to accounts	56
General explanatory notes to accounts	56
Scope of consolidation	56
Unconsolidated equity interests	57
Geographical segment reporting	59
Specific explanatory notes to accounts	60
Notes – Consolidated balance sheet	60
Notes – Consolidated income statement	78
Other disclosures	82
Appendices to consolidated half-year financial statements	83
Separate balance sheet & income statement of Vittoria Assicurazioni SpA	97
Declaration of Corporate Financial Reporting Manager	103
Report of the Independent Auditors	105

BOARD OF DIRECTORS

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

BOARD OF STATUTORY AUDITORS

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

GENERAL MANAGEMENT

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

INDEPENDENT AUDITOR

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

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 president	Independent non-executive
Francesco BAGGI SISINI	Independent non-executive member
Giuseppe SPADAFORA	Independent non-executive member

FINANCE COMMITTEE

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

REAL ESTATE COMMITTEE

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

In accordance with CONSOB (Italian securities & exchange commission) communication no. 97001574 of 20 February 1997 and given that the company Articles of Association 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 endorsements 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 27 April 2007.

Format and content

The consolidated half-year interim report for the period ending on 30 June 2007 has been prepared in accordance with IFRSs. It is presented in compliance with the requirements of ISVAP (Italian insurance regulator) ordinance no. 1207-G of 6 July 1999, as subsequently amended and supplemented, and with Article 81 of CONSOB (Italian securities & exchange commission) regulation implementing Italian Legislative Decree no. 58 of 24/2/1998 as regards regulation of issuers, endorsed by the CONSOB with its resolution no. 11971 of 14 May 1999, as subsequently amended and supplemented.

As required by the above CONSOB and ISVAP regulations, this report complies with the IFRS applicable for interim financial reporting. It consists of the statements envisaged by ISVAP ordinance no. 2460 of 10 August 2006 (balance sheet, income statement, statement of changes in equity, cash flow statement, and accounting statements) and includes additional detailed tables necessary to complete disclosure as required by IFRSs (IAS 34) or useful for better understanding of the report.

The accounting schedules required by the ISVAP in terms of minimum disclosure content are shown in the specific chapter “Appendices to Consolidated Half-Year Financial Statements”, which is an integral part of the present Consolidated Half-Year Report.

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

The Consolidated Half-Year Report also includes the financial statements of the direct operating parent company, Vittoria Assicurazioni SpA. These have been prepared according to Italian GAAPs (generally accepted accounting principles) as required by current legislation. They are presented in the specific chapter “Separate balance sheet & income statement of Vittoria Assicurazioni SpA”.

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

As required by CONSOB resolution no. 11971 of 14 May 1999, as subsequently amended and supplemented, the company has advised the supervisory authority and the public that the half-year report is made public within 75 days after the end of the first half and that it is consequently exonerated from publishing a report on the second quarter.

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

Accounting policies

The rules for preparation and accounting policies adopted for the preparation of the consolidated half-year interim report are the same as 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 2006.

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.

Other relevant information

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

The ultimate group parent company is Yafa SpA, with registered offices in Turin (Italy). This company controls Vittoria Assicurazioni SpA indirectly via the shareholding chain consisting of Yafa Holding BV and Vittoria Capital NV, with registered offices in Amsterdam (Holland) and administration offices in Italy.

Directors' report

Economic and insurance scenario

Following a year in which the global economy grew by 5.4%, the trend should remain positive – albeit at a more moderate pace than the one maintained thus far – notwithstanding turbulence in financial markets.

Recent economic trends and indicators as reported by economic surveys have confirmed the scenario expected of balanced growth within the various areas of OECD countries. This features slowdown of the US economy set against vigorous recovery of the Eurozone.

According to the main international organisations' forecasts, the USA, also following ongoing tensions in the real estate market, sees 2007 growth of around 2.2% - well below the 2006 year-end result (3.3%). Inflation should remain fairly high (2.6%) but the weak economic growth outlook mentioned above does not create conditions appropriate for restrictive monetary policy moves. On the contrary, the concerns recently expressed by the Fed's chairman, Ben Bernanke, about markets' instability seem to be the prelude to possible action to reduce interest rates from the present level of 5.25%.

For the Eurozone, OECD forecasts indicate growth of 2.7% for the current year (vs. 2.8% in 2006), driven primarily by internal demand. The recent vicissitudes of the US real estate market may, however, indirectly lead to downward revision of these forecasts.

As regards the money market, during 2007 the ECB has intervened several times, increasing interest rates from the initial 3.5% to the present 4% level.

Furthermore, according to recent indications provided by the ECB, price stability runs the risk of increases in the medium term mainly caused by internal factors. More specifically, given the high level of resource utilisation, capacity constraints are in the offing that may trigger a more lively cost trend (mainly labour costs) than had been expected.

Monetary analysis, based on observation of the high growth levels of its main components, only further confirms these inflationary fears. At present, the ECB is therefore in the delicate situation of (a) wanting to combat these phenomena but (b) fearing that restrictive monetary policy action might weaken economic growth prospects already undermined by concerns relating to the possible adverse effects triggered by the American mortgage crisis.

This situation leads us to believe that, at the next meeting of the ECB's governing council on 6 September, a further increase of interest rates is less likely.

Moving on to the Italian economy, much desired economic recovery was confirmed by the rate of growth of GDP, which grew by 1.9% in 2006 and is expected to remain stable throughout 2007.

Restrictive tax reforms implemented in recent years, together with actions to reduce current expenditure, have been essential to regain control of public debt. According to many observers, however, the reforms already initiated of market competitiveness should be intensified in the next few years, and be accompanied by implementation of the measures already announced to limit tax pressure – with the aim being to relaunch productivity and reinvigorate growth potential.

As regards financial market data as at the end of June, the S&P/MIB equity index remained substantially unchanged at 2006 year-end levels (-0.15%). Bond markets, also in the light of recent tensions on the monetary front, instead decreased by some -2% (FTSE Italy Government Performance index).

On the foreign exchange market, the euro continued to appreciate against the world's major currencies.

Below we present some Italian insurance market data relating to the first quarter of 2007 (source: ISVAP).

Life and Non-Life gross premiums written in Italy in the first quarter of 2007 amounted respectively to € 16,258 million (-11% YoY) and € 9,136 million (+1.6% YoY).

As regards the Life business (individual policies), the negative trend of so-called “traditional” products continued (Class I – whole and term life insurance – and Class V – capital redemption policies). This was set against the good performance of products featuring greater financial content (Class III – unit-linked policies).

In the Non-Life business, non-motor branches grew more than motor branches, as was the case in 2006.

In the real estate field, in the first half of 2007 Italian property prices once again continued the upward trend that started some 10 years ago, albeit within more moderate increases than in the past.

The average year-over-year increase in housing prices was thus +5.6% (+4.2% in real terms), tangibly lower than in previous years (the peak increase was hit between 2003 and 2004 with a +10.8% YoY increase). Ongoing price tensions have been accompanied, however, by further deterioration of the general economic picture. This is demonstrated by the increase in average selling times, higher discounts accorded during negotiations, a decrease in the number of deals and, in general, by weakening of demand.

This was the setting of the financial crisis triggered by the subprime mortgage crisis in the USA.

Even although there have also been some signs of weakening of demand in Europe as well (above all in Spain and the UK), the subprime mortgage crisis seems to be a purely American phenomenon, as has also been underlined by the Bank of England. In addition, robust economic growth, both in Europe and Asia, reduces the likelihood of corporate difficulties caused by problems relating to the real estate sector.

In a pessimistic scenario, the crisis caused by subprime mortgages may have heavy repercussions in the USA, where the volume of these financial instruments is much greater than it is in Europe. In such an eventuality, the crisis might also extend to other sectors, hitting a significant percentage of the US economy to a greater or lesser extent.

Conversely, the European economy should not be significantly hit by the phenomenon. At the same time however, any defaults of hedge funds active in the subprime sector might lead to a series of compulsory liquidations, triggering further downturns in equity markets and renewed liquidity crises in monetary markets.

Based on the strategy defined by the Finance and Real Estate Committees, the Group has channelled a very preponderant part of its investments into low-risk bonds and has set quantitative limits for investments in the real estate sector. For the latter, preference is currently given to real estate promotion as opposed to trading. It has also been decided to limit exposure to financial market risks, substantially limiting this to specific investments in private equity vehicles.

Performance of the Vittoria Assicurazioni Group

Final results for the first half of 2007 (1H07) showed consolidated net profit attributable to parent company shareholders of € 16,120 thousand as compared with € 20,652 thousand in the same period in 2006 (1H06) (i.e. -21.9%).

The change was largely due to the lower contribution of private equity operations (€ 2,601 thousand vs. € 6,085 thousand reported in 1H06, which mainly benefited from the proceeds of sale of the Materis Group).

The real estate segment's result also featured shrinkage. The latter reflected investments made and still underway, for which operating returns are expected in the second half of the year and, to a more substantial extent, in future financial years (FYs).

July marked completion of sale of the whole of the COGEDIM Group to the property company Altarea. This group was controlled by the associate company Yarpa International Holding NV via its sub-holding companies Inbro NV and Yam Invest NV.

The selling price of some € 600 million (mn) gross led to a net capital gain for the Vittoria Assicurazioni Group of € 66.5 mn. The sale agreement also envisages, depending on the COGEDIM Group's actual FY2007 results, a possible price supplement of up to a maximum of € 25 mn more.

In the light of 1H07 performance and of the items outlined above, it is possible to forecast that – despite the current problems associated with introduction of the knock-for-knock (i.e. direct indemnity) system and with implementation of the Bersani law, FY2007 consolidated net profit will not be less than € 85 mn (vs. € 35.4 mn in FY2006).

Below we provide a brief summary of further data concerning 1H07 status.

Of investments totalling € 1,861,026 thousand (+8.8% vs. status as at 31 December 2006), € 117,558 thousand (+1.3%) referred to investments where risk is borne by policyholders and € 1,743,468 thousand (+9.4%) to investments where risk is borne by the Group.

As regards the document ref. No. 7079556 issued by the CONSOB on 30 August 2007, we specify that neither Vittoria Assicurazioni SpA nor Group companies have any financial exposure to subprime mortgages, nor do they issue such mortgages or manage financial products with subprime mortgages as the underlying assets.

Net investment income connected with investments where the Group bears the risk amounted to € 33,982 thousand vs. € 40,824 thousand in 1H06 (-16.8%).

During 1H07 conversion continued of the subordinated bond loan into shares of Vittoria Assicurazioni SpA, with a consequent increase of share capital from € 30,451,623 to € 32,637,400. The direct non-operating parent company Vittoria Capital NV and the indirect non-operating parent company Yafa Holding BV converted all bonds in their possession, increasing their respective shareholdings in Vittoria Assicurazioni SpA to 52.80% and 5.66%.

Equity attributable to parent company shareholders amounted to € 247,186 thousand whilst minority interest amounted to € 5,880 thousand.

As up to 30 June 2007 the direct operating parent company showed a net profit – based on Italian GAAPs – of € 17,024 thousand (vs. € 13,124 thousand in 1H06) with an increase of 29.7% YoY.

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

Insurance business

Profit for the insurance business, before taxes and intersegment eliminations, amounted to € 26,204 thousand (€ 29,257 thousand as at 30/06/2006). The key operating items contributing to the period's result are described below.

Total insurance premiums in 1H07 amounted to € 314,937 thousand (+12.3% vs. premiums of € 280,474 thousand in 1H06), of which € 308,821 thousand for insurance premiums written and € 6,116 thousand for index- and unit-linked investment contracts and for the Vittoria Formula Lavoro open-ended pension fund.

Direct Life insurance premiums – which do not include contracts considered to be financial instruments – featured an increase of 25.2% vs. premiums in 1H06. As shown in the specific table, they also featured a major increase in Class I – whole and term-life insurance – set against a decrease in Class V – capital redemption insurance.

Direct Non-Life (i.e. property & casualty) insurance premiums increased by +10.6%. Specifically:

- Motor premiums progressed by 5.9% (Land motor TPL +6.2%; Ship (sea, lake, and river) TPL +17.2%, Land vehicle hulls +3.9%; and Assistance +15.2%)
- Premiums for other non-marine insurance grew by +26.7%
- Premiums for specialty categories [i.e. marine & transport, aviation, and credit & suretyship] increased by 2.8%.

Overhead costs as a percentage of total direct insurance premiums were 8.9% (vs. 9.6% in 1H06).

Due to equity accounting of associate companies, the relevant portions of profit of the companies concerned (€ 5,328 thousand vs. € 11,186 thousand in 1H06) and losses (€ 142 thousand vs. € 69 thousand in 1H06) are respectively classified in the income statement among “Income from investments in subsidiaries, associates, and joint ventures” and “Losses from investments in subsidiaries, associates, and joint ventures”.

These results, recognised primarily in the Non-Life business in the income statement presented by business segment, mainly relate to the results of real estate and private equity companies.

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 € 6,116 thousand (€ 7,414 thousand in 1H06).

Premiums as up to 30 June 2007 thus amounted to € 308,821 thousand. Portfolio breakdown and the changes occurring by business segment and branch are shown in the following table:

BREAKDOWN OF GROSS PREMIUMS WRITTEN IN THE FIRST HALF OF 2007 AND 2006 DIRECT AND INDIRECT INSURANCE

			Change	Percentage of portfolio	
	30/06/2007	30/06/2006	%	2007	2006
(€ '000)					
Domestic direct insurance					
Life business					
I Whole and term life insurance	54,243	26,683	103.3	17.6	9.8
IV Health insurance	114	195	-41.5	0.0	0.1
V Capitalisation insurance	9,013	23,740	-62.0	2.9	8.6
Total life business	63,370	50,618	25.2	20.5	18.5
Non-life business					
Accident insurance	12,739	12,109	5.2	4.1	4.5
Health insurance	3,524	3,621	-2.7	1.1	1.3
Fire and natural events	13,070	10,727	21.8	4.3	3.9
Miscellaneous damages	7,378	6,935	6.4	2.4	2.5
Third-party general liability	13,242	11,727	12.9	4.3	4.3
Pecuniary losses	13,841	5,164	168.0	4.5	1.9
Legal protection	1,256	1,057	18.8	0.4	0.4
Total non-marine businesses	65,050	51,340	26.7	21.1	18.8
Aviation hulls	399	1,122	-64.4	0.1	0.4
Marine hulls	633	216	193.1	0.2	0.1
Cargo insurance	929	905	2.7	0.4	0.3
Third-party aviation liability	63	83	-24.1	0.0	0.0
Bond insurance	4,475	3,997	12.0	1.4	1.5
Total special businesses	6,499	6,323	2.8	2.1	2.3
Third-party motor liability	141,956	133,717	6.2	45.9	49.0
Third-party marine liability	238	203	17.2	0.1	0.1
Motor vehicle hulls	29,500	28,404	3.9	9.6	10.4
Support and assistance	2,075	1,801	15.2	0.7	0.7
Total motor businesses	173,769	164,125	5.9	56.3	60.2
Total non-life businesses	245,318	221,788	10.6	79.5	81.3
Total direct insurance	308,688	272,406	13.3	100.0	99.8
Domestic indirect insurance					
Life businesses	-	2	n.v	0.0	0.0
Non-life businesses	133	652	-79.6	0.0	0.2
Total indirect insurance	133	654	-79.7	0.0	0.2
Total	308,821	273,060	13.1	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.

The table below shows the geographical spread of agencies and geographical breakdown of premiums for Italian direct business.

(€ '000)

Region	Agencies	Non-life business		Life business	
		premiums	%	premiums	%
NORTH					
Emilia Romagna	21	17,888		2,440	
Friuli Venezia Giulia	3	3,063		365	
Liguria	9	8,911		566	
Lombardy	60	65,068		15,062	
Piedmont	25	16,563		1,674	
Trentino Alto Adige	5	4,026		292	
Valle d'Aosta	1	1,004		84	
Veneto	22	16,547		2,278	
Total	146	133,070	54.2	22,761	36.0
CENTRE					
Abruzzi	7	9,162		1,150	
Lazio	24	42,654		32,964	
Marches	8	4,154		643	
Tuscany	20	20,040		1,898	
Umbria	11	10,150		1,706	
Total	70	86,160	35.1	38,361	60.5
SOUTH AND ISLANDS					
Basilicata	2	2,296		228	
Calabria	2	1,662		64	
Campania	6	5,196		807	
Apulia	4	6,745		608	
Sardinia	1	2,653		64	
Sicily	7	7,536		477	
Total	22	26,088	10.7	2,248	3.5
Total	238	245,318	100.0	63,370	100.0

Life business

Insurance and investment contracts in the Life business

The products currently offered by the parent company cover all insurance business lines, from savings (“revaluable” policies relating to segregated accounts), 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.

During 1H07 production featured a significant increase in insurance of risks relating to the branch of “20% salary-assignment loans” [known as “cessione del quinto” in Italian], regulated by Article 13/2 of Italian Law 80/2005. Growth of business in this branch led to a significant increase in related commission expense.

Premiums

Direct insurance premiums written increased by 25.2%, mainly because of the increase in premiums for Class I – Whole and term life insurance (103.3%), which was set against a decrease in premiums for Class V – Capital redemption (-62.0%).

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 30 June 2007, compared with data for the same period in the previous year.

	(€ '000)	
	30/06/2007	30/06/2006
Claims	911	1,389
Accrued capital sums & annuities	22,020	17,812
Surrenders	11,240	8,771
Total	34,171	27,972

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 1H07 ceded premiums amounted to € 1,594 thousand.

* 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.

Inward reinsurance

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

Non-Life business

Technical performance

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

Non-Marine business

Non-marine premiums grew by 26.7% YoY and continued to increase their weight in the parent company's book. The technical result was positive, compared with a negative result in 1H06, thanks to the significant improvement of results in the Accident and General TPL branches. Specifically:

Accident insurance: this line's premiums grew by 5.2%. 1H07 technical performance featured a decrease in claims frequency and in average cost, also because of a tangible decrease in peak claims. The technical result was positive, with a clear inversion of trend compared with the negative result reported in 1H06.

Health insurance: this line, which continued its static phase, featured a 2.7% decrease in premiums. The increase in claims frequency vs. 1H06, together with a significant increase in the number of serious claim events and of their average cost, led to a negative technical result.

Fire and natural events: growth of premiums written continued (+21.8%), mainly in the segments preferred by the company, i.e. the personal line and SME category, consistently with severe risk selection criteria. Cover provided for larger companies has been underpinned by a specific reinsurance policy. The branch featured a positive technical result thanks to a reduction in the frequency and average cost of claims.

Other damage to property: premiums for this branch, which includes cover of the risks of theft, hail, and electronic-equipment and technological damage, grew by 6.4%. Claims frequency and average cost, which increased significantly vs. 1H06, caused a negative technical result, worse than that of 1H06.

General TPL: premiums increased by 12.9%, thanks in particular to tariff adjustments made in the last few years to right the operating result. Reform of the General TPL book, with special reference to contracts featuring a high incidence of claims led to a significant reduction of claims frequency. This, notwithstanding the increase in average cost, had a positive impact on the line's results. The technical result, although remaining negative, showed tangible and significant improvement over 1H06, confirming the clear inversion of trend evident in the last few years.

Miscellaneous pecuniary losses: premiums in this branch grew by 168.0% thanks to the decision to develop business in the "20%-salary-assignment loan" ("cessione del quinto" segment). A full-scale start was made in FY 2006 after experience acquired during FYs 2004 and 2005. The technical result was positive, showing progress vs. 1H06.

Legal protection: premiums in this branch progressed by 18.8%, largely thanks to cover provided for risks arising from the use of cars. Start of marketing of new products designed for the household segment should permit further growth of premiums written. The technical result was positive.

Specialty business

Branches in this category showed an increase of 2.8%, mainly because of reduction of activity in the field of general aviation and space risks. The overall technical result was still negative, albeit with marked improvement over 1H06. Specifically:

Credit & suretyship: Premiums written increased by 12.0%, confirming the FY2006 upward trend. Claims in 1H07 were down vs. 1H06 thanks to the underwriting policies applied in the last few periods. The move towards technical equilibrium already emerging in FY2006 was confirmed. The period's technical result featured a slightly positive balance.

Aviation hulls & TPL: premiums written decreased by 64.4% due to reduction of underwriting activity in the general aviation and flight risks segment. The technical result was negative due to the increase in average claim cost.

Ship hulls (sea, lake, and river) and railway rolling stock: premiums written grew by 193.1% over 1H06 and the technical result was positive.

Cargo (goods in transit): premiums written increased by 2.7%. Careful selection of underwriting risks and tight management of recoveries permitted achievement of a positive technical result vs. a negative result in 1H06.

Motor business

This category featured 5.9% growth of premiums written. The overall technical result remained positive, albeit lower than in 1H06. Specifically:

Third-party liability for land motor vehicles and for watercraft (sea, lake, and river). Premiums written grew by 6.2% following an increase in the number of vehicles/year insured, which increased by 6.4% in the Motor TPL branch, whilst tariffs remained substantially unchanged.

Company policies in this segment continue to aim for further customisation, also via application of new contractual conditions, intended to further increase policyholder retention. During 1H07 the branch's operations were heavily affected by the start, on 1 February, of the knock-for-knock compensation procedure envisaged by the law known as the Insurance Code. Major investments were necessary in the company's IT and operating procedures to assure adequate management of the problems arising from introduction of the knock-for-knock system. The experience of these initial months confirms that, generally speaking, the investments made have enabled us to address the new claims handling system positively. The delay in adopting the new procedures shown by a significant part of the market – with special reference to notification of claims reported and settled – means that full assessment of the effects of the new procedure for handling Motor TPL claims is not possible. The technical result was negative, also because of reserving against possible late reporting of claims payable by us managed by other insurers in the market.

Land motor vehicle, watercraft, and rail rolling stock hulls and Assistance. These lines consist of ancillary cover for the types of vehicle mentioned in the description. Premiums featured an increase of 4.5%. The underwriting policy continued: besides dedicating special attention to combination of ancillary cover with Motor TPL and to further development of affinity groups, this also focused on consolidating collaboration – via the agencies – with the dealer networks for newly registered vehicles and related services. The positive technical result, showing progress vs. 1H06, confirms the soundness of the actions implemented.

Premiums

Premiums written for direct business in 1H07 amounted to € 245,318 thousand (vs. € 221,788 thousand in 1H06), with growth of 10.6% YoY.

Claims

Reported claims

The following chart, concerning reported claims, has been prepared using data from positions opened during 1H07. Data are compared with those for 1H06:

(€ '000)

	30/06/07		30/06/06		Change %	
	number	total cost	number	total cost	number	total cost
Accident insurance	3,084	8,029	3,023	10,626	2.0	-24.4
Health insurance	1,838	2,622	1,643	1,732	11.9	51.4
Fire and natural events	1,970	4,176	2,095	5,163	-6.0	-19.1
Miscellaneous damages	4,078	6,878	3,654	5,597	11.6	22.9
Third-party general liability	3,458	10,337	4,274	10,995	-19.1	-6.0
Pecuniary losses	184	785	168	354	9.5	121.8
Legal protection	112	58	100	72	12.0	-19.4
Total non-motor businesses	14,724	32,885	14,957	34,539	-1.6	-4.8
Third-party aviation liability	4	1,157	7	706	-42.9	63.9
Third-party marine liability	13	81	7	55	85.7	47.3
Cargo insurance	190	622	183	1,076	3.8	-42.2
Third-party aviation liability	2	22	3	11	-33.3	100.0
Bond insurance	69	2,113	52	2,657	32.7	-20.5
Total Special businesses	278	3,995	252	4,505	10.3	-11.3
Third-party motor liability	30,312	91,959	31,251	90,560	-3.0	1.5
Third-party marine liability	16	155	15	69	6.7	124.6
Motor vehicle hulls	9,893	16,739	8,937	15,802	10.7	5.9
Support and assistance	3,299	297	1,975	176	67.0	68.8
Total motor businesses	43,520	109,150	42,178	106,607	3.2	2.4
Total non-life businesses	58,522	146,030	57,387	145,651	2.0	0.3

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

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

Branch	Claim handling type	30/06/07	
		Number	Total cost
Motor TPL - land	K-for-K - liable	15,198	33,892
Motor TPL - land	K-for-K - originator	19,063	40,187
Motor TPL - land	Non K-for-K claims	16,338	57,967
Motor TPL - watercraft	Non K-for-K claims	16	155
Total Motor TPL claims handled		50,615	132,201

The company received 34,755 reports of claim events to be managed as originator, against which it will complete recoveries from other insurers for a total of € 39,349 thousand, based on the forfeitary amounts established by the Ministry Technical Committee as per Article 13 of Italian Presidential Decree no. 254/2006.

Claims paid

The following table shows claims paid for direct business and the amount charged to reinsurers, with the data broken down by the period to which claims refer:

	Claims paid 30/06/07			Claims recovered from reinsurers	Claims paid 30/06/06			Change gross claims %
	Current year	Previous years	Total		Current year	Previous years	Total	
	Accident insurance	585	6,231		6,816	1,634	501	
Health insurance	1,158	1,394	2,552	-	579	1,767	2,346	8.8
Fire and natural events	1,273	3,603	4,876	179	1,129	3,832	4,961	-1.7
Miscellaneous damages	2,825	2,871	5,696	19	1,920	2,716	4,636	22.9
Third-party general liability	1,335	6,154	7,489	718	991	5,659	6,650	12.6
Legal protection	-	17	17	14	-	9	9	88.9
Pecuniary losses	8	36	44	-	52	56	108	-59.3
Total non-motor businesses	7,184	20,306	27,490	2,564	5,172	17,625	22,797	20.6
Third-party aviation liability	1,000	344	1,344	1,155	586	926	1,512	-11.1
Third-party marine liability	18	42	60	5	6	38	44	36.4
Cargo insurance	36	423	459	487	65	622	687	-33.2
Third-party aviation liability	-	5	5	4	-	-	-	n.v.
Bond insurance	1,301	1,495	2,796	511	597	2,235	2,832	-1.3
Total Special businesses	2,355	2,309	4,664	2,162	1,254	3,821	5,075	-8.1
Third-party motor liability	22,115	68,880	90,995	14,252	24,419	76,565	100,984	-9.9
Third-party marine liability	16	90	106	-	22	87	109	-2.8
Motor vehicle hulls	6,272	6,920	13,192	92	5,285	7,492	12,777	3.3
Support and assistance	216	244	460	414	190	246	436	5.5
Total motor businesses	28,619	76,134	104,753	14,758	29,916	84,390	114,306	-8.4
Total non-life businesses	38,158	98,749	136,907	19,484	36,342	105,836	142,178	-3.7

The cost includes the amount incurred in 1H07 for the contribution to the guarantee fund for road-accident victims. This totalled € 3,393 thousand vs. € 3,199 thousand in 1H06.

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.

	(% data)					
	Current claims			Aged claims		
	30/06/07	30/06/06	31/12/06	30/06/07	30/06/06	31/12/06
Accident	31.15	30.80	55.62	45.95	45.52	72.27
Health	73.84	66.90	77.63	47.18	29.10	91.75
Land vehicle hulls	72.52	73.84	85.30	67.74	69.71	82.55
Fire & natural events	63.35	60.71	79.89	43.87	42.21	58.92
Other property damage - theft	58.24	60.23	79.36	61.67	51.23	80.40
Motor TPL - land (*)	58.46	50.47	68.57	46.20	49.31	69.92
General TPL	39.10	37.55	53.43	16.54	28.34	38.82

(*) For 2007, the current claims figure relates to claims originated (and consequently managed) by the company

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

Accident

Aviation hulls

Cargo (goods in transit)

Fire and natural events

Motor TPL

Aviation TPL

General TPL

Suretyship

Legal protection

Assistance

Type of treaty

Excess claims

Pure premium for general aviation

Pure premium for flight risks

Pure premium for general aviation

Voluntary-mandatory

Excess claims

Pure premium (in 1H07 the part ceded was reduced from 20% to 10%)

Excess claims

Pure premium for general aviation

Excess claims

Pure premium for general aviation

Pure premium

Pure premium

Pure premium

Inward reinsurance

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

Ceded and retroceded premiums in 1H07 amounted to € 23,940 thousand.

Insurance risk management and analysis

Insurance risk management

Objectives

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

- Diversification of types of insurance cover offered;
- Careful and correct pricing of policies;
- Diversification of risks based on customer segmentation (households, individuals, professionals, small business operators, SMEs and large companies) giving preference to net retention of personal-line and SME risks, without however neglecting larger companies whose policies are 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).

Credit risk

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

(€ '000)

S&P rating	Current and deposit accounts	Technical reserves of inward & outward reinsurance	Total net balance sheet amounts	% breakdown
AAA	63	789	852	2.5%
AA+	13	-	13	0.0%
AA	-953	2,873	1,920	5.6%
AA-	-64,982	75,819	10,837	32.0%
A+	-254	6,008	5,754	17.0%
A	278	588	866	2.6%
A-	-12,661	22,005	9,344	27.6%
BBB+	20	-	20	0.1%
BBB	-3	-	-3	0.0%
No rating	1,412	2,841	4,253	12.6%
Total	-77,067	110,923	33,856	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 30 June 2007, non-life business accounts for approximately 80% of total Group premiums, with 56.3% of this percentage referring to motor lines.

This concentration of premiums in these lines means that group profitability is largely dependent on the frequency and average cost of claims and on efficient tariff management.

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 is approximately twice the requirement shown for the worst-case scenario.

Hail exposure

Once again, in the case of this risk, cover acquired for exposure to the risks present in the land vehicle 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

As part of planned expansion of the agency network, in 1H07 4 new agencies were set up whilst another 7 agencies were reorganised. Given this, as at 30 June 2007 the parent company was present in Italy with 238 general agencies and 351 professional sub-agencies.

Products

Work continued on new-product development and on revamping of existing products. Work done during 1H07 is outlined below:

Life business: New products

- "Vittoria Formula Optimiz 2006": a single-premium, index-linked life policy directly linked to the performance of a structured bond in turn index-linked to a basket of 30 equities listed on the main international stock exchanges.
- "Linea Protezione": in this product we have grouped all types of cover relating to personal protection.

Non-Marine business: New products

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

Motor business: New products

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

Life business: Revamped products

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

Non-Marine business: Revamped products

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

Motor business: Revamped products

Sale continued of products launched in previous periods. The products "Vittoria Formula Strada" and "Vittoria Formula Strada InCamper" were revamped.

Overhead costs

Overhead costs – direct business

In 1H07 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 € 28,040 thousand vs. € 26,802 thousand in 1H06, increasing by 4.6%.

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 - Direct insurance	30/06/07	30/06/06	Change
Personnel expenses	15,022	14,291	5.1%
Other costs	10,636	9,946	6.9%
Amortisation/Depreciation	2,382	2,565	-7.1%
Total cost by nature	28,040	26,802	4.6%

Overhead costs as a percentage of total insurance premiums and revenues (direct business) amounted to 8.9% (9.6% in 1H06).

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

(€ '000)

ALLOCATION BY FUNCTION	30/06/07	30/06/06	Change
Other acquisition costs	9,811	9,782	0.3%
Charges relating to claims	5,801	5,263	10.2%
Other administrative costs	10,079	9,246	9.0%
Investment management costs	461	372	23.9%
Other costs	1,888	2,139	-11.7%
Total costs by function	28,040	26,802	4.6%

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.

Breakdown of insurance operating costs

		(€ '000)		
		30/06/07	30/06/06	Change
Gross commissions and other acquisition costs		64,923	54,916	18.2%
	a Acquisition and premium collection commissions	51,129	40,238	27.1%
	a1 Acquisition commissions	46,748	35,435	31.9%
	a2 Premium collection commissions	4,381	4,803	-8.8%
	b Other acquisition costs	13,388	13,956	-4.1%
(*)	b1 allocated overhead costs	9,811	9,782	0.3%
	b2 other costs	3,577	4,174	-14.3%
	c Change in deferred acquisition costs	406	722	-43.8%
Profit participation and other commissions received from reinsurers		-7,146	-8,466	-15.6%
(*)	Investment management costs	461	372	23.9%
Other administrative costs		10,596	9,425	12.4%
(*)	a allocated overhead costs	10,079	9,246	9.0%
	b other administrative costs	517	179	188.8%
Total		68,834	56,247	22.4%

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

Operating costs increased by 22.4% due to the higher costs borne (+27.1%) for development of Non-Marine business, which features higher commissions. The stronger boost given to this business (+26.7%) is also designed to improve policy mix.

Real estate business

The loss made by the real estate business, before taxes and intersegment eliminations, amounted to € -36 thousand (vs. a profit of € 6,383 thousand in 1H06) and featured contributors to the income statement that, before intersegment eliminations, included:

- Income earned on properties from trading (€ 3,998 thousand) and development (€ 818 thousand) totalling € 4,816 thousand (€ 9,232 thousand in 1Q06)
- Revenues from real estate brokerage and management services of € 1,158 thousand and rental income of € 468 thousand (€ 1,993 thousand and € 648 thousand respectively in 1H06).

The Group's real estate business includes trading and development, brokerage, and management of own and third-party property.

Below, we highlight the key operating results of group companies.

Trading and development

The following companies operate in this segment:

- **Vittoria Immobiliare SpA – Milan**
This company operates in real estate trading, both directly and via special-purpose real estate companies. Revenues from the sale of property in 1H07 amounted to € 5,398 thousand. Closing inventory totalled € 63,091 thousand.
- **VRG Domus Srl – Turin**
During the year the company continued its “Spina 1” real estate operation in Turin. Revenues from the sale of property amounted to € 2,130 thousand. Closing inventory totalled € 2,657 thousand.
- **Immobiliare Bilancia Srl - Milan**
This company, active in real estate trading, achieved revenues from the sale of property totalling € 5,654 thousand. Closing inventory totalled € 9,388 thousand.
- **Immobiliare Bilancia Prima Srl. - Milan**
In December 2006 the company purchased a site, in the municipality of Parma, for which demolition of the existing building is planned as from the second half of 2008, followed by construction of new housing. Closing inventory amounted to € 7,058 thousand.
- **Immobiliare Bilancia Seconda Srl - Milan**
This company, once again active in real estate trading, achieved revenues on the sale of property totalling € 1,920 thousand. Closing inventory totalled € 2,127 thousand.
- **Parco Fidenae Srl – Rome**
The company is planning a real estate project in the municipality of Rome, for which it has made a down payment of € 1,045 thousand.
- **Lauro 2000 Srl – Milan**
The company is active in property development. Closing inventory – consisting of a buildable area earmarked for use by the service industry, amounted to € 84,142 thousand.
- **Acacia 2000 Srl. – Milan**
The company is active in property development. Closing inventory – consisting of a buildable area for residential use – amounted to € 119,613 thousand.

In 1H07 the company asked its direct parent company Vittoria Immobiliare SpA for a loan of € 1,840 thousand.

- **Forum Mondadori Residenze Srl – Milan**

The company, founded in March, is active in development. In June, it signed a preliminary contract for the purchase of a buildable area in the municipality of Mantua at a price of € 8,000 thousand. The initial down payment totalled € 1,608 thousand.

In 1H07 the company asked for a quotaholder loan totalling € 1,700 thousand.

- **Vaimm Sviluppo Srl – Milan**

The company, founded in April, is active in trading (after restructuring and refurbishment of buildings). In 1H07 it acquired a property compendium in Genoa, mainly earmarked for service/commercial use. For the building units located in Piazza De Ferrari, Via Orefici and Via Conservatori del Mare 5, the total price paid amounted to some € 40 million, for which bank loans were taken out.

In addition, as at 30 June 2007 a preliminary contract was in place for the purchase of buildings in Via Conservatori del Mare 9 in Genoa, earmarked mainly for residential use. The price agreed amounts to € 1,621 thousand. The sum of € 500 thousand was paid as a confirmatory down payment when the contract was signed

1H07 the company asked for a quotaholder loan totalling € 8,770 thousand.

Closing inventories at the end of 1H07 amounted to € 41,374 thousand.

- **Cadorna Real Estate Srl – Milan**

The company, acquired in June, is active in trading (after restructuring and refurbishment) of buildings located in Corso Cairoli in Turin.

Vittoria Immobiliare paid out a quotaholder loan of € 1,876 thousand to the company.

Closing inventories at the end of 1H07 amounted to € 11,748 thousand.

Brokerage

The following companies operate in this segment:

- **Interimmobili Srl - Rome**

In its real estate brokerage activities, the company achieved commission revenue of € 1,647 thousand in revenue, before infragroup eliminations.

In 1H07 the company continued to sell properties mainly in Rome, Turin and Milan based on sales mandates given by group companies and premier institutional investors, social security & pension agencies, and building companies.

Project management contracts acquired by Interimmobili with group companies generated revenues of € 500 thousand.

- **Vittoria Service Srl – Milan**

The company achieved service revenues of € 120 thousand, before infragroup eliminations.

Property management

Gestimmobili Srl, based in Milan, is the company active in this segment, i.e. in the administrative and technical management of property assets. Revenues achieved for this activity in 1H07 totalled € 449 thousand.

Investment

The company active in this segment is Yafra Sas, based in Paris. The company, which invests indirectly in the commercial segment of the real estate sector, was sold in July as described in the chapter “Events after balance sheet date”.

Overhead costs

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

	(€ '000)		
ANALYSIS OF COSTS - Direct insurance	30/06/07	30/06/06	Change
Personnel expenses	1,545	1,329	16.3%
Other costs	2,795	3,617	-22.7%
Amortisation/Depreciation	155	113	37.2%
Total cost by nature	4,495	5,059	-11.2%

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

Revenues for services rendered in 1H07 by group companies, before elimination of intragroup services, amounted to € 2,539 thousand. These revenues included € 2,514 thousand for commissions and services rendered to the direct operating parent company.

This segment showed a profit in the period, before tax and minority interest, of € 80 thousand (€ 126 thousand in 1H06).

Overhead costs

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

(€ '000)			
ANALYSIS OF COSTS - Direct insurance	30/06/07	30/06/06	Change
Personnel expenses	303	313	-3.2%
Other costs	2,161	1,458	48.2%
Amortisation/Depreciation	16	13	23.1%
Total cost by nature	2,480	1,784	39.0%

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 € 1,861,026 thousand with an increase of € 150,857 thousand vs. 31/12/2006, i.e. +8.8%. The detailed breakdown is shown in the following table:

(€ '000)

INVESTMENTS - CASH AND CASH EQUIVALENTS - PROPERTY	30/06/2007	31/12/2006	Change
Investment property	-	-	n.v.
Investments in subsidiaries and associates and interests in joint ventures	56,543	53,194	6.3%
- Investments in subsidiaries	-	-	
- Investments in associates	56,543	53,194	
- Interests in joint ventures	-	-	
Held to maturity investments	151,141	151,224	-0.1%
Loans and receivables	17,584	19,488	-9.8%
- Reinsurance deposits	532	534	
- Other loans and receivables	17,052	18,954	
Financial assets available for sale	1,067,227	1,010,569	5.6%
- Equity investments	67,864	64,525	
- OEIC units	13,149	8,030	
- Bonds and other fixed-interest securities	986,214	938,014	
Financial assets at fair value through profit or loss	122,013	119,458	2.1%
Financial assets at fair value through profit or loss	117,558	116,048	1.3%
- Investments where policyholders bear the risk	117,558	116,048	
Financial assets held for trading	4,455	3,410	30.6%
- Bonds and other fixed-interest securities held for trading	4,455	3,410	
Cash and cash equivalents	94,788	82,753	14.5%
Property	351,730	273,483	28.6%
Property under construction	265,010	232,638	
Property held for trading	71,275	25,237	
Owner-occupied property	15,445	15,608	
TOTAL INVESTMENTS	1,861,026	1,710,169	8.8%
of which			
investments where the Group bears the risk	1,743,468	1,594,121	9.4%
investments where policyholders bear the risk	117,558	116,048	1.3%

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

(€ '000)

Investments - Cash and cash equivalents - Property	Insurance Business		Real Estate Business		Service Business		Intersegment Eliminations		Total	
	30/06/2007	31/12/2006	30/06/2007	31/12/2006	30/06/2007	31/12/2006	30/06/2007	31/12/2006	30/06/2007	31/12/2006
Investments in subsidiaries	129,701	131,633	40	40	-	-	-129,741	-131,673	-	-
Investments in associates	56,455	52,967	1,130	1,233	18	15	-1,060	-1,021	56,543	53,194
Held to maturity investments	151,141	151,224	-	-	-	-	-	-	151,141	151,224
Reinsurance deposits	532	534	-	-	-	-	-	-	532	534
Other loans and receivables	15,656	18,329	2,040	765	-	-	-644	-140	17,052	18,954
Financial assets available for sale										
Equity investments	67,390	64,126	374	299	100	100	-	-	67,864	64,525
OEIC units	13,149	8,030	-	-	-	-	-	-	13,149	8,030
Bonds and other fixed-interest securities	986,214	938,014	-	-	-	-	-	-	986,214	938,014
Financial assets at fair value through profit or loss: Investments where policyholders bear the risk	117,558	116,048	-	-	-	-	-	-	117,558	116,048
Financial assets held for trading: Bonds and other fixed-interest securities	4,455	3,410	-	-	-	-	-	-	4,455	3,410
Cash and cash equivalents	58,418	39,243	34,378	42,531	1,992	979	-	-	94,788	82,753
Property under construction	-	-	225,652	193,279	-	-	39,358	39,359	265,010	232,638
Property held for trading	-	-	71,275	25,237	-	-	-	-	71,275	25,237
Owner-occupied property	12,285	12,397	3,160	3,211	-	-	-	-	15,445	15,608
Total	1,483,253	1,404,322	338,009	266,555	2,110	1,094	37,654	38,198	1,861,026	1,710,169

Investments with risk borne by Group

Investments with risks borne by the Group totalled € 1,743,468 thousand (€ 1,594,121 thousand as at 31 December 2006).

The following transactions took place during 1H07:

A) Investments in subsidiaries, associates, and joint ventures:

Reference should be made to the next section "Investments in associate companies".

B) Held-to-maturity investments:

- Mainly repayment of bonds for a total of € 89 thousand.

C) Available-for-sale financial assets:

- Purchase of Italian fixed-rate government securities for € 68,025 thousand
- Repayment of bonds for a total of € 5,453 thousand
- Completion of the process of voluntary liquidation of Marina Srl, with total cash-in of € 1,061 thousand, making a profit of € 331 thousand
- Sale at cost of the equity interest in Banca Popolare Etica Soc. Coop., with cash-in of € 52 thousand
- Subscription, for € 5,000 thousand, in shares of BCM Market Neutral Fund Plc, a hedge fund set up by the investee company BCM & Partners LLP

- Purchase by the subsidiary Vittoria Service Srl of a 10% equity interest in Spefin Finanziaria SpA, with an outlay of € 75 thousand.

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

As at 30 June 2007 these investments amounted to € 117,558 thousand, with an increase of 1.3% YoY. Of this amount, € 114,911 thousand related to unit- and index-linked policies and € 2,647 thousand to the open-ended pension fund Vittoria Formula Lavoro.

There was total net income of € 6,087 thousand (+239.7% vs. 1H06).

The value of investments in securities amounted to € 112,772 thousand (€ 112,349 thousand as at 31 December 2006) with an increase of 0.4% YoY.

Their breakdown was as shown in the following table:

	(€ '000)		
	30/06/07	31/12/06	Change %
Equity investments	5,250	6,879	-23.7
Unit trusts and OEICs	73,175	76,453	-4.3
Bonds and other fixed-interest securities	8,821	8,214	7.4
Index-linked derivative notes	25,526	20,803	22.7
Total	112,772	112,349	0.4

As at 30 June 2007 the status of the three segments of Vittoria Assicurazioni's open-ended pension fund was as follows:

	Members		Assets	
	30/06/07	31/12/06	(in thousands of Euros)	
			30/06/07	31/12/06
Previdenza Garantita	27	23	293	275
Previdenza Equilibrata	41	37	360	332
Previdenza Capitalizzata	112	106	1,971	1,748

E) Financial assets held for trading:

- Acquisitions coming from surrenders and non-signature of policies (pursuant to Article 41, paragraph 2 of Italian Legislative Decree no. 209 of 7 September 2005) = € 1,037 thousand.

F) Investments in property

As at 30 June 2007, real estate assets totalled € 351,730 thousand (+28.6% vs. 31 December 2006).

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

	(€ '000)		
	30/06/2007	31/12/2006	Change
Property under construction:			
- Gross carrying amount (*)	269,923	235,667	14.5%
- Payments on account	-4,913	-3,029	62.2%
Total property under construction	265,010	232,638	13.9%
Property held for trading:			
- Gross carrying amount	66,045	25,237	161.7%
- Alignment with fair value of property acquired in business combinations	5,230	-	n.d.
Property held for trading	71,275	25,237	182.4%
Owner-occupied property:			
- Held by the parent	12,285	12,397	-0.9%
- Held by subsidiaries	3,160	3,211	-1.6%
Total owner-occupied property	15,445	15,608	-1.0%
Total	351,730	273,483	28.6%

(*) of which € 46,907 thousand referring to alignment with fair value of property acquired in business combinations in 2006

Property under construction mainly consisted of € 203,755 thousand relating to the two initiatives in the Portello Area in Milan, € 28,373 thousand relating to the Peschiera Borromeo (Milan) operation, and of € 23,685 thousand for the buildable area acquired in 1H07 in San Donato Milanese (in the province of Milan).

The increase in group companies' held-for-trading property mainly reflected the creation of the company Vaimm Sviluppo Srl – which purchased building units in Genoa for € 41,374 thousand – and acquisition of the company Cadorna Real Estate Srl.

As required by IFRS 3 (“Business combinations”), buildable areas acquired have been recognised in consolidated accounts at the fair value calculated at the time of purchase.

As regards the subsidiary Cadorna Real Estate Srl, fair value had been estimated to be € 11,748 thousand. This valuation therefore caused upward realignment of € 5,230 thousand with respect to the carrying value of property of € 6,518 thousand recognised in the investee company's accounts.

Held-for-trading property mainly featured sales totalling € 12,574 thousand, on which pre-tax capital gains were made totalling € 3,328 thousand.

Investments in associate companies (as shown in earlier table)

The main associate companies' performance is described below:

Yarpa International Holding NV Group - Holland

The overall net profit of the Yarpa International Holding NV Group as up to 30 June 2007 totalled € 10,399 thousand, of which the after-tax benefit recognised in Vittoria Assicurazioni's accounts was € 2,557 thousand.

In July Yarpa International Holding NV completed total sale of the French COGEDIM Group, 100% owned by its subsidiary Inbro NV, to the Altarea property company, as better described in the chapter "Events after balance sheet date".

The associate owns 69.99% of Inbro BV (21.96% directly and 48.03% indirectly via Yam Invest NV),

Thanks to sale of the COGEDIM Group, Yarpa International Holding NV's profit will benefit from a capital gain of some € 270 million, of which Vittoria Assicurazioni will recognise its portion in accounts, amounting to some € 66.5 mn after tax.

Laumor BV Group - Holland

The company is the holding company of companies active in France. In 1H07 the specific vehicles in which Laumor owns an interest achieved real estate trading revenues totalling € 17,300 thousand.

The overall net profit of the Laumor BV Group as up to 30 June 2007 totalled € 393 thousand, of which the after-tax benefit recognised in Vittoria Assicurazioni's accounts was € 138 thousand.

White Finance SA - Luxembourg

The associate is a financial company that invests in closed-end securities investment funds. In 1H07 the associate made pre-tax profit of € 7,735 thousand, of which the after-tax benefit for Vittoria Assicurazioni was € 2,470 thousand,

Laumor Holdings Sarl – Luxembourg

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

In 1H07 the company reported pre-tax profit of € 454 thousand, of which the after-tax benefit in Vittoria Assicurazioni's accounts was € 131 thousand.

S.In.T. SpA – Italy

This associate company is active in the creation and management of customer loyalty-building and sales-network incentive programmes, relationship marketing, communication and promotion.

In 1H07 the company reported net profit of € 19 thousand.

Rovimmobiliare Srl - Italy

This associate is a real estate company in which an interest is owned via Vittoria Immobiliare SpA.

In 1H07 the company invested € 10,000 thousand to acquire a property in Livorno (Leghorn), mainly earmarked for use by the service industry, which will be the object of parcelled sales.

To support this acquisition the associate, besides using a bank loan, in 1H07 asked for a quotaholder loan totalling € 2,000 thousand, for which Vittoria Immobiliare SpA paid in its share.

In 1H07 the company reported a loss of € -247 thousand.

Mosaico SpA - Italy

This associate is a real estate company in which an interest is owned via Vittoria Immobiliare SpA.

In 1H07 the associate asked for a quotaholder loan totalling € 100 thousand, for which Vittoria Immobiliare SpA paid in its share.

In 1H07 the company reported a loss of € -60 thousand.

Pama & Partners Srl – Italy

This associate is a real estate company in which an interest is owned via Vittoria Immobiliare SpA.

In 1H07 the company acquired an area in Genoa – for construction of a premium residential complex – with an investment of € 3,925 thousand, plus indirect taxes.

This investment was financed by the company's resources, supplemented by a quotaholder loan totalling € 1,000 thousand (Vittoria Immobiliare SpA's share = 25%) and bank debt of € 2,700 thousand.

In 1H07 the company reported a loss of € -15 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	30/06/2007	31/12/2006	Change
Financial liabilities where the investment risk is borne by policyholders and arising from pension fund management	117,558	116,048	1.3%
- Financial liabilities where the investment risk is borne by policyholders relating to index- and unit-linked policies	114,911	113,669	
- Financial liabilities where the investment risk is borne by policyholders relating to pension funds	2,647	2,379	
Other financial liabilities	276,552	206,181	34.1%
- Reinsurance deposits	78,847	86,934	
- Payables to banks	178,645	91,430	
- Other financial payables	8,892	4,085	
- Other financial liabilities	4,952	7,924	
- Subordinated liabilities	5,216	15,808	
TOTAL FINANCIAL LIABILITIES	394,110	322,229	22.3%

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	
	30/06/2007	31/12/2006	30/06/2007	31/12/2006	30/06/2007	31/12/2006	30/06/2007	31/12/2006	30/06/2007	31/12/2006
Financial liabilities where the investment risk is borne by policyholders relating to index- and unit-linked policies	114,911	113,669	-	-	-	-	-	-	114,911	113,669
Financial liabilities where the investment risk is borne by policyholders relating to pension funds	2,647	2,379	-	-	-	-	-	-	2,647	2,379
Reinsurance deposits	78,847	86,934	-	-	-	-	-	-	78,847	86,934
Payables to banks	-	-	178,642	91,430	3	-	-	-	178,645	91,430
Other financial payables	-	-	8,892	4,085	-	-	-	-	8,892	4,085
Other financial liabilities	4,952	7,924	-	-	-	-	-	-	4,952	7,924
Subordinated liabilities	5,216	15,808	-	-	-	-	-	-	5,216	15,808
Total	206,573	226,714	187,534	95,515	3	-	-	-	394,110	322,229

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 30 June 2007 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	Total net realised and unrealised gains 30/06/07	Total net realised and unrealised gains 30/06/06		
Investments	30,199	1,319	5,341	623	36,236	33,649		
From:								
a investment property	-	-	-	-	-	-		
b investments in subsidiaries and associates and interests in joint ventures	5,186	-	-	-	5,186	11,117		
c held to maturity investments	3,062	-	-	-	3,062	2,356		
d loans and receivables	268	-	-	1	267	328		
e financial assets available for sale	21,278	331	-	-	21,609	18,100		
f financial assets held for trading	21	-	35	31	25	-44		
g financial assets at fair value through profit or loss	384	988	5,306	591	6,087	1,792		
Other receivables	260	-	-	-	260	234		
Cash and cash equivalents	1,628	-	-	-	1,628	1,081		
Financial liabilities	-3,365	-	-	6,087	-9,452	-4,060		
From:								
a financial liabilities held for trading	-	-	-	-	-	-		
b financial liabilities at fair value through profit or loss	-	-	-	6,087	-6,087	-1,792		
c other financial liabilities	-3,365	-	-	-	-3,365	-2,268		
Payables	-	-	-	-	-	-		
Total gains and losses on financial instruments	28,722	1,319	5,341	6,710	28,672	30,904		
Real estate business								
From:								
a Gains on property trading	-	3,998	-	-	3,998	9,000		
b Revenue from work in progress (percentage of completion)	818	-	-	-	818	232		
c Rent income on owner-occupied property and property held for trading	494	-	-	-	494	688		
Total real estate business	1,312	3,998	-	-	5,310	9,920		
Total gains and losses on investments	30,034	5,317	5,341	6,710	33,982	40,824		
of which								
Investments where policyholders bear the risk	384	988	5,306	-5,496	-	-		
Investment result	384	988	5,306	591	6,087	1,792		
Write-up/write-down of liabilities	-	-	-	6,087	6,087	1,792		
Investments where the Group bears the risk	29,650	4,329	35	32	33,982	40,824		

Net gains with risk borne by the Group decreased from € 40,824 thousand to € 33,982 thousand, with a -16.8 % decrease vs. 1H06. The decrease was mainly due to the lower margins posted by the real estate companies and to the lower result achieved by associate companies that invest in private equity deals.

As up to 30 June 2007 the weighted average return on "Bonds and other fixed-income securities" was 4.4% as compared with 3.9% in 1H06.

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	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
Gains or losses on remeasurement of financial instruments at fair value through profit or loss	25	-44	-	-	-	-	-	-	25	-44
Gains or losses on investments in subsidiaries and associates and interests in joint ventures	10,150	18,246	-139	1	2	1	-4,827	-7,131	5,186	11,117
Gains or losses on other financial instruments and investment property	25,149	20,009	-1,703	-190	15	12	-	-	23,461	19,831
Gains on property trading	-	-	3,998	9,000	-	-	-	-	3,998	9,000
Revenue from work in progress (percentage of completion)	-	-	818	232	-	-	-	-	818	232
Rent income on owner-occupied property and property held for trading	94	107	468	648	-	-	-68	-67	494	688
Total	35,418	38,318	3,442	9,691	17	13	-4,895	-7,198	33,982	40,824

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.

Procedures

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

- The market value of assets and their consequent potential losses vs. carrying value
- 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 30/06/2007	% of breakdown	Amount 31/12/2006	% of breakdown
DEBT SECURITIES	1,141,810	93.4%	1,092,648	93.8%
Listed treasury bonds:	931,338	76.2%	881,575	75.7%
Fixed-interest rate	477,028	39.0%	426,402	36.6%
Variable interest rate	454,310	37.2%	455,173	39.2%
Unlisted treasury bonds:	-	0.0%	-	0.0%
Fixed-interest rate	-	0.0%	-	0.0%
Variable interest rate	-	0.0%	-	0.0%
Listed corporate bonds:	180,789	14.8%	180,745	15.5%
Fixed-interest rate	172,298	14.1%	172,158	14.7%
Variable interest rate	8,491	0.7%	8,587	0.7%
Unlisted corporate bonds:	11,442	0.9%	11,584	1.0%
Fixed-interest rate	1,665	0.1%	1,721	0.1%
Variable interest rate	9,777	0.9%	9,863	0.8%
Bonds of supranational issuers:	18,241	1.5%	18,744	1.6%
Fixed-interest rate	18,241	1.5%	18,744	1.6%
Variable interest rate	-	0.0%	-	0.0%
of which				
Total fixed-interest securities	669,232	58.6%	619,025	56.7%
Total variable-interest securities	472,578	41.4%	473,623	43.3%
Total debt securities	1,141,810	100.0%	1,092,648	100.0%
of which				
Total listed securities	1,130,368	99.0%	1,081,064	98.9%
Total unlisted securities	11,442	1.0%	11,584	1.1%
Total debt securities	1,141,810	100.0%	1,092,648	100.0%
EQUITY INSTRUMENTS	67,864	5.5%	64,525	5.5%
listed shares	47,559	3.9%	43,544	3.6%
unlisted equity instruments	20,305	1.7%	20,981	1.8%
OEIC UNITS	13,149	1.1%	8,030	0.7%
TOTAL	1,222,823	100.0%	1,165,203	100.0%

Corporate Bonds include State-guaranteed bonds for € 84,462 thousands.

The fixed-income securities portfolio has a duration of 2.97 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 € 669,232 thousand (58.6% of the bond portfolio with investment risk borne by the Group). Of this amount, securities totalling € 542,653 thousand are classified as available-for-sale financial assets.

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	542,653 ⁽¹⁾
Change	
100 BP increase	518,201
100 BP decrease	569,547

(1) of which Euro 378,134 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 € 472,578 thousand (41.4% 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 € +4,664 thousand and € -4,272 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	162,315	24.3%
1<X<2	32,681	4.9%
2<X<3	43,055	6.4%
3<X<4	84,867	12.7%
4<X<5	52,506	7.8%
5<X<10	229,194	34.2%
more	64,614	9.7%
Total	669,232	100.0%
of which repayable in advance	5,164	

Variable-interest securities

(€ '000)

Type of rate	Indexation	Amount	% of breakdown
Constant mat. swaps	Euroswaps 10Y	32,408	6.9%
Constant mat. swaps	Euroswaps 30Y	7,825	1.7%
variable	3 month treasury bonds	7,772	1.6%
variable	6 month treasury bonds	419,430	88.8%
variable	other	5,143	1.1%
Total		472,578	100.0%

The contractual rate fixing 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 € 181,991 thousand.

In order to indicate their sensitivity, it is noted that a 100-bp increase would increase interest expense by € 1,819 thousand. Vice versa, a 100-bp decrease would reduce interest expense by € 1,819 thousand.

Equity securities are exposed to **price risk**, i.e., the possibility of their fair value varying as a result of changes arising both from factors specific to the individual instrument or issuer and those affecting all instruments traded on the market

If the listed shares classified as "Available-for-sale financial assets" had suffered a 10% loss as at 30.06.2007, equity attributable to parent company shareholders would have decreased by € 4,756 thousand.

The Group is not exposed to **foreign exchange risk** since, as at 30.06.2007, nearly all investments for which it bears the risk were expressed in euro, observing the principle of consistency with technical reserves.

Liquidity risk

The group is daily required to execute payments arising from insurance and investment contracts.

The liquidity risk is the risk that available funds may not be sufficient to meet obligations. It is constantly monitored by means of the 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 30.06.2007 financial assets listed in a regulated market accounted for over 95% of financial assets owned.

Credit risk

In applying its investment policy, the Group limits its exposure to credit risk by investing in highly rated issuers.

As can be seen in the table below, as at 30.06.2007 nearly all bonds held by the group were rated as investment grade.

(€ '000)

Rating (Standard & Poor's)	Amount	% of breakdown
AAA	159,160	13.9%
AA+ / AA-	91,830	8.0%
A+ / A-	845,503	74.0%
BBB+ / BBB-	35,544	3.1%
Non investment grade	2,604	0.2%
Unrated	7,169	0.6%
Total	1,141,810	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 30 June 2007 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
Parents	-		-	-	-
Associates	1	1,900	4,952	1	544
Total	1	1,900	4,952	1	544

Transactions and relationships with subsidiaries

In 2005 Vittoria Assicurazioni SpA opted for domestic tax consolidation (pursuant to Articles 117 et seq. of Italian Presidential Decree no. 917 of 22 December 1986), acting as the consolidator. Adherence to the system is effective for the 3-year period 2005-2007. The other participants, as tax-consolidated companies, are Immobiliare Bilancia Srl, Immobiliare Bilancia Prima Srl, Immobiliare Bilancia Seconda Srl, and Immobiliare Bilancia Terza Srl.

As from FY2006 the subsidiaries Vittoria Immobiliare SpA, Interimmobili Srl, and Gestimmobili Srl have also been included in the scope of tax consolidation. Their inclusion is effective for the 3-year period 2006-2008.

Transactions and relationships with parent companies

During the 2007 conversion window starting on 20 May, the direct non-operating parent company, Vittoria Capital NV – Holland, converted all its 1,925,000 subordinated convertible bonds issued by Vittoria Assicurazioni, thus increasing its equity interest as at 30 June 2007 to 52.799% (vs. 50.267% as at 31.12.2006).

At the same time, the indirect non-operating parent company, Yafa Holding BV – Holland, converted all the 206,188 subordinated convertible bonds issued by Vittoria Assicurazioni in its possession, thereby increasing its equity interest to 5.657% (vs. 5.386% as at 31.12.2006).

As up to 30 June 2007, following conversion of bonds by both the direct and indirect non-operating parent companies, there were no transactions between Vittoria Assicurazioni and these companies.

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

Transactions with associate companies

Yarpa International Holding NV – Holland

Laumor BV - Holland

White Finance SA – Luxembourg

BP SpA – Genoa

Gimatrading Srl – Turin

Sivim Srl – Milan

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

Laumor Holdings Sarl – Luxembourg

In its accounts Vittoria Assicurazioni reports – among loans to associate companies and among financial liabilities – the amount of € 4,952 thousand relating to its commitment to subscribe private equity investments via the associate company.

S.In.T. SpA - Turin

During 1H07 the direct operating parent company used S.In.T. SpA's services for Formula Salute insurance policies and for other commercial agreements implemented by the parent company for a total cost of € 201 thousand plus VAT.

Mosaico SpA – Turin

The subsidiary Vittoria Immobiliare SpA paid € 25 thousand to the associate as an interest-free shareholder loan.

Pama & Partners Srl – Genoa

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

Rovimmobiliare Srl – Rome

Gestimmobili Srl charged this associate company for administrative services (€ 1 thousand). As at 30.06.2007, Gestimmobili Srl reported trading accounts receivable from the associate of € 1 thousand.

In addition, the subsidiary Vittoria Immobiliare SpA paid € 1,000 thousand to the associate as a quotaholder loan.

Le Api Srl - Milan

The associate rendered services totalling € 343 thousand to the Vittoria Assicurazioni SpA.

Events after balance sheet date

Insurance business

July marked completion of sale of the whole of the COGEDIM Group to the property company Altarea. This group was controlled by the associate company Yarpa International Holding NV via its sub-holding companies Inbro NV and Yam Invest NV.

The selling price of some € 600 mn gross led to a net capital gain for the Vittoria Assicurazioni Group of € 66.5 mn. The sale agreement also envisages, depending on the COGEDIM Group's actual FY2007 results, a possible price supplement of up to a maximum of € 25 mn more. Taking equalisation costs into account, the capital gain pertaining to the Vittoria Assicurazioni Group could increase by a maximum net amount of € 3.4 mn.

In the period from 1 to 31 July 2007, conversion continued of the "Vittoria Assicurazioni - Fixed/Floater 2001/2016" bond loan. Conversion in the period amounted to € 31 thousand and, as at 31 July 2007, Vittoria Assicurazioni SpA's share capital increased to € 32,643,849 following the issue of 6,449 new shares.

In July, Vittoria Assicurazioni SpA took part in the foundation of the Luxembourgian company Gima Finance SA with share capital of € 31,000 thousand – acquiring a 32.13% stake. The total commitment, for the private equity operations that the associate company will undertake, is € 25 mn.

In July, the associate White Finance SA paid Vittoria Assicurazioni SpA € 1,383 thousand as partial refund of the share premium reserve.

In July, Vittoria Assicurazioni SpA paid € 361 thousand to the associate Laumor Holdings Sarl as quota premium.

Real estate business

In July, Vittoria Assicurazioni SpA disposed of the entire 55% stake owned in Yafra Sas – Paris (France), with cash-in of € 86 thousand, equal to the investee company's historical cost. At the same time, the associate Yarpa International Holding NV sold the entire 45% stake owned in the same investee company.

The Board of Directors

Milan, 7 September 2007

Consolidated interim
financial statements
as at and for the
six months ended
30 June 2007

Balance sheet

Vittoria Assicurazioni S.p.A.

Consolidated interim financial statements as at and for the six months ended 30 June 2007

BALANCE SHEET - ASSETS

(in thousands of Euros)

	Note	30/06/2007	30/06/2006	31/12/2006
1	INTANGIBLE ASSETS	16,482	15,830	16,432
1.1	Goodwill	0	0	0
1.2	Other intangible assets	16,482	15,830	16,432
2	PROPERTY, PLANT AND EQUIPMENT	356,074	84,271	278,524
2.1	Property	351,730	78,968	273,483
2.2	Other items of property, plant and equipment	4,344	5,303	5,041
3	REINSURERS' SHARE OF TECHNICAL RESERVES	112,766	134,631	126,958
4	INVESTMENTS	1,414,508	1,343,218	1,353,933
4.1	Investment property	0	0	0
4.2	Investments in subsidiaries and associates and interests in joint ventures	56,543	43,157	53,194
4.3	Held to maturity investments	151,141	146,915	151,224
4.4	Loans and receivables	17,584	13,001	19,488
4.5	Financial assets available for sale	1,067,227	1,017,796	1,010,569
4.6	Financial assets at fair value through profit or loss	122,013	122,349	119,458
5	OTHER RECEIVABLES	135,226	192,934	148,272
5.1	Receivables relating to direct insurance	103,226	89,864	114,514
5.2	Receivables relating to reinsurance business	7,510	15,204	5,710
5.3	Other receivables	24,490	87,866	28,048
6	OTHER ASSETS	56,031	43,306	40,265
6.1	Non-current assets or assets of a disposal group classified as held for sale	0	0	0
6.2	Deferred acquisition costs	10,843	12,096	11,250
6.3	Deferred tax assets	14,543	10,814	12,050
6.4	Current tax assets	26,495	17,429	14,002
6.5	Other assets	4,150	2,967	2,963
7	CASH AND CASH EQUIVALENTS	94,788	67,519	82,753
	TOTAL ASSETS	2,185,875	1,881,709	2,047,137

Vittoria Assicurazioni S.p.A.

Consolidated interim financial statements as at and for the six months ended 30 June 2007

BALANCE SHEET - EQUITY AND LIABILITIES

(in thousands of Euros)

	Note	30/06/2007	30/06/2006	31/12/2006
1	EQUITY	253,066	219,792	232,822
1.1	attributable to the shareholders of the parent	247,186	213,420	226,311
1.1.1	Share capital	32,637	30,244	30,452
1.1.2	Other equity instruments	415	1,307	1,229
1.1.3	Equity-related reserves	30,406	21,081	21,878
1.1.4	Income-related and other reserves	156,007	127,420	125,478
1.1.5	(Treasury shares)	0	0	0
1.1.6	Translation reserve	20	-6	-2
1.1.7	Fair value reserve	11,559	13,912	11,847
1.1.8	Other gains or losses recognised directly in equity	22	-1,190	22
1.1.9	Profit for the period/year attributable to the shareholders of the parent	16,120	20,652	35,407
1.2	attributable to minority interests	5,880	6,372	6,511
1.2.1	Share capital and reserves attributable to minority interests	6,124	5,742	5,393
1.2.2	Gains or losses recognised directly in equity	0	0	0
1.2.3	Profit for the period/year attributable to minority interests	-244	630	1,118
2	PROVISIONS	4,730	4,811	4,813
3	TECHNICAL RESERVES	1,389,081	1,279,341	1,341,505
4	FINANCIAL LIABILITIES	394,110	305,072	322,229
4.1	Financial liabilities at fair value through profit or loss	117,558	119,124	116,048
4.2	Other financial liabilities	276,552	185,948	206,181
5	PAYABLES	96,845	44,420	98,059
5.1	Payables arising from direct insurance business	6,411	6,166	6,827
5.2	Payables arising from reinsurance business	6,263	5,000	12,489
5.3	Other sums payable	84,171	33,254	78,743
6	OTHER LIABILITIES	48,043	28,273	47,709
6.1	Liabilities of a disposal group held for sale	0	0	0
6.2	Deferred tax liabilities	26,129	8,161	24,479
6.3	Current tax liabilities	3,220	6,687	6,145
6.4	Other liabilities	18,694	13,425	17,085
	TOTAL EQUITY AND LIABILITIES	2,185,875	1,881,709	2,047,137

Income statement

Vittoria Assicurazioni S.p.A.

Consolidated interim financial statements as at and for the six months ended 30 June 2007

INCOME STATEMENT

(in thousands of Euros)

	Note	first half 2007	first half 2006	2006
1.1	Net premiums	269,912	229,165	484,421
1.1.1	<i>Gross premiums</i>	24 293,515	265,464	563,601
1.1.2	<i>Ceded premiums</i>	24 23,603	36,299	79,180
1.2	Commission income	25 1,111	635	408
1.3	Gains or losses on remeasurement of financial instruments at fair value through profit or loss	26 25	-44	8
1.4	Gains on investments in subsidiaries and associates and interests in joint ventures	26 5,328	11,186	18,219
1.5	Gains on other financial instruments and investment property	26 26,827	22,142	46,990
1.5.1	<i>Interest income</i>	25,853	21,389	45,175
1.5.2	<i>Other income</i>	643	753	1,808
1.5.3	<i>Realised gains</i>	331	0	7
1.5.4	<i>Unrealised gains</i>	0	0	0
1.6	Other income	27 7,555	13,420	23,530
1	TOTAL REVENUE	310,758	276,504	573,576
2.1	Net charges relating to claims	205,907	177,680	375,909
2.1.1	<i>Amounts paid and change in technical reserves</i>	24 220,489	203,922	436,791
2.1.2	<i>Reinsurers' share</i>	24 -14,582	-26,242	-60,882
2.2	Commission expense	28 458	248	602
2.3	Losses on investments in subsidiaries and associates and interests in joint ventures	26 142	69	408
2.4	Losses on other financial instruments and investment property	26 3,366	2,311	5,215
2.4.1	<i>Interest expense</i>	3,365	2,268	5,161
2.4.2	<i>Other expense</i>	0	0	0
2.4.3	<i>Realised losses</i>	0	0	9
2.4.4	<i>Unrealised losses</i>	1	43	45
2.5	Operating costs	72,895	61,150	127,559
2.5.1	<i>Commissions and other acquisition costs</i>	29 56,138	45,175	94,474
2.5.2	<i>Investment management costs</i>	29 461	372	859
2.5.3	<i>Other administrative costs</i>	29 16,296	15,603	32,226
2.6	Other costs	30 4,356	5,555	12,014
2	TOTAL COSTS	287,124	247,013	521,707
	PROFIT FOR THE YEAR BEFORE TAXATION	23,634	29,491	51,869
3	Income taxes	31 7,758	8,209	15,344
	PROFIT FOR THE YEAR	15,876	21,282	36,525
4	GAIN (LOSS) ON DISCONTINUED OPERATIONS	0	0	0
	CONSOLIDATED PROFIT	15,876	21,282	36,525
	of which attributable to the shareholders of the parent	16,120	20,652	35,407
	of which attributable to minority interests	14 -244	630	1,118
	Basic EARNINGS per share	0.49	0.68	1.16
	Diluted EARNINGS per share	0.48	0.62	1.07

Calculation of earnings per share

		30/06/07	30/06/06	31/12/06
Profit for the period/year attributable to the shareholders of the parent	Euro	16,119,777	20,651,907	35,406,514
Average number of shares	no.	32,637,400	30,244,147	30,451,623
Basic earnings per share	Euro	0.49	0.68	1.16
Adjustments				
Financial charges on the convertible subordinated bond issue	Euro	118,932	370,072	708,608
Number of potential shares	no.	1,112,600	3,505,853	3,298,377
Adjusted profit for the period/year attributable to the shareholders of the parent	Euro	16,238,709	21,021,979	36,115,122
Adjusted average number of shares	no.	33,750,000	33,750,000	33,750,000
Diluted earnings per share	Euro	0.48	0.62	1.07

Adjustments refer to the number of potential shares arising from the conversion of the convertible subordinated bond issue and the related financial charges.

Statement of changes in equity

Vittoria Assicurazioni S.p.A.
Consolidated interim financial statements as at and for the six months ended 30 June 2007
STATEMENT OF CHANGES IN EQUITY

(in thousands of Euros)

	Balance at 31/12/05	Adjustment to closing balance	Allocation	Reclass. to profit or loss	Other reclassifications	Balance at 30/06/06	Balance at 31/12/06	Adjustment to closing balance	Allocation	Reclass. to profit or loss	Other reclassifications	Balance at 30/06/07
Share capital	30,000		244			30,244	30,452		2,185			32,637
Other equity instruments	1,398		-91			1,307	1,229		-814			415
Equity-related reserves	20,142		939			21,081	21,878		8,528			30,406
Income-related and other reserves	91,715		40,205		-4,500	127,420	125,478		35,407		-4,878	156,007
(Treasury shares)	0					0	0					0
Translation reserve	6		-12			-6	-2		22			20
Fair value reserve	21,585		-7,643	-30		13,912	11,847		-288			11,559
Hedging reserve	0					0	0					0
Gains or losses on hedging instruments of net investment in foreign operations	0					0	0					0
Reserve for changes in the equity of investees	-1,190					-1,190	22					22
Intangible asset revaluation reserve	0					0	0					0
Property, plant and equipment revaluation reserve	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
Other reserves	0					0	0					0
Profit for the period/year	39,979		-19,327			20,652	35,407		-19,287			16,120
Total attributable to the shareholders of the parent	203,635	0	14,315	-30	-4,500	213,420	226,311	0	25,753	0	-4,878	247,186
Share capital and reserves attributable to minority interests	5,518		4,876		-4,652	5,742	5,303		1,514		-783	6,124
Gains or losses recognised directly in equity	0		-3,750			630	1,118		-1,382			-244
Profit for the period/year	4,380											
Total attributable to minority interests	9,898	0	1,126	0	-4,652	6,372	6,511	0	152	0	-783	5,880
Total	213,533	0	15,441	-30	-9,152	219,792	232,822	0	25,905	0	-5,661	253,066

For further information, reference should be made to the notes to the consolidated interim financial statements.

Cash flow statement – indirect method

Vittoria Assicurazioni S.p.A.

Consolidated interim financial statements as at and for the six months ended 30 June 2007

Cash flow statement – indirect method)

(in thousands of Euros)

	30/06/2007	30/06/2006
Profit for the period/year before taxation	23,634	29,491
Change in non-monetary items	41,371	14,216
Change in non-life premium reserve	21,152	15,689
Change in claims reserve and other non-life technical reserves	29,494	9,272
Change in mathematical reserves and other life technical reserves	11,122	4,478
Change in deferred acquisition costs	407	722
Change in provisions	-83	-533
Non-monetary gains and losses on financial instruments, investment property and investments in subsidiaries and associates and interests in joint ventures	-4,882	98
Other changes	-15,839	-15,510
Change in receivables and payables arising from operating activities	11,832	-17,743
Change in receivables and payables relating to direct insurance and reinsurance	2,846	8,591
Change in other receivables and payables	8,986	-26,334
Taxes paid	-7,758	-8,209
Net cash flow generated by/used for monetary items from investing and financing activities	-1,045	-1,673
Liabilities from financial contracts issued by insurance companies	1,510	-3,634
Payables to bank and interbank customers		0
Loans and receivables from bank and interbank customers		0
Other financial instruments at fair value through profit or loss	-2,555	1,961
NET CASH FLOW FROM OPERATING ACTIVITIES	68,034	16,082
Net cash flow generated by/used for investment property		
Net cash flow generated by/used for investments in subsidiaries and associated companies and interests in joint ventures	1,837	-11,680
Net cash flow generated by/used for loans and receivables	1,904	3,859
Net cash flow generated by/used for held to maturity investments	83	-75,228
Net cash flow generated by/used for financial assets available for sale	-57,234	36,297
Net cash flow generated by/used for property, plant and equipment	-77,600	29,409
Other net cash flows generated by/used for investing activities		0
NET CASH FLOW FROM INVESTING ACTIVITIES	-131,010	-17,343
Net cash flow generated by/used for equity instruments attributable to the shareholders of the parent		0
Net cash flow generated by/used for treasury shares		0
Dividends distributed to the shareholders of the parent	-4,872	-4,500
Net cash flow generated by/used for share capital and reserves attributable to minority interests	-387	-4,156
Net cash flow generated by/used for subordinated liabilities and equity instruments		0
Net cash flow generated by/used for other financial liabilities	80,270	2,420
NET CASH FLOW FROM FINANCING ACTIVITIES	75,011	-6,236
Effect of exchange rate gains/losses on cash and cash equivalents	0	0
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD/YEAR	82,753	75,016
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	12,035	-7,497
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD/YEAR	94,788	67,519

Notes to the consolidated interim financial statements

The notes to the consolidated interim 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.

Notes of a general nature

A) Consolidation scope

	Registered Offices	Share Capital Euro	% Ownership		Via
			Direct	Indirect	
Vittoria Assicurazioni S.p.A.	Milan	32,637,400			
Vittoria Immobiliare S.p.A.	Milan	16,600,000	87.24%		
Immobiliare Bilancia S.r.l.	Milan	2,000,000	97.66%		
Immobiliare Bilancia Prima S.r.l.	Milan	2,000,000	100.00%		
Immobiliare Bilancia Seconda S.r.l.	Milan	1,000,000	100.00%		
Immobiliare Bilancia Terza S.r.l.	Milan	100,000	100.00%		
Lauro 2000 S.r.l.	Milan	15,000,000	100.00%		
Yafra S.a.s.	Paris France	37,000	55.00%		
Vittoria Properties S.r.l.	Milan	4,000,000	99.00%	1.00%	
Interbilancia S.r.l.	Milan	80,000	80.00%	20.00%	Vittoria Immobiliare S.p.A.
Vittoria Service S.r.l.	Milan	80,000	70.00%	30.00%	
Acacia 2000 S.r.l.	Milan	100,000		100.00%	
Gestimmobili S.r.l.	Milan	104,000		80.00%	
Interimmobili S.r.l.	Rome	104,000		80.00%	
Forum Mondadori Residenze S.r.l.	Milan	100,000		70.00%	Vittoria Immobiliare S.p.A.
Cadorna Real Estate S.r.l.	Milan	10,000		100.00%	
V.R.G. Domus S.r.l.	Turin	1,000,000		51.00%	
Parco Fidenae S.r.l.	Rome	50,000		51.00%	
Vaimm Sviluppo S.r.l.	Milan	100,000		51.00%	
Aspevi S.r.l.	Milan	10,400		100.00%	Interbilancia S.r.l.
Vittoria.Net S.r.l.	Milan	10,400		100.00%	

Changes occurring in 1H07

Vaimm Sviluppo Srl – 51% equity interest (indirectly owned)

Foundation of the company, which has a trading/refurbishment operation underway concerning premier buildings located in Genoa, with a € 51-thousand outlay by Vittoria Immobiliare SpA.

Forum Mondadori Residenze Srl – 70% equity interest (indirectly owned)

Foundation of the company for execution of a property project in Mantua, with a € 70-thousand outlay by Vittoria Immobiliare SpA.

Cadorna Real Estate Srl – 100% equity interest (indirectly owned)

Purchase of 100% of quota capital by Vittoria Immobiliare SpA, with an outlay of € 3,170 thousand.

Vittoria Immobiliare SpA – 87.24% equity interest (directly owned)

In April the Extraordinary Shareholders' Meeting of Vittoria Immobiliare SpA resolved a bonus capital increase of € 300 thousand and a further capital increase of € 4,100 thousand, for consideration. The shareholders' resolution also attributes powers to the Board of Directors to increase share capital, by the end of 2012, up to achievement of total share capital of € 40,000 thousand.

The operating parent company, Vittoria Assicurazioni SpA, participated, for the portion pertaining to it, in the operations taking place in 1H07.

Immobiliare Bilancia Srl – 97.66% equity interest (directly owned)

The subsidiary paid € 8,594 thousand to the direct operating parent company as partial reimbursement of the quota premium reserve.

Immobiliare Bilancia Prima Srl – 100.00% equity interest (directly owned)

The direct operating parent company paid € 3,000 thousand into the subsidiary's capital increase account.

Vittoria Service Srl – equity interest of 70% (directly owned) and 30% (indirectly owned)

Vittoria Assicurazioni SpA and Vittoria Immobiliare SpA, each for the portion pertaining to it, paid € 20 thousand into the subsidiary's capital increase account and € 100 thousand into its share premium reserve.

B) List of unconsolidated investments

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

Changes occurring in 1H07

White Finance SA – 32.17% equity interest

Vittoria Assicurazioni SpA paid € 1,611 thousand to the associate company, as an increase of the share premium reserve. The associate subsequently executed partial reimbursement of the reserve, for an amount of € 2,558 thousand.

Laumor Holdings Sarl - 29.00% equity interest

Vittoria Assicurazioni SpA paid € 2,973 thousand to the associate company, as an increase of the quota premium reserve.

C) Geographical segment reporting (secondary segment)

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

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

Segment reporting by geographical area

(€ '000)

Assets	Italy		Europe		Rest of the World		Total	
	30/06/2007	31/12/2006	30/06/2007	31/12/2006	30/06/2007	31/12/2006	30/06/2007	31/12/2006
Debt instruments	841,384	832,245	264,126	222,510	36,300	37,893	1,141,810	1,092,648
Equity instruments and OEIC units	75,143	72,038	62,413	53,711	0	0	137,556	125,749
Property (incl. owner-occupied property)	351,730	273,483	0	0	0	0	351,730	273,483
Other assets	554,779	555,257	0	0	0	0	554,779	555,257
Total	1,823,036	1,733,023	326,539	276,221	36,300	37,893	2,185,875	2,047,137

(€ '000)

Deferred costs	North		Italy Centre		South and Islands		Total external deferred costs	
	30/06/2007	31/12/2006	30/06/2007	31/12/2006	30/06/2007	31/12/2006	30/06/2007	31/12/2006
Other property, plant and equipment	4,015	4,711	329	330	0	0	4,344	5,041
Other intangible assets	16,452	16,412	30	20	0	0	16,482	16,432
Owner-occupied property	13,390	13,531	1,359	1,373	696	704	15,445	15,608
Total	33,857	34,654	1,718	1,723	696	704	36,271	37,081

(€ '000)

Revenue (gross of intersegment eliminations)	North		Italy Centre		South and Islands		Total	
	30/06/2007	30/06/2006	30/06/2007	30/06/2006	30/06/2007	30/06/2006	30/06/2007	30/06/2006
Insurance premiums - direct business	155,831	156,978	124,521	88,849	28,336	26,579	308,688	272,406
Trading and construction profits	1,883	2,784	2,933	6,448	0	0	4,816	9,232
Services and rent income	3,097	2,727	1,188	1,797	0	0	4,285	4,524
Total	160,811	162,489	128,642	97,094	28,336	26,579	317,789	286,162

Specific explanatory notes

Consolidated Balance Sheet

Note 1

	30/06/2007	31/12/2006	Change
Goodwill	0	0	0

Note 2

	30/06/2007	31/12/2006	Change
Other intangible assets	16,482	16,432	50
Property	351,730	273,483	78,247
Other items of property, plant, and equipment	4,344	5,041	-697

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

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

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

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

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

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

Property

The following table shows the breakdown of this item:

	(€ '000)		
	30/06/2007	31/12/2006	Change
Owner-occupied property	15,445	15,608 -	163
Property held for trading	71,275	25,237	46,038
Property under construction	265,010	232,638	32,372
Total	351,730	273,483	78,247

▪ Owner-occupied property

Of the carrying value of owner-occupied property as at 30 June 2007, € 12,285 thousand referred to property of the direct operating parent company and € 3,160 thousand to property of the subsidiary Vittoria Properties Srl.

The following table shows the reconciliation of changes occurring during 1H07:

	(€ '000)					
	31/12/2006	Acquisitions	Improvement costs	Sales	Depreciation	30/06/2007
Owner-occupied property						
Gross carrying amount	16,646	0	20	0		16,666
Accumulated depreciation	1,038				183	1,221
Carrying amount	15,608	0	20	0	-183	15,445

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

▪ Property held for trading and property under construction

The following table shows the reconciliation of changes occurring during 1H07:

	(€ '000)		
Property	Trading activities	Construction work	Total
Carrying amount at 31/12/2006	25,237	232,638	257,875
Acquisitions, net of capitalised financial charges	50,055	34,850	84,905
Capitalised financial charges	0	446	446
Revaluations due to work in progress	0	818	818
Sales	-12,574	-4,412	-16,986
Fair value of property acquired in business combinations	5,230	0	0
Write-downs	0	0	0
Recognised gains	3,327	670	3,997
Recognised losses	0	0	0
Exchange rate gains or losses	0	0	0
Carrying amount at 30/06/2007	71,275	265,010	331,055

Inventory committed as collateral for liabilities amounted to € 86,643 thousand (of which € 33,628 thousand relating to trading activity and € 53,015 thousand to construction activity). Commitments for purchases to be settled amounted to € 13,270 thousand, consisting of € 1,070 thousand relating to trading activity and € 12,200 thousand to construction activity.

The main real estate activities in 1H07 can be summarised as follows:

Trading

Newly acquired properties

- Purchases of building units in Genoa (Piazza De Ferrari), consisting of offices and shops, for a total of € 22,865 thousand;
- Purchases of building units in Genoa (Via Orefici), mainly earmarked for service/commercial use, for a total of € 14,647 thousand;
- Purchases of building units in Genoa (Via Conservatori del Mare), mainly earmarked for service/commercial use, for a total of € 3,861 thousand;
- Purchases of buildings, to be restructured and refurbished prior to sale, in Turin (Corso Cairoli) for a total of € 11,748 thousand;
- Purchase of some building units in Peschiera Borromeo (province of Milan) for a total of € 2,049 thousand.

Properties already on the books as at 31/12/2006

- Buildings in Rome (Via Benedetto Croce): parcelled sales totalling € 5,154 thousand, with a profit of € 1,757 thousand;
- Buildings in Rome (Via Capuana): sales totalling € 1,920 thousand, with a profit of € 465 thousand;
- Buildings in Rome (Villa Massimo): notarial deeds of sale signed in 1H07 marked completion of sale of building units for a total of € 500 thousand, with a profit of € 140 thousand;
- Buildings in Monza: sales totalling € 1,963 thousand, with a profit of € 395 thousand;
- Portfolio of various buildings located in Rome, acquired in FY2005 from an insurance company: sales totalling € 3,037 thousand, making a profit of € 571 thousand;

Construction

Newly acquired properties

- Purchase of a concessional buildable area in San Donato Milanese (province of Milan) for a total of € 23,685 thousand;
- Purchase of a buildable area in Turin (Via Villarfocchiardo), with an outlay of € 3,438 thousand. The redevelopment project envisages demolition of existing buildings and new construction of a 7-storey building and of a 3-storey underground car park.
- Purchase of a concessional buildable area in Gambolò (province of Pavia) for a total of € 957 thousand, inclusive of capitalised interest expense.

Properties already on the books as at 31/12/2006

- A buildable area in Milan, designated for residential use (Portello area). Site-work progress involved costs totalling € 1,613 thousand;
- A buildable area in Milan, designed for use by the service industry (Portello area). Site-work progress involved costs totalling € 416 thousand;
- Buildings under construction in Turin ("Spina 1" district): site-work progress led to costs totalling € 73 thousand. Notarial deeds of sale were completed totalling € 2,130 thousand, with a profit of € 525 thousand;
- Buildings under construction in Peschiera Borromeo (Milan) – Plot 6: notarial deeds of sale completed in 1H07 marked completion of the building units for a total of € 398 thousand, making a profit of € 145 thousand;

- Buildings under construction in Peschiera Borromeo (Milan) – Plot 4: site-work progress involved costs totalling € 5,104 thousand. Based on completion status, a profit of € 818 thousand was recognised;

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

Note 3

	30/06/2007	31/12/2006	Change
Reinsurers' share of technical reserves	112,766	126,958	-14,192

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	
	30/06/2007	31/12/2006	30/06/2007	31/12/2006	30/06/2007	31/12/2006
Non-life reserves	90,512	102,706	1,070	1,590	91,582	104,296
Premium reserve	19,599	25,428	84	126	19,683	25,554
Claims reserve	70,913	77,278	986	1,464	71,899	78,742
Other reserves	-	-	-	-	-	-
Life reserves	21,184	22,662	-	-	21,184	22,662
Reserve for payable amounts	21	21	-	-	21	21
Mathematical reserves	21,129	22,609	-	-	21,129	22,609
Other reserves	34	32	-	-	34	32
Total reinsurers' share of technical reserves	111,696	125,368	1,070	1,590	112,766	126,958

Note 4

	30/06/2007	31/12/2006	Change
Investments in subsidiaries, associates and JVs	56,543	53,194	3,349

The breakdown of this item was as follows:

	(€ '000)	
Investments in associates	30/06/2007	31/12/2006
Yarpa International Holding N.V.	29,623	27,001
Laumor B.V.	2,110	4,512
White Finance S.A	11,819	11,661
S.In.T. S.p.A.	4,730	4,721
B.P.C. S.p.A.	2,070	2,070
Laumor Holdings S.a.r.l.	5,139	2,037
Gimatrading S.r.l.	9	9
Sivim S.r.l.	23	23
Rovimmobiliare S.r.l	65	189
Mosaico S.p.A.	140	155
Pama & Partners S.r.l.	798	801
Le Api S.r.l.	17	15
Total carrying amount	56,543	53,194

The increase of € 3,349 thousand reflects investments and disinvestments, plus the Group's share of the change in the equity of equity-accounted associates, as highlighted in the following table:

	(€ '000)
Change	Investments in associates
Carrying amount at 31/12/2006	53,194
Acquisitions and subscriptions	4,584
White Finance S.A.	1,611
Laumor Holdings S.a.r.l.	2,973
Sales and repayments	-2,558
White Finance S.A.	-2,558
Change to equity method measurement	5,186
Yarpa International Holding N.V.	2,600
Laumor B.V.	98
White Finance S.A	2,488
S.In.T. S.p.A.	9
Laumor Holdings S.a.r.l.	131
Rovimmobiliare S.r.l	-124
Mosaico S.p.A.	-15
Pama & Partners S.r.l.	-3
Le Api S.r.l.	2
Dividend distribution	-3,883
Other changes	20
Carrying amount at 30/06/2007	56,543

The share of results recognised in the income statement pertaining to the Group amounted to € 5,186 thousand (write-ups of € 5,328 thousand and write-downs of € 142 thousand).

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

Note 5

	30/06/2007	31/12/2006	Change
Held-to-maturity investments	151,141	151,224	-83
Loans & receivables	17,584	19,488	-1,904
Available-for-sale financial assets	1,067,227	1,010,569	56,658
Financial assets at fair value through profit or loss	122,013	119,458	2,555

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 Half-Year Financial Statements".

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

The following table shows changes in financial assets – for which risk is borne by Group companies – referring to shares and quotas, bonds and other fixed-income securities, and shares in CIUs (collective investment undertakings).

In addition, changes in assets for which risk is borne by policyholder and those relating to pension-fund management are shown separately.

(€ '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 31/12/2006	151,224	64,525	8,030	938,014	1,010,569	116,048	3,410	1,281,251
Acquisitions and subscriptions		75	5,000	68,025	73,100	6,420	1,037	80,557
Sales and repayments	-89	-52		-5,453	-5,505	-9,430		-15,024
Other changes:								
- effective interest adjustments	946			673	673			1,619
- fair value adjustments		4,046	119	-16,580	-12,415	3,629	4	-8,782
- impairment loss					-			-
- rate changes	-940			1,535	1,535	312	9	916
- other changes		-730			-730	579	-5	-156
Carrying amount at 30/06/2007	151,141	67,864	13,149	986,214	1,067,227	117,558	4,455	1,340,381

Loans and receivables

As at 30 June 2006 loans and receivables totalled € 17,584 thousand (€ 19,488 thousand as at 31 December 2006), with a decrease of € 1,904 thousand (-9.8%).

The item includes, as required by IAS 32 – AG7 (AG = Application Guidance), the corresponding entry for the commitments for payments to Laumor Holdings Sarl. These payments, which will finance investments made by the investee company in private equity transactions, total € 17 million. The direct operating parent company will contribute € 4,952 thousand to this amount, corresponding to its percent ownership of the investee company (29%).

Related commitments to the investee company are posted among “Other financial liabilities”, as indicated in Note 17.

Besides the above, the item mainly consisted of:

- Loans granted by Vittoria Immobiliare SpA to its associate companies Mosaico SpA, Rovimmobiliare Srl, and Pama & Partners Srl for a total amount of € 1,900 thousand
- Mortgage loans granted by the direct operating parent company to third parties = € 4, 031 thousand
- Loans against life policies = € 4,487 thousand
- Loans to employees and agents of the direct operating parent company = € 1,363 thousand
- Inward reinsurance deposits of € 532 thousand.

An amount of € 5,607 thousand was collectable after more than 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	151,141	148,819
Loans and receivables	17,584	17,584
Financial assets available for sale	1,067,227	1,067,227
Financial assets held for trading	4,455	4,455
Financial assets at fair value through profit or loss	117,558	117,558
Total	1,357,965	1,355,643

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

	30/06/2007	31/12/2006	Change
Receivables relating to direct insurance business	103,226	114,514	-11,288

The breakdown of this item was as follows:

	30/06/2007	31/12/2006
Receivables relating to direct insurance	30/06/2007	31/12/2006
Premiums due from policyholders	39,996	36,601
Receivables due from brokers and agents	27,653	47,013
Receivables due from insurance companies - current accounts	9,581	6,360
Amounts to be recovered from policyholders and third parties	25,996	24,540
Total	103,226	114,514

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

	30/06/2007	31/12/2006	Change
Receivables relating to reinsurance business	7,510	5,710	1,800

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

	30/06/2007	31/12/2006	Change
Other receivables	24,490	28,048	-3,558

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

The most significant sub-item as up to 30 June 2007 consisted of advances of € 11,363 thousand paid by the real estate companies.

Note 9

	30/06/2007	31/12/2006	Change
Deferred acquisition costs	10,843	11,250	-407

This item includes acquisition costs paid in advance upon signature of long-term insurance contracts.

As at 30 June 2007 € 4,115 thousand referred to the life business and € 6,728 thousand to the non-life business.

Note 10

	30/06/2007	31/12/2006	Change
Deferred tax assets	14,543	12,050	2,493

The item included deferred tax assets pertaining to the direct operating parent company (€ 10,224 thousand) and to the real estate and services sector (€ 2,044 thousand), plus those relating to consolidation adjustments (€ 2,275 thousand).

Note 11

	30/06/2007	31/12/2006	Change
Current tax assets	26,495	14,002	12,493

The item includes tax receivables of the direct operating parent company of € 8,368 thousand (including tax credits relating to taxes prepaid on the life business mathematical reserves) and VAT receivables totalling € 16,573 thousand of the real estate companies arising from the purchase of buildable areas and property.

Note 12

	30/06/2007	31/12/2006	Change
Other assets	4,150	2,963	1,187

The item includes € 768 thousand of deferred commission expenses relating to investment contracts and € 2,418 thousand of prepayments, mainly relating to G&A costs.

Note 13

	30/06/2007	31/12/2006	Change
Cash & cash equivalents	94,788	82,753	12,035

The item refers to bank balances of € 94,719 thousand and cash amounts of € 69 thousand.

Note 14

	30/06/2007	31/12/2006	Change
Equity attributable to parent company shareholders	247,186	226,311	20,875
Equity attributable to minority interests	5,880	6,511	-631

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	30/06/2007	31/12/2006
Total equity attributable to the shareholders of the parent	247,186	226,311
Share capital	32,637	30,452
Other equity instruments	415	1,229
Equity-related reserves	30,406	21,878
Income-related and other reserves	156,007	125,478
Translation reserve	20	-2
Fair value reserve	11,559	11,847
Other gains or losses recognised directly in equity	22	22
Group profit for the year	16,120	35,407
Total equity attributable to minority interests	5,880	6,511
Share capital and reserves attributable to minority interests	6,124	5,393
Minority interests' profit for the year	-244	1,118
Total consolidated equity	253,066	232,822

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 1H07 conversion continued of the bond loan into parent company shares. In the period between 20 May 2007 and 30 June 2007 2,185,777 bonds were converted, for a nominal amount of € 10,491,730.

The direct operating parent company's share capital consists of 32,637,400 fully subscribed and paid-up shares with a nominal value of € 1.00 each.

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

Dividends paid out by the direct operating parent company, shown in the column "Other transfers" in the statement of changes in equity, totalled € 4,500,000 and € 4,872,260 respectively for FYs 2006 and 2007.

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
31/12/2006	31,829	8,614	23,215
Decrease due to sales	-307	-18	-289
Decrease due to fair value changes at 30 June 2006	-12,110	-5,181	-6,929
Total change for the period/year	-12,417	-5,199	-7,218
30/06/2007	19,412	3,415	15,997

B) Shadow accounting reserve	Gross amount	Tax impact	Net amount
31/12/2006	18,410	7,042	11,368
Change in shadow accounting reserve	-11,223	-4,293	-6,930
30/06/2007	7,187	2,749	4,438

Gains or losses on financial assets AFS

Combined effect A) - B)	Gross amount	Tax impact	Net amount
31/12/2006	13,419	1,572	11,847
Decrease due to sales	-307	-18	-289
Decrease due to fair value changes at 30 June 2007	-12,110	-5,181	-6,929
Change in shadow accounting reserve	11,223	4,293	6,930
Total change for the period/year	-1,194	-906	-288
30/06/2007	12,225	666	11,559

Losses recognised directly in equity in 1H07 of € 288 thousand were the result of the reduction of € 7,218 thousand in the reserve for unrealised capital gains on financial assets available for sale, net of the reduction of € 6,930 thousand in the shadow accounting reserve.

The decrease was substantially due to the reduction of net capital gains on bond investments caused by the increase in interest rates.

The sum of gains recognised in profit or loss and of gains (losses) recognised directly in equity in the period amounted to a total of € 15,832 thousand, as specified below.

(€ '000)	
Gains recognised in profit or loss	16,120
Gains recognised directly in equity	-288
Total gains recognised in profit or loss and equity	15,832

The following table, which refers to 30 June 2007, shows the reconciliation of profit and equity shown in the direct operating parent company's individual financial statements with the same items shown in consolidated financial statements.

The IFRS adjustments made to the direct operating parent company's financial statements – prepared, as envisaged by current regulations, in compliance with Italian GAAPs – are specifically indicated.

(€ '000)				
	Portion pertaining to parent company		Portion pertaining to minority interest	
	Equity excluding the profit for the period	Profit for the period	Equity excluding the profit for the period	Profit for the period
Parent company's financial statements compliant with Italian GAAPs	178,730	17,024		
IFRS adjustments (net of related tax effects)	15,897	985	-	-
Parent company's financial statements based on IFRSs	194,627	18,009	-	-
Consolidated companies' equity	146,226	4,920	2,275	58
Allocation of consolidation differences and eliminations	24,606			
Consolidated companies' carrying value	(129,701)			
Minority interest	(3,955)	186	3,955	(186)
Elimination of intragroup profits	(132)		(106)	
Profits attributed to life policyholders during the current and previous periods	(9,313)	1,713		
Dividend elimination	8,708	(8,708)		
IFRS-compliant consolidated financial statements	231,066	16,120	6,124	(244)

Note 15

	30/06/2007	31/12/2006	Change
Provisions	4,730	4,813	-83

The item mainly refers to provisioning of € 3,764 thousand for construction costs still to be borne for property units already sold under notarial seal, as well as to provisioning of € 226 thousand by the direct operating parent company for staggered payment of a tax demand.

The table below shows the changes in the item:

(€ '000)				
Provisions	31/12/2006	Accruals of the year	Utilisations of the year	30/06/2007
Provision for tax demand	335	-	-109	226
Provision for costs to be incurred	3,738	64	-38	3,764
Other provisions	740	-	-	740
Total	4,813	64	-147	4,730

Note 16

	30/06/2007	31/12/2006	Change
Technical reserves	1,389,081	1,341,505	47,576

The following table shows the breakdown of technical reserves.

	Direct business		Indirect business		Total carrying amount	
	30/06/2007	31/12/2006	30/06/2007	31/12/2006	30/06/2007	31/12/2006
Non-life reserves	673,238	634,708	1,575	2,173	674,813	636,881
Premium reserve	186,659	171,329	142	191	186,801	171,520
Claims reserve	483,605	460,596	1,433	1,982	485,038	462,578
Other reserves	2,974	2,783	-	-	2,974	2,783
Life reserves	713,768	704,124	500	500	714,268	704,624
Reserve for payable amounts	13,971	20,759	11	11	13,982	20,770
Mathematical reserves	675,296	648,599	479	479	675,775	649,078
Other reserves	24,501	34,766	10	10	24,511	34,776
Total technical reserves	1,387,006	1,338,832	2,075	2,673	1,389,081	1,341,505

The Non-Life "Other reserves" item consists of the ageing reserve of the Health line.

The Life "Other reserves" item, totalling € 24,501 thousand, mainly consisted of:

- € 17,061 thousand = reserve for deferred liabilities to policyholders (of which € 7,187 thousand stemming from fair value measurement of available-for-sale financial assets and € 9,874 thousand from reserving against subsidiaries' profits allocated to segregated accounts)
- € 7,276 thousand = management expenses.

Liability Adequacy Test (LAT)

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

Note 17

	30/06/2007	31/12/2006	Change
Financial liabilities at fair value through profit or loss	117,558	116,048	1,510
Other financial liabilities	276,552	206,181	70,371

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 Half-Year 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 30 June 2007.

(€ '000)

	Benefits relating to unit-linked and index-linked policies	Benefits relating to pension fund management	Total
Carrying amount at 31/12/2006	113,669	2,379	116,048
Investment of net fund assets	5,597	219	5,816
Profits attributable to policyholders	6,014	73	6,087
Amounts paid	-10,369	-24	-10,393
Carrying amount at 30/06/2007	114,911	2,647	117,558

Other financial liabilities

The item includes the direct operating parent company's commitment for payment of € 4,952 thousand to the associate Laumor Holdings Sarl, against which the rights to receive the related financial instruments are posted in the "Loans & receivables" item. Reference should be made to Note 5 for further information.

Besides the above, the item – which comprises liabilities of € 95,786 thousand falling due after more than 12 months – mainly refers to:

- Reinsurance deposits of € 78,847 thousand
- Bank loans issued to the Group's real estate companies for a total of € 178,641 thousand (of which € 85,175 thousand backed by collateral)
- Subordinated liabilities of € 5,216 thousand.

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

The main characteristics of the convertible subordinated bond issue are as follows:

- Total nominal amount of € 18,000,000; residual nominal value of € 5,340,480 following exercise of bond conversion option as up to the end of 30/06/2007;

- Originally consisting of 3,750,000 bonds with a nominal value of €4.80 each, as at 30/06/2007 1,112,600 bonds remained;
- Nominal interest rate:
 - Fixed 5.5% until 31 December 2010 - annual coupons
 - Variable 6-month Euribor plus a spread of 2.5%, six-monthly coupons as from 1 January 2011;
- The conversion right can be exercised in the years 2007, 2008, 2009, and 2010, in the period between 20 May (included) and 30 October (included) of each year. In the years 2011, 2012, 2013, 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 (1 share for each bond) with normal entitlement;
- Subordination clause: in the case of dissolution, liquidation, insolvency or compulsory liquidation of the company, the bonds will be repaid, in terms of residual principal and interest, only after all other company creditors (whether they be unsecured, secured, non-subordinated or with a subordination level lower than that of the bonds) have been satisfied.

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

As described in the section on accounting policies, for which reference should be made to the Consolidated Annual Report for the year ending on 31/12/2006, 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 held for trading	0	0
Financial liabilities at fair value through profit or loss	117,558	117,558
Other financial liabilities	276,552	276,907
Total	394,110	394,465

To complete what is shown above, we point out that the total value of the "Other financial liabilities" shown in the table includes € 5,571 thousand for the subordinated loan, the fair value of which was calculated based on the market prices of similar instruments.

Note 18

	30/06/2007	31/12/2006	Change
Payables arising from direct insurance transactions	6,411	6,827	-416

The breakdown of the item was as follows:

	30/06/2007	31/12/2006	(€ '000)
Payables arising from direct insurance business	30/06/2007	31/12/2006	
Payables to insurance brokers and agents	1,354	1,427	
Payables to insurance companies - current accounts	5,057	4,933	
Guarantee deposits paid by policyholders	-	27	
Payables to guarantee funds in favour of policyholders	-	440	
Total	6,411	6,827	

Note 19

	30/06/2007	31/12/2006	Change
Payables arising from reinsurance transactions	6,263	12,489	-6,226

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

	30/06/2007	31/12/2006	Change
Other payables	84,171	78,743	5,428

The breakdown of the item was as follows:

	30/06/2007	31/12/2006	(€ '000)
Other sums payable	30/06/2007	31/12/2006	
Payments on accounts received by real estate companies for preliminary sales agreements	1,095	1,683	
Trade payables	10,480	10,295	
Payables to employees (amounts settled in July and accruals for untaken holidays)	2,882	1,648	
Employee benefits - provisions for termination benefits	5,420	7,453	
Policyholders' tax due	16,114	9,332	
Sundry tax liabilities (withholdings)	1,324	1,201	
Social security charges payable	1,424	1,715	
Payables to associate companies	-	91	
Sundry payables	45,432	45,325	
Total	84,171	78,743	

Following the reform of supplementary pension planning by Italian Legislative Decree no. 252 of 5 December 2005, the portion of post-employment benefit provision accrued as up to 31.12.2006 will continue to be managed by employers, whereas provision accruing as from 1 January 2007 must be allocated – as chosen by the employee (by 30.06.2007 for workers hired by 31.12.2006) – to other forms of supplementary pension-planning or held c/o employers, who will transfer it to a central fund managed by the INPS (the state pension & welfare agency).

In view of the above, actuarial measurement of post-employment benefit obligations, as per IAS 19, as from 30 June 2007 has been performed using the following methodology, which is based on the guidance provided by the Italian National Order of Actuaries (Ordine Nazionale degli Attuari):

- **Allocation of post-employment benefits accruing to other forms of supplementary pension planning.**

For IAS purposes, only the liability relating to post-employment benefits already accrued remaining in Group companies has been measured. The portion that will accrue in future will in fact be regularly paid to an independent entity (supplementary pension planning) without these payments placing any further obligation on the company connected with the employee's future service.

Based on IAS 19 requirements concerning the specific situation, the liability associated with accrued post-employment benefits is measured actuarially without prorating for service, as the benefit to be measured has already fully accrued. Consequently, in future the "current service cost" is zero.

This actuarial measurement takes into account probabilistic forecasting of events relating to post-employment benefit payments, with consequent discounting to present value applying the interest rates envisaged by the regulations concerned.

- **Transfer of post-employment benefits accruing to the INPS treasury fund (for those who, although having chosen not to allocate future post-employment benefits to supplementary planning options, work in a company that has at least 50 employees).**

The regulatory framework for this situation has not yet been defined. For the purposes of measurement, this situation has been assimilated to the situation indicated in the previous point – and thus requires application of the same methodological approach.

Other employee benefits – specifically healthcare benefits and seniority awards are classified in the "Other liabilities" item (Note 23).

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

The main actuarial and financial assumptions used to calculate liabilities relating to employee benefits refer to:

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

Note 21

	30/06/2007	31/12/2006	Change
Deferred tax liabilities	26,129	24,479	1,650

The item comprises deferred tax liabilities relating to the insurance business (€ 6,596 thousand) and to the real estate and service business (€ 4,872 thousand), plus relating to consolidation adjustments (€ 14,661 thousand). The latter mainly related to fair-value alignment of assets held by equity interests acquired.

Note 22

	30/06/2007	31/12/2006	Change
Current tax liabilities	3,220	6,145	-2,925

The item refers to income tax for the period in question net of payments on account. Liabilities take into account the options chosen by the direct operating parent company as regards tax consolidation.

Note 23

	30/06/2007	31/12/2006	Change
Other liabilities	18,694	17,085	1,609

This item mainly consists of commissions to be paid on premiums under collection at the end of 1H07 and provision for agents' incentives (€ 10,360 thousand), deferred commission income on investment contracts (€ 924 thousand), invoices and notes to be received from suppliers (€ 5,114 thousand), and liabilities relating to defined benefit plans and other long-term employee benefits (healthcare services and seniority bonuses) (€ 1,819 thousand).

Consolidated Income Statement

Note 24

	30/06/2007	30/06/2006	Change
Gross premiums	293,515	265,464	28,051
Ceded premiums	23,603	36,299	-12,696
Amounts paid and changes in technical reserves	220,489	203,922	16,567
Reinsurers' share	-14,582	-26,242	11,660

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

	30/06/2007				30/06/2006				(€ '000)
	Non-life business	Life business	Intersegment eliminations	Total	Non-life business	Life business	Intersegment eliminations	Total	
NET PREMIUMS	208,136	61,776	-	269,912	180,193	48,972	-	229,165	
Gross premiums	230,145	63,370	-	293,515	214,844	50,620	-	265,464	
Gross premiums written	245,451	63,370	-	308,821	222,440	50,620	-	273,060	
a Direct business	245,318	63,370	-	308,688	221,788	50,618	-	272,406	
b Indirect business	133	-	-	133	652	2	-	654	
Change in premium reserve	-15,306	-	-	-15,306	-7,596	-	-	-7,596	
a Direct business	-15,345	-	-	-15,345	-7,730	-	-	-7,730	
b Indirect business	39	-	-	39	134	-	-	134	
Ceded premiums	22,009	1,594	-	23,603	34,651	1,648	-	36,299	
Gross premiums ceded	23,940	1,594	-	25,534	35,927	1,648	-	37,575	
a Outward reinsurance	23,896	1,594	-	25,490	35,549	1,648	-	37,197	
b Retrocession	44	-	-	44	378	-	-	378	
Change in premium reserve	-1,931	-	-	-1,931	-1,276	-	-	-1,276	
a Outward reinsurance	-1,970	-	-	-1,970	-1,341	-	-	-1,341	
b Retrocession	39	-	-	39	65	-	-	65	
NET CHARGES RELATING TO CLAIMS	145,012	63,108	-2,213	205,907	125,673	52,863	-856	177,680	
Amounts paid and change in technical reserves	158,565	64,137	-2,213	220,489	150,613	54,165	-856	203,922	
Direct business	158,666	64,096	-	222,762	150,534	54,132	-	204,666	
Indirect business	-101	41	-	-60	79	33	-	112	
Shadow accounting of investee companies' profits	-	-	-2,213	-2,213	-	-	-856	-856	
Reinsurers' share	13,553	1,029	-	14,582	24,940	1,302	-	26,242	
Outward reinsurance	13,640	1,029	-	14,669	24,920	1,302	-	26,222	
Retrocession	-87	-	-	-87	20	-	-	20	

For the geographical split of premiums, reference should be made to the table shown in the section "Geographical segment reporting (secondary segment)".

Note 25

	30/06/2007	30/06/2006	Change
Commission income	1,111	635	476

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

	30/06/2007	30/06/2006	Change
Gains and losses on financial instruments at fair value through profit or loss	25	-44	69
Gains on investments in subsidiaries, associates, and joint ventures	5,328	11,186	-5,858
Losses on investments in subsidiaries, associates, and joint ventures	142	69	73
Gains on other financial instruments and investment property	26,827	22,142	4,685
Losses on other financial instruments and Investment property	3,366	2,311	1,055

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 Half-Year 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 € 21 thousand, whilst unrealised income amounted to € -4 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 1H07 amounted to € 6,087 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

As up to 30 June 2007 these items referred entirely to the results of equity-accounted Group companies.

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)
	06/2007 Gains	06/2006 Gains	06/2007 Losses	06/2006 Losses
Investment property	0	0	0	0
Held to maturity investments	3,062	2,356	0	0
Loans and receivables	268	330	1	2
Financial assets available for sale	21,609	18,141	0	41
Other receivables	260	234	0	0
Cash and cash equivalents	1,628	1,081	0	0
Other financial liabilities	0	0	3,365	2,268
Total	26,827	22,142	3,366	2,311

Note 27

	30/06/2007	30/06/2006	Change
Other revenues	7,555	13,420	-5,865

The following table details the breakdown of this item.

	(€ '000)	
	06/2007	06/2006
Other income		
Trading profits	3,998	9,000
Revenue from construction work in progress	818	232
Revenue from services: real estate brokerage	973	1,701
Revenue from services: real estate management	43	50
Revenue from services: administration, real estate appraisals and other income	4	100
Revenue from services: insurance commission income with third parties	-	320
Revenue from services: other revenue from services	27	-
Rent income	494	688
Technical income on insurance contracts (*)	873	972
Gains on the sale of property, plant and equipment	17	-
Incidental non-operating income	163	258
Other income	145	99
Total	7,555	13,420

(*) Of which:

- € 78 thousand (€ 332 thousand in June 2006) referring to reversal of commissions on cancelled premiums
- € 708 thousand (€ 402 thousand in June 2006) 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
- € 87 thousand (€ 238 thousand) of utilisation of bad-debt provision.

Note 28

	30/06/2007	30/06/2006	Change
Commission expense	458	248	210

The item includes commission expense, i.e., acquisition and maintenance costs incurred in 1H07 for investment contracts classified as financial liabilities (index-linked, unit-linked and pension funds).

Note 29

	30/06/2007	30/06/2006	Change
Commissions and other acquisition costs	56,138	45,175	10,963
Investment management costs	461	372	89
Other administrative costs	16,296	15,603	32,226

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 Half-Year Financial Statements".

The following table details the breakdown of "Commissions and other acquisition costs" as at 30 June 2007.

(€ '000)

Gross commissions and other acquisition costs net of profit participation and other commissions	06/2007	06/2006
Acquisition commissions	45,465	34,261
Other acquisition costs	13,031	13,855
Change in deferred acquisition costs	406	722
Premium collection commissions	4,382	4,803
Profit participation and other commissions received from reinsurers	-7,146	-8,466
Total	56,138	45,175

Personnel expenses, other G&A costs and depreciation & amortisation charges allocated to operating costs totalled € 20,351 thousand (€ 19,400 thousand as up to 30/06/2006) as better described in the "Overhead Costs" section of the Directors' Report.

Note 30

	30/06/2007	30/06/2006	Change
Other costs	4,356	5,555	-1,199

The breakdown of this item was as shown below:

(€ '000)

Other costs	06/2007	06/2006
Technical costs on insurance contracts (*)	1,276	2,651
Bad-debt provisioning	700	150
Foreign exchange differences	16	230
Incidental non-operating costs	208	370
Capital losses made on sale of property	-	43
Capital losses made on sale of other intangible assets	-	10
Depreciation & amortisation for period	2,058	2,096
Other sundry costs	98	5
Total	4,356	5,555

(*) Of which :

- € 711 thousand (€ 1,939 thousand in 1H06) for technical write-offs and losses on unrecoverable premiums and related bad-debt provisioning
- € 565 thousand (€ 712 thousand in 1H06) for services supporting insurance covers and costs for premiums under litigation

Note 31

	30/06/2007	30/06/2006	Change
Income taxes	7,758	8,209	-451

Of this item, € 6,741 thousand related to current taxes and € 1,017 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.

Other disclosures

Employees

Employees of Vittoria Assicurazioni and of fully consolidated companies numbered 476 as at 30 June 2007 vs. 462 present as at 31 December 2006 and 467 as at 30 June 2006.

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

	30/06/2007	30/06/2006	31/12/2006
Managers	21	21	22
Officers	108	102	102
Administrative staff	344	342	342
Total	473	465	466

Tax status

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

Insurance Business

As regards 1992, an official assessment report arising from a documental inspection was notified to the direct operating parent company. This administrative measure related to the deductibility of accruals to life business mathematical reserves.

The appeal filed by Vittoria Assicurazioni was heard by the Milan Provincial Tax Commission, which allowed it.

The Milan Inland Revenue department filed an appeal against this decision with the Milan Regional Tax Commission, which cancelled the Milan Provincial Tax Commission's previous ruling.

As a result of this decision, the direct operating parent company received notice of a tax demand for € 648,385. This was recognised as an expense in the 2004 income statement.

At present, the ruling of the Italian Supreme Court is still pending. In the light of previous Supreme Court rulings on similar cases, the company is confident of winning the legal dispute.

Real Estate Business

There are no particular tax positions to report concerning these group companies.

The Board of Directors

Milan, 7 September 2007

Appendices to
Consolidated interim
financial statements
as at and for the
six months ended
30 June 2007

Vittoria Assicurazioni S.p.A.

Consolidated interim financial statements as at and for the six months ended 30 June 2007

Consolidation scope

	Country	Method (1)	Business (2)	% of direct holding	% of total investment (3)	% of voting rights in ordinary meetings (4)	% of consolidation
Vittoria Assicurazioni S.p.A.	Italy	L	1				
Vittoria Immobiliare S.p.A.	Italy	L	10	87.24	87.24		87.24
Immobiliare Bilancia S.r.l.	Italy	L	10	97.66	97.66		97.66
Immobiliare Bilancia Prima S.r.l.	Italy	L	10	100.00	100.00		100.00
Immobiliare Bilancia Seconda S.r.l.	Italy	L	10	100.00	100.00		100.00
Immobiliare Bilancia Terza S.r.l.	Italy	L	10	100.00	100.00		100.00
Lauro 2000 S.r.l.	Italy	L	10	100.00	100.00		100.00
Yafra S.a.s.	France	L	9	55.00	55.00		55.00
Vittoria Properties S.r.l.	Italy	L	10	99.87	99.87	100.00	99.87
Interbilancia S.r.l.	Italy	L	9	80.00	97.45	100.00	97.45
Vittoria Service S.r.l.	Italy	L	11	70.00	96.17	100.00	96.17
Acacia 2000 S.r.l.	Italy	L	10	-	87.24	100.00	87.24
Gestimmobili S.r.l.	Italy	L	11	-	69.79	80.00	69.79
Interimmobili S.r.l.	Italy	L	11	-	69.79	80.00	69.79
V.R.G. Domus S.r.l.	Italy	L	10	-	44.49	51.00	44.49
Parco Fidenae S.r.l.	Italy	L	10	-	44.49	51.00	44.49
Vaimm Sviluppo S.r.l.	Italy	L	10	-	44.49	51.00	44.49
Forum Mondadori Residenze S.r.l.	Italy	L	10	-	61.07	70.00	61.07
Cadorna Real Estate S.r.l.	Italy	L	10	-	87.24	100.00	87.24
Aspevi S.r.l.	Italy	L	11	-	97.45	100.00	97.45
Vittoria-Net S.r.l.	Italy	L	11	-	97.45	100.00	97.45

List of unconsolidated investments

	Country	Business (1)	Type (2)	% of direct holding	% of total investment (3)	% of voting rights in ordinary meetings (4)	Carrying amount
Yarpa International Holding N.V.	Holland	9	b	25.00	25.00		29,623
Laamor B.V.	Holland	9	b	25.00	25.00		2,110
White Finance S.A.	Luxembourg	9	b	32.17	32.17		11,819
S.In.T. S.p.A.	Italy	11	b	48.19	48.19		4,730
B.P.C. S.p.A.	Italy	9	b	20.91	20.91		2,070
Laamor Holdings S.a.r.l.	Luxembourg	9	b	29.00	29.00		5,139
Gimatrading S.r.l.	Italy	10	b	-	30.53	35.00	9
Sivim S.r.l.	Italy	10	b	-	43.18	49.50	23
Rovimmobiliare S.r.l.	Italy	10	b	-	43.62	50.00	65
Mosaico S.p.A.	Italy	10	b	-	21.81	25.00	140
Pama & Partners S.r.l.	Italy	10	b	-	21.81	25.00	798
Le Api S.r.l.	Italy	11	b	-	29.23	30.00	17

(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 (IAS 27); b) = associated companies (IAS 28); c) = joint ventures (IAS 31)

(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 interim financial statements as at and for the six months ended 30 June 2007
Balance sheet by business segment

(in thousands of Euros)

	Non-life business		Life business		Real estate operations		Services		Intersegment eliminations		Total	
	30/06/07	31/12/06	30/06/07	31/12/06	30/06/07	31/12/06	30/06/07	31/12/06	30/06/07	31/12/06	30/06/07	31/12/06
1 INTANGIBLE ASSETS	15,883	15,784	221	259	375	383	6	0	0	0	16,482	16,432
2 PROPERTY, PLANT AND EQUIPMENT	16,208	16,998	0	0	300,466	222,116	52	42	39,358	39,358	356,074	278,524
3 REINSURERS' SHARE OF TECHNICAL RESERVES	91,582	104,296	21,184	22,662	0	0	0	0	0	0	112,766	126,958
4 INVESTMENTS	705,195	656,309	837,055	828,006	3,584	2,337	118	115	-131,444	-132,834	1,414,508	1,353,933
4.1 Investment property	0	0	0	0	0	0	0	0	0	0	0	0
4.2 Investments in subsidiaries and associates and interests in joint ventures	143,477	135,573	42,678	49,027	1,170	1,273	18	15	-130,800	-132,694	56,543	53,194
4.3 Held to maturity investments	36,973	37,155	114,168	114,069	0	0	0	0	0	0	151,141	151,224
4.4 Loans and receivables	11,212	13,892	4,976	4,971	2,040	765	0	0	-644	-140	17,584	19,488
4.5 Financial assets available for sale	513,533	469,689	553,220	540,481	374	299	100	100	0	0	1,067,227	1,010,569
4.6 Financial assets at fair value through profit or loss	0	0	122,013	119,458	0	0	0	0	0	0	122,013	119,458
5 OTHER RECEIVABLES	96,410	109,657	20,566	21,222	19,810	22,448	893	717	-2,453	-5,772	135,226	148,272
6 OTHER ASSETS	21,186	18,061	15,513	11,887	20,579	8,431	192	136	-1,439	1,750	56,031	40,265
6.1 Deferred acquisition costs	6,727	6,949	4,116	4,301	0	0	0	0	0	0	10,843	11,250
6.2 Other assets	14,459	11,112	11,397	7,586	20,579	8,431	192	136	-1,439	1,750	45,188	29,015
7 CASH AND CASH EQUIVALENTS	9,827	20,568	48,591	18,675	34,378	42,531	1,992	979	0	0	94,788	82,753
TOTAL ASSETS	956,291	941,673	943,130	902,711	379,192	298,246	3,240	2,005	-95,978	-97,498	2,185,875	2,047,137
1 EQUITY											253,066	232,822
2 PROVISIONS	741	741	226	336	3,763	3,736	0	0	0	0	4,730	4,813
3 TECHNICAL RESERVES	674,813	636,880	704,394	692,538	0	0	0	0	9,874	12,087	1,389,081	1,341,505
4 FINANCIAL LIABILITIES	64,289	81,704	142,285	145,011	187,533	95,514	3	0	0	0	394,110	322,229
4.1 Financial liabilities at fair value through profit or loss	0	0	117,558	116,048	0	0	0	0	0	0	117,558	116,048
4.2 Other financial liabilities	64,289	81,704	24,727	28,963	187,533	95,514	3	0	0	0	276,552	206,181
5 PAYABLES	41,904	44,882	5,346	6,274	50,123	50,999	2,058	1,816	-2,586	-5,912	96,845	98,059
6 OTHER LIABILITIES	19,551	17,315	7,381	4,400	9,174	12,330	1,002	27	10,935	13,637	48,043	47,709
TOTAL EQUITY AND LIABILITIES											2,185,875	2,047,137

Vittoria Assicurazioni S.p.A.
Consolidated interim financial statements as at and for the six months ended 30 June 2007
Income statement by business segment

(in thousands of Euros)

	Non-life business		Life business		Real estate operations		Services		Intersegment eliminations		Total	
	30/06/07	30/06/06	30/06/07	30/06/06	30/06/07	30/06/06	30/06/07	30/06/06	30/06/07	30/06/06	30/06/07	30/06/06
1.1 Net premiums	208,136	180,193	61,776	48,972	0	0	0	0	0	0	269,912	229,165
1.1.1 <i>Gross premiums</i>	230,145	214,844	63,370	50,620	0	0	0	0	0	0	293,515	265,464
1.1.2 <i>Ceded premiums</i>	22,009	34,651	1,594	1,648	0	0	0	0	0	0	23,603	36,299
1.2 Commission income	0	0	1,111	635	0	0	0	0	0	0	1,111	635
1.3 Gains or losses on remeasurement of financial instruments at fair value through profit or loss	0	0	25	-44	0	0	0	0	0	0	25	-44
1.4 Gains on investments in subsidiaries and associates and interests in joint ventures	7,226	15,681	2,924	2,634	3	1	2	1	-4,827	-7,131	5,328	11,186
1.5 Gains on other financial instruments and investment property	10,975	8,397	15,213	13,251	659	518	18	14	-38	-38	26,827	22,142
1.6 Other income	1,169	1,351	114	5	6,474	11,969	2,543	1,910	-2,745	-1,815	7,555	13,420
1 TOTAL REVENUE	227,506	205,622	81,163	65,453	7,136	12,488	2,563	1,925	-7,610	-8,984	310,758	276,504
2.1 Net charges relating to claims	145,014	125,673	63,106	52,863	0	0	0	0	-2,213	-856	205,907	177,680
2.1.2 <i>Amounts paid and change in technical reserves</i>	158,566	150,613	64,136	54,165	0	0	0	0	-2,213	-856	220,489	203,922
2.1.3 <i>Reinsurers' share</i>	-13,552	-24,940	-1,030	-1,302	0	0	0	0	0	0	-14,582	-26,242
2.2 Commission expense	0	0	458	248	0	0	0	0	0	0	458	248
2.3 Losses on investments in subsidiaries and associates and interests in joint ventures	0	69	0	0	142	0	0	0	0	0	142	69
2.4 Losses on other financial instruments and investment property	365	692	674	947	2,362	708	3	2	-38	-38	3,366	2,311
2.5 Operating costs	57,041	50,097	11,793	6,150	4,342	4,947	2,464	1,771	-2,745	-1,815	72,895	61,150
2.6 Other costs	3,958	5,040	56	39	326	450	16	26	0	0	4,356	5,555
2 TOTAL COSTS	206,378	181,571	76,087	60,247	7,172	6,105	2,483	1,799	-4,996	-2,709	287,124	247,013
PROFIT FOR THE PERIOD BEFORE TAXATION	21,128	24,051	5,076	5,206	-36	6,383	80	126	-2,614	-6,275	23,634	29,491

Vittoria Assicurazioni S.p.A.
Consolidated interim financial statements as at and for the six months ended 30 June 2007

Breakdown of financial assets

(in thousands of Euros)

	Held to maturity investments		Loans and receivables		Financial assets available for sale		Financial assets at fair value through profit or loss				Total carrying amount	
							Financial assets held for trading		Financial assets at fair value through profit or loss			
	30/06/07	31/12/06	30/06/07	31/12/06	30/06/07	31/12/06	30/06/07	31/12/06	30/06/07	31/12/06		
Equity and derivative instruments measured at cost	0	0	0	0	13,705	13,682	0	0	0	0	13,705	13,682
Equity instruments at fair value of which listed	0	0	0	0	54,159	50,843	0	0	5,250	6,879	59,409	57,722
Debt securities of which listed	151,141	151,224	0	0	47,559	43,544	0	0	5,250	6,879	52,809	50,423
OEIC units	141,086	141,073	0	0	986,214	938,014	4,455	3,410	35,592	29,017	1,177,402	1,121,665
Loans and receivables from bank customers	0	0	0	0	986,214	938,014	4,455	1,977	35,592	29,017	1,167,347	1,110,081
Interbank loans and receivables	0	0	0	0	13,149	8,030	0	0	74,937	76,453	88,086	84,483
Deposits with ceding companies	0	0	0	0	0	0	0	0	0	0	0	0
Financial asset portion of insurance contracts	0	0	532	534	0	0	0	0	0	0	532	534
Other loans and receivables	0	0	12,100	11,030	0	0	0	0	0	0	12,100	11,030
Non-hedging derivatives	0	0	0	0	0	0	0	0	0	0	0	0
Hedging derivatives	0	0	0	0	0	0	0	0	0	0	0	0
Other financial assets	0	0	4,952	7,924	0	0	0	0	1,779	3,699	6,731	11,623
Total	151,141	151,224	17,584	19,488	1,067,227	1,010,569	4,455	3,410	117,558	116,048	1,357,965	1,300,739

Gains and losses on financial instruments and investments

(in thousands of Euros)

	Interest	Other income	Other charges	Realised gains	Realised losses	Total realised gains and losses	Unrealised gains		Unrealised losses		Total unrealised gains and losses	Total gains and losses 30/06/07	Total gains and losses 30/06/06
							Unrealised gains	Reversal of impairment losses	Unrealised losses	Impairment losses			
Investments	24,497	6,093	391	1,413	94	31,518	5,341	0	623	0	4,718	36,236	33,649
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	5,328	142	0	0	5,186	0	0	0	0	0	5,186	11,117
c Held to maturity investments	3,062	0	0	0	0	3,062	0	0	0	0	0	3,062	2,356
d Loans and receivables	268	0	0	0	0	268	0	0	1	0	-1	267	328
e Financial assets available for sale	20,635	643	0	331	0	21,609	0	0	0	0	0	21,609	18,100
f Financial assets held for trading	24	0	3	0	0	21	35	0	31	0	4	25	-44
g Financial assets at fair value through profit or loss	508	122	246	1,082	94	1,372	5,306	0	591	0	4,715	6,087	1,792
Other receivables	260	0	0	0	0	260	0	0	0	0	0	260	234
Cash and cash equivalents	1,628	0	0	0	0	1,628	0	0	0	0	0	1,628	1,081
Financial liabilities	-3,365	0	0	0	0	-3,365	0	0	6,087	0	-6,087	-9,452	-4,060
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	6,087	0	-6,087	-6,087	-1,792
c Other financial liabilities	-3,365	0	0	0	0	-3,365	0	0	0	0	0	-3,365	-2,268
Payables	0	0	0	0	0	0	0	0	0	0	0	0	0
Total	23,020	6,093	391	1,413	94	30,041	5,341	0	6,710	0	-1,369	28,672	30,904

Vittoria Assicurazioni S.p.A.
 Consolidated interim financial statements as at and for the six months ended 30 June 2007

Breakdown of technical reserves

(in thousands of Euros)

	Direct business		Indirect business		Total carrying amount	
	30/06/2007	31/12/2006	30/06/2007	31/12/2006	30/06/2007	31/12/2006
Non-life reserves	673,238	634,708	1,575	2,173	674,813	636,881
Premium reserve	186,659	171,329	142	191	186,801	171,520
Claims reserve	483,605	460,596	1,433	1,982	485,038	462,578
Other reserves	2,974	2,783	0	0	2,974	2,783
of which following the Liability Adequacy Test	0	0	0	0	0	0
Life reserves	713,768	704,124	500	500	714,268	704,624
Reserve for payable amounts	13,971	20,759	11	11	13,982	20,770
Mathematical reserves	675,296	648,599	479	479	675,775	649,078
Technical reserves where investment risk is borne by policyholders and reserves arising from pension fund management	0	0	0	0	0	0
Other reserves	24,501	34,766	10	10	24,511	34,776
of which following the Liability Adequacy Test	0	0	0	0	0	0
of which deferred liabilities to policyholders	17,061	30,497	0	0	17,061	30,497
Total technical reserves	1,387,006	1,338,832	2,075	2,673	1,389,081	1,341,505

Vittoria Assicurazioni S.p.A.
 Consolidated interim financial statements as at and for the six months ended 30 June 2007

Breakdown of reinsurers' share of technical reserves

(in thousands of Euros)

	Direct business		Indirect business		Total carrying amount	
	30/06/07	31/12/06	30/06/07	31/12/06	30/06/07	31/12/06
Non-life reserves	90,512	102,706	1,070	1,590	91,582	104,296
Premium reserve	19,599	25,428	84	126	19,683	25,554
Claims reserve	70,913	77,278	986	1,464	71,899	78,742
Other reserves	0	0	0	0	0	0
Life reserves	21,184	22,662	0	0	21,184	22,662
Reserve for payable amounts	21	21	0	0	21	21
Mathematical reserves	21,129	22,609	0	0	21,129	22,609
Technical reserves where investment risk is borne by policyholders and reserves arising from pension fund management	0	0	0	0	0	0
Other reserves	34	32	0	0	34	32
Total reinsurers' share of technical reserves	111,696	125,368	1,070	1,590	112,766	126,958

Vittoria Assicurazioni S.p.A.

Consolidated interim financial statements as at and for the six months ended 30 June 2007

Breakdown of financial liabilities

(in thousands of Euros)

	Financial liabilities at fair value through profit or loss				Other financial liabilities		Total carrying amount	
	Financial liabilities held for trading		Financial liabilities at fair value through profit or loss		30/06/07	31/12/06	30/06/07	31/12/06
	30/06/07	31/12/06	30/06/07	31/12/06				
Equity instruments	0	0	0	0	0	0	0	0
Subordinated liabilities	0	0	0	0	5,216	15,808	5,216	15,808
Liabilities from financial contracts issued by insurance companies	0	0	117,558	116,048	0	0	117,558	116,048
From contracts where the investment risk is borne by policyholders	0	0	114,911	113,669	0	0	114,911	113,669
From pension fund management	0	0	2,647	2,379	0	0	2,647	2,379
From other contracts	0	0	0	0	0	0	0	0
Deposits received from reinsurers	0	0	0	0	78,847	86,934	78,847	86,934
Financial liability portion of insurance contracts	0	0	0	0	0	0	0	0
Debt securities issued	0	0	0	0	0	0	0	0
Payables to bank customers	0	0	0	0	0	0	0	0
Interbank payables	0	0	0	0	0	0	0	0
Other loans obtained	0	0	0	0	187,537	95,515	187,537	95,515
Non-hedging derivatives	0	0	0	0	0	0	0	0
Hedging derivatives	0	0	0	0	0	0	0	0
Other financial liabilities	0	0	0	0	4,952	7,924	4,952	7,924
Total	0	0	117,558	116,048	276,552	206,181	394,110	322,229

Vittoria Assicurazioni S.p.A.
Consolidated interim financial statements as at and for the six months ended 30 June 2007

Breakdown of insurance technical captions

	30/06/07			30/06/06			(in thousands of Euros)
	Gross amount	Reinsurers' share	Net amount	Gross amount	Reinsurers' share	Net amount	
Non-life business							
NET PREMIUMS	230,145	22,009	208,136	214,844	34,651	180,193	
a Recognised premiums	245,452	23,940	221,512	222,440	35,927	186,513	
b Change in premium reserve	15,307	1,931	13,376	7,596	1,276	6,320	
NET CHARGES RELATING TO CLAIMS	168,566	13,552	145,014	150,613	24,940	125,673	
a Amounts paid	140,627	19,832	120,795	145,908	25,377	120,531	
b Change in claims reserve	22,508	-6,809	29,317	9,134	39	9,095	
c Change in recoveries	4,760	-529	5,289	4,634	476	4,158	
d Change in other technical reserves	191	0	191	205	0	205	
Life business							
NET PREMIUMS	63,370	1,594	61,776	50,620	1,648	48,972	
NET CHARGES RELATING TO CLAIMS	64,136	1,030	63,106	54,165	1,302	52,863	
a Amounts paid	41,000	2,508	38,492	36,329	1,720	34,609	
b Change in reserve for payable amounts	-6,788	0	-6,788	-8,325	0	-8,325	
c Change in mathematical reserves	26,754	-1,480	28,234	26,088	-422	26,510	
d Change in technical reserves where investment risk is borne by policyholders and reserves arising from pension fund management	0	0	0	0	0	0	
e Change in other technical reserves	3,170	2	3,168	73	4	69	

Vittoria Assicurazioni S.p.A.
 Consolidated interim financial statements as at and for the six months ended 30 June 2007

Breakdown of insurance operating costs

(in thousands of Euros)

	Non-life business		Life business	
	30/06/07	30/06/06	30/06/07	30/06/06
Gross commissions and other acquisition costs net of profit participation and other commissions received from reinsurers	48,684	42,716	9,093	3,734
Investment management costs	226	191	235	181
Other administrative costs	8,131	7,190	2,465	2,235
Total	57,041	50,097	11,793	6,150

Vittoria Assicurazioni S.p.A.

Consolidated interim financial statements as at and for the six months ended 30 June 2007

Breakdown of property, plant and equipment and intangible assets

(in thousands of Euros)

	At cost	Deemed cost or fair value	Total carrying amount
Investment property	-	-	-
Other property	351,730	-	351,730
Other items of property, plant and equipment	4,344	-	4,344
Other intangible assets	16,482	-	16,482

Vittoria Assicurazioni S.p.A.

Consolidated interim financial statements as at and for the six months ended 30 June 2007

Breakdown of financial assets and liabilities relating to contracts issued by insurance companies where the investment risk is borne by policyholders and arising from pension fund management

(in thousands of Euros)

	Benefits relating to unit-linked and index-linked policies		Benefits relating to pension fund management		Total	
	30/06/2007	31/12/2006	30/06/2007	31/12/2006	30/06/2007	31/12/2006
Recognised assets	114,911	113,669	2,647	2,379	117,558	116,048
Intragroup assets *	0	0	0	0	0	0
Total assets	114,911	113,669	2,647	2,379	117,558	116,048
Recognised financial liabilities	114,911	113,669	2,647	2,379	117,558	116,048
Recognised technical reserves	0	0	0	0	0	0
Intragroup liabilities *	0	0	0	0	0	0
Total liabilities	114,911	113,669	2,647	2,379	117,558	116,048

* Assets and liabilities eliminated during consolidation

Parent company
Balance Sheet
Profit and loss account

Annexes to the half year report

BALANCE

ASSETS	At 30 June of the current year	At 30 June of the previous year	At 31 December of the previous year
A. Share capital proceeds to be received	0 ⁷⁵	0 ¹⁴⁹	0
B. Intangible assets			
1. Acquisition costs to be amortised	10,843 ⁷⁶	12,096 ¹⁵⁰	11,250
2. Other assets	16,802 ⁷⁷	16,493 ¹⁵¹	16,931
Total	27,645 ⁷⁸	28,589 ¹⁵²	28,181
C. Investments			
I - Land and buildings	8,186 ⁷⁹	8,211 ¹⁵³	8,166
II - Investments in group and other companies			
1. Equity investments	216,359 ⁸⁰	141,078 ¹⁵⁴	216,957
2. Bonds	0 ⁸¹	0 ¹⁵⁵	0
3. Loans	500 ⁸²	0 ¹⁵⁶	0
Total investments in group and other companies	216,859 ⁸³	141,078 ¹⁵⁷	216,957
III. - Other financial investments			
1. Equity investments	0 ⁸⁴	0 ¹⁵⁸	0
2. Unit trust units	12,205 ⁸⁵	7,903 ¹⁵⁹	7,205
3. Bonds and other fixed-interest securities	1,118,324 ⁸⁶	1,037,236 ¹⁶⁰	1,053,246
4. Loans	10,072 ⁸⁷	11,614 ¹⁶¹	10,270
5. Other	0 ⁸⁸	0 ¹⁶²	0
Total other financial investments	1,140,601 ⁸⁹	1,056,753 ¹⁶³	1,070,721
IV - Deposits with ceding companies	532 ⁹⁰	615 ¹⁶⁴	534
Total	1,366,178 ⁹¹	1,206,657 ¹⁶⁵	1,296,378
D. Investments benefiting life policyholders bearing the risk and stemming from pension fund management			
I - Investments relating to unit-linked and index-linked policies	113,720 ⁹²	116,003 ¹⁶⁶	111,385
II - Investments stemming from pension fund management	2,624 ⁹³	2,061 ¹⁶⁷	2,355
Total	116,344 ⁹⁴	118,064 ¹⁶⁸	113,740
D.bis Reinsurers' share of technical reserves			
I - Non-life business technical reserves	91,652 ⁹⁵	109,222 ¹⁶⁹	104,376
II - Life business technical reserves (excluding those mentioned in point III)	21,184 ⁹⁶	25,500 ¹⁷⁰	22,662
III - Life business technical reserves where investment risk is borne by policyholders and reserves arising from pension fund management	0 ⁹⁷	0 ¹⁷¹	0
Total	112,836 ⁹⁸	134,722 ¹⁷²	127,038
E. Receivables			
I - Receivables relating to direct insurance	103,360 ⁹⁹	89,864 ¹⁷³	115,686
II - Receivables relating to reinsurance business	7,510 ¹⁰⁰	15,204 ¹⁷⁴	5,710
III. - Other receivables	14,573 ¹⁰¹	42,766 ¹⁷⁵	17,182
Total	125,443 ¹⁰²	147,834 ¹⁷⁶	138,578
F. Other assets			
I - Tangible assets and inventory	3,286 ¹⁰³	4,226 ¹⁷⁷	3,916
II - Liquid funds	59,632 ¹⁰⁴	43,723 ¹⁷⁸	41,553
III - Own shares	0 ¹⁰⁵	0 ¹⁷⁹	0
IV - Other assets	14,881 ¹⁰⁶	11,689 ¹⁸⁰	9,194
Total	77,799 ¹⁰⁷	59,638 ¹⁸¹	54,663
G. Prepayments and accrued income	17,609 ¹⁰⁸	15,096 ¹⁸²	15,808
TOTAL ASSETS	1,843,854¹⁰⁹	1,710,600¹⁸³	1,774,386

SHEET

(in thousands of Euros)

LIABILITIES	At 30 June of the current year	At 30 June of the previous year	At 31 December of the previous year
A. Shareholders' equity			
I - Subscribed share capital or equivalent fund	32,637 ¹¹⁰	30,244 ¹⁸⁴	30,452 ¹⁸⁴
II - Share premium reserve	30,164 ¹¹¹	21,070 ¹⁸⁵	21,858 ¹⁸⁵
III. - Legal reserve	6,090 ¹¹²	6,000 ¹⁸⁶	6,000 ¹⁸⁶
IV - Other equity reserves	109,838 ¹¹³	87,363 ¹⁸⁷	87,363 ¹⁸⁷
V - Retained earnings or losses carried forward	0 ¹¹⁴	0 ¹⁸⁸	0 ¹⁸⁸
VI - Net profit (loss) for the period/year	17,024 ¹¹⁵	13,124 ¹⁸⁹	27,437 ¹⁸⁹
Total	195,753 ¹¹⁶	157,801 ¹⁹⁰	173,110 ¹⁹⁰
B. Subordinated liabilities	5,340 ¹¹⁷	16,828 ¹⁹¹	15,832 ¹⁹¹
C. Technical reserves			
I - Non-life businesses			
1. Premium reserve	189,824 ¹¹⁸	174,659 ¹⁹²	174,360 ¹⁹²
2. Claims reserve	485,038 ¹¹⁹	429,916 ¹⁹³	462,578 ¹⁹³
3. Other technical reserves	2,974 ¹²⁰	2,524 ¹⁹⁴	2,783 ¹⁹⁴
4. Equalisation reserves	2,289 ¹²¹	2,007 ¹⁹⁵	2,147 ¹⁹⁵
Total non-life business technical reserves	680,125 ¹²²	609,106 ¹⁹⁶	641,868 ¹⁹⁶
II - Life businesses			
1. Mathematical reserves	675,782 ¹²³	625,215 ¹⁹⁷	649,083 ¹⁹⁷
2. Reserve for payable amounts	15,190 ¹²⁴	16,809 ¹⁹⁸	23,074 ¹⁹⁸
3. Other technical reserves	7,640 ¹²⁵	3,899 ¹⁹⁹	4,476 ¹⁹⁹
Total life business technical reserves	698,612 ¹²⁶	645,923 ²⁰⁰	676,633 ²⁰⁰
Total	1,378,737 ¹²⁷	1,255,029 ²⁰¹	1,318,501 ²⁰¹
D. Technical reserves where investment risk is borne by policyholders and reserves arising from pension fund management			
I - Reserves arising from index-linked policies index-linked policies	113,720 ¹²⁸	116,003 ²⁰²	111,385 ²⁰²
II - Reserves arising from pension fund management	2,624 ¹²⁹	2,061 ²⁰³	2,355 ²⁰³
Total	116,344 ¹³⁰	118,064 ²⁰⁴	113,740 ²⁰⁴
E. Provisions for contingencies and other charges	3,192 ¹³¹	4,713 ²⁰⁵	3,301 ²⁰⁵
F. Deposits from reinsurers	78,847 ¹³²	106,295 ²⁰⁶	86,934 ²⁰⁶
G. Payables and other liabilities			
I - Payables arising from direct insurance business	6,411 ¹³³	6,166 ²⁰⁷	6,827 ²⁰⁷
II - Payables arising from reinsurance business	6,263 ¹³⁴	5,000 ²⁰⁸	12,489 ²⁰⁸
III. - Bond issues	0 ¹³⁵	0 ²⁰⁹	0 ²⁰⁹
IV - Due to banks and other financial institutions	0 ¹³⁶	0 ²¹⁰	0 ²¹⁰
V - Other payables and loans	29,826 ¹³⁷	21,401 ²¹¹	24,939 ²¹¹
VI - Employees' leaving entitlement	3,368 ¹³⁸	3,911 ²¹²	6,336 ²¹²
VII - Other liabilities	17,573 ¹³⁹	12,922 ²¹³	11,498 ²¹³
Total	65,441 ¹⁴⁰	51,400 ²¹⁴	62,089 ²¹⁴
H. Accrued expenses and deferred income	200 ¹⁴¹	470 ²¹⁵	879 ²¹⁵
TOTAL LIABILITIES	1,843,854¹⁴²	1,710,600²¹⁶	1,774,386²¹⁶

GUARANTEES, COMMITMENTS AND OTHER MEMORANDUM AND CONTINGENCY ACCOUNTS

I. Guarantees given	20,500 ¹⁴³	20,500 ²¹⁷	20,500 ²¹⁷
II. Guarantees received or given by third parties in the interest of the company	9,450 ¹⁴⁴	450 ²¹⁸	3,950 ²¹⁸
III. Commitments	4,952 ¹⁴⁵	63,416 ²¹⁹	8,013 ²¹⁹
IV. Assets pertaining to pension funds managed in favour and on behalf of third parties	2,624 ¹⁴⁶	2,061 ²²⁰	2,355 ²²⁰
V. Other	1,211,345 ¹⁴⁷	1,119,943 ²²¹	1,143,842 ²²¹
TOTAL MEMORANDUM AND CONTINGENCY ACCOUNTS	1,248,871¹⁴⁸	1,206,370²²²	1,178,662²²²

PROFIT AND LOSS

	First half of the current year	First half of the previous year	Previous year
I. NON-LIFE BUSINESS TECHNICAL ACCOUNT			
1 Premiums earned, net of outwards reinsurance	207,943 ⁵⁷	180,087 ¹¹³	371,644
2 (+) Income on investments transferred from non-technical account (caption III. 6)	12,326 ⁵⁸	9,515 ¹¹⁴	20,894
3 Other technical income, net of outwards reinsurance	867 ⁵⁹	967 ¹¹⁵	2,156
4 Charges relating to claims, net of recoveries and outwards reinsurance	144,823 ⁶⁰	125,469 ¹¹⁶	255,339
5 Change in other technical reserves, net of outwards reinsurance	191 ⁶¹	205 ¹¹⁷	463
6 Reversals and profit participation, net of outwards reinsurance	0 ⁶²	0 ¹¹⁸	0
7 Operating costs:			
a) Acquisition costs, net of commissions and profit participation received from reinsurers	45,093 ⁶³	38,623 ¹¹⁹	79,229
b) Administrative costs	12,482 ⁶⁴	11,581 ¹²⁰	24,557
Total	57,575 ⁶⁵	50,204 ¹²¹	103,786
8 Other technical charges, net of outwards reinsurance	1,268 ⁶⁶	2,643 ¹²²	3,843
9 Change in equalisation reserves	142 ⁶⁷	131 ¹²³	271
10 Result of non-life business technical account	17,137 ⁶⁸	11,917 ¹²⁴	30,992
II. LIFE BUSINESS TECHNICAL ACCOUNT			
1 Premiums, net of outwards reinsurance	67,891 ⁶⁹	56,385 ¹²⁵	129,213
2 Income on investments			
a) Income on investments	18,493 ⁷⁰	16,328 ¹²⁶	33,083
c) Write-backs of adjustments to investment values	17 ⁷¹	10 ¹²⁷	184
d) Profit on sale of investments	0 ⁷²	16 ¹²⁸	29
Total	18,510 ⁷³	16,354 ¹²⁹	33,296
3 Income and unrealised capital gains relating to investments benefitting policyholders who bear the risk and investments stemming from pension fund management	7,018 ⁷⁴	4,103 ¹³⁰	12,682
4 Other technical income, net of outwards reinsurance	504 ⁷⁵	521 ¹³¹	984
5 Charges relating to claims, net of outwards reinsurance	41,000 ⁷⁶	37,409 ¹³²	102,356
6 Change in mathematical reserves and other technical reserves, net of outwards reinsurance			
a) Mathematical reserves, complementary insurance premium reserve and other technical reserves	31,398 ⁷⁷	26,591 ¹³³	53,609
b) Technical reserves where investment risk is borne by policyholders and reserves arising from pension fund management	2,605 ⁷⁸	-2,027 ¹³⁴	-6,351
Total	34,003 ⁷⁹	24,564 ¹³⁵	47,258
7 Reversals and profit participation, net of outwards reinsurance	0 ⁸⁰	2 ¹³⁶	7
8 Operating costs			
a) Acquisition costs, net of commissions and profit participation received from reinsurers	8,429 ⁸¹	3,141 ¹³⁷	7,421
b) Administrative costs	3,507 ⁸²	3,076 ¹³⁸	6,818
Total	11,936 ⁸³	6,217 ¹³⁹	14,239

ACCOUNT

(in thousands of Euros)

	First half of the current year	First half of the previous year	Previous year
9 Capital and financial charges			
a) Investment management charges and interest payable	28 1,304 ⁸⁴	1456 ¹⁴⁰	2,843
b) Adjustments to investment values	29 146 ⁸⁵	105 ¹⁴¹	116
c) Loss on sale of investments	30 0 ⁸⁶	0 ¹⁴²	2
Total	31 1,450 ⁸⁷	1,561 ¹⁴³	2,961
10 Capital and financial charges and unrealised capital losses relating to investments benefiting policyholders bearing the risk and investments relating to pension fund management	32 930 ⁸⁸	2,310 ¹⁴⁴	1,765
11 Other technical charges, net of outwards reinsurance	33 8 ⁸⁹	8 ¹⁴⁵	36
12 (-) Income on investments transferred to non-technical account (caption III.4)	34 1,654 ⁹⁰	1,225 ¹⁴⁶	2,496
13 Result of life business technical account	35 2,942 ⁹¹	4,067 ¹⁴⁷	5,057
III. NON-TECHNICAL ACCOUNT			
1 Result of non-life business technical account (caption I.10)	36 17,137 ⁹²	11,917 ¹⁴⁸	30,992
2 Result of life business technical account(Caption II.13)	37 2,942 ⁹³	4,067 ¹⁴⁹	5,057
3 Income on investments in non-life business			
a) Income on investments	38 16,101 ⁹⁴	12,961 ¹⁵⁰	27,664
b) Write-backs of adjustments to investment values	39 44 ⁹⁵	16 ¹⁵¹	555
c) Profit on sale of investments	40 0 ⁹⁶	0 ¹⁵²	0
Total	41 16,145 ⁹⁷	12,977 ¹⁵³	28,219
4 (+) Income on investments transferred from non-life business technical account (caption II.12)	42 1,654 ⁹⁸	1,225 ¹⁵⁴	2,496
5 Capital and financial charges of non-life business			
a) Investment management charges and interest payable	43 1,118 ⁹⁹	1,150 ¹⁵⁵	2,323
b) Adjustments to investment values	44 25 ¹⁰⁰	96 ¹⁵⁶	0
c) Loss on sale of investments	45 0 ¹⁰¹	0 ¹⁵⁷	2
Total	46 1,143 ¹⁰²	1,246 ¹⁵⁸	2,325
6 (-) Income on investments transferred to non-life business technical account (caption I.2)	47 12,326 ¹⁰³	9,515 ¹⁵⁹	20,894
7 Other income	48 1,395 ¹⁰⁴	920 ¹⁶⁰	1,932
8 Other expense	49 2,723 ¹⁰⁵	2,742 ¹⁶¹	7,384
9 Result of ordinary business	50 23,081 ¹⁰⁶	17,603 ¹⁶²	38,093
10 Extraordinary income	51 503 ¹⁰⁷	303 ¹⁶³	360
11 Extraordinary expense	52 260 ¹⁰⁸	70 ¹⁶⁴	248
12 Result of extraordinary business	53 243 ¹⁰⁹	233 ¹⁶⁵	112
13 Profit (loss) before taxation	54 23,324 ¹¹⁰	17,836 ¹⁶⁶	38,205
14 Taxation on profit for the period/year	55 6,300 ¹¹¹	4,712 ¹⁶⁷	10,768
15 Net profit (loss) for the period/year	56 17,024 ¹¹²	13,124 ¹⁶⁸	27,437

Declaration of
Corporate
Financial Reporting Manager

DECLARATION PURSUANT TO ARTICLE 154/2, 2nd PARAGRAPH, OF ITALIAN LEGISLATIVE DECREE no. 58 OF 24 FEBRUARY 1998 (Italian Consolidated Finance Act) AS SUBSEQUENTLY AMENDED

The undersigned, Mario Ravasio, Joint General Manager, in his capacity as Corporate Financial Reporting Manager,

herewith declares

pursuant to Article 154/2, 2nd paragraph, of Italian Legislative Decree no. 58 of 24 February 1998, based on what he knows in relation to the position, that the Consolidated Half-Year Report as at 30 June 2007, approved by the Board of Directors of Vittoria Assicurazioni SpA on 7 September 2007, matches documentary evidence, corporate books, and accounting records.

Mario Ravasio
Corporate Financial Reporting Manager

Report Of the Independent Auditors

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

**Review report on the consolidated half-year report
prepared in accordance with article 81 of Consob Regulation
of Vittoria Assicurazioni S.p.A. approved with Resolution no. 11971 dated 14 May
1999 and ISVAP Provision no. 1207-G dated 6 July 1999 and subsequent
modifications and integrations with supervision purposes**

To the Board of Directors of
Vittoria Assicurazioni S.p.A.

1. We have reviewed the half-year consolidated report as at and for the six months ended 30 June 2007, comprising the balance sheet, profit and loss accounts, the statement of changes in shareholders' equity, the cash flow statement (the "half year report") and the related notes of Vittoria Assicurazioni S.p.A.. This half-year report is the responsibility of the management of Vittoria Assicurazioni S.p.A.. Our responsibility is to draw up this report based on our review. We have also reviewed that part of the notes describing the activities of the company and the group for the period with the sole objective of verifying consistency with the remaining part of the half-year report. The half-year report complies both to the article 81 of Consob Regulation approved with Resolution no. 11971 dated 14 May 1999 and ISVAP Provision no. 1207-G dated 6 July 1999 and subsequent modifications and integrations with supervision purposes.
2. We conducted our review in accordance with Consob guidelines set out in Consob Resolution no. 10867 dated 31 July 1997. The review consisted primarily of the collection of information relating to the financial data and the consistency of application of the accounting policies through discussions with company management and analytical procedures applied to the financial data presented. With respect to the examination of technical reserves accounted for under liabilities in the balance sheet, we also referred to the report of a qualified actuary, in accordance with ISVAP Provision. The review excluded such audit procedures as tests of controls and verification or validation of assets and liabilities and is significantly less than a full scope audit performed in accordance with generally accepted auditing standards. As a consequence, contrary to our reports on the consolidated financial statements, we do not express an opinion on the half-year report.
3. With reference to the comparative figures relative to the annual consolidated financial statements and half-year report of the previous year, reference should be made to our reports dated 11 April 2007 and 18 September 2006.

4. Based on our review, we are not aware of any material modification or integrations that should be made to the consolidated balance sheet, profit and loss accounts and relative notes of Vittoria Assicurazioni S.p.A. described in paragraph 1 above for them to be in conformity with international accounting principle - IAS 34, Consob guidelines governing preparation of half-year reports foreseen in article 81 of Resolution no. 11971 dated 14 May 1999 and ISVAP Provision no. 1207-G dated 6 July 1999 and subsequent modifications and integrations.

Milan, 19 October 2007

BDO Sala Scelsi Farina
Società di Revisione per Azioni



Paolo Scelsi
(A Director)